



OLD MUTUAL ZIMBABWE LIMITED

CONSOLIDATED ABRIDGED FINANCIAL STATEMENTS

FOR THE SIX MONTHS
ENDED 30 JUNE 2018

CHAIRMAN'S STATEMENT

Environment

Ongoing domestic policy reforms and firm commitments towards re-engaging international capital have set the tone for a firm macro-economic recovery. The economy grew by 3.7% in 2017 and the Ministry of Finance and Economic Development projects 2018 growth to close at 4.5%, premised on agriculture and mining output. We believe that credible elections and full implementation of macro-economic policy reforms will yield inclusive and sustainable economic growth over the medium to long term horizon.

Inflationary pressures that peaked during the second half of 2017 slowed down in the first half of the year, closing June 2018 at 2.9% compared to 3.5% in December 2017. Deficit financing and associated monetary expansion drove inflationary pressures last year. The improved sentiment partly contained speculative consumer activity; leading to softer inflation during the first half of 2018. Going forward, authorities will need to effectively manage the sustained fiscal and monetary policy imbalances if inflation risk is to be contained.

A cocktail of factors, including but not limited to; investors taking positions ahead of impending elections (encouraged by a strong earnings outlook) and profit taking on signs of possible overheating; led to the local equities market struggling for direction during the first half of 2018. In spite of the volatility that characterised the Zimbabwe Stock Exchange (ZSE), the All Share Index registered positive gains of 2.1% during the first half of 2018, while the ZSE market capitalisation gained 4% to \$10.5 billion over the same period.

Financial performance

Profit before tax declined by 35% from US\$101.8 million in the first half (H1) of 2017 to US\$66 million in H1 2018 largely due to the impact of lower fair value gains on listed equities in the current period, particularly on the insurance businesses and the holding company. Operating profit increased by 27% from US\$27 million to US\$34.3 million driven by growth in banking and asset management profits. Banking profits were driven by growth in both net interest income and net non-interest income whilst asset management was driven by higher fees on the back of growth in funds under management. The strong growth in operating profit highlights the performance resilience of the core business operations, notwithstanding the volatility experienced in investment returns.

The banking and lending business recorded a net surplus growth of 25%, to US\$20.7 million, up from US\$16.6 million in H1 2017. This was mainly due to growth in net interest income by 20% on the back of growth in loans and advances. Net non-interest income grew by 32% to US\$19.8 million due to continued use of card based and electronic banking platforms as alternatives to cash.

Gross written premiums (GWP) grew by 8% from US\$95.3 million to US\$103.0 million in total for the life and short term insurance businesses due to a combination of improved client retention and new business that was underwritten. Operating profit for the life business was 12% lower than prior period due to the combined impact of significantly lower retail profit and higher wholesale claims in H1 2018. Operating profit for the short term insurance business was also 44% lower than the comparable prior period, weighed down by significant fire related claims experienced in the first quarter of 2018 and increasing repair costs on the private motor vehicle book.

Funds under management (FUM) for the asset management business were up by 7% from US\$2.7 billion at the beginning of the financial period to US\$2.9 billion as at 30 June 2018 largely due to growth in net client cash flows (NCCF). As a result of the growth in FUM, fee income and operating profit for the asset management business increased by 33% and 91% to US\$11.5 million and US\$6.8 million respectively.

Operating and administration expenses declined by 7% to US\$45.5 million from US\$48.7 million in the comparable prior period. The decline was mainly as a result of various cost containment measures being implemented. Total assets increased by 10% from US\$3.1 billion to US\$3.4 billion driven by growth in investments and securities; and loans and advances.

Operations

For the first half of 2018, the Group primarily focused on building digital capabilities in order to enhance service delivery, improving operational efficiencies and exploiting opportunities for growth.

During the first half of the year we completed the set up and resourcing of an integrated contact centre to facilitate better communication with our customers across multiple channels. The contact centre will enable us to further enhance quality of service delivery to our valued customers.

Construction of our Eastgate Market is nearing completion with the superstructure and all building works having been completed by 30 June 2018. Some delays were encountered in the delivery of the project due to challenges in sourcing foreign currency for some building materials that are not available locally. Snagging is now underway and we are now focusing on finalising leasing contracts for the building before the official opening. The building demonstrates our commitment to the nation's economy through development of small and medium enterprises (SMEs) and it is part of our broader financial inclusion strategy.

We completed Phase 1 of developing stands in Pumula South. All the stands developed under Phase 1 of the project were sold out by the end of the first half of the year. Pegging for Phase 2 of the development has also been completed and contractors will commence work once outstanding approvals are obtained from the Bulawayo City Council. Development of stands in Nkulumane is progressing well; sewer and water reticulation works were nearing completion as at 30 June 2018. We intend to deliver a total of 1,082 stands in Pumula South and Nkulumane through these developments.

Our alternative investments portfolio grew due to a combination of new investment disbursements and capital appreciation of existing portfolio companies. Alternative investments present an opportunity for growth and we will continue with efforts to grow our portfolio. For the 2017/2018 agricultural season, we expanded our weather index insurance product offering (Ruzhova/Uthango) to include cover for excess rainfall as well as other crops such as sorghum, pearl millet, soya, paprika, groundnuts and sugar beans. The number of signed up farmers increased by over 200% in the current period. We intend to scale up further in the upcoming 2018/2019 agricultural season.

Outlook

The economic outlook looks generally positive, as evidenced by real sector volume growth announced by several companies recently. Resultantly, the aggregate earnings outlook is favourable. Zimbabwe, despite current economic difficulties, offers good prospects for sustainable growth over the medium to long term outlook. We remain focused on building a strong business that will be best positioned to continue to deliver value to customers and shareholders into the future.

Appreciation

On behalf of the Board, I would like to thank our customers for their continued support and trust throughout the first half of 2018. My appreciation also goes to the Group's employees and management for their efforts in making sure that we continue to deliver value to all our stakeholders.

Johannes !Gawaxab
Chairman

22 August 2018



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

	2018 June Group	2017 June Group
Profit before tax	66 005	101 769
Adjusting items	(31 689)	(74 776)
Shareholder investment returns	(29 382)	(68 766)
Policyholder tax	(2 307)	(6 010)
Result From Operations	34 316	26 993

GROUP STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Notes	Unaudited 2018 Group US\$000	Unaudited 2017 Group US\$000
Revenue		
Gross premiums	4 103 078	95 251
Outward reinsurance	(4 943)	(4 199)
Net earned premiums	98 135	91 052
Investment income (non banking)	5 101 740	210 233
Banking interest and similar income	6 48 495	42 769
Fee income, commissions and income from service contracts	7 39 043	28 902
Other income	3 267	5 730
Total revenue	290 680	378 686
Expenses		
Claims and benefits (including change in insurance contract provisions)8	(146 503)	(192 725)
Reinsurance recoveries	3 686	1 791
Net claims incurred	(142 817)	(190 934)
Change in provision for investment contract liabilities	(4 579)	(15 096)
Fees, commissions and other acquisition costs	(14 349)	(8 460)
Banking interest payable and similar expenses	6 (10 348)	(10 847)
Credit losses and Impairment charges	(7 084)	(2 895)
Other operating and administration expenses	9 (45 498)	(48 685)
Profit before tax	66 005	101 769
Income tax expense	(12 089)	(12 412)
Profit for the period	53 916	89 357
Attributable to non-controlling interests	1 588	2 699
Attributable to owners of parent company	52 328	86 658
	53 916	89 357

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited Group 2018 US\$000	Unaudited Group 2017 US\$000
Profit after tax for the period	53 916	89 357
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Property revaluation	469	793
Shadow accounting	(135)	(612)
Regulatory impairment allowance	636	583
Total comprehensive income for the period	54 886	90 121
Total comprehensive income attributable to:		
Owners of parent company	53 298	87 422
Non-controlling interests	1 588	2 699
	54 886	90 121

GROUP STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

Notes	Unaudited Group 2018 US\$000	Audited Group 2017 US\$000
Assets		
Property and equipment	98 264	96 322
Investment property	11 403 525	405 172
Investments and securities	12 1 880 510	1 610 459
Loans and advances	14 765 145	669 180
Other assets	152 432	151 319
Cash and cash equivalents	117 054	190 252
Total assets	3 416 930	3 122 704
Liabilities		
Insurance contract liabilities	15 1 434 337	1 355 609
Investment contract liabilities	16 124 570	120 816
Credit lines	37 093	23 318
Amounts owed to bank depositors	17 1 009 575	838 027
Other liabilities	220 235	204 746
Total liabilities	2 825 810	2 542 516
Net assets	591 120	580 188
Shareholders' equity		
Share capital and premium	1	1
Other reserves	116 975	121 672
Retained earnings	455 972	439 983
	572 948	561 656
Non-controlling interests	18 172	18 532
Total equity	591 120	580 188

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. General Information

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

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

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

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share capital & premium US\$000	Other reserves US\$000	Retained income US\$000	Equity total US\$000	Non-controlling interests US\$000	Equity total US\$000
Unaudited 30 June 2018						
Shareholders' equity at beginning of year	1	121 672	439 983	561 656	18 532	580 188
Impact of adopting IFRS 9 at 31 December 2017	-	-	(20 331)	(20 331)	-	(20 331)
Profit for the financial year	-	-	52 328	52 328	1 588	53 916
Other comprehensive income						
Shadow accounting	-	(135)	-	(135)	-	(135)
Revaluation of property	-	469	-	469	-	469
Regulatory impairment allowance	-	(639)	639	-	-	-
Total comprehensive income for the year	-	(305)	52 967	52 662	1 588	54 250
Other movements	-	(4 893)	4 893	-	-	-
Vested Shares	-	363	-	363	-	363
Movement in treasury shares						
Dividends paid	-	-	(21 403)	(21 403)	(1 947)	(23 350)
Transactions with shareholders	-	(4 530)	(16 510)	(21 040)	(1 947)	(22 987)
Shareholders' equity at end of year	1	116 837	456 109	572 947	18 173	591 120
Unaudited 30 June 2017						
Shareholders' equity at beginning of period	1	119 468	247 192	366 661	12 287	378 948
Profit for the period	-	-	86 658	86 658	2 699	89 357
Other comprehensive income						
Shadow accounting	-	(612)	-	(612)	-	(612)
Revaluation of property	-	793	-	793	-	793
Regulatory impairment allowance	-	(583)	583	-	-	-
Total comprehensive income for the period	-	(402)	87 241	86 839	2 699	89 538
Vested Shares	-	274	-	274	-	274
Dividends paid	-	-	(9 634)	(9 634)	(1 451)	(11 085)
Transactions with shareholders	-	274	(9 634)	(9 360)	(1 451)	(10 811)
Shareholders' equity at end of period	1	119 340	324 799	444 140	13 535	457 675

GROUP STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited Group 2018 US\$000	Unaudited Group 2017 US\$000
Net cash flows from operating activities	39 486	50 266
Net cash from investing activities	(90 806)	(63 788)
Net cash flows from financing activities	(21 403)	(11 085)
Net increase/(decrease) in cash and cash equivalents	(72 723)	(24 607)
Effects of exchange rate changes on cash and cash equivalents	(475)	(82)
Cash and cash equivalents at beginning of the period	190 252	154 825
Cash and cash equivalents at the end of the period	117 054	130 136

2. Basis of preparation

The consolidated abridged financial statements provide information about the financial position, results of operations and changes in the financial position of the Group. They are based on the statutory records that are maintained under the historical cost convention with the exception of investments and securities and investment properties, which are included at fair value, 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 financial statements have been prepared on the going concern basis which the directors believe to be appropriate.

The Group's functional and presentation currency is the United States Dollar (USD). The Group's presentation currency is the United States Dollar (USD) and all amounts have been rounded to US\$000. Please refer to the use of estimates and judgements paragraph below which details the considerations made in determining the Group's functional currency.

Functional currency

There was new legislation promulgated in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins issued by the Reserve Bank of Zimbabwe as legal tender with a 1:1 parity with the USD. The acute shortage of USD cash and other foreign currencies in the country has seen increases in the utilisation of different modes of payment for goods and services such as settlement via the Real time Gross Settlement (RTGS) system overseen by the Reserve Bank of Zimbabwe (RBZ), Point of sale machines (POS) and mobile money platforms.

In addition:

- There have been media reports of instances, of some businesses pricing products and services differently, depending on the mode of payment, with the USD cash or payments from USD denominated nostro accounts being the cheapest alternative and RTGS the most expensive. This practice however, has been discouraged by the monetary authorities;
- The significant unavailability of the USD in cash and in Nostro accounts made processing of payments to foreign suppliers and creditors difficult for businesses, with waiting periods being experienced. As a result of these and other factors, management had to make an assessment of whether the use of the United States dollar as the Company's functional currency was still appropriate. In doing this management considered the following factors:
- The currency that mainly influences sales prices for goods and services;
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
- The currency of reference used by the country's fiscal authorities in delivering the National Budget and maintaining the national accounts;
- The currency that mainly influences labour, material and other costs of providing goods or services;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained

The United States dollar remained the primary driver for most of the factors above. It should be also noted that in line with guidance set by the RBZ, banks and other financial intermediaries, including the Old Mutual Zimbabwe group, do not maintain separate customer accounts for USD; Bond notes and coins; and payments made electronically whose values are considered to be at par. Obligations to clients are settled via cash, in the case of small banking withdrawals, as well as through various electronic platforms available through the national payments system, including RTGS. All customer accounts are denominated in USD.

The directors are therefore of the view, that the USD is still the Company's functional currency.



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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)

3 Segment information	Life Assurance US\$000	General Insurance US\$000	Banking & Lending US\$000	Asset Management US\$000	Holding Co & Other US\$000	Consolidation Adjustments US\$000	Total US\$000
A Statement of profit or loss - segment information for the six months ended 30 June 2018							
Revenue							
Gross premiums	85 394	19 392	-	-	-	(1 708)	103 078
Outward reinsurance	(1 310)	(3 633)	-	-	-	-	(4 943)
Net earned premiums	84 084	15 759	-	-	-	(1 708)	98 135
Investment income (non banking)	88 737	2 651	-	112	11 858	(1 618)	101 740
Banking interest and similar income	-	-	48 495	-	-	-	48 495
Fee income, commissions and income from service contracts	2 725	-	30 356	11 545	7 369	(12 952)	39 043
Other income	278	40	2 488	178	91	192	3 267
Total revenue	175 824	18 450	81 339	11 835	19 318	(16 086)	290 680
Expenses							
Claims and benefits (including change in insurance contract provisions)	(130 350)	(12 212)	-	-	-	(3 941)	(146 503)
Reinsurance recoveries	695	2 991	-	-	-	-	3 686
Net claims incurred	(129 655)	(9 221)	-	-	-	(3 941)	(142 817)
Change in provision for investment contract liabilities	(4 579)	-	-	-	-	-	(4 579)
Fees, commissions and other acquisition costs	(5 456)	(1 845)	(10 681)	(59)	(773)	4 465	(14 349)
Banking interest payable and similar expenses	-	-	(14 554)	-	-	4 206	(10 348)
Impairment charges	-	-	(7 084)	-	-	-	(7 084)
Other operating and administration expenses	(9 586)	(3 477)	(28 298)	(4 996)	(9 328)	10 187	(45 498)
Profit before tax	26 548	3 907	20 722	6 780	9 217	(1 169)	66 005
Income tax expense/(credit)	(4 571)	(779)	21	(2 171)	(4 589)	-	(12 089)
Profit for the period	21 977	3 128	20 743	4 609	4 628	(1 169)	53 916
A Statement of profit or loss - segment information for the six months ended 30 June 2017							
Revenue							
Gross earned premiums	77 630	17 621	-	-	-	-	95 251
Outward reinsurance	(800)	(3 399)	-	-	-	-	(4 199)
Net earned premiums	76 830	14 222	-	-	-	-	91 052
Investment income (non banking)	182 689	5 020	-	218	50 747	(28 441)	210 233
Banking interest and similar income	-	-	42 769	-	-	-	42 769
Fee income, commissions and income from service contracts	2 406	45	24 221	8 651	7 819	(14 240)	28 902
Other income	437	-	4 515	19	120	639	5 730
Total revenue	262 362	19 287	71 505	8 888	58 686	(42 042)	378 686
Expenses							
Claims and benefits (including change in insurance contract provisions)	(184 534)	(8 885)	-	-	-	-	(193 419)
Reinsurance recoveries	694	1 791	-	-	-	-	2 485
Net claims incurred	(183 840)	(7 094)	-	-	-	-	(190 934)
Change in provision for investment contract liabilities	(15 096)	-	-	-	-	-	(15 096)
Fees, commissions and other acquisition costs	(3 725)	(1 674)	(5 831)	(111)	(290)	3 171	(8 460)
Banking interest payable and similar expenses	-	-	(17 097)	-	-	6 250	(10 847)
Credit losses and impairment charges	-	-	(2 895)	-	-	-	(2 895)
Other operating and administration expenses	(9 277)	(3 252)	(29 050)	(5 063)	(12 360)	10 317	(48 685)
Profit before tax	50 424	7 267	16 632	3 714	46 036	(22 304)	101 769
Income tax expense/(credit)	(6 817)	(1 706)	-	(1 300)	(3 671)	1 082	(12 412)
Profit for the period	43 607	5 561	16 632	2 414	42 365	(21 222)	89 357
B Statement of financial position - segment information at 30 June 2018							
Assets							
Property and equipment	28 055	434	66 536	1 343	1 896	-	98 264
Investment property	378 738	505	23 682	-	600	-	403 525
Investments and securities	1 434 359	51 165	358 071	7 432	305 224	(275 741)	1 880 510
Loans and advances	-	-	765 145	-	-	-	765 145
Other assets	43 157	11 601	83 938	5 205	18 223	(9 692)	152 432
Cash and cash equivalents	20 351	3 929	93 778	1 359	6 204	(8 567)	117 054
Total assets	1 904 660	67 634	1 391 150	15 339	332 147	(294 000)	3 416 930
Liabilities							
Insurance contract liabilities	1 415 651	18 686	-	-	-	-	1 434 337
Investment contract liabilities	124 570	-	-	-	-	-	124 570
Credit lines	-	-	37 093	-	-	-	37 093
Amounts owed to bank depositors	-	-	1 155 580	-	-	(146 005)	1 009 575
Other liabilities	76 114	11 350	27 004	4 067	120 785	(19 085)	220 235
Total liabilities	1 616 335	30 036	1 219 677	4 067	120 785	(165 090)	2 825 810
Net assets	288 325	37 598	171 473	11 272	211 362	(128 910)	591 120

3 Segment information	Life Assurance US\$000	General Insurance US\$000	Banking & Lending US\$000	Asset Management US\$000	Holding Co & Other US\$000	Consolidation Adjustments US\$000	Total US\$000
B Statement of financial position - segment information at 31 December 2017							
Assets							
Property and equipment	27 855	402	64 551	1 498	2 016	-	96 322
Investment property	380 771	449	23 422	-	530	-	405 172
Investments and securities	1 359 796	35 836	233 544	6 035	365 572	(370 324)	1 610 459
Loans and advances	-	-	668 823	-	357	-	669 180
Other assets	25 104	8 632	111 598	5 785	44 777	(44 577)	151 319
Cash and cash equivalents	15 502	8 355	164 812	1 232	7 252	(6 901)	190 252
Total assets	1 789 028	53 674	1 266 750	14 550	420 504	(421 802)	3 122 704
Liabilities							
Insurance contract liabilities	1 341 376	14 233	-	-	-	-	1 355 609
Investment contract liabilities	120 816	-	-	-	-	-	120 816
Amounts owed to bank depositors	-	-	1 019 216	-	-	(181 189)	838 027
Credit lines	-	-	23 318	-	-	-	23 318
Other liabilities	55 524	889	35 419	6 363	197 037	(90 486)	204 746
Total liabilities	1 517 716	15 122	1 077 953	6 363	197 037	(271 675)	2 542 516
Net assets	271 312	38 552	188 797	8 187	223 467	(150 127)	580 188

Unaudited Group 2018 US\$000 **Unaudited Group 2017 US\$000**

4 Gross premiums		
Gross premiums		
Single	1 898	969
Recurring	9 250	8 734
Individual business	11 148	9 703
Group business		
Single	29 171	26 997
Recurring	43 367	40 930
Group business	72 538	67 927
General insurance	19 392	17 621
Total gross premiums	103 078	95 251
Comprising		
Insurance contracts	23 224	20 555
Investment contracts with discretionary participating features	60 462	57 075
General insurance	19 392	17 621
Total gross written premium	103 078	95 251
5 Investment income (non banking)		
Dividend income		
Financial assets at fair value through profit or loss	24 247	13 812
Interest income		
Cash and cash equivalents	5 296	5 368
Net rental income		
Investment property	10 367	11 016
Fair value gains and losses		
Investment property	3 055	304
Financial assets at fair value through profit or loss	58 775	179 733
	61 830	180 037
Total investment returns included in income statement	101 740	210 233
6 Banking interest and similar income		
Interest and similar income		
Loans and advances		
Fixed Deposits	7 347	5 597
Loans and advances	41 148	37 172
Total interest and similar income	48 495	42 769
Interest Expense:		
Credit lines	(1 534)	(1 265)
Money market deposits	(8 437)	(9 361)
Term deposits	(4)	(4)
Savings deposits	(373)	(217)
Total interest expense	(10 348)	(10 847)
Net Banking and similar income	38 147	31 922
7 Fee income, commissions and income from service contracts		
Banking operations:		
Commissions	12 253	6 528
Service fees	7 771	13 522
Administration fees	11 841	4 171
Total fee income and commission from banking operations	31 865	24 221
Asset management and long term business	7 178	4 681
	39 043	28 902



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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)

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.

	Unaudited Group 30-Jun-2018 US\$000	Unaudited Group 30-Jun-2017 US\$000
8. Claims and benefits		
Claims and benefits (including change in insurance contract provisions):		
Increase/(Decrease) in insurance contracts provision	82 351	132 467
Gross claims expenses (refer to analysis in note 8.1 below)	64 272	60 781
Shadow accounting to revaluation reserve	(120)	(523)
	146 503	192 725
8.1 Analysis of claims expenses		
Individual business	3 268	3 048
Death and disability benefits	675	564
Maturity benefits	990	1 842
Surrenders	1 605	642
Group business	51 783	50 639
Death and disability benefits	7 056	6 093
Pension commutations, maturities and withdrawal benefits	30 826	32 751
Annuities	7 389	7 506
Surrenders	6 512	4 289
General insurance	9 221	7 094
Total claims and benefits	64 272	60 781
Comprising:		
Insurance contracts	7 537	6 801
Investment contracts with discretionary participating features	47 514	46 886
General insurance	9 221	7 094
Total claims and benefits payable	64 272	60 781
9 Other operating and administration expenses		
Administrative expenses	5 289	6 919
Office space costs	2 826	2,648
Fees and levies	56	54
Donations	497	475
Share based payments	363	525
Insurance	451	519
Actuarial and consultancy fees	961	821
Advertising and marketing	1 800	1,980
Software licensing	2 652	2 156
Depreciation and Amortization	5 218	5 022
	20 113	21 119
Auditors' remuneration		
Statutory audit services - current year	371	295
Current year	371	295
Staff costs		
Wages and salaries	15 381	14 372
Retirement obligations	1 176	1 116
Social security costs	545	508
Bonus and incentive remuneration	2 940	4 263
Other staff costs	4 463	4 264
	24 505	24 523
Other	509	2 748
	45 498	48 685
10 Earnings per share		
The calculation of basic earnings per share at 30 June 2018 was based on the profit attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares outstanding during the year.		
Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares adjusted for the effects of all potentially dilutive ordinary shares. The Group had no potentially dilutive ordinary shares.		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
	Unaudited Group 30-Jun-2018 US\$000	Unaudited Group 30-Jun-2017 US\$000
Basic and diluted (US cents)	15.76	26.10
Earnings		
Basic and diluted earnings attributable to equity holders of the parent (US\$000)	52 328	86 658
Number of shares used in calculations (weighted)		
Basic and diluted earnings per share	332 046 874	332 046 874
	Unaudited Group 2018 US\$000	Audited Group 2017 US\$000
11 Investment property		
Carrying amount at beginning of year	405 172	392 555
Additions	6 799	6 932
Disposal	(8 000)	(663)
Gain/(Loss) from fair value adjustments	(446)	6 348
Carrying amount at end of year	403 525	405 172
Comprising:		
Freehold property	403 525	405 172
The fair value of freehold property leased to third parties under operating leases	323 215	321 001
Rental income from investment property	16 612	30 310
Direct operating expenses arising from rented-out investment property	(6 245)	(19 984)
	10 367	10 326

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.

	Unaudited Group 30-Jun-2018 US\$000	Audited Group 31-Dec-2017 US\$000
12 Investments and securities		
12.1 Analysis of investments		
Equity securities - listed	1 331 828	1 165 223
- unlisted	57 062	43 822
Total Equities	1 388 890	1 209 045
Unit trust investments	11 603	10 845
Prescribed securities	59 177	79 523
Treasury bills	235 768	195 359
Other debentures	14 484	21 966
Deposits and money market securities	170 588	93 721
	1 880 510	1 610 459
12.2 Spread of equity securities by sector		
Commodities	195 084	148 535
Consumer	839 481	786 294
Financial	137 522	87 259
Property	20 638	18 330
Manufacturing	162 541	135 666
Mining	33 624	32 960
	1 388 890	1 209 044
12.3 Movements of investment and securities		
Opening balance	1 610 459	801 700
Fair value movements through profit and loss	58 775	574 580
Interest earned	5 296	11 964
Additions	434 148	412 625
Disposals	(151 067)	(84 743)
Maturities	(77 101)	(105 667)
Closing balances	1 880 510	1 610 459

		New classification under IFRS 9		Original carrying amount under IAS 39	New Carrying amount under IFRS 9
		Life Assurance	Rest of Group	US\$'000	US\$'000
13 Classification of Financial assets and liabilities on the date of initial application of IFRS 9					
13.1 Original classification under IAS 39					
Assets					
Equities	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	1 209 045
Cash and cash equivalents	Loans and receivables	Loans and receivables	Fair value through profit or loss (designated)	Amortised cost	190 252
Treasury bills	Fair value through profit or loss (designated)	profit or loss	Fair value through profit or loss (designated)	Fair value through Amortised cost	195 359
Other interest bearing investments	Fair value through profit or loss (designated)	Amortised cost	profit or loss (designated)	Fair value through Amortised cost	195 210
Loans and advances	Loans and receivables	Loans and receivables	Loans and receivables	Amortised cost	669 180
Trade receivables	Loans and receivables	Loans and receivables	Amortised cost	Amortised cost	145 628
Total					2 604 674
Liabilities					
Investment contract liabilities	Fair value through profit or loss (designated)	Fair value through profit or loss (designated)	Fair value through profit or loss (designated)	Fair value through profit or loss (designated)	120 816
Amounts owed to group companies	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss (designated)	Fair value through profit or loss (designated)	838 027
Amounts owed to bank depositors	Amortised cost	Amortised cost	Amortised cost	Amortised cost	23 318
Credit lines	Amortised cost	Amortised cost	Amortised cost	Amortised cost	79 148
Other liabilities	Amortised cost	Amortised cost	Amortised cost	Amortised cost	79 148
Total					1 061 309

		Original carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	New Carrying amount under IFRS 9 as at 1 January 2018
		US\$m	US\$m	US\$m	US\$m
13.2 Transitional adjustments on Financial assets and liabilities on the date of initial application of IFRS 9					
Financial Assets					
Amortised cost					
Cash and cash equivalents		190 252	-	-	190 252
Treasury bills					
Opening balance		195 359	1 883		
From at fair value through profit or loss				(2 553)	
Remeasurement					
Closing balance		195 359	1 883	(2 553)	194 689
Other interest bearing investments					
Opening balance		195 210			
Remeasurement				(201)	
Closing balance		195 210		(201)	195 009
Loans and advances					
Opening balance		669 180			
Remeasurement				(18 911)	
Closing balance		669 180		(18 911)	650 269
Trade receivables					
Opening balance		145 628		(686)	
Remeasurement					
Closing balance		145 628		(686)	144 942
Total amortised cost		1 395 629	1 883	(22 351)	1 375 161
Financial liabilities					
Amortised cost					
Amounts owed to bank depositors		838 027	-	-	838 027
Credit lines		23 318	-	-	23 318
Other liabilities		79 148	-	-	79 148
Total amortised cost		940 493	-	-	940 493

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. The Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, are taken into account. Investment properties were fair valued using yield rates of between 7.00% and 12.00% (2017:7.00 % and 12.00%) and rental rates of between \$0.40 and \$20.00 (2017:\$0.50 and \$20.00). The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy due to the use of unobservable units.



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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)

	Unaudited Group 30-Jun-2018 US\$000	Audited Group 31-Dec-2017 US\$000		
14 Loans and advances				
Concentration - gross loans and advances				
Housing	265 306	162 188		
Individuals	173 205	147 623		
Commercial and industrial	364 952	374 959		
Gross loans and advances	803 463	684 770		
Less provision for impairment	(38 318)	(15 590)		
Net loans and advances	765 145	669 180		
14.1 Maturity analysis - gross and loans advances				
On demand to 3 months	114 641	39 779		
3 months to 12 months	254 230	265 792		
1 year to 5 years	384 661	316 762		
Over 5 years	49 931	62 437		
	803 463	684 770		
Non performing loans	47 715	43 277		
Past due but not impaired	156 191	138 977		
14.2 Sectoral analysis of loans and advances				
The business monitors concentrations of credit risk on loans and advances by sector. An analysis of concentrations of credit risk from loans and advances at the balance sheet date is shown below:				
Sector				
Trade and services	23 690	43 622		
Energy and minerals	18 803	11 267		
Agriculture	134 634	86 254		
Construction and property	265 702	240 953		
Light and heavy industry	59 494	30 828		
Individuals	171 963	158 952		
Transport and distribution	83 176	97 344		
State and state enterprises	46 001	15 550		
Total gross loans and advances	803 463	684 770		
15 Insurance contract liabilities				
Outstanding claims	3 620	2 870		
Future policyholders' benefits (see note 15.1 below)	1 430 717	1 352 739		
	1 434 337	1 355 609		
15.1 Future policyholders' benefits				
Movement in provision for insurance contracts				
Balance at beginning of year	1 352 739	897 653		
Inflows				
Premium income	83 453	184 700		
Investment income	65 747	426 199		
Fee and other income	2 662	5 341		
Outflows				
Claims and policy benefits	(51 573)	(117 858)		
Operating expenses	(13 724)	(26 982)		
Taxation				
Current tax	(250)	(492)		
Deferred tax	(159)	(448)		
Transfer to operating profit	(8 177)	(15 374)		
Balance at end of year	1 430 718	1 352 739		
16 Investment contract liabilities				
Liabilities at fair value through profit or loss	124 570	120 816		
Movement in liabilities fair valued through profit or loss				
Balance at beginning of year	120 816	76 331		
New contributions received	185	1 272		
Withdrawals	(1 773)	(8 662)		
Fair value movements	5 342	51 875		
Balance at end of year	124 570	120 816		
	Unaudited Group 2018 US\$000	Unaudited Group 2017 US\$000		
17 Amounts owed to bank depositors				
Money market deposits	474 714	357 004		
Term deposits	918	479		
Savings deposits	533 943	480 544		
	1 009 575	838 027		
17.1 Maturity analysis				
On demand to 3 months	828 261	611 586		
3 months to 1 year	56 660	74 354		
1 year to 5 year	53 529	84 493		
Over 5 years	71 125	67 594		
	1 009 575	838 027		
	Unaudited Group 30 June '2018 US\$000	Unaudited Group 31 Dec '2017 US\$000	Percentage	Percentage
Concentration				
Financial institutions	356 372	358 676	35.30%	42.80%
Companies	523 238	387 168	51.83%	46.20%
Individuals	129 965	92 183	12.87%	11.00%
	1 009 575	838 027	100.00%	100.00%

18 Commission of Inquiry

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.

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

19 Related party disclosures

Holding company and fellow subsidiaries and associates.

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

Other Group companies consist of fellow subsidiaries and associates.

Transactions and balances with holding company and fellow subsidiaries

	Unaudited Group 30-Jun-2018 US\$000	Unaudited Group 30-Jun-2017 US\$000
19.1 Fellow Group companies		
Old Mutual Life Assurance Company (South Africa) Limited		
Amounts due to as at 30 June	3 915	3 935
Old Mutual Africa Holdings		
Amounts due to as at 30 June	1 180	275
Old Mutual Zimbabwe Holdco Limited		
Amounts due to as at 30 June	28 500	14 438
Old Mutual Netherlands B.V		
Amounts due to as at 30 June	50 000	50 000
Directors remuneration		
For services as directors during the year	300	275
19.2 Key Management personnel remuneration		
Short Term employee benefits	2 527	2 237
Share based payments	346	457
Post employment benefits	129	122
	3 002	2 816

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 include 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.



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