Chairman's statement

Economic environment

The announcement of planned introduction of bond notes by the Reserve Bank of Zimbabwe (RBZ) Governor sometime in May last year dominated discussions in 2016 ,with economic players being unsure about their impact on the environment. According statistics from the RBZ, net foreign direct investments declined by 36.2% to US$254.7 million in 2016. GDP growth for 2016 is estimated at 0.6%, down from 1.1% in the previous year; in light of adverse weather conditions that affected agriculture output. Depressed aggregate demand weighed on consumer prices, with annual inflation closing the year at -0.93%. Overall, business conditions during the year under review were sub-optimal, despite several policy proposals by government to address pertinent macro-economic concerns such as unclear empowerment regulations, external arrears, cash shortages and the influx of cheap imports.

Monetary policy uncertainties and accompanying speculative tendencies fuelled demand for non-monetary asset such as equities and property. The ZSE industrial index firmed a noteworthy 25.8% during the year under review despite weak corporate earnings and a record sell-off by foreign investors, adding credence to the notion of portfolio shifts by local investors towards tangible assets. The Securities Exchange Commission of Zimbabwe licenced an Alternative Trading Platform (ATP). The ATP commenced trading on 1 December 2016 and is envisioned to enhance liquidity of unlisted instruments as well as improving trading efficiencies. Property sector performance was primarily driven by safe-haven support for valuations despite wide voids and compromised rental collections. Money market investment rates remained depressed in light of weak demand for deposits as banks slowed down lending activity.

Financial performance

Turnover for the year to December 2016 dropped by 9% to US$8.667 million (2015: US$9.544 million) due to the negative returns that characterised the investment markets for the better part of the year . Operating costs increased marginally by 3% to US$4.352 million (2015: US$4.244million) during the year. Profit for the year was US$3.016 million (2015: US$3.929 million).

Funds under management increased by 19% to US$1 259.684 million (2015: US$1 060.920 million) as a result of the positive returns realised on the ZSE in the last quarter of the year .

The Company's total equity closed the year at US$3.282million (2015: US$3.192 million).

Outlook

The board and management remain confident that the Company will be able to meet set targets for the year 2017 and will continue to focus on strategies to preserve value for its customers and shareholders.

Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere appreciation to our customers, staff and the regulatory authorities for their continued support during the year. I also thank my fellow members of the Board for their unwavering support.

K. Mandevhani

Chairman

10 March 2017

Compliance & corporate governance report

During the year ended 31 December 2016, a total of four Board meetings and four Audit, Risk and Compliance Committee (ARCC) meetings were held.

Meetings of Board of Directors

Director		
K. Mandevani	Independent Non-Executive Chairman	100%
A.C. Mills	Independent Non-Executive Director	100%
M. J-R. Dube	Independent Non-Executive Director	100%
J. Mushosho	Non-Independent Non-Executive Director	100%
M. Mayida	Executive Director	100%

Meetings of Audit, Risk and Compliance Committee (ARCC)

Member		
A.C. Mills	Independent Non-Executive Chairman	100%
M. J-R. Dube	Independent Non-Executive Director	100%

The Board includes three independent non-executive directors. This enables the Board to take an objective view of strategic issues and management performance.

Assessment of Board members

There is an internal self-assessment of the Board; Audit, Risk and Compliance Committee (ARCC) and individual Board members that is carried out at least once a year. In addition, the Company carries out an annual assessment of the Board,the ARCC and individual Board members using Securities and Exchange Commission of Zimbabwe assessment guidelines.

The Company follows a set of principles of corporate governance as directed by the regulator, the Securities and Exchange Commission of Zimbabwe, and international best practices.

Audit, Risk and Compliance Committee (ARCC)

The committee meets quarterly with internal and external auditors, as well as with executive management, in order to review the adequacy of internal controls and compliance with the Company's accounting, auditing and statutory reporting procedures.

Management Risk and Compliance Committee (MRCC)

The committee comprises senior executives who ensure that the Company adheres to set risk policies.

Conflicts of interest

All clients are treated equally and fairly in the allocation of orders and trades, in accordance with an established trade allocation system. In addition, the Company has set rules and procedures governing staff personal account trades.

Fees

Our fee scales range from 15 to 230 basis points per annum. The fees applicable to each client are mainly determined by client requirements, as stated in the client mandate, the fund size and the product type. Once the fee scale is agreed with the client, it remains at that level, notwithstanding the trading strategy adopted for the client portfolio.

Investment policy

Our investment policy is centred on the view that markets are semi-efficient. The inefficiencies result in unjustified optimism and/or pessimism about investments, leading to the mis-pricing of assets. To identify these inefficiencies and to manage risk, Old Mutual Investment Group Zimbabwe (Private) Limited (OMIG) (the Company) relies on fundamental research. To manage risk and return objectives as provided in client mandates, OMIG diversifies investment portfolios across and within asset classes. The policy provides for continuous review by tracking error and returns relative to benchmarks. OMIG's investment policy is also guided by the relevant regulations.

Corporate governance

The OMIG Board and ARCC are satisfied that the Company has made every practical effort to comply with all material aspects of the National Code on corporate governace and King III during the review period, in so far as it was applicable to its operations, and will ensure that the appropriate principles and guidelines are applied.

Going concern

The Board has satisfied itself that the Company has adequate resources to continue in operation for the foreseeable future. OMIG's financial statements have, accordingly been prepared on a going concern basis.

OLD MUTUAL INVESTMENT GROUP

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

Statement of comprehensive income

as at 31 December 2016

	2016	*2015*
	US$	US$
Fee income	8,498,435	9,222,797
Investment income	165,750	304,060
Other income	3,211	16,966
Total income	8,667,396	9,543,823
Operating and administration expenses	-4,351,543	-4,244,018
Profit before tax	4,315,853	5,299,805
Income tax expense	-1,299,397	-1,370,971
Profit for the financial year	3,016,456	3,928,834
Other comprehensive income	-	-
Total comprehensive income	3,016,456	3,928,834

Statement of financial position

as at 31 December 2016

	2016	*2015*
	US$	US$
Assets		
Intangible assets	1,202,733	-
Property and equipment	240,178	285,028
Income tax asset	121,226	13,043
Deferred tax asset	-	124,165
Loans and advances	39,917	66,659
Investments and securities	2,570,759	5,438,778
Trade receivables	487,698	452,417
Amounts due by group companies	650,601	1,626,229
Cash and cash equivalents	892,434	477,670
Other assets	-	526,566
Total assets	6,205,546	9,010,555
Liabilities		
Deferred tax liability	39,137	-
Amounts due to group companies	331,280	3,153,569
Provisions	381,262	1,116,433
Other payables	2,172,061	1,548,199
Total liabilities	2,923,740	5,818,201
Net assets	3,281,806	3,192,354
Shareholder's equity		
Share capital	100	100
Share-based payments reserve	1,166,927	1,093,931
Non-distributable reserve	363,251	363,251
Retained earnings	1,751,528	1,735,072
Total equity	3,281,806	3,192,354

Statement of changes in equity

for the year ended 31 December 2016

2016	Share capital US$	Non-distributable reserves US$	Retained earnings US$	Share-based payment reserve US$	Total US$
Shareholder's equity at beginning of year	100	363,251	1,735,072	1,093,931	3,192,354
Total comprehensive income	-	-	3,016,456		3,016,456
Dividend	-	-	-3,000,000		-3,000,000
Exercised share options			-	72,996	72,996
Shareholder's equity at end of year	**100**	**363,251**	**1,751,528**	**1,166,927**	**3,281,806**

2015	Share capital US$	Non-distributable reserves US$	Retained earnings US$	Share-based payment reserve US$	Total US$
Shareholder's equity at beginning of year	100	363,251	1,729,738	972,772	3,065,861
Total comprehensive income	-	-	3,928,834		3,928,834
Dividend			-4,000,000		-4,000,000
Exercised share options			-	121,159	121,159
Prior year adjustments			76,500		76,500
Shareholder's equity at end of year	**100**	**363,251**	**1,735,072**	**1,093,931**	**3,192,354**

Statement of cash flows

for the year ended 31 December 2016

	US$ 2016	US$ 2015
Cash flows from operating activities		
Profit before tax	4,315,853	5,299,805
Non-cash movements and adjustments to profit before tax		
Changes in working capital	1,741,920	456,752
Depreciation & amortisation	190,131	67,502
Accrued interest income	-18,097	-126,806
Share based payments (IFRS 2)	72,996	121,159
Profit on disposal of property and equipment	-2,211	-13,750
Exchange loss	66,997	-
Taxation paid	-1,244,278	-1,453,036
Net cash from operating activities	**5,123,311**	**4,351,626**
Cash flows from investing activities		
Net sale of investments	1,333,295	-3,132,520
Proceeds from disposal of equipment	2,211	13,750
Acquisition of property	-44,053	-159,698
Net cash inflow/(outflow) from investing activities	**1,291,453**	**-3,278,468**
Cash flows from financing activities		
Dividends paid	-6,000,000	-1,000,000
Net cash used in financing activities	**-6,000,000**	**-1,000,000**
Net increase/(decrease)in cash and cash equivalents	**414,764**	**73,158**
Cash and cash equivalents at beginning of year	**477,670**	**404,512**
Cash and cash equivalents at end of year	**892,434**	**477,670**

Notes to the financial statements

for the year ended 31 December 2016

1 General information

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

2 Accounting Policies

2.1 Statement of compliance

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

2.2 Basis of preparation

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

2.3 Consolidated annual financial statements

Consolidated annual financial statements are not prepared on the basis that the Company is a wholly owned subsidiary of Old Mutual plc which produces consolidated financial statements available for public use that comply with IFRS.

3 Property and equipment

Cost	Motor Vehicles	Office Equipment	Computer Equipment	Total 2016 US$
At 1 January 2016	471,397	24,174	97,840	**593,411**
Additions	35,000	5,212	3,841	**44,053**
Disposals	-	-39	-	**-39**
At 31 December 2016	**506,397**	**29,347**	**101,681**	**637,425**
Accumulated depreciation				
At 1 January 2016	220,205	19,547	68,631	**308,383**
Charge for the year	76,401	2,337	10,126	**88,864**
At 31 December 2016	**296,606**	**21,884**	**78,757**	**397,247**
Carrying amount at end of year	**209,791**	**7,463**	**22,924**	**240,178**

Cost	Motor Vehicles	Office Equipment	Computer Equipment	Total 2015
At 1 January 2015	358,332	23,954	91,064	**473,350**
Additions	150,065	-	9,633	**159,698**
Prior year adjustment	-	220	-	**220**
Disposals	-37,000	-	-2,857	**-39,857**
At 31 December 2015	**471,397**	**24,174**	**97,840**	**593,411**
Accumulated depreciation				
At 1 January 2015	202,123	16,841	60,053	279,017
Charge for the year	55,085	2,486	9,931	67,502
Prior year adjustment	-3	220	-1,353	-1,136
Disposals	-37,000	-	-	-37,000
At 31 December 2015	**220,205**	**19,547**	**68,631**	**308,383**
Carrying amount at end of year	**251,192**	**4,627**	**29,209**	**285,028**

4 Share Capital

	31-Dec-16	31-Dec-15
	US$	US$
Authorised share capital		
20 000 ordinary shares of US$1.00 each	20,000	20000
Issued share capital		
100 ordinary shares of US$1.00 each	100	100
Share premium		
	100	100

Notes to the financial statements

for the year ended 31 December 2016

5 Funds under management

	2016 US$	2015 US$
Total Funds Under Management is represented by:		
Cash and cash equivalents	38,569,446	21,979,533
Interest bearing investments	639,970,069	603,004,843
Listed equity investments	518,822,961	386,797,400
Alternative investments	62,322,248	49,138,502
Total Funds Under Management	**1,259,684,724**	**1,060,920,278**

6 Financial risk management

The Company is exposed to financial risk through its financial assets and financial liabilities.

The most important components of financial risk are interest rate risk, liquidity risk, equity price risk, currency risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

6.1 Credit risk

The risk that counterparties to financial instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Company deals with counterparties considered to be of good credit standing, and when appropriate, obtains collateral.

The Company's primary exposure to credit risk arises through its financial instruments held for trading and loans and receivables. The amount of credit exposure in this regard is represented by the carrying amounts of the assets.

6.2 Market risk

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

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

6.3 Interest rate risk

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

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

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

6.4 Equity price risk

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

6.5 Liquidity risk

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

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