OLD MUTUAL ZIMBABWE LIMITED

CONSOLIDATED ABRIDGED FINANCIAL STATEMENTS

For the year ended 31 December 2017

CHAIRMAN'S **STATEMENT**

Dear Shareholder

It is with pleasure that I present to you the consolidated abridged financial statements for Old Mutual Zimbabwe Limited for the year ended 31 December 2017.

Environment

The operating environment remained challenging in 2017 as the year was characterized by increasing macro-economic vulnerability reflected in a widening fiscal and trade deficit. This led to cash and foreign currency shortages as well as associated speculative consumer and asset pricing tendencies. Government estimates that the economy grew by 3.7% in 2017, up from 0.7% in the previous year, buoyed by a favorable 2016/17 agricultural season on the back of above normal rainfall and inputs support extended to farmers as part of the Command Agriculture programme. However, inflation closed the year ended 31 December 2017 at 3.46%, up from -0.93% in 2016. The Zimbabwe Stock Exchange (ZSE) industrial index closed the year 2017 with noteworthy gains of 130.42%, despite a late decline in the last quarter of the year, when the market shed 20.4%. Property market returns remained subdued in light of compromised corporate earnings while money market interest rates were weighed down by deliberate policy measures to cap interest rates as well as a depressed market appetite for deposits.

The resignation of former President Robert Mugabe on 21 November 2017 marked a possible inflexion point in Zimbabwe's macro-economic trajectory, ushering in a new political-economic dispensation. The international community including the United Kingdom, the European Union and China have noted that the transition presents an opportunity for renewed economic cooperation. Locally, a renewed confidence in the economic outlook underpinned by the new administration's reformist policy stance, and a commitment to free market tenets has emerged.

The smooth political transition appears to have tamed the mood of economic pessimism seen throughout most of 2017. Resultantly, speculative pricing tendencies have ebbed since November 2017, reducing premiums on investment assets, particularly equities and property.

Financial performance

Profit after tax based on International Financial Reporting Standards (IFRS) increased by 139% from US$91.8 million to US$219.3 million largely driven by a strong operating profit across the business as well as non-banking investment returns which grew by 448% from US$116.9 million to US$640.9 million. The growth in investment returns was mainly due to the Group's exposure to listed equities as the Zimbabwe Stock Exchange recorded significant gains with the ZSE industrial and mining indices closing 2017 with full year gains of 130.42% and 143.38% respectively.

Adjusted operating profit (AOP), which is comprised of operating profit plus a normalized investment return on shareholder funds, was up by 25% from US$76.1 million in 2016 to US$95.5 million. This was due to higher life, banking and asset management profits and increased long term investment returns (LTIR) on the back of a higher asset base. The normalising of investment returns allows for easier year-on-year comparability of results by adjusting for short term volatility in investment markets. The 25% growth in AOP highlights the strong performance of the core business operations despite the challenging operating environment.

The banking business recorded a net surplus growth of 7%, to US$42.1 million, up from US$39.2 million in 2016. This was mainly due to growth in Non - Interest Income by 27% emanating from increased use of card based and electronic banking platforms as an alternative to cash transactions, as well as an improvement in the non-performing loan ratio. Interest income was 1% below last year with the impact of interest rate caps mitigated by a 15% growth in Loans and Advances from US$583.3 million to US$668.8 million as well as a lower cost of deposits.

Gross Premiums grew by 5% from US$185.4 million to US$194.8 million in total for the life and short term insurance businesses due to a combination of improved client retention and new business underwritten. AOP for the life business was 43% higher than the prior year, having grown from US$21.8 million to US$31.2 million. This was driven by higher risk profits and positive variances on asset based fees. The short term insurance business, however, achieved an underwriting margin of 13% compared to 18% in 2016, weighed down by weather related claims experienced in the first quarter of 2017, and increasing repair costs on the private motor vehicle book in the second half of the year.

Funds Under Management (FUM) for the asset management business were up by 50% from US$1.8 billion to US$2.7 billion largely due to a combination of growth in net client cash flows (NCCF) generated and gains on ZSE listed equity investments. As a result of the growth in FUM, fee income and profit before tax for the asset management business increased by 28% and 64% to US$20.6 million and US$10.7 million respectively.

Operating and administration expenses increased by 5% to $US93.8 million from US$89.4 million in prior year. The relatively low increase in expenses underscores the success of cost containment measures implemented throughout the course of 2017.

Total assets increased by 45% from US$2.2 billion to US$3.1 billion driven by growth in investments and securities; loans and advances and cash and cash equivalents.

Operations

Throughout the course of the year, the Group primarily focused on enhancing service delivery and improved internal controls and operating efficiencies. There was considerable investment in IT systems, new processes and delivery channels.

We expanded our one-stop-financial services shop concept by launching three additional Green Zones in 2017 reflecting our strong commitment to improving customer experience. The new Green Zones were launched in Harare (Mutual Gardens), Chiredzi and Masvingo. As part of efforts to enhance service delivery to our customers we upgraded the life and banking operating systems. Some challenges were encountered in the upgrade of the banking system in October 2017 but these had been largely resolved by the end of the year. The short term insurance business collaborated with ZINARA and the Zimbabwe Broadcasting Corporation (ZBC) to launch a one-stop service that entails issuing of all motor vehicle licensing disks within the business. The business also launched a WhatsApp platform to improve communication with customers.

In terms of our private equity initiatives, construction of Kupinga Hydro Power Plant, which we financed, was completed. The plant was successfully commissioned and is now supplying 1.6 MW of power onto the national grid. Commendable progress was also made in the construction work being carried out at the Eastgate SME Centre and the project is now nearing completion.

With regards to housing initiatives, sales at the Budiriro Housing Development improved significantly from the prior year. The Group also partnered with the City of Harare to improve the road infrastructure in the area and work on the electrification of houses is progressing well. Development of stands at the Pumula and Nkulumane housing projects also commenced during the year.

The Group launched Old Mutual Finance, a credit only microfinance business, which opened its doors to business in May 2017. As at year end this business had made notable progress in growing its customer base and it is expected to play an integral role in driving financial inclusion through the provision of financial services to market segments previously not serviced by traditional financial institutions and lenders.

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

- Best organization in Service Excellence in the Insurance Sector (Zimbabwe Service Excellence Awards);
- SuperBrand in the Life Assurance Sector (SuperBrand Awards);
- Top Employer for the fifth year running (Top Employers Institute); and
- Best banking corporation governance disclosures – awarded to CABS (ICSAZ Excellence in Corporate Governance Awards).

Responsible business

As Old Mutual, we recognise that we have a responsibility to the communities in which we operate and the various stakeholders that we interact with in the course of our business activities. As such, the Group maintained its emphasis on being a Responsible Business. We are guided by our 5 pillars namely:

- Responsible investment;
- Responsibility to customers;
- Responsible environmental management;
- Responsibility to employees and;
- Responsibility to communities.

During the year 2017, we invested in the health of our country's social fabric through; sporting events, health, education, arts and culture with the aim of enabling positive futures for all our stakeholders.

Outlook

Going forward, the overall pace and magnitude of macro-economic revival is likely to depend significantly on the government's ability to sustainably rebuild public and investor confidence, as well as to re-engage successfully with the international community. This needs to be accompanied by effective implementation of programmes stemming from the new policies under development.

The Group has always had confidence in Zimbabwe's long term economic prospects and stands ready to partner with all stakeholders in rebuilding the economy.

Appreciation

On behalf of the Board, I would like to thank our customers for their continued support and trust throughout 2017. I must also extend appreciation to the Group's employees and management for their efforts throughout the course of the year, without which we would not have been able to achieve these commendable results in a challenging operating environment.

J !Gawaxab
Chairman

DIRECTORS' **REPORT**

Responsibility

The directors are responsible for the preparation and fair presentation of the Group's annual financial statements, comprising a statement of the financial position as at 31 December 2017; and the statement of profit or loss; statements of comprehensive income; changes in equity and cash flows for the year then ended; and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03). In addition, the directors are responsible for preparing the directors' report.

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

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

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

Compliance with legislation

These financial statements which have been prepared under the historical cost convention are in agreement with the underlying books and records, have been properly prepared in accordance with the accounting policies set out in note 2, and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant regulations made there under; the Insurance Act (Chapter 24:07), the Pension and Provident Funds Act (Chapter 24:09), the Microfinance Act (Chapter 24:09), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), 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 in accordance 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).

Capital

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

Dividend

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

I. Preference dividend declared out of 2016 profits and paid during the year;
April 2017 US$2 957 259

II. Ordinary dividends declared out of 2016 profits and paid during the year;
April 2017 US$7 500 000

III. An interim preference dividend declared out of 2017 profits and paid during the year;
October 2017 US$2 469 509

IV. An interim ordinary dividend declared out of 2017 profits and paid during the year,
October 2017 US$5 000 000

V. An ordinary dividend of US$10 000 000 is proposed out of 2017 profits as well as an additional special dividend of US$10 000 000.

Directors

Mr.	J	!Gawaxab	(Chairman)
Mr.	D	Benecke	
Mr.	TM	Johnson	
Mr.	MP	Mahlangu	
Mr.	K	Mandevani	
Mr.	IT	Mashinya*	(Executive Director)
Mr.	NTT	Mudekunye*	(Group Finance Director) Appointed 27th April, 2017
Mr.	J	Mushosho*	(Group Chief Executive Officer)
Dr.	LL	Tsumba	
Mr.	IG	Williamson	

*Denotes Executive Director

Dr LL Tsumba and Messrs. D Benecke and I Williamson retire by rotation, and being eligible, offer themselves for re-election.

Far reaching amendments to the Banking Act (Chapter 24:20) were gazetted on 13 May 2016. This legislation affects the Central Africa Building Society as well as Old Mutual Zimbabwe Limited, which is defined as a Controlling Company in terms of Section 2 of the Act. The Group is in the process of instituting measures to achieve compliance with the Act, particularly around Board composition.

AUDITOR'S **STATEMENT**

The consolidated abridged financial results should be read in conjunction with the complete set of financial statements of Old Mutual Zimbabwe Limited for the financial year ended 31 December 2017, which have been audited by KPMG Chartered Accountants (Zimbabwe) and an unqualified opinion has been issued thereon. The auditor's report for the year then ended carries key audit matters ("KAMs") outlining areas of the audit process that required significant attention of the auditor. These included, impairment of loans and advances, valuation of investment property, valuation and classification of unlisted investments, valuation of treasury bills and valuation of policyholder liabilities. The auditor's report on the financial statements, is available for inspection at the Company's registered office.

22 March 2018

RECONCILIATION OF PROFIT BEFORE TAX TO ADJUSTED OPERATING PROFIT BEFORE TAX

	2017 Group US$	2016 Group US$
Profit before tax	242 876 403	99 404 608
Adjusting items		
Short-term fluctuations in shareholder investment return (unrealised)	(140 320 376)	(24 612 739)
Policyholder tax	(7 097 489)	1 290 453
Adjusted operating profit before tax	95 458 538	76 082 322

GROUP STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Group US$	2016 Group US$
Revenue			
Gross premiums	4	194 762 961	185 331 898
Outward reinsurance		(10 062 972)	(10 820 108)
Net earned premiums		184 699 989	174 511 790
Investment income (non banking)	5	640 946 266	116 899 502
Banking interest and similar income	6	91 364 015	93 339 766
Fee income, commissions and income from service contracts	7	71 685 808	58 734 149
Other income		3 273 940	1 566 461
Total revenue		**991 970 018**	**445 051 668**
Expenses			
Claims and benefits (including change in insurance contract provisions)	8	(563 021 342)	(219 229 113)
Reinsurance recoveries		3 664 575	3 420 387
Net claims incurred		(559 356 767)	(215 808 726)
Change in provision for investment contract liabilities		(51 809 502)	(6 682 553)
Fees, commissions and other acquisition costs		(21 163 318)	(7 313 092)
Banking interest payable and similar expenses	6	(20 239 362)	(22 955 977)
Impairment charges		(2 701 279)	(3 531 106)
Other operating and administration expenses	9	(93 823 387)	(89 355 606)
Profit before tax		**242 876 403**	**99 404 608**
Income tax expense		(23 614 160)	(7 571 867)
Profit for the year		**219 262 243**	**91 832 741**
Attributable to non-controlling interests		7 695 743	3 155 851
Attributable to owners of parent company		211 566 500	88 676 890
		219 262 243	**91 832 741**

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Group US$	2016 Group US$
Profit for the year		**219 262 243**	**91 832 741**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Property revaluation		1 045 173	(1 120 337)
Shadow accounting		(724 662)	(700 327)
Regulatory impairment allowance		(1 440 001)	(5 984 345)
Total comprehensive income for the year		**218 142 753**	**84 027 732**
Total comprehensive income attributable to:			
Owners of parent company		210 447 010	80 871 881
Non-controlling interests		7 695 743	3 155 851
		218 142 753	**84 027 732**
Earnings per share			
Basic and diluted (US cents)	10	63.72	26.71

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 Group US$	2016 Group US$
Assets			
Investment property	11	405 171 878	392 554 780
Property and equipment		96 322 048	92 466 009
Deferred acquisition costs		741 681	893 405
Reinsurer contracts		3 278 568	1 949 657
Investments and securities	12	1 610 459 137	801 700 043
Deferred tax assets		932 245	1 030 934
Current tax assets		737 798	-
Loans and advances	13	669 180 202	583 252 405
Other assets		145 628 854	128 839 053
Cash and cash equivalents		190 251 626	154 825 305
Total assets		**3 122 704 037**	**2 157 511 591**
Liabilities			
Insurance contract liabilities	14	1 355 608 987	900 788 677
Investment contract liabilities	15	120 815 870	76 330 845
Provisions		14 303 061	15 002 534
Deferred tax liabilities		42 089 309	30 298 182
Current tax payables		557 924	452 664
Amounts due to group companies		68 647 703	57 347 829
Amounts owed to bank depositors	16	838 026 610	617 561 524
Credit lines		23 317 769	28 654 056
Other liabilities		79 148 600	52 127 147
Total liabilities		**2 542 515 833**	**1 778 563 458**
Net assets		**580 188 204**	**378 948 133**
Shareholders' equity			
Share capital and premium		1 065	1 065
Non-distributable reserve		52 457 048	52 457 048
Revaluation reserve		18 776 760	18 456 249
Share option reserve		32 480 501	32 037 134
Regulatory provisions reserve		17 957 094	16 517 093
Retained earnings		439 983 423	247 192 464
		561 655 891	**366 661 053**
Non-controlling interests		18 532 313	12 287 080
Total equity		**580 188 204**	**378 948 133**

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital & premium US$	Non-distributable reserve US$	Revaluation reserve US$	Share option reserve US$	Regulatory provisions reserve US$	Retained income US$	Equity total US$	Non-controlling interests US$	Equity total US$
2017									
Shareholders' equity at beginning of year	**1 065**	**52 457 048**	**18 456 249**	**32 037 134**	**16 517 093**	**247 192 464**	**366 661 053**	**12 287 080**	**378 948 133**
Profit for the financial year						211 566 500	211 566 500	7,695,743	219 262 243
Other comprehensive income									
Shadow accounting			(724 662)				(724 662)		(724 662)
Revaluation of property			1 045 173				1 045 173		1 045 173
Transfer to reserve					1 440 001	(1 440 001)	-		-
Total Comprehensive income for the year	**-**	**-**	**320 511**	**-**	**1 440 001**	**210 126 499**	**211 887 011**	**7 695 743**	**219 582 754**
Vested shares				935 726			935 726		935 726
Movement in treasury shares				(492 359)			(492 359)		(492 359)
Dividends paid	-	-	-		-	(17 335 540)	(17 335 540)	(1 450 510)	(18 786 050)
Transactions with shareholders	**-**	**-**	**-**	**443 367**	**-**	**(17 335 540)**	**(16 892 173)**	**(1 450 510)**	**(18 342 683)**
Shareholders' equity at end of year	**1 065**	**52 457 048**	**18 776 760**	**32 480 501**	**17 957 094**	**439 983 423**	**561 655 891**	**18 532 313**	**580 188 204**
2016									
Shareholders' equity at beginning of year	**1 065**	**52 457 048**	**20 276 913**	**45 121 581**	**10 532 748**	**179 231 048**	**307 620 403**	**10 514 195**	**318 134 598**
Profit for the financial year						88 676 890	88 676 890	3 155 851	91 832 741
Other comprehensive income									
Shadow accounting			(700 327)				(700 327)		(700 327)
Revaluation of property			(1 120 337)				(1 120 337)		(1 120 337)
Transfer to reserve					5 984 345	(5 984 345)	-		-
Total Comprehensive income for the year	**-**	**-**	**(1 820 664)**	**-**	**5 984 345**	**82 692 545**	**86 856 226**	**3 155 851**	**90 012 077**
Vested Shares				1 653 642			1 653 642		1 653 642
Movement in treasury shares				(14 738 089)			(14 738 089)		(14 738 089)
Dividends paid						(14 731 129)	(14 731 129)	(1 382 966)	(16 114 095)
Transactions with shareholders	**-**	**-**	**-**	**(13 084 447)**	**-**	**(14 731 129)**	**(27 815 576)**	**(1 382 966)**	**(29 198 542)**
Shareholders' equity at end of year	**1 065**	**52 457 048**	**18 456 249**	**32 037 134**	**16 517 093**	**247 192 464**	**366 661 053**	**12 287 080**	**378 948 133**

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 Group US$	2016 Group US$
Cash flows from operating activities		
Profit before tax	242 876 403	99 404 608
Non-cash movements and adjustments to profit before tax	(70 905 343)	33 116 013
Changes in working capital	149 555 342	(30 629 434)
Taxation paid	(12 356 883)	(9 275 187)
Net cash from operating activities	**309 169 519**	**92 616 000**
Cash flows from investing activities		
Acquisition of financial assets	(234 179 239)	(36 054 591)
Acquisition of investment properties	(6 932 337)	(4 585 996)
Acquisition of property and equipment	(13 664 671)	(10 881 926)
Net cash used in investing activities	**(254 776 247)**	**(51 522 513)**
Cash flows from financing activities		
Dividends paid	(18 786 050)	(16 114 095)
Net cash used in financing activities	**(18 786 050)**	**(16 114 095)**
Net increase in cash and cash equivalents	**35 607 222**	**24 979 392**
Net foreign exchange differences on cash and cash equivalents	**(180 901)**	**(134 289)**
Cash and cash equivalents at the beginning of the year	**154 825 305**	**129 980 202**
Cash and cash equivalents at the end of the year	**190 251 626**	**154 825 305**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. General Information

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

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

The holding company (OMZIL) is a 75% owned subsidiary of OM Zimbabwe Holdco limited which is ultimately a wholly owned subsidiary of Old Mutual plc.

2. Accounting Policies

2.1 Basis of preparation

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

The Group's functional and presentation currency is the United States Dollar (US$). All amounts have been rounded to the nearest dollar. The Group financial statements have been prepared on the going concern basis which the directors believe to be appropriate.

2.2 Critical accounting estimates and judgements

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

Critical accounting estimates are those which involve the most complex or subjective judgement or assessments. The areas of the Group's business that typically require such estimates are life insurance contract provisions, determination of the fair value for financial assets and liabilities, investment properties, and provisions. Insurance contract accounting and key assumptions made in determining insurance contract provisions are discussed in more detail in note 2.5.

The acute shortage of cash and foreign currency in the country which saw the increase in the use of different modes of payment for goods and services such as settlement via Real Time Gross Settlement (RTGS), Point of sale (POS) and mobile money has made the issue of the functional currency a key judgement area. The directors concluded that the functional currency of the Group remains United States dollar.

The fair values of investment properties, financial assets and liabilities are classified and accounted for in accordance with the policies set out in section 2.6 and 2.7 below. They are valued on the basis of listed market prices in so far as this is possible. If prices are not readily determinable, fair value is based either on internal valuation models or management estimates of amounts that could be realized under current market conditions.

The translation of the foreign currency denominated assets and liabilities to local currency is based on the year-end exchange rate and transactions are translated at the average exchange rate for the reporting period. Assets are subject to annual impairment reviews or whenever there is an indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell or value in use. Impairment losses are recorded in profit or loss in the period in which they occur.

The Group is required to make judgements on what constitutes an investment in associate. IAS 28 "Investment 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 this 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 IAS 39 "Financial Instruments: Recognition and Measurement". The Group assessed and concluded that where shareholding is above 20% for certain investments, accounting at fair value was considered applicable due to;

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Do great things

- The Group has investment linked insurance funds which include investments in which the Group has more than 20%. These funds back 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.
  - The assets backing these liabilities are ring-fenced.

- The Group has funds which operate like unit trusts and also include investments in which the Group has more than 20%. These funds back investment contract liabilities accounted for in terms of IAS 39, at fair value.

Housing projects 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.

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 12.1 and are recorded at fair value with no impairment as both capital and interest continue to be settled on maturity date.

2.3 Scope of consolidation

Subsidiary undertakings

Subsidiary undertakings are those enterprises controlled by the Group. The financial statements of subsidiaries are included in the group financial statements from the date that control commences until the date that control ceases. Subsidiary undertakings include structured entities created to accomplish a narrow well-defined objective, which may take the form of a corporation, trust, partnership or unincorporated entities, and for which the substance of the relationship between the Group and the entity indicates that the entity is controlled by the Group.

Control exists when the Group is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the existence and effect of potential voting rights currently exercisable or convertible when assessing whether it has control. Entities in which the Group holds half or less of the voting rights, but where the Group retains the majority of risks or benefits, are also included in the group accounts. The Group financial statements include the assets, liabilities, and results of the Group and subsidiary undertakings controlled by the Group.

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

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

Loss of control

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

2.4 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 and non banking interest income, dividend income and investment income, and fees for the 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 2.5 and 2.7 below.

2.5 Insurance and investment contracts

2.5.1 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 if a specified uncertain future event (the insured event) 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 in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. If significant additional benefits would be payable in scenarios that have commercial substance, 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. All contracts with a discretionary participating feature are accounted for in the same manner as insurance contracts by the Group.

2.5.2 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 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 to investment contract liabilities.

2.5.3 Revenue on investment management service contracts

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

2.5.4 Claims on contracts

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

Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders as well as general insurance claims 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. Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding. 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.

2.5.5 Insurance contract 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 Standards of Actuarial Practice (SAP) 104 (version 8). Under this guideline, provisions are valued using realistic expectations of future experience, with prescribed margins for prudence and deferral of profit emergence.

Provisions for investment contracts with a discretionary participating feature are also computed using FSV method. Surplus allocated to policyholders but not yet distributed (that is bonus smoothing reserve) related to these contracts is included in the 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 insurance liabilities with discretionary participating features) to ensure that the carrying amount of its liabilities is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

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

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

2.5.6 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.

2.5.7 Acquisition costs on long-term insurance

Acquisition costs, 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.

2.5.8 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 costs represent the contractual right to benefit from providing investment management services and is amortised as the related revenue is recognised.

2.6 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. 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 and for properties being valued for the first time.

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

The valuation methodology adopted is dependent upon the nature of the property. The investment method was applied on all income producing properties. This method is 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 any revaluation gain arising is initially recognised in profit or loss to the extent of previously charged impairment losses. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss.

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

2.7 Financial instruments

Recognition and derecognition

A financial instrument is recognised when and only when the Group becomes a party to the contractual provisions of the particular instrument. The Group derecognises a financial asset when and only when:
- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Group; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

All purchases and sales of financial assets carried at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset.

Interest income and expense

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

Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. Where financial assets are measured at fair value through profit or loss, the dividend income is recognised separately from fair value changes.

Financial assets carried at fair value through profit or loss

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

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

Financial assets that the Group has elected to designate at fair value through profit or loss are those where this designation either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis and are managed, evaluated and reported on using a fair value basis. This election is in respect of financial assets held to support liabilities in respect of contracts with policyholders.

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

Fair value measurement considerations

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

To the extent that the fair values of unlisted equity instruments cannot be measured reliably, such instruments are carried at cost, subject to impairment assessment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group at fair value through profit or loss. Subsequent to initial measurement, loans and receivables including those made to fellow Group companies are measured at amortised cost using the effective interest rate less any impairment losses. Interest income is recognised as part of investment income (non-banking), and for the banking business as banking interest and similar income.

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances with banks but excluding cash and cash equivalent instruments held for investing purposes. They are measured at amortised cost.

Financial liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process as finance costs.

Offsetting

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

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

2.8 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets, excluding financial assets at fair value through profit or loss, is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans or receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in net profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Loans and advances

Balances outstanding in respect of advances are considered to be of a financing nature. Accordingly, these amounts, less interest in suspense and specific and general risk provisions, are treated as receivables. Specific impairment is made when the repayment of identified advances is in doubt and reflects estimated losses. In determining specific impairment, the value of collateral held on mortgage advances is deducted from arrear balances. A prudent valuation of collateral is made by the Group's valuators. A portfolio impairment is made in respect of an estimate to cover the inherent risk in lending and advancing, which cannot be stated in specific terms.

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 (IAS) 39. Where the provision as per RBZ guidelines is higher than the IAS 39 impairment losses, the excess is treated as an appropriation of equity.

2.9 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 among its subsidiaries, fellow subsidiaries of Old Mutual Plc, the parent company directors, other key shareholders, and key management personnel. Transactions and balances are reflected in note 18.

2.10 Segment reporting

The Group's results are analysed and reported consistently with the way that management and the 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, 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 Life assurance (premium income), General insurance (premium income), Asset management (fee and commission income) and Banking (banking interest and fee income). 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 and the Statement of Financial Positions in note 3.

2.11 New and amended standards

The Group has adopted the following standards and amendments for the first time in their annual reporting period commencing 1 January 2017:
- Amendments to IAS 12 'Income Taxes', recognition of deferred tax assets for unrealised losses, effective for annual periods beginning on or after 1 January 2017
- Amendments to IAS 7 'Statement of Cash Flows', disclosure initiative, effective for annual periods beginning on or after 1 January 2017; and
- Amendments to IFRS 12 'Disclosure of Interests in other entities' (part of Improvements to IFRS 2014 to 2016 Cycle).

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

2.12 Forthcoming requirements

Future amendments not early adopted in the 2017 annual financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out as follows:

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

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

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

The Group is in the process of assessing the impact of IFRS 16.

IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018)
IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments.

The core principle of the standard is that the revenue recognised reflects the consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

The standard is effective for the Group for the financial year commencing 1 January 2018. The Group plans to adopt the fully retrospective approach, with the use of certain practical expedients, to the adoption of IFRS 15.

During the year, the Group performed a high level assessment to determine the potential impact of the new standard on the Group's statement of financial position and profit and loss. Based on this assessment, nothing has come to the attention of the Group that would indicate that the impact of the new standard would be significant on the financial statements.

Key matters arising from the assessment relate to the determination of when performance obligations are satisfied.

IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018)
The Group will implement IFRS 9 'Financial Instruments' with effect from 1 January 2018, with the impact of the cumulative adjustment reflected as an adjustment to opening retained income.

(a) Classification and measurement
As at 31 December 2017, the proportion of financial assets measured in terms of the current standard (IAS 39 Financial Instruments) was 61.57% at fair value; 38.43% at amortised cost; 100% of financial liabilities were measured at amortised cost.

IFRS 9 requires the Group to consider the business model for managing and monitoring performance of the financial instruments. Only the assets where the entity intends to collect payments of solely interest and principle ('SPPI') can be measured at amortised cost. Financial assets that contain characteristics of SPPI and where there is a mixed intention to hold the instruments will be measured at fair value through other comprehensive income.

The majority of equity instruments will be recognised at fair value through profit and loss except for instruments irrevocably designated at fair value through other comprehensive income.

There have been no material changes in the requirements for the classification and measurement of financial liabilities.

IFRS 9 allows an upfront, irrevocable designation of financial assets and financial liabilities to be designated at fair value through profit and loss when it eliminates or significantly reduces an accounting mismatch. Changes attributable to the entity's own credit in respect of financial liabilities designated at fair value will in future be required to be recognised in profit and loss.

The current measurement categories for financial instruments in the Statement of Financial Position as required by IFRS 9 are estimated to be in the following ranges:

Assets
- Amortised cost 40% – 44%
- Fair value through profit and loss 50% – 52%
- Fair value though other comprehensive income - debt 0% – 2%
- Fair value though other comprehensive income - equity 0% – 2%

Liabilities
- Amortised cost 55% – 60%
- Fair value through profit and loss 35% – 40%

(b) Impairment
The new accounting standard requires that impairment losses are recognised on an expected credit loss basis for all financial assets that are measured at amortised cost and for debt instruments that are measured at fair value through other comprehensive income.

The amount of the expected credit loss to be recognised in profit and loss is dependent on the credit quality of the financial asset. If the credit quality of the financial asset has not deteriorated since inception it will be categorised in Bucket 1 and an impairment loss provision equal to 12 months of the expected credit loss. If there has been significant deterioration in the credit quality of a financial asset a lifetime expected credit loss is recognised. If a financial asset is in default a lifetime expected loss impairment is recognised.

	Description	%
IAS 39		
Specific provision	Clients identified requiring a specific provision	83.43%
Portfolio provision	No specific factor identified	16.57%
IFRS 9		
Bucket 1	No deterioration in credit quality since origination	51.33%
Bucket 2	Signification deterioration in credit quality since origination	20.08%
Bucket 3	Default	28.59%

3 Segment information	Life Assurance US$	General Insurance US$	Banking US$	Asset Management US$	Holding Co & Other US$	Consolidation Adjustments US$	Total US$
A Statement of profit or loss - segment information for the year ended 2017							
Revenue							
Gross premiums	160 289 275	37 888 386	-	-	-	(3 414 700)	194 762 961
Outward reinsurance	(1 906 702)	(8 156 270)	-	-	-	-	(10 062 972)
Net earned premiums	158 382 573	29 732 116	-	-	-	(3 414 700)	184 699 989
Investment income (non banking)	588 056 246	13 506 386	-	275 015	175 579 264	(136 470 645)	640 946 266
Banking interest and similar income	-	-	91 314 069	-	49 946	-	91 364 015
Fee income, commissions and income from service contracts	5 341 331	1 731 167	54 526 850	20 636 709	15 058 006	(25 608 255)	71 685 808
Other income	24 033	34 404	2 914 477	29 142	2 072 162	(1 800 278)	3 273 940
Total revenue	**751 804 183**	**45 004 073**	**148 755 396**	**20 940 866**	**192 759 378**	**(167 293 878)**	**991 970 018**
Expenses							
Claims and benefits (including change in insurance contract provisions)	(545 619 616)	(17 401 726)	-	-	-	-	(563 021 342)
Reinsurance recoveries	1 088 544	2 576 031	-	-	-	-	3 664 575
Net claims incurred	(544 531 072)	(14 825 695)	-	-	-	-	(559 356 767)
Change in provision for investment contract liabilities	(51 809 502)	-	-	-	-	-	(51 809 502)
Fees, commissions and other acquisition costs	(9 781 793)	(5 932 229)	(13 264 770)	(172 925)	-	7 988 399	(21 163 318)
Banking interest payable and similar expenses	-	-	(32 740 007)	-	-	12 500 645	(20 239 362)
Impairment charges	-	-	(2 687 262)	-	(14 017)	-	(2 701 279)
Other operating and administration expenses	(17 404 694)	(6 986 227)	(57 950 308)	(10 059 721)	(70 639 464)	69 217 027	(93 823 387)
Profit before tax	**128 277 122**	**17 259 922**	**42 113 049**	**10 708 220**	**122 105 897**	**(77 587 807)**	**242 876 403**
Income tax expense/(credit)	(8 303 295)	(1 659 390)		(3 844 950)	(9 387 940)	(418 585)	(23 614 160)
Profit for the year	**119 973 827**	**15 600 532**	**42 113 049**	**6 863 270**	**112 717 957**	**(78 006 392)**	**219 262 243**
A Statement of profit or loss - segment information for the year ended 2016							
Revenue							
Gross earned premiums	151 948 793	36 848 015	-	-	-	(3 464 910)	185 331 898
Outward reinsurance	(2 316 362)	(8 503 746)	-	-	-	-	(10 820 108)
Net earned premiums	149 632 431	28 344 269	-	-	-	(3 464 910)	174 511 790
Investment income (non banking)	105 884 870	3100 303	-	223 041	40 068 288	(32 377 000)	116 899 502
Banking interest and similar income	-	-	93 339 766	-	-	-	93 339 766
Fee income, commissions and income from service contracts	7 187 635	2 309 238	44 280 000	16 140 323	14 068 273	(25 251 320)	58 734 149
Other income	(134 511)	-	940 009	292 010	203 180	265 773	1 566 461
Total revenue	**262 570 425**	**33 753 810**	**138 559 775**	**16 655 374**	**54 339 741**	**(60 827 457)**	**445 051 668**
Expenses							
Claims and benefits (including change in insurance contract provisions)	(204 269 543)	(14 959 570)	-	-	-	-	(219 229 113)
Reinsurance recoveries	1 802 932	1 617 455	-	-	-	-	3 420 387
Net claims incurred	(202 466 611)	(13 342 115)	-	-	-	-	(215 808 726)
Change in provision for investment contract liabilities	(6 682 553)	-	-	-	-	-	(6 682 553)
Fees, commissions and other acquisition costs	(6 849 117)	(5 687 436)	(3 154 555)	(26 153)	-	8 404 169	(7 313 092)
Banking interest payable and similar expenses	-	-	(34 831 590)	-	-	11 875 613	(22 955 977)
Credit losses and impairment charges	-	-	(3 531 106)	-	-	-	(3 531 106)
Other operating and administration expenses	(15 640 312)	(6 743 086)	(57 814 539)	(10 080 726)	(18 073 453)	18 996 510	(89 355 606)
Profit before tax	**30 931 832**	**7 981 173**	**39 227 985**	**6 548 495**	**36 266 288**	**(21 551 165)**	**99 404 608**
Income tax expense/(credit)	690 516	(1 581 911)	-	(2 247 663)	(2 626 472)	(1 806 337)	(7 571 867)
Profit for the year	**31 622 348**	**6 399 262**	**39 227 985**	**4 300 832**	**33 639 816**	**(23 357 502)**	**91 832 741**

3 Segment information	Life Assurance US$	General Insurance US$	Banking US$	Asset Management US$	Holding Co & Other US$	Consolidation Adjustments US$	Total US$
B Statement of financial position - segment information at 31 December 2017							
Assets							
Investment property	380 770 678	449 000	23 422 200	-	530 000	-	405 171 878
Property and equipment	27 854 500	402 149	64 550 930	1 497 856	2 016 613	-	96 322 048
Deferred acquisition costs	-	741 681	-	-	-	-	741 681
Reinsurer contracts	-	3 278 568	-	-	-	-	3 278 568
Investments and securities	1 339 795 755	35 835 637	233 543 725	6 035 462	365 572 140	(370 323 582)	1 610 459 137
Deferred tax assets	-	564 200	-	193 108	174 937		932 245
Loans and advances	-	-	668 823 481	-	356 721	-	669 180 202
Current tax receivable	248 079	-		-	489 719	-	737 798
Other assets	24 856 396	4 047 345	111 597 661	5 591 683	44 111 880	(44 576 111)	145 628 854
Cash and cash equivalents	15 502 254	8 354 919	164 812 227	1 231 823	7 251 952	(6 901 549)	190 251 626
Total assets	**1 789 027 662**	**53 673 499**	**1 266 750 224**	**14 549 932**	**420 503 962**	**(421 801 242)**	**3 122 704 037**
Liabilities							
Insurance contract liabilities	1 341 376 432	14 232 555	-	-	-	-	1 355 608 987
Investment contract liabilities	120 815 870	-	-	-	-	-	120 815 870
Provisions	871 953	88 150	5 272 607	767 142	7 303 209		14 303 061
Deferred tax liabilities	36 577 506	15 696	3 265 701	24 072	2 901 699	(695 365)	42 089 309
Current tax payables	164 419	93 353	-	300 152		-	557 924
Amounts due to group companies	4 541 318	92 481	-	2 423 021	106 166 996	(44 576 113)	68 647 703
Amounts owed to bank depositors	-	-	1 019 215 894	-	-	(181 189 284)	838 026 610
Credit lines	-	-	23 317 769	-	-		23 317 769
Other liabilities	13 368 944	600 049	26 879 788	2 849 004	80 665 112	(45 214 297)	79 148 600
Total liabilities	**1 517 716 442**	**15 122 284**	**1 077 951 759**	**6 363 391**	**197 037 016**	**(271 675 059)**	**2 542 515 833**
Net assets	**271 311 220**	**38 551 215**	**188 798 465**	**8 186 541**	**223 466 946**	**(150 126 183)**	**580 188 204**
Shareholders' equity							
Share capital and premium	30 121 844	9 405	35 000 000	3 850 202	1 501 330	(70 481 716)	1 065
Non-distributable reserve	29 838 703	3 177 617	1 445 851	728 710	21 374 207	(4 108 040)	52 457 048
Revaluation reserve	-	-	18 769 422	-	7 338		18 776 760
Share option reserve	3 732 032	1 277 010	5 627 027	2 524 545	69 384 472	(50 064 585)	32 480 501
Regulatory provisions reserve	-	-	17 957 094	-	-		17 957 094
Retained earnings	207 618 641	15 554 870	109 999 071	1 083 084	131 199 599	(25 471 842)	439 983 423
	271 311 220	20 018 902	188 798 465	8 186 541	223 466 946	(150 126 183)	561 655 891
Non-controlling interests	-	18 532 313	-	-	-	-	18 532 313
Total equity	**271 311 220**	**38 551 215**	**188 798 465**	**8 186 541**	**223 466 946**	**(150 126 183)**	**580 188 204**
B Statement of financial position - segment information at 31 December 2016							
Assets							
Investment property	369 474 690	349 000	22 251 090	-	480 000	-	392 554 780
Property and equipment	27 503 364	341 802	60 686 502	1 698 037	2 236 304	-	92 466 009
Deferred acquisition costs	-	893 405	-	-	-	-	893 405
Reinsurer contracts	-	1 949 657	-	-	-	-	1 949 657
Investments and securities	725 615 942	15 886 917	205 940 003	3 707 667	217 439 179	(366 889 665)	801 700 043
Deferred tax assets	-	562 651	-	299 303	151 847	17 133	1 030 934
Loans and advances	-	-	583 252 405	-	-	-	583 252 405
Other assets	33 873 650	4 037 621	79 114 301	4 565 736	43 301 612	(36 053 867)	128 839 053
Cash and cash equivalents	15 985 148	15 351 048	121 851 499	1 497 790	7 165 547	(7 025 727)	154 825 305
Total assets	**1 172 452 794**	**39 372 101**	**1 073 095 800**	**11 768 533**	**270 774 489**	**(409 952 126)**	**2 157 511 591**
Liabilities							
Insurance contract liabilities	888 345 414	12 443 263	-	-	-	-	900 788 677
Investment contract liabilities	76 330 845	-	-	-	-	-	76 330 845
Provisions	841 242	615 793	5 467 850	774 047	7 316 506	(12 904)	15 002 534
Deferred tax liabilities	29 019 415	-	-	3 287	2 359 939	(1 084 459)	30 298 182
Current tax payables	-	264 691	-	49 711	105 673	32 589	452 664
Amounts due to group companies	3 397 431	246 375	-	986 500	95 016 391	(42 298 868)	57 347 829
Amounts owed to bank depositors	-	-	845 047 209	-	-	(227 485 685)	617 561 524
Credit lines	-	-	28 654 056	-	-	-	28 654 056
Other liabilities	13 323 191	-	17 843 722	2 291 012	38 049 323	(19 380 101)	52 127 147
Total liabilities	**1 011 257 538**	**13 570 122**	**897 012 837**	**4 104 557**	**142 847 832**	**(290 229 428)**	**1 778 563 458**
Net assets	**161 195 256**	**25 801 979**	**176 082 963**	**7 663 976**	**127 926 657**	**(119 722 698)**	**378 948 133**
Shareholders' equity							
Share capital and premium	30 121 844	9 405	35 000 000	3 600 202	1 001 327	(69 731 713)	1 065
Non-distributable reserve	29 838 703	3 177 617	1 445 850	728 710	20 558 208	(3 292 040)	52 457 048
Revaluation reserve	-	-	18 448 911	-	7 338	-	18 456 249
Share option reserve	3 589 892	1 208 475	5 345 083	2 444 676	68 197 870	(48 748 862)	32 037 134
Regulatory provisions reserve	-	-	16 517 093	-	-	-	16 517 093
Retained earnings	97 644 817	9 119 402	99 326 026	890 388	38 161 914	2 049 917	247 192 464
	161 195 256	13 514 899	176 082 963	7 663 976	127 926 657	(119 722 698)	366 661 053
Non-controlling interests	-	12 287 080	-	-	-	-	12 287 080
Total equity	**161 195 256**	**25 801 979**	**176 082 963**	**7 663 976**	**127 926 657**	**(119 722 698)**	**378 948 133**

		Group 2017 US$	Group 2016 US$
4	**Gross premiums**		
	Single	2 660 298	1 613 086
	Recurring	17 505 788	17 990 905
	Individual business	**20 166 086**	**19 603 991**
	Single	58 509 238	59 238 309
	Recurring	79 364 950	70 857 493
	Group business	**137 874 188**	**130 095 802**
	General insurance	**36 722 687**	**35 632 105**
	Total gross premiums	**194 762 961**	**185 331 898**
	Comprising		
	Insurance contracts	39 286 937	41 125 720
	Investment contracts with discretionary participating features	118 753 337	108 574 073
	General insurance	36 722 687	35 632 105
	Total gross premiums	**194 762 961**	**185 331 898**
5	**Investment income (non banking)**		
	Dividend income		
	Financial assets at fair value through profit or loss	22 790 893	18 358 536
	Interest income		
	Cash and cash equivalents	11 964 934	10 185 815
	Net rental income		
	Investment property	10 326 217	11 144 268
	Realised gains and losses		
	Investment property	-	-
	Financial assets at fair value through profit or loss	16 528 326	(6 359 844)
	Unrealised gains and losses		
	Investment property	4 756 041	(19 393 812)
	Financial assets at fair value through profit or loss	574 579 855	102 964 539
		579 335 896	83 570 727
	Total investment returns included in income statement	**640 946 266**	**116 899 502**
6	**Banking interest and similar income**		
	Interest and similar income		
	Loans and advances		
	Fixed Deposits	15 875 002	16 971 222
	Loans and advances	75 489 013	76 368 544
	Total interest and similar income	**91 364 015**	**93 339 766**
	Interest Expense:		
	Credit lines	(2 768 551)	(3 497 123)
	Money market deposits	(16 987 029)	(18 412 720)
	Term deposits	(10 076)	(26 745)
	Savings deposits	(473 706)	(1 019 389)
	Total interest expense	**(20 239 362)**	**(22 955 977)**
	Net interest income	**71 124 653**	**70 383 789**
7	**Fee income, commissions and income from service contracts**		
	Banking operations:		
	Commissions	22 149 454	6 357 804
	Service fees	17 317 618	23 481 502
	Adminstration fees	16 790 944	14 435 142
	Total fee income and commission from banking operations	56 258 016	44 274 448
	Long term business	5 341 332	7 187 634
	Asset management business	10 086 460	7 272 067
		71 685 808	58 734 149

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		Group 2017 US$	Group 2016 US$
8.	**Claims and benefits**		
	Claims and benefits(including change in insurance contract provisions):		
	Increase/(Decrease) in insurance contracts provision	445 822 666	100 972 325
	Gross claims expenses (refer to analysis in note 8.1 below)	117 858 118	118 894 086
	Shadow accounting to revaluation reserve	(659 442)	(637 298)
		563 021 342	219 229 113
8.1	**Analysis of claims expenses**		
	Individual business	**6 148 897**	**4 327 732**
	Death and disability benefits	1 252 212	1 977 468
	Maturity benefits	3 337 497	544 594
	Surrenders	1 559 188	1 805 670
	Group business	**94 307 496**	**99 606 784**
	Death and disability benefits	12 352 676	14 578 854
	Pension commutations, maturities and withdrawal benefits	56 675 471	57 824 461
	Annuities	14 875 550	14 667 042
	Surrenders	10 403 799	12 536 427
	General insurance	**17 401 725**	**14 959 570**
	Total claims and benefits	**117 858 118**	**118 894 086**
	Comprising:		
	Insurance contracts	13 601 321	17 662 749
	Investment contracts with discretionary participating features	86 855 072	86 271 767
	General insurance	17 401 725	14 959 570
	Total claims and benefits payable	**117 858 118**	**118 894 086**
9	**Other operating and administration expenses**		
	Administrative expenses	8 706 268	8 217 350
	Office space costs	7 270 754	6 907 216
	Fees and levies	3 475 823	2 780 659
	Donations	637 273	645 530
	Share based payments	935 727	1 499 475
	Insurance	1 023 697	992 986
	Actuarial and consultancy fees	2 740 542	2 213 137
	Advertising and marketing	3 423 270	2 854 804
	Software licensing	6 772 750	6 072 750
	Depreciation of property, plant and equipment	10 567 151	9 699 169
		45 553 255	**41 883 076**
	Auditors' remuneration		
	Statutory audit services - current year	**593 257**	**588 278**
	Staff costs		
	Wages and salaries	32 002 767	31 258 483
	Retirement obligations	2 625 599	2 390 239
	Social security costs	851 801	803 873
	Bonus and incentive remuneration	4 893 721	4 799 744
	Other staff costs	5 864 940	5 292 824
		46 238 828	**44 545 163**
	Other	1 438 047	2 339 089
		93 823 387	**89 355 606**

10 Earnings per share

The calculation of basic earnings per share at 31 December 2017 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 net of minority interests 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:

	2017	2016
Basic and diluted (US cents)	**63.72**	**26.71**
Earnings		
Basic and diluted earnings attributable to equity holders of the parent (US$)	211 566 500	88 676 890
Number of shares used in calculations (weighted)		
Basic and diluted earnings per share	332 046 874	332 046 874

		Group 2017 US$	Group 2016 US$
11	**Investment property**		
	Carrying amount at beginning of year	392 554 780	408 390 833
	Additions	6 932 338	4 585 996
	Disposal	(663 265)	(894 256)
	Gain/(Loss) from fair value adjustments	6 348 025	(19 527 793)
	Carrying amount at end of year	405 171 878	392 554 780
	Comprising:		
	Freehold property	405 171 878	392 554 780
	The fair value of freehold property leased to third parties under operating leases	**321 000 630**	**330 006 300**
	Rental income from investment property	30 310 100	28 517 962
	Direct operating expenses arising from rented-out investment property	(19 983 883)	(17 373 694)
		10 326 217	**11 144 268**

The carrying amount of investment property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The recorded values are tested by comparing with values determined by independent external valuers for a sample of properties accounting for at least 65% of the total value of the property portfolio, or for at least the top twenty five buildings by value, and properties being valued for the first time. Fair values are referenced to recent market transactions for similar properties in the same location as the Group's investment property. As at 31 December 2016 fair values were determined using yield rates of between 7% and 12% (2016: 7% and 12%) and rental rates of between US$0.50 (2016: US$0.50) per square metre and US$20 (2016:US$26) per square metre. 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.

As security for a credit line from PTA Bank , CABS registered a bond of US$1 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$37.29 million as at 31 December 2017 (both investment properties and owner occupied properties). OMZIL has guaranteed the Shelter Afrique loan for a full amount of US$14.4million. Shelter Afrique also took a cession of the performing loan book covering two times the exposure at any point in time. The Society secured the Proparco Loan through a negative pledge of assets plus cash security amounting to US$555 555.

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

Type of Property	Valuation Approach	Key unobservable inputs	Inter-relationship between unobservable inputs and key fair value measurement
■ Office, retail and industrial properties	■ Income capitalisation	■ Rental income per square meter and capitalisation rates ■ Vacancies	The estimated fair value would increase if: > net rental income increased > capitalisation rates decreased. > vacancies decreased ■ The estimated fair value would decrease if the unobservable inputs changed the other way.
■ Residential property	■ Sales comparison approach.	■ Price for comparable properties.	■ The estimated fair value would increase if prices for comparable properties increased.
■ Land	■ Sales comparison approach	■ Price for comparable properties	■ The estimated fair value would increase if prices for comparable properties increased.

		Group 2017 US$	Group 2016 US$
12	**Investments and securities**		
12.1	**Analysis of investments**		
	Equity securities - listed	1 165 222 538	448 057 542
	- unlisted	43 822 003	32 197 797
	Total Equities	1 209 044 541	480 255 339
	Unit trust investments	10 844 863	8 869 053
	Prescribed securities	79 523 382	123 081 268
	Treasury bills	186 894 549	88 931 464
	Deposits and money market securities	124 151 802	100 562 919
		1 610 459 137	**801 700 043**
12.2	**Spread of equity securities by sector**		
	Commodities	148 535 378	56 693 245
	Consumer	786 293 908	300 044 063
	Financial	87 258 885	80 750 647
	Property	18 330 440	11 675 521
	Manufacturing	135 665 622	27 311 137
	Mining	32 960 308	3 780 726
		1 209 044 541	**480 255 339**
12.3	**Movements of investment and securities**		
	Opening balance	**801 700 043**	**664 014 093**
	Fair value movements through profit and loss	574 579 855	102 964 539
	Interest earned	11 964 934	10 185 815
	Additions	412 625 066	36 590 596
	Disposals	(84 743 439)	(4 321 255)
	Maturities	(105 667 322)	(7 733 745)
	Closing balances	**1 610 459 137**	**801 700 043**
13	**Loans and advances**		
	Concentration - gross loans and advances		
	Housing	199 467 565	194 022 218
	Individuals	167 085 292	124 610 000
	Commercial and industrial	318 217 365	284 067 312
	Gross loans and advances	684 770 222	602 699 530
	Less provision for impairment	(15 590 020)	(19 447 125)
	Net loans and advances	**669 180 202**	**583 252 405**
	Maturity analysis - gross and loans advances		
	On demand to 3 months	100 406 266	62 680 000
	3 months to 12 months	205 164 266	134 209 481
	1 year to 5 years	316 761 569	209 277 011
	Over 5 years	62 438 121	196 533 038
		684 770 222	**602 699 530**
	Non performing loans	43 276 779	49 918 162
	Past due but not impaired	122 021 253	132 590 000
	Sectoral analysis of loans and advances		
	The business monitors concentrations of credit risk on loans and advances by sector. An analysis of concentrations of credit risk from loans and advances at the balance sheet date is shown below:		
	Sector		
	Trade and services	43 621 704	31 870 000
	Energy and minerals	11 267 113	8 997 508
	Agriculture	86 254 224	69 224 200
	Construction and property	240 953 020	240 484 101
	Light and heavy industry	30 827 853	32 757 070
	Individuals	158 952 071	122 138 749
	Transport and distribution	97 343 553	74 404 759
	State and state enterprises	15 550 000	22 823 143
	Total gross loans and advances	**684 769 538**	**602 699 530**
14	**Insurance contract liabilities**		
	Outstanding claims	2 869 977	3 135 866
	Future long term insurance policyholders' benefits (see analysis of movement in provision Note 14.1)	1 352 739 010	897 652 811
		1 355 608 987	**900 788 677**
14.1	**Future policyholders' benefits**		
	Movement in provision for insurance contracts		
	Balance at beginning of year	**897 652 811**	**782 482 670**
	Inflows		
	Premium income	184 699 989	174 562 001
	Investment income	426 199 428	85 846 555
	Fee and other income	5 341 329	8 358 619
	Outflows		
	Claims and policy benefits	(117 858 118)	(117 276 631)
	Operating expenses	(26 981 552)	(22 489 650)
	Current tax	(492 210)	(446 772)
	Deferred tax	(448 420)	(71 356)
	Transfer to operating profit	(15 374 247)	(13 312 625)
	Balance at end of year	**1 352 739 010**	**897 652 811**
15	**Investment contract liabilities**		
	Liabilities at fair value through profit or loss	120 815 870	76 330 845
	Movement in liabilities fair valued through profit or loss		
	Balance at beginning of year	76 330 845	71 381 199
	New contributions received	1 272 183	8 294 364
	Withdrawals	(8 661 880)	(10 090 300)
	Fair value movements	51 874 722	6 745 582
	Balance at end of year	**120 815 870**	**76 330 845**
16	**Amounts owed to bank depositors**		
	Money market deposits	357 003 412	203 864 816
	Term deposits	479 436	714 748
	Savings deposits	480 543 762	412 981 960
		838 026 610	**617 561 524**
	Maturity analysis		
	On demand to 3 months	611 585 863	450 172 141
	3 months to 6 months	3 379 713	2 498 349
	6 months to a year	70 973 965	52 465 329
	1 year to 5 year	84 492 816	62 458 725
	Over 5 years	67 594 253	49 966 980
		838 026 610	**617 561 524**

17 Contingent Liabilities

17.1 Tax on Indigenisation shares

The Group is committed to conducting its tax affairs in accordance with the tax legislation of Zimbabwe. Historic transactions undertaken and the tax law interpretations made by the Group may be routinely reviewed by the Zimbabwe Revenue Authority. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation. Old Mutual Zimbabwe Limited (OMZIL) appealed a decision reached in the courts relating to the taxation of shares awarded to staff in accordance with the Indigenisation and Economic Empowerment Act of 2008 (Chapter 14:33). The case was heard in May 2017 and judgement was reserved by the Supreme Court. The estimated financial impact would be approximately $1,7 million in the event of judgement against the Group.

17.2 Commission of Inquiry

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

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

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18 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 plc, incorporated in the United Kingdom.

Other Group companies consist of fellow subsidiaries and associates.

Transactions and balances with holding company and fellow subsidiaries

	Group 2017 US$	Group 2016 US$
Fellow related parties		
Old Mutual Life Assurance Company (South Africa) Limited		
Amounts due to as at 31 December	3 935 165	2 004 079
Old Mutual Africa Holdings		
Amounts due to as at 31 December	275 038	-
Old Mutual Zimbabwe Holdco Limited		
Amounts due to as at 31 December	14 437 500	5 343 750
Old Mutual Netherlands B.V		
Amounts due to as at 31 December	50 000 000	50 000 000
MBCA Bank Limited		
Amounts due by as at 31 December	14 159 618	13 552 203
Directors remuneration		
For services as directors during the year	671 174	591 861
Key Management personnel remuneration		
Short Term employee benefits	2 652 522	2 013 586
Share based payments	922 370	1 813 457
Post employment benefits	51 739	26 837
	3 626 631	**3 853 880**

19 Subsequent events

Movement of fair values of listed shares

During 2017, the value of the Zimbabwe Stock Exchange (ZSE) Industrial Index increased by 130%. This had a significant impact on the Group's profits given the level of investment in listed equities. Subsequent to year end the value of the ZSE Industrial Index has fallen by 11.55% as at 28 February 2018. This has resulted in the value of the group's listed equity investments falling by $132,690,251 while profits have been negatively impacted by approximately $42,462,497.

The Group's subsidiaries remain well capitalized and capital levels are well above prescribed minimums.

Commission of Inquiry

On 31 December 2016, the Government of Zimbabwe 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 Government's inquiry were made public.

This is however a non adjusting subsequent event and the Group disclosed a Contingent liability on note 17.

20 Risk management

Overview

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

Liability risk

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

Market risk

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

Credit and counterparty risk

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

Liquidity risk

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

Compliance and regulatory risk

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

Operational risk

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

Strategic risk

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