OLD MUTUAL ZIMBABWE LIMITED
CONSOLIDATED ABRIDGED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

VPCG _2063

CHAIRMAN'S STATEMENT

Environment
The 2018 financial year opened with a great deal of promise. Optimism was based on the hopes of post-election economic progress premised on expectations of macro-economic policy re-balancing and re-integration into the international community. A contested election outcome and a cautious international reception weighed heavily on the pace and depth of the anticipated post-election economic progress.

Real sector economic output was primarily supported by the agriculture and mining sectors, with tobacco and gold output registering growth of 33.3% and 25.3%, respectively from prior year. Of concern is the economy's reliance on these two primary sectors, given their vulnerability to factors such as adverse weather conditions and international commodity price fluctuations which threaten aggregate forward earnings.

National tax collections for 2018 closed at $5.1 billion, exceeding the target as well as the prior year by 18.6% and 34.2% respectively. Strong revenue performance was mostly attributed to a revised Intermediated Money Transfer Tax (IMTT) and general price increases, particularly in the final quarter of the year. This notwithstanding, Treasury registered an estimated budget deficit of $2.9 billion in 2018, up from $2.5 billion in the prior year, as expenditure remained high. Broad money supply reached $10.1 billion as of October 2018, up 24.1% from the beginning of the year. In the prior year, money supply had grown by 36.3%.

Policy direction has been largely premised on a twelve year economic recovery plan (Vision 2030). The first two years towards Vision 2030 encompass a transitional stabilisation phase of policy rebalancing. This phase entails fiscal consolidation and monetary policy strengthening. Nevertheless persistently high levels of government spending and generalized market uncertainty over the monetary policy fuelled adverse market reactions, particularly during the latter part of 2018.

The unavailability of foreign currency to fund imports for business, as well as the safe haven demand for hard currency and equity exposures as a mitigant against fears of a return to high inflation levels last seen in the pre-dollarisation era, caused significant pricing, incomes and asset valuation distortions in the market. To protect client portfolios from the risk of loss of value emanating from the monetary policy and associated uncertainties, the group deliberately took an overweight position in non-monetary assets. By 31 December 2018, consumer inflation had surged to a post-hyperinflation peak of 42%.

The Zimbabwe Stock Exchange (ZSE) was characterized by significant volatility during the year ended 31 December 2018. The ZSE industrial index closed the year under review 46.3% up on the prior year, of which the final quarter alone registered a 25.9% growth.

Interest bearing returns remained constrained; as a weak banking sector appetite for deposits, on the back of a growth in money supply in the economy negatively impacted yields. Fixed interest bearing investments yielded negative real returns in light of a late surge in inflation. Property occupancy and collections improved, despite generally compromised tenant quality in light of difficult economic conditions.

Financial performance
Profit before tax increased by 36% from $242.9 million in 2017 to $329.8 million in 2018 and this was mainly driven by growth in total revenue. Total revenue rose by 41% from $991 million to $1.4 billion on the back of growth in all main revenue lines, particularly investment gains and banking interest income. Operating profit increased by 23% from $64.5 million to $79.2 million, driven by profit growth in the life, banking and asset management businesses. The strong growth in operating profit highlights the performance resilience of the core business operations.

Gross written premiums (GWP) grew by 10% from $194.8 million to $214.1 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 31% higher than the prior period as a result of growth in the retail segment and in asset based fees. However, the short term insurance business recorded an underwriting loss of $0.3 million largely due to a 47% growth in claims from prior year. The growth in claims was driven by significant private motor claims as repair costs increased on the back of foreign currency shortages that resulted in an increase in the cost of imported components and consumables used for repairs. There were also significant fire claims incurred during the year.

The banking business recorded a profit growth of 17%, to $49.2 million, up from $42.1 million in 2017. This was mainly due to growth in net interest income by 19% from a combination of growth in loans and advances and an improvement in net interest margin. Net non-interest income grew by 13% due to continued use of card based and electronic banking platforms as alternatives to cash.

Funds under management (FUM) for the asset management business were up by 52% from $2.7 billion at the beginning of the financial period to $4.1 billion as at 31 December 2018 due to a combination of growth in net client cash flows (NCCF) and positive investment performance. As a result of the growth in FUM, operating profit for the asset management business increased by 60%.

Operating and administration expenses declined by 3% to $91.4 million from $93.8 million in the comparable prior period. The decline was mainly attributable to various cost containment initiatives implemented by management in response to the difficult operating environment. However, the last quarter of the year saw increased cost pressures in line with a general deterioration in the macro-economic environment. Total assets increased by 41% from $3.1 billion to $4.4 billion driven by growth in investments and securities as well as loans and advances.

Operations
The Group primarily focused on building digital capabilities in order to enhance service delivery, improving operational efficiencies, and exploiting opportunities for growth.

We expanded our one-stop-financial services shop concept by launching two additional Green Zones in 2018, reflecting our strong commitment to improving customer experience. The new Green Zones were launched in Chinhoyi and Mutare during the third quarter of the year.

The construction phase of our Eastgate Market was completed and the certificate of occupation was issued by the Harare City Council. Work on tenant fit outs is now being carried out before the official launch. The building is a demonstration of our commitment to the nation's economy through infrastructure development and it is also part of our broader financial inclusion strategy.

We completed the development of a total of 1,082 stands in Pumula South and Nkulumane. Paid-up beneficiaries of this project have already started occupying their stands. We expect these stands to aid in clearing the housing backlog in the City of Bulawayo.

We launched the Old Mutual Bond Fund. The Old Mutual Bond Fund is a pooled fund that invests in medium to long-term debt instruments. The fund aims to generate returns for our customers through a combination of income and capital appreciation by building a portfolio of credit worthy medium to long term debt instruments. We also introduced the CABS Prepaid MasterCard which offers convenience to our customers. The CABS Prepaid MasterCard allows our customers to make easy and secure transactions online or anywhere in the world at automated teller machines (ATMs) and MasterCard-enabled Point of Sale devices. The CABS Prepaid MasterCard is issued instantly at CABS branches.

In recognition of the Group's efforts, the following awards were received by Old Mutual Zimbabwe:
- CABS received three awards at the Corporate Governance Awards hosted by the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ). The awards are as follows;
  - Best Banking Governance Practices.
  - Best Banking Risk Management Practices.
  - Overall Best Governed Banking Institution.
- CABS was voted the Top-performing Bank in the 2018 Banks and Banking Survey conducted by the Zimbabwe Independent.
- Old Mutual was presented an award for being a Superbrand in the Life Assurance Sector at the 2018 Superbrands Awards.

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, bring spending under control, 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 economic potential and supports the development of economic policies that will allow this potential to be realised.

Appreciation
On behalf of the Board, I would like to thank our customers for their continued support and trust throughout 2018. I also extend my appreciation to the Group's employees and management for their efforts, dedication and sense of purpose without which we would not have been able to achieve these commendable results in what was a very challenging operating environment.

Johannes !Gawaxab **29 March 2019**
Chairman

DIRECTORS' REPORT

Responsibility
The directors are responsible for the preparation and fair presentation of the Group and Company annual financial statements, comprising the statement of financial position as at 31 December 2018; and the statements of profit or loss; 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 Group and Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

Compliance with legislation
These financial statements, which have been prepared under the historical cost convention (except for fair value measurement where applicable), are in agreement with the underlying books and records, have been properly prepared in accordance with the accounting policies set out in note 2, and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant regulations made thereunder: the Insurance Act (Chapter 24:07), the Pension and Provident Funds Act (Chapter 24:09), the Microfinance Act (Chapter 24:09), the Building Societies Act (Chapter 24:02), the Banking Act (Chapter 24:20), the Asset Management Act (Chapter 24:26), the Collective Investments Schemes Act (Chapter 24:19) and the Securities Act (Chapter 24:25).

Compliance with IFRSs
The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC). Complying with IFRSs achieves consistency with the financial reporting framework adopted by the parent company, Old Mutual Limited, which is incorporated in South Africa. Using a globally recognized reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

While full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved for 2018. The IFRS Conceptual Framework, provides that in applying fair presentation to the financial statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the financial statements to also consider the underlying economic substance therein. International Accounting Standard 21 "The Effects of Changes in Foreign Exchange rates" (IAS21) requires an entity to apply certain parameters in determining the functional currency of a company, for use in preparing financial statements. IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable. In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our legal interpretation, for accounting and other purposes, prescribes parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the financial statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe.

In our opinion, the requirement to comply with Statutory Instrument 33 of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the IFRS Conceptual Framework as also enunciated in the guidance issued by the Public Accountants and Auditors Board on 21 March 2019. This has resulted in accounting treatment being adopted in the 2018 financial statements, which is different from that which would have been adopted if the group had been able to fully comply with IFRS. As such, directors and management have been unable to produce financial statements which in their view would be true and fair and urge users of the financial statements to exercise due caution. Note 22 seeks to provide users with more information given the context and the aforementioned guidance.

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 the Old Mutual (Zimbabwe) Dividend Access Trust.

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

I. Preference dividend declared out of 2017 profits and paid during the year;
   April 2018 $3 624 256
II. Ordinary dividends declared out of 2017 profits and paid during the year;
   April 2018 $10 000 000
III. A Special ordinary dividend declared out of 2017 profits and paid during the year;
   April 2018 $10 000 000
IV. An interim preference dividend declared out of 2018 profits and paid during the year
   October 2018 $7 466 779
V. An interim ordinary dividend declared out of 2018 profits and paid during the year,
   October 2018 $5 000 000

Directors

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

*Denotes Executive Director

Messrs.NTT Mudekunye, J !Gawaxab and TM Johnson 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 Central Africa Building Society as well as Old Mutual Zimbabwe Limited particularly with regards to board structure and composition. The Group is in the process of instituting measures to achieve compliance with the Act. With respect to CABS, progress was made during the year with the appointment of a new independent board chairman and other structural changes.

Director
29 March 2019

Director
29 March 2019

AUDITOR'S STATEMENT

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2018, which have been audited by KPMG Chartered Accountants Zimbabwe. An adverse opinion was issued thereon, in respect of functional currency, as requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates were not complied with. The Auditors' report includes Key Audit Matters (KAMs) to the extent they are not impacted by the basis for adverse opinion indicated. The KAMs included valuation of investment property. The Auditors' report on these financial statements is available for inspection at the Company's registered office.

29 March 2019

OLD**MUTUAL**

Directors: J. !Gawaxab (Chairman), J. Mushosho (Group Chief Executive Officer), I.T. Mashinya (Group Chief Operating Officer), N.T.T. Mudekunye (Group Finance Director), D. Benecke, T.M. Johnson, M.P. Mahlangu, K. Mandevani (Dr), L.L. Tsumba (Dr), I. Williamson

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

	2018 Group	2017 Group
Profit before tax	329 837 456	242 876 403
Adjusting items	(250 669 564)	(178 343 582)
Shareholder investment returns	(246 261 949)	(171 246 093)
Policyholder tax	(4 407 615)	(7 097 489)
Result From Operations	79 167 892	64 532 821

GROUP STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Group $	2017 Group $
Revenue			
Gross earned premiums	4	214 115 871	194 762 961
Outward reinsurance		(11 279 236)	(10 062 972)
Net earned premiums		202 836 635	184 699 989
Investment income (non banking)	5	1 001 872 846	640 946 266
Banking interest and similar income	6	108 872 719	91 364 015
Fee income, commissions and income from service contracts	7	84 241 267	71 685 808
Other income		1 551 983	2 453 447
Total revenue		**1 399 375 450**	**991 149 525**
Expenses			
Claims and benefits (including change in insurance contract provisions)	8	(818 871 893)	(562 200 849)
Reinsurance recoveries		4 238 437	3 664 575
Net claims incurred		(814 633 456)	(558 536 274)
Change in provision for investment contract liabilities	9	(89 387 393)	(51 809 502)
Fees, commissions and other acquisition costs		(33 499 228)	(21 163 318)
Banking interest payable and similar expenses	6	(24 184 856)	(20 239 362)
Impairment charges		(16 468 194)	(2 701 279)
Other operating and administration expenses	10	(91 364 867)	(93 823 387)
Profit before tax		**329 837 456**	**242 876 403**
Income tax expense		(29 155 087)	(23 614 160)
Profit for the year		**300 682 369**	**219 262 243**
Attributable to non-controlling interests		10 622 501	7 695 743
Attributable to owners of parent company		290 059 868	211 566 500
		300 682 369	**219 262 243**

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Group $	2017 Group $
Profit for the year		**300 682 369**	**219 262 243**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Property revaluation		1 495 680	1 045 173
Shadow accounting	9.1	(639 189)	(724 662)
Total comprehensive income for the year		**301 538 860**	**219 582 754**
Total comprehensive income attributable to:			
Owners of parent company		290 916 359	211 887 011
Non-controlling interests		10 622 501	7 695 743
		301 538 860	**219 582 754**
Earnings per share			
Basic and diluted **(cents)**		87,36	63,72

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018 Group $	2017 Group $
Assets			
Investment property	11	411 475 907	405 171 878
Property and equipment		104 623 127	96 322 048
Investment in finance lease	12	7 733 971	-
Deferred acquisition costs		640 073	741 681
Reinsurer contracts		4 778 163	3 278 568
Investments and securities	14	2 795 281 950	1 610 459 137
Deferred tax assets		1 415 031	932 245
Current tax assets		617 258	737 798
Loans and advances	16	780 494 830	669 180 202
Other assets		127 836 470	145 628 854
Cash and cash equivalents		160 991 988	190 251 626
Total assets		**4 395 888 768**	**3 122 704 037**
Liabilities			
Insurance contract liabilities	17	2 049 901 703	1 355 608 987
Investment contract liabilities	18	208 922 934	120 815 870
Provisions		16 223 240	14 303 061
Deferred tax liabilities		58 038 254	42 089 309
Current tax payables		383 030	557 924
Amounts due to group companies	15	85 347 795	68 647 703
Amounts owed to bank depositors	19	1 006 869 504	838 026 610
Credit lines		53 297 223	23 317 769
Other liabilities		91 523 852	79 148 600
Total liabilities		**3 570 507 535**	**2 542 515 833**
Net assets		**825 381 233**	**580 188 204**
Shareholders' equity			
Share capital and premium		1 065	1 065
Non-distributable reserve		51 346 598	52 457 048
Revaluation reserve		19 633 251	18 776 760
Share option reserve		33 662 107	32 480 501
Regulatory provisions reserve		5 186 397	17 957 094
Retained earnings		690 890 332	439 983 423
		800 719 750	**561 655 891**
Non-controlling interests		24 661 483	18 532 313
Total equity		**825 381 233**	**580 188 204**

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital & premium $	Non-distributable reserve $	Revaluation reserve $	Share option reserve $	Regulatory provisions reserve $	Retained income $	Equity total $	Non-controlling interests $	Equity total $
2018										
Shareholders' equity at beginning 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**
Impact of adopting IFRS 9 at 1 January 2018	13.3	-	-	-	-	-	(19 981 113)	(19 981 113)	(79 744)	(20 060 857)
Transfer of regulatory impairment allowance	13.3	-	-	-	-	(17 950 122)	17 950 122	-	-	-
Adjusted balance as at 1 January 2018		**1 065**	**52 457 048**	**18 776 760**	**32 480 501**	**6 972**	**437 952 432**	**541 674 778**	**18 452 569**	**560 127 347**
Profit for the financial year		-	-	-	-	-	290 059 868	290 059 868	10 622 501	300 682 369
Shadow accounting	9.1	-	-	(639 189)	-	-	-	(639 189)	-	(639 189)
Revaluation of property		-	-	1 495 680	-	-	-	1 495 680	-	1 495 680
Total Comprehensive income for the year		**-**	**-**	**856 491**	**-**	**-**	**290 059 868**	**290 916 359**	**10 622 501**	**301 538 860**
Transfer to reserve		-	(1 110 450)	-	-	5 179 425	(4 068 975)	-	-	-
Vested Shares		-	-	-	559 309	-	-	559 309	-	559 309
Movement in treasury shares		-	-	-	622 297	-	-	622 297	-	622 297
Dividends declared		-	-	-	-	-	(33 052 993)	(33 052 993)	(4 413 587)	(37 466 580)
Transactions with shareholders		**-**	**(1 110 450)**	**-**	**1 181 606**	**5 179 425**	**(37 121 968)**	**(31 871 387)**	**(4 413 587)**	**(36 284 974)**
Shareholders' equity at end of year		**1 065**	**51 346 598**	**19 633 251**	**33 662 107**	**5 186 397**	**690 890 332**	**800 719 750**	**24 661 483**	**825 381 233**
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	9.1	-	-	(724 662)	-	-	-	(724 662)	-	(724 662)
Revaluation of property		-	-	1 045 173	-	-	-	1 045 173	-	1 045 173
Total Comprehensive income for the year		**-**	**-**	**320 511**	**-**	**-**	**211 566 500**	**211 887 011**	**7 695 743**	**219 582 754**
Transfer to reserve		-	-	-	-	1 440 001	(1 440 001)	-	-	-
Vested shares		-	-	-	935 727	-	-	935 727	-	935 727
Movement in treasury shares		-	-	-	(492 360)	-	-	(492 360)	-	(492 360)
Dividends declared		-	-	-	-	-	(17 335 540)	(17 335 540)	(1 450 510)	(18 786 050)
Transactions with shareholders		-	-	-	443 367	**1 440 001**	(18 775 541)	(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**

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Group $	2017 Group $
Cash flows from operating activities			
Profit before tax		329 837 456	242 876 403
Non-cash movements and adjustments to profit before tax		(110 727 443)	(69 313 356)
Changes in working capital		132 977 462	149 555 341
Taxation paid		(25 633 098)	(12 356 883)
Net cash from operating activities		**326 454 377**	**310 761 505**
Cash flows from investing activities			
Net acquisition of financial assets		(303 788 725)	(235 771 224)
Net acquisition of investment properties		(10 626 159)	(6 932 337)
Net acquisition of property and equipment		(17 796 971)	(13 664 672)
Net cash used in investing activities		**(332 211 855)**	**(256 368 233)**
Cash flows from financing activities			
Dividends paid		(23 752 629)	(18 786 050)
Net cash used in financing activities		**(23 752 629)**	**(18 786 050)**
Net increase in cash and cash equivalents		**(29 510 107)**	**35 607 222**
Net foreign exchange differences on cash and cash equivalents		**250 469**	**(180 901)**
Cash and cash equivalents at the beginning of the year		**190 251 626**	**154 825 305**
Cash and cash equivalents at the end of the year		**160 991 988**	**190 251 626**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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);
- 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 Limited, which is registered in South Africa.

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, as well as insurance contract provisions and provisions for investment contracts with discretionary participating features which are calculated on a Financial Soundness Valuation basis. The accounting policies have been consistently applied to all periods presented, except where specifically highlighted.

The group has in previous financial periods adopted the United States Dollar as its presentation and functional currency. For the 2018 financial statements, in order to comply with local laws and regulations, particularly Statutory Instrument 33 of 2019 (SI33), and after taking into account the relevant guidance on the matter by the Public Accountants and Auditors Board (PAAB) issued on 21 March 2019, the group has adopted the US Dollar as its presentation currency. SI33 has precluded the group from applying an independent assessment of functional currency as provided for under International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21). Please refer to the use of estimates and judgements note 2.2, below for further detail.

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 2.6.

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Directors: J. !Gawaxab (Chairman), J. Mushosho (Group Chief Executive Officer), I.T. Mashinya (Group Chief Operating Officer), N.T.T. Mudekunye (Group Finance Director), D. Benecke, T.M. Johnson, M.P. Mahlangu, K. Mandevani (Dr), L.L. Tsumba (Dr), I. Williamson

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2.2.1 Functional currency

As prescribed under Statutory Instrument 33 (SI 33) of 2019, the group has adopted United States Dollar (USD) as the functional currency notwithstanding requirements of IFRS.

2.2.2 Functional currency disclosure in the 2017 Financial statements

Since 2009, Zimbabwe has been under a multi-currency system, under which the USD has emerged as the currency of reference for business and government. New legislation was 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. With the acute shortage of USD cash and other foreign currencies in the country, 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, were observed. In addition:

- There were media reports dating back from 2017 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, was 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 USD as the Company's functional currency was still appropriate. In doing so management considered the following parameters as set out in IAS 21(Paragraph 8):

- The currency that mainly influences sales prices for goods and services (normally the currency in which the sales price for goods or services are denominated and settled);
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services.
- The currency that mainly influences labour, material and other costs of providing goods or services; (normally the currency in which such costs are denominated and settled);
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

It was the view of the directors, that the USD remained the primary driver for most of the factors above. It should be also be noted that in line with guidance set by the RBZ, banks and other financial intermediaries, including the Old Mutual Zimbabwe group, did not maintain separate customer accounts for USD; Bond notes and coins; and payment made electronically whose values were considered to be at par. Obligations to our clients were 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.

The directors therefore, took the view for purposes of preparing the 2017 Financial Statements, that the USD was still the Group's functional currency for accounting and financial reporting purposes. This was also consistent with guidance provided by the PAAB.

2.2.3 Key developments during 2018 and early 2019

In February 2018 the RBZ instructed the banks to ring-fence actual foreign currency deposits from RTGS transfer deposits in customer accounts.

Through the Monetary Policy Statement (MPS) delivered on 1 October 2018, the RBZ further instructed banks to separate USD balances from RTGS Balances and bond notes and required the opening of a RTGS Foreign Currency Account (FCA) for local electronic money transfers and bond note transactions and the Nostro FCA for actual foreign currency deposits or export proceeds. The MPS referred to the need to "eliminate the commingling or dilution effect of RTGS balances on Nostro foreign currency accounts". The RBZ set the rate of exchange between the two at 1:1. However the same MPS also alluded to the existence of "escalating foreign currency premiums" and "a thriving parallel market". The RBZ has reported money supply in Zimbabwe at $9.1 billion as at 30 June 2018, of which the estimated foreign currency in circulation was less than US$500 million. The increase in money supply saw a corresponding increase in premiums obtaining in the unofficial parallel market for hard currency. Although RTGS FCA and the Nostro FCA bank accounts were pegged at 1:1 during 2018, local banks have had difficulty meeting foreign payment requests, unless an entity has directly deposited actual USD cash in advance of the bank facilitating payment, received export proceeds or has been allocated foreign currency officially for imports on the priority list which included fuel and medicines, among others.

Statutory Instrument 252A of 23 November 2018 brought into effect the payment of customs duty of certain designated dutiable goods in foreign currency instead of RTGS transfers or bond notes as had been the case previously. The payment of Value Added Tax in foreign currency, was brought into effect through Finance Act number 1 of 2019 which was gazetted on 22 February 2019 with an effective date of 1 January 2019. The output VAT on supplies is remitted to ZIMRA in the currency in which it is paid for.

Observed market developments and responses are summarized as follows:

- Significant increases in premiums on the unofficial currency market since the beginning of October 2018.
- A greater prevalence of multiple pricing regimes with higher prices being charged for non-USD payments, while foreign currency or USD cash purchases were at heavily discounted prices. This has been justified by the need to secure foreign currency for vital imports on the part of the suppliers and retailers concerned. The difference in the USD and local prices seemed indicative of a premium for hard currency outside the official parity rate prescribed.
- The Zimbabwe Stock Exchange rose over 30% between 1 October 2018 and 31 December 2018 (increase of 46% for the full year 2018), amid reports of a sharp decline in sell offers on the market, especially in the months of October and November.
- Monthly inflation during the month of October was 16% while October 2018 year on year inflation was recorded at 21% compared to 5% in September. In November, year on year inflation further increased to 31% and then to 42% in December 2018 (2017: 3%), which is far above the inflation levels that would be typical of a USD based economic environment. Inflation in the United States of America for December 2018 was 2% (2017: 2%).
- On 12 January 2019, the government increased fuel prices by 150% in response to worsening fuel shortages.

  Monetary Policy Statement (MPS) of 20 February 2019
  On 20 February 2019, the RBZ Governor announced a new MPS whose highlights were:
- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS dollars became part of the multi-currency system.
- RTGS Dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces.

The MPS was followed by the publication of Statutory Instrument 33 of 2019 (SI33) on 22 February 2019. The Statutory Instrument gave effect to the introduction of the RTGS Dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS Dollar values from the effective date.

2.2.4 Functional currency assessment for the 2018 financial statements.

In making a functional currency assessment for 2018, the directors have made a critical evaluation of the same factors as for 2017 as outlined above , The directors also considered the following additional factors:

- The significant deterioration in the ability by the business during 2018 to meet foreign payment obligations, with some obligations remaining unpaid for over 12 months, despite sufficient electronic cash resources held. The group does not resort to unofficial foreign currency markets or pay premiums to obtain foreign currency, and relies on the official market to meet foreign payment obligations;
- The regulatory requirement, announced on 1 October 2018 to separate hard currency or Nostro balances from bond notes and RTGS balances, which was not the case in 2017;
- The fact that a significant majority of the group's operating cashflows are retained in RTGS accounts, as opposed to Nostro FCA accounts;
- The assessment that hard currency or nostro account based transactions, constitute a relatively small proportion of the overall transactions done by the group;
- The self-evident increase in the extent of purchasing power disparities between the USD on one hand; and local bond notes and RTGS balances on the other hand; which was experienced in 2018, particularly in the last quarter of that year, and which have continued into 2019;
- Upward asset price movements which seem de-linked from the circulation of actual USD within the economy.

The directors were not able to arrive at the same conclusion that was arrived at in the preparation of the 2017 financial statements, which was that the USD is the group's functional currency. This outcome is based on the directors' interpretation of IAS 21. In particular IAS 21 defines a functional currency as the "currency of the primary economic environment in which an entity operates". The directors also believe that while underlying regulatory and market conditions were more supportive of an exchange rate of 1:1 between Bond/RTGS and the USD in 2017, during 2018 a significant divergence in market perception of the relative values between the two currencies occurred. We believe that the fact that the interbank foreign currency market which was established towards the end of February 2019, opened trading at USD1: RTGS$2.5, is an indicator of the relative loss of value of bond notes and RTGS balances during 2018.

The directors, in the spirit of complying with the law, and having considered guidance on the matter provided by the PAAB, have taken the option of adopting the accounting treatment prescribed under SI33 and have used an exchange rate of 1:1 between RTGS balances, bond notes; and the USD. This is different from the approach taken by the group's South African parent company, Old Mutual Limited, which treated the RTGS dollar as a functional currency effective from 1 October 2018 at an exchange rate of USD1: RTGS$3.3.

2.3 Other critical judgements

Financial assets and liabilities

The fair values of investment properties, financial assets and liabilities are classified and accounted for in accordance with the policies set out in section 2.7 and 2.8 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 while 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 "Investments in Associates and Joint Ventures" defines an associate as an entity in which the investor has significant influence. The standard states that if an entity holds 20%, directly or indirectly of the voting power of the investee, it is presumed that the entity has significant influence unless it can clearly be demonstrated that it is not the case. The Standard provides an exemption for venture capital organizations, mutual funds, unit trusts and similar entities including investment linked insurance funds to measure investments in those entities at fair value through profit or loss in accordance with IFRS 9 "Financial instruments: Recognition and measurement".

- The Group has investment linked insurance funds which include investments in which the Group has more than 20% disclosed on Note 14.5. These funds are backed by investment contracts with discretionary participating features and meet the following characteristics:
  - The policyholder has a clear understanding of the type of investments the Group invests in;
  - There is a link between the investments and what the policyholders are entitled to;
  - The valuation of the liability is based on the value of the assets; and
  - The assets backing these liabilities are ring-fenced.
- The Group has funds which operate like unit trusts and these also include investments in which the Group has more than 20%. These funds back investment contracts accounted for in terms of IFRS 9, at fair value.

Valuations of housing projects

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.

Valuation of treasury bills

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

2.4 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 fair 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 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 or significant influence is lost.

2.5 Revenue

Revenue comprises premium income from insurance contracts and investment contracts with a discretionary participating feature, fee income from investment management contracts, commission income, banking 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 2.6 and 2.7 below.

2.6 Insurance and investment contracts

2.6.1 Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary 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, then significant insurance risk exists even if the insured event is extremely unlikely or even if the expected present value of contingent cash flows is a small proportion of the expected present value of all remaining contractual cash flows.

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

Contracts with a discretionary participating feature may be classified either as insurance contracts or investment contracts. All contracts with a discretionary participating feature are accounted for in the same manner as insurance contracts by the Group.

2.6.2 Premiums on contracts

Premiums and annuity considerations receivable under insurance contracts and investment contracts with a discretionary participating feature are recognised gross of commission, and exclude taxes and levies. Premiums in respect of other insurance contracts and investment contracts with a discretionary participation feature are recognised when due for payment.

Outward reinsurance premiums are recognised when due for payment.
Amounts received under investment contracts other than those with a discretionary participating feature are recorded as deposits to investment contract liabilities.

2.6.3 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.

2.6.4 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.

VPCG _2063

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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.

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

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 as a carrying value of liabilities.

Investment options and guaranteed payments are computed on the prospective deposit method, which produces reserves equal to the present value of future benefit payments.

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

The Group performs liability adequacy testing on its insurance liabilities (including 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.

2.6.6 Investment contract liabilities

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

2.6.7 Acquisition costs on long-term insurance

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

2.6.8 Deferred acquisition costs in respect of investment management service contracts

Costs that are directly attributable to securing an investment management service contract are deferred if they can be identified separately and measured reliably and it is probable that they will be recovered. The costs represent the contractual right to benefit from providing investment management services and is amortised as the related revenue is recognised.

2.7 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.

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

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

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

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

2.8 Financial instruments

Recognition and derecognition

Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the provisions of IAS 39 'Financial instruments: Recognition and measurement' that relate to the recognition, classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies effective from 1 January 2018 are set out below.

Initial recognition of financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI) which may include debt or equity instruments; or
- Fair Value through Profit and Loss (FVTPL).
  IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments held or derivative assets. Equity instruments and derivative assets are mandatorily categorised as financial assets at FVTPL. The classification and measurement of debt instruments is dependent on the business model in which the financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification.

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Initial recognition of financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. On initial recognition financial liabilities are measured at fair value plus or minus, in the case of financial liabilities not classified at FVTPL, transaction costs that are incremental and directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

Subsequent measurement of financial assets

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

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

Subsequent measurement of financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the measurement of financial liabilities with one exception. Fair value movements attributable to changes in the credit risk of a financial liability designated at FVTPL is recorded in other comprehensive income and not recycled to profit or loss. The balance of the fair value movement is recorded in profit or loss.

Apart from the implementation of the expected credit loss model, other significant changes in the classification and measurement of financial assets and liabilities as illustrated above have been described below.

Business model assessment

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

Banking and lending

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the business's stated objective for managing the financial assets is achieved and how cash flows are realised.

Insurance business

The business holds assets to back insurance liabilities and it elects to designate and measure all the interest bearing assets at fair value through profit and loss to avoid an accounting mismatch with the liabilities which are measured at fair value. Trade and other receivables are measured at armotised cost using a simplified balanced impairment tool. Equities are classified as financial assets at fair value through profit or loss.

Rest of Group

The other businesses performs their model through performing an SPPI (solely payments of principal and interest) test, an assessment of whether contractual cash flows are solely payments of principal and interest for the interest bearing investments. In terms of IAS39, trade receivables were classified as loans and receivables and were measured at amortised cost using a simplified provisioning matrix. IFRS 9 allows for use of the simplified provision matrix which considers historical loss experience when determining expected credit losses.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model and results in credit losses being recognised earlier than under IAS 39. The new impairment model applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, reinsurers' share of policyholder liabilities, loans and advances, trade and other receivables, cash and cash equivalents, and corporate debt securities held by the Group) and corporate debt investments measured at FVOCI, but not to investments in equity instruments. As a consequence of the new standard, the Group has revised its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the company's total equity is disclosed in note 13.

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

ECL reflects an entity's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, an entity should also consider observable market information about the credit risk of the particular financial instrument or similar financial instruments.

In the absence of sufficient depth of data, management apply expert judgment within a governance framework to determine the required parameters. The expert judgement process is based on available internal and external information. Due to differences in availability of data and maturity of credit risk management across the Group, different approaches are used to determine the key parameters.

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

The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:

- Stage 1: At initial recognition a financial instrument is allocated into stage 1, except for purchased or originated credit impaired financial instruments.
- Stage 2: A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.
- Stage 3: A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

Under IFRS 9, impairment loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

VPCG_2063

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Group's assessment
The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:
- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers quantitative and qualitative information, based on the Group's historical experience, credit assessment and including forward-looking information. The Group's assessment of a significant increase in credit risk from initial recognition consists of a primary and secondary risk driver as follows:
- The primary risk driver aligns to the quantitative credit risk assessments performed, such as the credit score, credit rating, probability of default or arrears aging of a financial instrument.
- The secondary risk assessment considers a broad range of qualitative risk factors based on a forward looking view such as economic and sector outlooks. The secondary risk assessment can be performed on a portfolio basis as opposed to a quantitative assessment at a financial instrument level.

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

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

A financial asset is in default when the financial asset is credit-impaired or if the Basel definition of default is met. Where applicable, the rebuttable presumption that default does not occur later than when a financial asset is 90 days past due, is applied.

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. 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 (IFRS 9) "Financial Instruments: Recognition and Measurement". Where the provision as per RBZ guidelines is higher than the IFRS 9 impairment losses, the excess is treated as an appropriation of equity.

Measurement of expected credit losses (ECL)
ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For presentation the ECL allowances are deducted from the gross carrying amount of the assets. ECLs are presented separately in the consolidated income statement.

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

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 with its subsidiaries, fellow subsidiaries, the parent company directors and key management personnel. Transactions and balances are reflected in note 21.

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

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

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

Sensitivities on the exchange rate are disclosed under Note 22

2.12 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.

2.13 Forthcoming requirements
Future amendments not early adopted in the 2018 annual financial statements
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. These are 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 carried out an assessment of the impact of IFRS 16 and below is a table which shows the impact at entity level as well as the consolidated group position.

Company	Increase of assets	Increase of liabilities
OMZIL Co	6 406	6 406
OMLAC (unconsolidated)	1 780 172	1 780 172
OMSS	1 345 169	1 345 169
CABS	4 615 156	4 615 156
OMIG	223 686	223 686
OMFIN	34 062	34 062
CABS CUS	38 213	38 213
OMSEC	6 866	6 866
OMP	393 521	393 521
OMICO	379 780	379 780
Total	8 823 031	8 823 031
• Most of the space leased by companies in the group is leased from Old Mutual Property Investment Company (OMPIC)		
OMZIL Consolidated after group eliminations	21 096	21 096

2.14 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 credit-worthy 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 and expansion 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.

3 Segment information	Life Assurance $	General Insurance $	Banking & Lending $	Asset Management $	Holding Co & Other $	Consolidation Adjustments $	Total $
A Statement of profit or loss - segment information for the year ended 2018							
Revenue							
Gross earned premiums	176 914 692	41 444 323	-	-	-	(4 243 144)	214 115 871
Outward reinsurance	(2 679 391)	(8 599 845)	-	-	-	-	(11 279 236)
Net earned premiums	174 235 301	32 844 478	-	-	-	(4 243 144)	202 836 635
Investment income (non banking)	927 643 824	22 065 249	-	332 405	261 668 291	(209 836 923)	1 001 872 846
Banking interest and similar income	-	-	108 872 719	-	-		108 872 719
Fee income, commissions and income from service contracts	5 967 248		66 860 355	26 060 989	15 634 149	(30 281 474)	84 241 267
Other income	23 555	136 392	2 815 017	880 349	5 127 576	(7 430 906)	1 551 983
Total revenue	**1 107 869 928**	**55 046 119**	**178 548 091**	**27 273 743**	**282 430 016**	**(251 792 447)**	**1 399 375 450**
Expenses							
Claims and benefits (including change in insurance contract provisions)	(795 465 764)	(24 317 788)	-	-	-	911 659	(818 871 893)
Reinsurance recoveries	1 662 406	2 576 031	-	-	-	-	4 238 437
Net claims incurred	(793 803 358)	(21 741 757)	-	-	-	911 659	(814 633 456)
Change in provision for investment contract liabilities	(89 387 393)	-	-	-	-	-	(89 387 393)
Fees, commissions and other acquisition costs	(14 222 526)	(4 625 265)	(26 187 959)	(435 114)	-	11 971 636	(33 499 228)
Banking interest payable and similar expenses	-	-	(32 451 235)	-	-	8 266 379	(24 184 856)
Impairment charges	-	-	(16 468 194)	-	-	-	(16 468 194)
Other operating and administration expenses	(18 226 510)	(6 991 732)	(54 794 110)	(10 726 529)	(121 457 208)	120 831 222	(91 364 867)
Profit before tax	**192 230 141**	**21 687 365**	**48 646 593**	**16 112 100**	**160 972 808**	**(109 811 551)**	**329 837 456**
Income tax (expense)/credit	(16 553 739)	(153 813)	24 434	(4 825 003)	(8 433 988)	787 022	(29 155 087)
Profit for the year	**175 676 402**	**21 533 552**	**48 671 027**	**11 287 097**	**152 538 820**	**(109 024 529)**	**300 682 369**
A Statement of profit or loss - segment information for the year ended 2017							
Revenue							
Gross earned 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	(2 620 771)	2 453 447
Total revenue	**751 804 183**	**45 004 073**	**148 755 396**	**20 940 866**	**192 759 378**	**(168 114 371)**	**991 149 525**
Expenses							
Claims and benefits (including change in insurance contract provisions)	(545 619 616)	(17 401 726)	-	-	-	820 493	(562 200 849)
Reinsurance recoveries	1 088 544	2 576 031	-	-	-	-	3 664 575
Net claims incurred	(544 531 072)	(14 825 695)	-	-	-	820 493	(558 536 274)
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)
Credit losses and 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**
B Statement of financial position - segment information at 31 December 2018							
Assets							
Investment property	386 934 707	449 000	23 492 200	-	600 000	-	411 475 907
Property and equipment	28 829 818	485 087	71 211 043	1 324 904	2 772 275	-	104 623 127
Finance Lease receivable	7 733 971						7 733 971
Deferred acquisition costs	-	640 073	-	-	-	-	640 073
Reinsurer contracts	-	4 778 163	-	-	-	-	4 778 163
Investments and securities	2 278 603 745	48 034 044	381 128 999	6 481 031	554 005 404	(472 971 273)	2 795 281 950
Deferred tax assets	-	-	-	167 883	523 739	723 409	1 415 031
Current tax receivable	150 685	-	81 726	-	384 847	-	617 258
Loans and advances	-	-	780 494 830	-	-	-	780 494 830
Other assets	32 304 837	7 078 279	80 162 290	5 725 731	3 442 656	(877 323)	127 836 470
Cash and cash equivalents	21 656 655	8 848 514	130 215 750	2 915 792	25 880 611	(28 525 334)	160 991 988
Total assets	**2 756 214 418**	**70 313 160**	**1 466 786 838**	**16 615 341**	**587 609 532**	**(501 650 521)**	**4 395 888 768**
Liabilities							
Insurance contract liabilities	2 032 233 677	17 668 026	-	-	-	-	2 049 901 703
Investment contract liabilities	208 922 934	-	-	-	-	-	208 922 934
Provisions	910 429	83 923	5 101 780	1 602 966	8 524 142	-	16 223 240
Deferred tax liabilities	52 135 263	13 846	3 288 280	2 742	4 084 179	(1 486 056)	58 038 254
Current tax payables	85 149	-	-	297 881		-	383 030
Amounts due to group companies	4 762 997	328 726	14 397	43 307	81 722 311	(1 523 943)	85 347 795
Amounts owed to bank depositors	-	-	1 167 154 080	-	-	(160 284 576)	1 006 869 504
Credit lines	-	-	53 297 223	-	-		53 297 223
Other liabilities	15 117 596	960 286	41 286 166	5 208 127	157 015 647	(128 063 970)	91 523 852
Total liabilities	**2 314 168 045**	**19 054 807**	**1 270 141 926**	**7 155 023**	**251 346 279**	**(291 358 545)**	**3 570 507 535**
Net assets	**442 046 373**	**51 258 353**	**196 644 912**	**9 460 318**	**336 263 253**	**(210 291 976)**	**825 381 233**
Shareholders' equity							
Share capital and premium	30 121 844	9 405	38 000 003	500 200	4 351 329	(72 981 716)	1 065
Non-distributable reserve	29 838 703	2 067 167	1 445 851	728 710	21 374 207	(4 108 040)	51 346 598
Revaluation reserve	-	-	18 995 151	-	-	638 100	19 633 251
Share option reserve	3 790 782	1 340 539	5 838 165	2 242 405	64 983 763	(44 533 547)	33 662 107
Regulatory provisions reserve	-	-	5 186 397	-	-	-	5 186 397
Retained earnings	378 295 044	23 179 759	127 179 345	5 989 003	245 553 954	(89 306 773)	690 890 332
	442 046 373	**26 596 870**	**196 644 912**	**9 460 318**	**336 263 253**	**(210 291 976)**	**800 719 750**
Non-controlling interests	-	24 661 483	-	-	-	-	24 661 483
Total equity	**442 046 373**	**51 258 353**	**196 644 912**	**9 460 318**	**336 263 253**	**(210 291 976)**	**825 381 233**

3 Segment information	Life Assurance $	General Insurance $	Banking & Lending $	Asset Management $	Holding Co & Other $	Consolidation Adjustments $	Total $
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
Current tax receivable	248 079	-		-	489 719	-	737 798
Loans and advances	-	-	668 823 481	-	356 721	-	669 180 202
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	-	-	1019 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**

	Group 2018 $	Group 2017 $
4 Gross earned premiums		
Gross premiums		
Single	3 263 372	2 660 298
Recurring	22 559 993	17 505 788
Individual business	**25 823 365**	**20 166 086**
Single	58 046 507	58 509 238
Recurring	90 806 007	79 364 950
Group business	**148 852 514**	**137 874 188**
General insurance	39 439 992	36 722 687
Total gross premiums	**214 115 871**	**194 762 961**
Comprising		
Insurance contracts	51 624 667	39 286 937
Investment contracts with discretionary participating features	123 051 212	118 753 337
General insurance	39 439 992	36 722 687
Total gross written premium	**214 115 871**	**194 762 961**
5 Investment income (non banking)		
Dividend income		
Financial assets at fair value through profit or loss	49 507 434	22 790 893
Financial assets- other	-	-
Interest income		
Interest bearing securities	10 248 680	11 964 934
Net rental income		
Investment property	12 597 480	10 326 217
Realised gains and losses		
Financial assets at fair value through profit or loss	43 909 205	16 528 326
Unrealised gains and losses		
Investment property	4 575 960	6 348 026
Financial assets at fair value through profit or loss	881 034 087	572 987 870
	885 610 047	579 335 896
Total investment returns included in income statement	**1 001 872 846**	**640 946 266**
6 Banking interest and similar income		
Interest and similar income		
Loans and advances		
Investments	19 687 153	15 875 002
Loans and advances	89 185 566	75 489 013
Total interest and similar income	**108 872 719**	**91 364 015**
Interest Expense:		
Credit lines	(4 042 361)	(2 768 551)
Savings certificates deposits	(19 171 170)	(16 987 029)
Term deposits	(12 717)	(10 076)
Savings deposits	(958 608)	(473 706)
Total interest expense	**(24 184 856)**	**(20 239 362)**
Net interest income	**84 687 863**	**71 124 653**
7 Fee income, commissions and income from service contracts		
Banking operations:		
Commissions	27 794 196	22 149 454
Service fees	14 963 110	17 317 618
Administration fees	24 105 117	16 790 944
Total fee income and commission from banking operations	**66 862 423**	**56 258 016**
Long term business	5 967 248	5 341 332
Asset management business	11 411 596	10 086 460
	84 241 267	**71 685 808**
8 Claims and benefits		
Claims and benefits (including change in insurance contract provisions):		
Increase in insurance contracts provision	693 699 989	445 822 666
Gross claims expenses (refer to analysis in note 8.1 below)	125 759 958	117 037 625
Shadow accounting to revaluation reserve (see note 9.1 below)	(588 054)	(659 442)
	818 871 893	**562 200 849**

VPCG_2063

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Group 2018 $	Group 2017 $
8.1 Analysis of claims expenses		
Individual business	**6 882 729**	**6 148 897**
Death and disability benefits	3 153 268	1 252 212
Maturity benefits	588 686	3 337 497
Surrenders	3 140 775	1 559 188
Group business	**95 471 100**	**94 307 496**
Death and disability benefits	14 036 936	12 352 676
Pension commutations, maturities and withdrawal benefits	56 538 304	56 675 471
Annuities	15 542 006	14 875 550
Surrenders	9 353 854	10 403 799
General insurance	**23 406 129**	**16 581 232**
Total claims and benefits	**125 759 958**	**117 037 625**
Comprising:		
Insurance contracts	15 461 661	13 601 321
Investment contracts with discretionary participating features	86 892 168	86 855 072
General insurance	23 406 129	16 581 232
Total claims and benefits payable	**125 759 958**	**117 037 625**
9. Changes in provision for investment contract liabilities		
Investment contracts		
Increase in investment contract liabilities	89 438 528	51 874 722
Shadow accounting to revaluation reserve (see note 10.1 below)	(51 135)	(65 220)
	89 387 393	**51 809 502**
9.1 Shadow accounting		
Insurance contracts	588 054	659 442
Investment contracts	51 135	65 220
Total	**639 189**	**724 662**

Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities.

	Group 2018 $	Group 2017 $
10 Other operating and administration expenses		
Administrative expenses	8 958 590	8 706 268
Office space costs	7 764 632	7 270 754
Fees and levies	2 903 796	3 475 823
Donations	637 273	637 273
Insurance	972 466	1 023 697
Actuarial and consultancy fees	1 994 950	2 740 542
Advertising and marketing	3 406 888	3 423 270
Software licensing	4 189 152	6 772 750
Depreciation of property, plant and equipment	10 978 359	10 567 151
	41 806 106	44 617 528
Auditors' remuneration		
Statutory audit services - current year	773 818	593 257
Staff costs		
Wages and salaries	34 051 140	32 002 767
Retirement obligations	3 629 316	2 625 599
Social security costs	906 662	851 801
Bonus and incentive remuneration	4 722 947	4 893 721
Share based payments	634 484	935 727
Other staff costs	3 852 184	5 864 940
	47 796 733	47 174 555
Other	988 210	1 438 047
	91 364 867	**93 823 387**
11 Investment property		
Carrying amount at beginning of year	405 171 878	392 554 780
Additions	10 626 159	6 932 337
Disposal	(8 000 000)	(663 265)
Gain from fair value adjustments	3 677 870	6 348 026
Carrying amount at end of year	**411 475 907**	**405 171 878**
Comprising:		
Freehold property	**411 475 907**	**405 171 878**
The fair value of freehold property leased to third parties under operating leases	**328 512 222**	**321 000 630**
Income from investment property:		
Gross rental income from investment property	33 578 185	30 310 100
Direct operating expenses arising from rented-out investment property	(20 980 705)	(19 983 883)
	12 597 480	**10 326 217**

Investment Properties are mostly valued based on the income capitalisation method. Key valuation inputs include rental income per square metre and occupancy levels in a given property. During 2018, rental income was denominated in USD. However, rental payments due were largely settled through RTGS, with the exception of entities, forming an insignificant part of the overall tenant portfolio, such as foreign embassies and Non Governmental Organisations, which settled rentals in foreign currency.

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 $0.50 and $20.00 (2017:$0.50 and $20.00) per square metre. 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.

Additions to investment property include a piece of land in Victoria Falls amounting to $4 427 270 and capitalised expenditure to Eastgate Market. Corner House was disposed during the year through a financing arrangement as described in Note 12.

As security for a credit line from PTA Bank, CABS registered a bond of US$7 million over a property, and issued powers of attorney to register bonds (in the event of default) over other properties with a total value of US$45.1million as at 31 December 2018 (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.

Investment property valuation
The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy through their use of unobservable 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	Value
• 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.	**$350 501 229**
• Residential property	• Sales comparison approach.	• Price for comparable properties.	• The estimated fair value would increase if prices for comparable properties increased.	**$235 000**
• Land	• Sales comparison approach	• Price for comparable properties	• The estimated fair value would increase if prices for comparable properties increased.	**$60 739 678**

12 Investment in Finance lease
Old Mutual Property Investment Company (Pvt) Ltd sold Corner House investment property to Zimbabwe Open University for a total value of $11,000,000 on 1 July 2018 which will be paid for over a period of twenty years. Initial deposit $1,985,000 was paid in the form of Treasury Bills and the balance of $9,015,000 would be paid in equal lease installments of $86,996.70 each receivable monthly in advance at an interest rate of 6.5% plus CPI or CABS mortgage rate applicable to clients in the category of the purchaser, whichever is higher.

Reconciliation between the total gross investment in the lease and the present value of the minimum lease payments

	Up to 1 year $	2 to 5 years $	More than 5 years $	2018 Total $	2017 Total $
2018					
Gross Investment in lease	1 043 960	4 175 842	15 137 426	20 357 228	-
Unearned finance income	(943 401)	(3 622 923)	(8 056 933)	(12 623 257)	-
Present value	100 559	552 919	7 080 493	7 733 971	-

13 Classification of Financial assets and liabilities on the date of intial application of IFRS 9

13.1

	Original classification under IAS 39		New classification under IFRS 9		Original carrying amount under IAS 39	Carrying amount under IFRS 9
	Life Assurance	Rest of Group	Life Assurance	Rest of Group	$	$
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	1 209 044 541	1 209 044 541
Unit trusts investments	-	Fair value through profit or loss	-	Fair value through profit or loss	10 844 863	10 844 863
Cash and cash equivalents	Loans and receivables	Loans and receivables	Fair value through profit or loss (designated)	Amortised cost	190 251 626	190 251 626
Treasury bills	Fair value through profit or loss (designated)	Fair value through profit or loss	Fair value through profit or loss (designated)	Amortised cost	195 359 411	194 689 345
Other interest bearing investments	Fair value through profit or loss (designated)	Amortised cost	Fair value through profit or loss (designated)	Amortised cost	195 210 322	195 009 111
Loans and advances	-	Loans and receivables	-	Amortised cost	669 180 202	649 991 308
Trade receivables	Loans and receivables	Loans and receivables	Amortised cost	Amortised cost	145 628 152	145 627 466
Total					**2 615 519 117**	**2 595 458 260**
Liabilities						
Investment contract liabilities	Fair value through profit or loss (designated)	-	Fair value through profit or loss (designated)	-	120 815 870	120 815 870
Amounts owed to bank depositors	-	Amortised cost	-	Amortised cost	838 026 610	838 026 610
Credit lines	-	Amortised cost	-	Amortised cost	23 317 769	23 317 769
Other liabilities	Amortised cost	Amortised cost	Amortised cost	Amortised cost	79 148 600	79 148 600
Total					**1 061 308 849**	**1 061 308 849**

13.2 Transitional adjustments on Financial assets and liabilities on the date of initial application of IFRS 9

	Original carrying amount under IAS 39 as at 31 December 2017 $	Reclassification $	Remeasurement $	New Carrying amount under IFRS 9 as at 1 January 2018 $
Financial Assets				
Amortised cost				
Cash and cash equivalents	190 251 626	-	-	190 251 626
Closing balance	**190 251 626**	**-**	**-**	**190 251 626**
Treasury bills				
Opening balance	195 359 411	-	-	-
From at fair value through profit or loss	-	1 883 255	-	-
Remeasurement	-	-	(2 553 321)	
Closing balance	**195 359 411**	**1 883 255**	**(2 553 321)**	**194 689 345**
Other interest bearing investments				
Opening balance	195 210 322	-	-	-
Remeasurement	-	-	(201 211)	
Closing balance	**195 210 322**	**-**	**(201 211)**	**195 009 111**
Loans and advances				
Opening balance	669 180 202	-	-	-
Remeasurement			(19 188 894)	-
Closing balance	**669 180 202**	**-**	**(19 188 894)**	**649 991 308**
Trade receivables				
Opening balance	145 628 152	-	(686)	-
Remeasurement				
Closing balance	**145 628 152**	**-**	**(686)**	**145 627 466**
Total amortised cost	**1 395 629 713**	**1 883 255**	**(21 944 112)**	**1 375 568 856**
Financial liabilities				
Amortised cost				
Amounts owed to bank depositors	838 026 610	-	-	838 026 610
Credit lines	23 317 769	-	-	23 317 769
Other liabilities	79 148 600	-	-	79 148 600
Total amortised cost	**940 492 979**	**-**	**-**	**940 492 979**

VPCG _2063

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13.3 Transitional adjustments on equity on the date of initial application of IFRS9

	Impact of adopting IFRS 9 as at 1 January 2018 $
Regulatory reserve	
Closing balance as at 31 December 2017 under IAS 39	17 957 094
Recognition of expected credit losses	(17 950 122)
Reclassification and measurement of financial instruments	-
Restated closing balance under IFRS 9	6 972
Retained earnings	
Closing balance as at 31 December 2017 under IAS 39	439 983 423
Net impact of adopting IFRS 9 on 1 January 2018	(19 981 113)
Transfer from regulatory reserve	17 950 122
Reclassification and measurement of financial instruments	-
Recognition of expected credit losses	-
Restated closing balance under IFRS 9	437 952 432

14 Investments and securities

14.1 Analysis of investments

	Group 2018 $	Group 2017 $
Equity securities - listed	2 162 321 406	1 165 222 538
- unlisted	97 686 014	43 822 003
Total Equities	2 260 007 420	1 209 044 541
Unit trust investments	13 948 827	10 844 863
Public sector securities	80 336 282	79 523 382
Treasury bills	248 193 114	195 359 411
Deposits and money market securities	192 796 307	115 686 940
	2 795 281 950	**1 610 459 137**

14.2 Spread of equity securities by sector

	Group 2018 $	Group 2017 $
Commodities	375 672 629	148 535 376
Consumer	835 152 969	786 293 908
Financial	317 293 577	87 258 885
Property	44 182 599	18 330 442
Manufacturing	634 036 776	135 665 622
Mining	53 668 870	32 960 308
	2 260 007 420	**1 209 044 541**

14.3 Movements of investment and securities

	Group 2018 $	Group 2017 $
Opening balance	1610 459 137	801 700 043
Fair value movements through profit and loss	881 034 087	574 579 855
Interest earned	10 248 680	11 964 934
Additions	303 788 725	235 771 224
Disposals	(8 996 568)	(9 211 521)
Maturities	(1 252 111)	(4 345 398)
Closing balances	**2 795 281 950**	**1 610 459 137**

14.4 Investment in unlisted equities above 20% shareholding

Company	% holding	Value $	% holding	Value $
Takura Fund II (Limited Partner) "B Shares (held by Shareholders and OMLAC Main Fund)	40%	29 972 061	40%	16 472 429
Africa Takura Ventures-Fund 1 "M Shares" (held by Shareholders and OMLAC Main Fund)	26%	5 166	26%	4 829
Nedbank Zimbabwe (held in Shareholder funds)	21%	12 535 383	21%	10 386 661
Lake Harvest Aquaculture (held by Shareholders and OMLAC Main Fund)	26%	301 625	26%	1 882 944
Lobels Holdings Limited (held by OMLAC Main Fund)	49%	38 289 982	49%	2 075 877
Manica Board and Doors (MBD) (held by OMLAC Main Fund)	55%	1 724 131	55%	1 359 859
Kupinga Renewable Energy (held by OMLAC Main Fund)	40%	478 905	40%	3 960 585
		83 307 253		**36 143 184**

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

The Group has not consolidated the investment in MBD. Management concluded that the investment in MBD is not material. Nedbank Zimbabwe(formerly MBCA holdings) shares held by OMZIL should ordinarily be equity accounted, but were fair valued as per IFRS 9, as there was immaterial difference between equity accounting and fair valuing the investment in Nedbank.

14.5 Treasury bills maturity analysis

	Group 2018 $	Group 2017 $
On demand to 3 months	93 293 681	63 293 681
3 months to 12 months	48 424 413	28 424 413
1 year to five years	106 475 020	103 641 317
Total	**248 193 114**	**195 359 411**

In the absence of an active bond market and formal auction for government securities, treasury bills fair value computations have become difficult in the Zimbabwean market. Treasury bills which in other markets provide guidance to fixed income investors through a yield curve are currently being issued through private placements while in the secondary market the same paper is trading at heterogeneous yields.

Given the challenges mentioned above, a number of factors had to be considered in coming up with what would be considered fair discount rates for the treasury bills as disclosed in the table below:

Type of asset	Valuation technique	Key inputs	Range
Treasury bills	Discounted Cash flow (DCF)	• Interest/coupon rates of recent bond issues • Money market rates and direction • Inflation expectations (especially for instruments above 5 years) • Bonds of similar characteristics (coupon rate and maturity date) were treated as the same security and a single discount rate was applied	5% - 10% 3.8% - 4.2%% 5.5% - 7%

15 Amounts due by or (to) group companies

	2018 $ Amounts due by	2018 $ Amounts due (to)	2018 $ Net balance	2017 $ Amounts due by	2017 $ Amounts due (to)	2017 $ Net Balance
Old Mutual Netherlands B.V.	-	(50 000 000)	(50 000 000)	-	(50 000 000)	(50 000 000)
Old Mutual Africa Holdings	1 106 026		1 106 026	-	(275 038)	(275 038)
Old Mutual Zimbabwe Holdco Limited	-	(31 393 974)	(31 393 974)	-	(14 437 500)	(14 437 500)
Old Mutual Life Assurance Company (South Africa)	-	(5 059 847)	(5 059 847)	-	(3 935 165)	(3 935 165)
	1 106 026	**(86 453 821)**	**(85 347 795)**	**-**	**(68 647 703)**	**(68 647 703)**

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

16 Loans and advances

	Group 2018 $	Group 2017 $
Concentration - gross loans and advances		
Housing	254 341 918	199 467 565
Unsecured personal loans	221 978 874	167 085 292
Commercial and industrial	341 000 068	318 217 365
Gross loans and advances	**817 320 860**	**684 770 222**
Less provision for impairment	(36 826 030)	(15 590 020)
Net loans and advances	**780 494 830**	**669 180 202**
Maturity analysis - gross and loans advances		
On demand to 3 months	127 987 983	100 406 266
3 months to 12 months	252 988 479	205 164 266
1 year to 5 years	287 590 214	316 761 569
Over 5 years	148 754 184	62 438 121
	817 320 860	**684 770 222**
Non performing loans	47 045 437	43 276 779
Analysis of past due but not impaired		
30 to 60 days past due	53 466 557	79 570 817
61 to 90 days past due	40 879 637	42 450 437
	94 346 194	**122 021 254**

16.1

	12-month ECL not credit impaired $	Life time ECL not credit impaired $	Life time ECL credit impaired $	2018 Total $	2017 $
Loss allowance analysis					
Loss allowance on 1 January	12 518 552	1 341 292	20 627 039	34 486 883	
Write offs	-	-	-	(2 639 003)	
Utilisation	-	-	-	(2 595 492)	
Transfer to 12-month ECL	1 100 512	(313 778)	(786 734)	-	
Transfer to life time ECL not credit impaired	(3 106 693)	3 208 669	(101 976)	-	
Transfer to life time ECL credit impaired	(7 597 573)	(612 992)	8 210 565	-	
Net increase in loans and advances	8 164 131	1 821 304	(2 411 793)	7 573 642	
Balance as at 31 December	**11 078 929**	**5 444 495**	**25 537 101**	**36 826 030**	
Gross carrying amount analysis					
Gross carrying amount on 1 January	587 453 733	45 777 619	51 168 648	684 400 000	602 699 530
Transfer to 12-month ECL	19 693 472	(15 963 021)	(3 730 451)	-	
Transfer to life time ECL not credit impaired	(88 191 735)	88 692 853	(501 118)	-	
Transfer to life time ECL credit impaired	(13 444 895)	(9 118 679)	22 563 574	-	
Net increase in loans and advances	172 143 029	(22 035 245)	(17 186 924)	132 920 860	82 070 692
Balance as at 31 December	**677 653 604**	**87 353 527**	**52 313 729**	**817 320 860**	**684 770 222**

16.2 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:

	Group 2018 $	Group 2017 $
Sector		
Trade and services	27 691 607	43 622 388
Energy and minerals	20 792 098	11 267 113
Agriculture	157 159 268	86 254 224
Construction and property	261 018 563	240 953 020
Light and heavy industry	59 859 637	30 827 853
Unsecured personal loans	195 116 235	158 952 071
Transport and distribution	66 540 688	97 343 553
State and state enterprises	29 142 764	15 550 000
Total gross loans	**817 320 860**	**684 770 222**

17 Insurance contract liabilities

	Group 2018 $	Group 2017 $
Outstanding claims	2 842 255	2 869 977
Future policyholders' benefits (see analysis of movement in provision below)	2 047 059 448	1 352 739 010
	2 049 901 703	**1 355 608 987**

17.1 Future policyholders' benefits

	Group 2018 $	Group 2017 $
Movement in provision for insurance contracts		
Balance at beginning of year	1 352 739 010	897 652 811
Inflows		
Premium income	202 836 635	184 699 989
Investment income	666 994 420	430 005 795
Fee and other income	5 967 248	5 341 329
Outflows		
Claims and policy benefits	(125 759 958)	(117 858 118)
Operating expenses	(31 200 379)	(26 981 552)
Taxation		
Current tax	(832 485)	(720 256)
Deferred tax	(3 575 130)	(4 026 741)
Transfer to operating profit	(20 109 913)	(15 374 247)
Balance at end of year	**2 047 059 448**	**1 352 739 010**

18 Investment contract liabilities

	Group 2018 $	Group 2017 $
Liabilities at fair value through profit or loss	208 922 934	120 815 870
Movement in liabilities fair valued through profit or loss		
Balance at beginning of year	120 815 870	76 330 845
New contributions received	2 244 249	1 272 183
Withdrawals	(3 612 921)	(8 661 880)
Fair value movements	89 475 736	51 874 722
Balance at end of year	**208 922 934**	**120 815 870**

19 Amounts owed to bank depositors

	Group 2018 $	Group 2017 $
Money market deposits	461 486 226	357 003 412
Term deposits	709 173	479 436
Savings deposits	544 674 105	480 543 762
	1 006 869 504	**838 026 610**
Maturity analysis		
On demand to 3 months	826 557 772	611 585 863
3 months to a year	55 446 316	74 353 678
1 year to 5 year	54 675 045	84 492 816
Over 5 years	70 190 371	67 594 253
	1 006 869 504	**838 026 610**

Concentration	2018 $	%	2017 $	%
Financial institutions	427 919 540	42,50%	358 675 389	42,80%
Companies	482 290 492	47,90%	387 168 294	46,20%
Individuals	96 659 472	9,60%	92 182 927	11,00%
	1 006 869 504	**100,00%**	**838 026 610**	**100,00%**

VPCG_2063

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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20 Contingent Liabilities

Commission of Inquiry

A commission of inquiry established by the Zimbabwean Government concluded its inquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the 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 any possible 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.

	Group 2018 $	Group 2017 $
21 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		
Fellow related parties		
Old Mutual Life Assurance Company (South Africa) Limited		
Amounts due to as at 31 December	(5 059 847)	(3 935 165)
Old Mutual Africa Holdings		
Amounts due to as at 31 December	1 106 026	(275 038)
Old Mutual Zimbabwe Holdco Limited		
Amounts due to as at 31 December	(32 500 000)	(14 437 500)
Old Mutual Netherlands B.V		
Amounts due to as at 31 December	(50 000 000)	(50 000 000)
Loans due by or to subsidiaries and other group companies		
Loans due by or to subsidiaries or other group companies accrue interest at market related interest rates.		
Key management personnel		
Key management personnel and their close family members and entities which they control, jointly control or over which they exercise significant influence are considered related parties to the Group.		
Key management personnel remuneration and other compensation		
Short-term employee benefits	4 514 422	2 652 522
Share based payments	692 372	922 370
Post-employment benefits	257 518	51 739
	5 464 312	**3 626 631**

22 Subsequent events

On 20 February 2019, the RBZ Governor announced a new MPS whose highlights were:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS dollars become part of the multi-currency system.
- RTGS Dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$2.5.

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 (SI33) on 22 February 2019. The Statutory Instrument gave effect to the introduction of the RTGS Dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS Dollar values from the effective date.

The directors, based on their interpretation of IFRS had considered the MPS of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 (IAS 10) "Events after the reporting period" as it is was considered to be shaped by underlying conditions as at the reporting date of 31 December 2018. In particular the promulgation of RTGS Dollar as currency, in the opinion of the directors, was a response to market perception which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However, given the accounting restrictions imposed by SI33, these post balance sheet events have not been adjusted for.

The impact on the 2018 balance sheet (which is based on the assumption of parity and interchangeability between the USD and RTGS balances) of applying different exchange rates is shown on the table below.

Management performed a sensitivity analysis of the effect of using different exchange rates following the change in functional currency from US$ to RTGS$. The table below illustrates the different scenarios based on RTGS$ exchange rates to the USD of 1:1, 1:2.5, 1:4 & 1:5 and are presented in RTGS$ for the 1:2.5, 1:4 & 1:5 scenarios.

	2018 Group $ Assets/ Liabilities RTGS Dollar	2018 Group $ Monetary Assets/ Liabilities Nostro FCA USD	2018 Group $ Non-monetary/ Assets/ Liabilities USD	2018 Group $ Total 1:1	2018 Group RTGS$ Total 1:2.5	2018 Group RTGS$ Total 1:4	2018 Group RTGS$ Total 1:5
Assets							
Investment property			411 475 907	411 475 907	1 028 689 767	1 645 903 627	2 057 379 533
Property and equipment	62 428 127	-	42 195 000	104 623 127	167 915 627	231 208 127	273 403 127
Investment in finance lease	7 733 971	-	-	7 733 971	7 733 971	7 733 971	7 733 971
Deferred acquisition costs	640 073	-	-	640 073	640 073	640 073	640 073
Reinsurer contracts	4 778 163	-	-	4 778 163	4 778 163	4 778 163	4 778 163
Investments and securities	2 716 000 534	79 281 416	-	2 795 281 950	2 914 204 074	3 033 126 198	3 112 407 614
Deferred tax assets	1 415 031	-	-	1 415 031	2 974 269	4 758 830	7 614 128
Current tax assets	617 258	-	-	617 258	617 258	617 258	617 258
Loans and advances	749 496 315	30 998 515	-	780 494 830	826 992 603	873 490 376	904 488 892
Other assets	127 836 470	-	-	127 836 470	127 836 470	127 836 470	127 836 470
Cash and cash equivalents	143 009 012	17 982 976	-	160 991 988	187 966 452	214 940 916	232 923 892
Total assets	**3 813 954 954**	**128 262 907**	**453 670 907**	**4 395 888 768**	**5 270 348 727**	**6 145 034 009**	**6 729 823 121**
Liabilities							
Insurance contract liabilities	1 602 306 462	67 243 601	380 351 640	2 049 901 703	2 721 294 564	3 392 687 425	3 840 282 666
Investment contract liabilities	187 340 782	2 279 674	19 302 478	208 922 934	241 296 161	273 669 389	295 251 541
Provisions	16 223 240	-	-	16 223 240	16 578 048	16 223 240	16 223 240
Deferred tax liabilities	58 038 254	-	-	58 038 254	58 038 254	58 038 254	58 038 254
Current tax payables	383 030	-	-	383 030	383 030	383 030	383 030
Amounts due to group companies	85 347 795	-	-	85 347 795	89 606 039	85 347 795	85 347 795
Amounts owed to bank depositors	997 261 234	9 608 270	-	1 006 869 504	1 021 281 910	1 035 694 316	1 045 302 587
Credit lines	-	53 297 223	-	53 297 223	133 243 058	213 188 892	266 486 115
Other liabilities	82 082 955	9 440 897	-	91 523 852	105 685 199	119 846 543	129 287 440
Total liabilities	**3 028 983 752**	**141 869 665**	**399 654 118**	**3 570 507 535**	**4 387 406 263**	**5 195 078 884**	**5 736 602 668**
Net assets	**784 971 202**	**(13 606 758)**	**54 016 789**	**825 381 233**	**882 942 464**	**949 955 125**	**993 220 453**
Shareholders' equity							
Share capital and premium	1 065	-	-	1 065	1 065	1 065	1 065
Non-distributable reserve	51 346 598	-	-	51 346 598	51 346 598	51 346 598	51 346 598
Revaluation reserve	19 633 251	-	-	19 633 251	19 633 251	19 633 251	19 633 251
Share option reserve	33 662 107	-	-	33 662 107	33 662 107	33 662 107	33 662 107
Regulatory provisions reserve	5 186 397	-	-	5 186 397	5 186 397	5 186 397	5 186 397
Retained earnings	690 890 332	-	-	690 890 332	690 890 332	690 890 332	690 890 332
Foreign currency translation reserve	-	-	-	-	57 561 231	124 573 892	167 839 220
	800 719 750	-	-	800 719 750	858 280 981	925 293 642	968 558 970
Non-controlling interests	24 661 483	-	-	24 661 483	24 661 483	24 661 483	24 661 483
Total equity	**825 381 233**	**-**	**-**	**825 381 233**	**882 942 464**	**949 955 125**	**993 220 453**

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

* The numbers indicated above do not necessarily reflect expected opening balances in RTGS$ for the 2019 financial statements.

VPCG_2063

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Directors: J. !Gawaxab (Chairman), J. Mushosho (Group Chief Executive Officer), I.T. Mashinya (Group Chief Operating Officer), N.T.T. Mudekunye (Group Finance Director), D. Benecke, T.M. Johnson, M.P. Mahlangu, K. Mandevani (Dr), L.L. Tsumba (Dr), I. Williamson