OLD MUTUAL ZIMBABWE LIMITED

Financial statements for the year

ended 31 December 2017

Contents

Contacts

Public Officer:
Francis Marufu

Auditors:
KPMG Chartered Accountants (Zimbabwe)
100 The Chase (West)
Emerald Hill
Harare
Zimbabwe

Postal address:
P.O. Box 70
Harare
Zimbabwe

Registered office:
Mutual Gardens
100 The Chase (West)
Emerald Hill
Harare

Registration no.:
5684/1998

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Directors' Report

Responsibility

The directors are responsible for the preparation and fair presentation of the Group and parent Company annual financial statements, comprising the statement of financial position as at 31 December 2017; 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 to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

Compliance with legislation

These financial statements which have been prepared under the historical cost convention are in agreement with the underlying books and records, have been properly prepared in accordance with the accounting policies set out in note 2, and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant regulations made 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 in accordance with International Financial Reporting Standards (IFRSs). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC).

Capital

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

Dividend

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

I. Preference dividend declared out of 2016 profits and paid during the year;

   April 2017 US$2 957 259

II. Ordinary dividends declared out of 2016 profits and paid during the year;

   April 2017 US$7 500 000

III. An interim preference dividend declared out of 2017 profits and paid during the year;

   October 2017 US$2 469 509

IV. An interim ordinary dividend declared out of 2017 profits and paid during the year,

   October 2017 US$5 000 000

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

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Directors' Report (continued)

Directors

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

*Denotes Executive Director

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

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

The annual financial statements for the year ended 31 December 2017 set out on pages 11 to 61 were approved by the Board of Directors on 22 March 2018 and are signed on its behalf by:

____________________________ __________________________

Director Director

22 March 2018 22 March 2018

Independent Auditor's Report

To the Shareholders of Old Mutual Zimbabwe Limited

Opinion

We have audited the consolidated and separate financial statements of Old Mutual Zimbabwe Limited (the group and company) set out on pages 11 to 61, which comprise the statements of financial position as at 31 December 2017, and the statements of profit or loss, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Old Mutual Zimbabwe Limited as at 31 December 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment property (applicable to the consolidated and separate financial statements)

Refer to the summary of significant accounting policies in Note 2.9, and to Notes 18 and 43 to the financial statements.

The key audit matter	***How we addressed the matter in our audit***
The group and company hold investment properties, carried at fair value in the consolidated and separate financial statements. The key inputs and assumptions used in the valuations, such as, rental rates per square meter and yield rates are determined in an environment where there is limited market activity due to illiquidity in the market. Given the significant judgement and estimation required in determining the key inputs and assumptions, the valuation of the group's and company's investment properties was considered a key audit matter.	Our procedures included, among others: ▪ We evaluated the independence, professional competence and objectivity of the internal professional valuers ("internal valuers") and the external independent valuers ("external valuers") engaged by the directors to value the properties; ▪ we evaluated the appropriateness of the valuation methodologies used by the valuers based on our knowledge of the industry and the requirements of the applicable financial reporting standard; ▪ We compared the key assumptions and key inputs used by the internal and external valuers to externally derived data; ▪ For the portfolio of properties valued by external valuers, we compared these values to the values determined by the internal valuers and where material differences were identified we evaluated the directors rational in respect of the final value adopted; and ▪ We evaluated whether the disclosures for the valuation of investment properties in the financial statements, meets the requirements of the relevant financial reporting standards.

Valuation and classification of unlisted investments (applicable to the consolidated and separate financial statements)

Refer to the summary of significant accounting policies in Note 2.3, and to Notes 21 and 46.1 to the financial statements.

The key audit matter	***How we addressed the matter in our audit***
The group and company hold unlisted investments, which are carried at fair value through profit and loss and are classified as Level 3 in the fair value hierarchy as the valuation techniques used by the directors employ significant unobservable inputs which require significant judgement and estimation. The classification of unlisted investments in which the group's and company's investment holding exceeds 20% involves significant judgement in determining whether the group and company exerts significant influence over those investments, and therefore, whether the investments should be classified as investments in associates in accordance with the international financial reporting standard, IAS 28 *Investments in Associates and Joint Ventures (IAS 28)*. Given the significant judgement and estimation applied by the directors, the valuation and classification of unlisted investments was considered a key audit matter.	Our procedures in respect of the valuation included, among others: We used our internal valuation experts as part of our audit team to test the inputs and assumptions used for significant unlisted entities by: ▪ evaluating and challenging the appropriateness of the methodologies applied, assumptions and inputs used in the valuation by establishing their own range of the key assumptions and inputs, based on externally available metrics and wider economic and commercial factors and using their knowledge and industry experience; ▪ evaluating the reasonableness of the directors' inputs by comparing the inputs to historical trends. ▪ Our procedures in respect of the classification included, among others: ▪ evaluating the directors' assessment of whether the group and company exert significant influence over investees in which the group's and company's shareholding exceeds 20%, against the criteria in IAS 28; and ▪ evaluating whether unlisted investments are presented in accordance with the relevant financial reporting standard in the financial statements.

Insurance contract liabilities (applicable to the consolidated financial statements)

Refer to the summary of significant accounting policies in Note 2.6 and to Notes 26, and 42 to the financial statements.

The key audit matter	***How we addressed the matter in our audit***
The group has recognised significant liabilities relating to long term insurance contracts at year end valued at US$ 1 355 808 986. We considered insurance contract liabilities to be a key audit matter in respect of the consolidated financial statements because significant estimation and judgement is required over key valuation assumptions such as valuation interest rates, expense inflation and mortality basis used in determining the valuation of the insurance contract liabilities. 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 09 March 2018 the results of the Zimbabwean Government's inquiry were made public.	Our procedures included, among others: ▪ we tested the design, implementation and operating effectiveness of key controls over the identification, measurement and recording of the group's and company's calculation of insurance contract liabilities; ▪ we evaluated the appropriateness of the methodology applied and assumptions used by the group and company using our knowledge and industry experience; ▪ we engaged our internal actuarial specialist as part of our audit team to assist us in challenging the assumptions used and the process followed for setting and updating the assumptions, particularly around persistency, expense and mortality/morbidity assumptions; ▪ we challenged the assumptions used by the directors by comparing the assumptions to external data; and ▪ We enquired of management of their view of the commission of inquiry report and their consideration of the its possible implications; and ▪ we evaluated the disclosures in the financial statements met the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Impairment of loans and advances (applicable to the consolidated financial statements)

Refer to the summary of significant accounting policies in Notes 2.13 and 2.14 and to Notes 23 and the "credit risk" section of Note 41 to the financial statements.

The key audit matter	***How we addressed the matter in our audit***
The Group's retail loans, mortgage loans and corporate loans, which amount to US$669 180 201, are subject to high credit risk in the current economic environment prevailing in the country. The Directors exercise significant judgement over the following assumptions: ▪ the timing of cash flows and discount rate applied; and ▪ classification of loan grades for the purpose of Regulatory provisions. Due to the high credit risk, the significance of loans and advances to the financial statements, and the significant judgements exercised by the Directors, this was considered to be a key audit matter.	Our audit procedures included: ▪ performed a retrospective review of the adequacy of the provision for impairment losses, by comparing written off debtors to provision created in the prior year; ▪ tested the design, implementation and operating effectiveness of key controls over loan origination, credit grading, and monitoring of loans and advances; ▪ tested the accuracy of estimated inputs by comparing the estimates with externally derived information; ▪ evaluated the reasonableness the timing of the cash flows used in the cash flow forecast; ▪ tested the accuracy of the discounting rates used to discount the forecasted recoverable cash flows by agreeing it to the signed loan documentation; and ▪ inspected selected loans and advances to determine whether the minimum regulatory impairment provisions and classification of loans into various credit quality grades are as prescribed by the Reserve Bank of Zimbabwe.

Valuation of treasury bills (applicable to the consolidated financial statements)

Refer to the summary of significant accounting policies in Note 2.3, and to Note 21.5 to the financial statements.

The key audit matter	***How we addressed the matter in our audit***
The Group holds treasury bills (TBs) of US$195 359 411 and these are classified and measured at fair value through profit or loss. In determination of the fair value, management derives a yield curve based on the known trading statistics in both the primary and secondary market which requires significant judgement. Accordingly, these instruments are measured as level 2 in fair value hierarchy. Due to the significant judgement, the valuation of the treasury bills was considered a key audit matter.	Our audit procedures included: ▪ we evaluated the appropriateness of Directors' classification of treasury bills s in accordance with the relevant accounting standard; ▪ we tested the design, implementation and operating effectiveness of key controls over the capturing of the key inputs of fair value calculation of TBs; and ▪ we used our financial risk management specialists to evaluate the methodology applied by Directors, and developed an independent yield curve that we used to discount future cash flows arising from the treasury bills, and compared our results with the fair value calculation.

Independent Auditor's Report

To the Shareholders of Old Mutual Zimbabwe Limited (continued)

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Act (Chapter 24:03) of Zimbabwe, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

KPMG Zimbabwe

Registered Accountants and Auditors
Chartered Accountants (Zimbabwe)

Per: Michael de Beer
Partner
Registered Auditor
PAAB Practising Certificate Number 0369

22 March 2018

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

GROUP STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017 Group US$**	**2016 Group US$**
Revenue			
Gross earned premiums	4	194 762 961	185 331 898
Outward reinsurance		(10 062 972)	(10 820 108)
Net earned premiums		184 699 989	174 511 790
Investment income (non banking)	5	640 946 266	116 899 502
Banking interest and similar income	6	91 364 015	93 339 766
Fee income, commissions and income from service contracts	7	71 685 808	58 734 149
Other income	8	3 273 940	1 566 461
Total revenue		**991 970 018**	**445 051 668**
Expenses			
Claims and benefits (including change in insurance contract provisions)	9	(563 021 342)	(219 229 113)
Reinsurance recoveries		3 664 575	3 420 387
Net claims incurred		(559 356 767)	(215 808 726)
Change in provision for investment contract liabilities	10	(51 809 502)	(6 682 553)
Fees, commissions and other acquisition costs		(21 163 318)	(7 313 092)
Banking interest payable and similar expenses	6	(20 239 362)	(22 955 977)
Impairment charges		(2 701 279)	(3 531 106)
Other operating and administration expenses	11	(93 823 387)	(89 355 606)
Profit before tax		**242 876 403**	**99 404 607**
Income tax expense	12	(23 614 160)	(7 571 867)
Profit for the year		**219 262 243**	**91 832 740**
Attributable to non-controlling interests		7 695 743	3 155 851
Attributable to owners of parent company		211 566 500	88 676 890
		219 262 243	**91 832 741**

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Group US$	2016 Group US$
Profit for the year		**219 262 243**	**91 832 741**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Property revaluation		1 045 173	(1 120 337)
Shadow accounting	10.1	(724 662)	(700 327)
Regulatory impairment allowance		(1 440 001)	(5 984 345)
Total comprehensive income for the year		**218 142 753**	**84 027 732**
Total comprehensive income attributable to:			
Owners of parent company		210 447 010	80 871 881
Non-controlling interests		7 695 743	3 155 851
		218 142 753	**84 027 732**
Earnings per share			
Basic and diluted (US cents)	13.1	**63.72**	**26.71**

COMPANY STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Company US$	2016 Company US$
Revenue			
Investment income	14	119 982 813	34 964 628
Other income	15	719 454	43 660
Total revenue		**120 702 267**	**35 008 288**
Expenses			
Other operating and administration expenses	16	(8 372 415)	(4 595 175)
Profit before tax		**112 329 852**	**30 413 113**
Income tax (expense)/credit	17	(8 796 540)	(3 602 828)
Profit/(loss) and total comprehensive income for the year		**103 533 312**	**26 810 285**

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 Group US$	2016 Group US$
Assets			
Investment property	18	405 171 878	392 554 780
Property and equipment	19	96 322 048	92 466 009
Deferred acquisition costs		741 681	893 405
Reinsurer contracts	20	3 278 568	1 949 657
Investments and securities	21	1 610 459 137	801 700 043
Deferred tax assets	30	932 245	1 030 934
Current tax assets		737 798	-
Loans and advances	23	669 180 202	583 252 405
Other assets	24	145 628 854	128 839 053
Cash and cash equivalents	25	190 251 626	154 825 305
Total assets		**3 122 704 037**	**2 157 511 591**
Liabilities			
Insurance contract liabilities	26	1 355 608 987	900 788 677
Investment contract liabilities	27	120 815 870	76 330 845
Provisions	29	14 303 061	15 002 534
Deferred tax liabilities	30	42 089 309	30 298 182
Current tax payables		557 924	452 664
Amounts due to group companies	22	68 647 703	57 347 829
Amounts owed to bank depositors	31	838 026 610	617 561 524
Credit lines	32	23 317 769	28 654 056
Other liabilities	33	79 148 600	52 127 147
Total liabilities		**2 542 515 833**	**1 778 563 458**
Net assets		**580 188 204**	**378 948 133**
Shareholders' equity			
Share capital and premium	54	1 065	1 065
Non-distributable reserve		52 457 048	52 457 048
Revaluation reserve		18 776 760	18 456 249
Share option reserve		32 480 501	32 037 134
Regulatory provisions reserve		17 957 094	16 517 093
Retained earnings		439 983 423	247 192 464
		561 655 891	**366 661 053**
Non-controlling interests		18 532 313	12 287 080
Total equity		**580 188 204**	**378 948 133**

……………………..……………………………… ……………………..………………………………
DIRECTOR DIRECTOR

22 March 2018 22 March 2018

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 Company US$	2016 Company US$
Assets			
Investment property	43	530 000	480 000
Investments in subsidiary companies	44	80 874 529	79 301 169
Property and equipment	45	133 336	217 317
Investments and securities	46.1	176 717 409	78 995 256
Amounts due by group companies	47	28 041 597	26 564 293
Current tax receivable		298 416	-
Other receivables	48	178 354	917 603
Cash and cash equivalents	49	3 316 468	5 106 337
Total assets		**290 090 109**	**191 581 975**
Liabilities			
Provisions	51	305 114	261 389
Deferred tax liability	52	2 037 569	1 141 628
Current tax payable		-	13 912
Amounts due to group companies	47	51 864 010	42 422 224
Other liabilities	53	41 020 844	38 489 003
Total liabilities		**95 227 537**	**82 328 156**
Net assets		**194 862 572**	**109 253 819**
Shareholders' equity			
Share capital and premium	54	1 065	1 065
Non-distributable reserve		19 953 027	19 953 027
Share option reserve		64 244 338	63 308 611
Retained income		110 664 142	25 991 116
Total equity		**194 862 572**	**109 253 819**

……………………...………………………………
DIRECTOR

22 March 2018

……………………...………………………………
DIRECTOR

22 March 2018

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

2017	**Notes**	**Share capital & premium US$**	**Non-distributable reserve US$**	**Revaluation reserve US$**	**Share option reserve US$**	**Regulatory provisions reserve US$**	**Retained income US$**	**Equity total US$**	**Non-controlling interests US$**	**Equity total US$**
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	10.1			**(724 662)**				**(724 662)**		**(724 662)**
Revaluation of property				**1 045 173**				**1 045 173**		**1 045 173**
Transfer to reserve						**1 440 001**	**(1 440 001)**	**-**		**-**
Total Comprehensive income for the year		-	-	320 511	-	1 440 001	210 126 499	**211 887 011**	7 695 743	**219 582 754**
Vested Shares					**935 727**			**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	-	(17 335 540)	**(16 892 173)**	**(1 450 510)**	**(18 342 683)**
Shareholders' equity at end of year		**1 065**	**52 457 048**	**18 776 760**	**32 480 501**	**17 957 094**	**439 983 423**	**561 655 891**	**18 532 313**	**580 188 204**
2016										
Shareholders' equity at beginning of year		**1 065**	**52 457 048**	**20 276 913**	**45 121 581**	**10 532 748**	**179 231 048**	**307 620 403**	**10 514 195**	**318 134 598**
Profit for the financial year							88 676 890	**88 676 890**	3 155 851	**91 832 741**
Other comprehensive income										
Shadow accounting	10.1			(700 327)				**(700 327)**		**(700 327)**
Revaluation of property				(1 120 337)				**(1 120 337)**		**(1 120 337)**
Transfer to reserve						5 984 345	(5 984 345)	**-**		**-**
Total Comprehensive income for the year		-	-	(1 820 664)	-	5 984 345	82 692 545	**86 856 226**	3 155 851	**90 012 077**
Vested shares					1 653 642			**1 653 642**		**1 653 642**
Movement in treasury shares					(14 738 089)			**(14 738 089)**		**(14 738 089)**
Dividends declared							(14 731 129)	**(14 731 129)**	(1 382 966)	**(16 114 095)**
Transactions with shareholders		-	-	-	(13 084 447)	-	(14 731 129)	**(27 815 576)**	(1 382 966)	**(29 198 542)**
Shareholders' equity at end of year		**1 065**	**52 457 048**	**18 456 249**	**32 037 134**	**16 517 093**	**247 192 464**	**366 661 053**	**12 287 080**	**378 948 133**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital & premium US$	Non-distributable reserve US$	Share option reserve US$	Retained income US$	Equity total US$
2017					
Shareholders' equity at beginning of year	1 065	19 953 027	63 308 611	25 991 116	**109 253 819**
Changes in equity arising in the year					
Total comprehensive income				103 533 312	**103 533 312**
Vested shares			935 727		**935 727**
Dividends				(18 860 286)	**(18 860 286)**
Shareholders' equity at end of year	1 065	19 953 027	64 244 338	110 664 142	**194 862 572**
2016					
Shareholders' equity at beginning of year	**1 065**	**19 953 027**	**56 099 929**	**15 638 239**	**91 692 260**
Changes in equity arising in the year					
Total comprehensive income				26 810 285	**26 810 285**
Vested shares			1 653 642		**1 653 642**
Movement in treasury shares			5 555 040		**5 555 040**
Dividends declared				(16 457 408)	**(16 457 408)**
Shareholders' equity at end of year	**1 065**	**19 953 027**	**63 308 611**	**25 991 116**	**109 253 819**

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group US$	Group US$
Cash flows from operating activities			
Profit before tax		242 876 403	99 404 608
Non-cash movements and adjustments to profit before tax	58.1	(69 313 356)	33 116 013
Changes in working capital	58.2	149 555 341	(30 629 434)
Taxation paid	58.3	(12 356 883)	(9 275 187)
Net cash from operating activities		**310 761 505**	**92 616 000**
Cash flows from investing activities			
Acquisition of financial assets		(235 771 224)	(36 054 591)
Acquisition of investment properties		(6 932 337)	(4 585 996)
Acquisition of property and equipment		(13 664 672)	(10 881 926)
Net cash used in investing activities		**(256 368 233)**	**(51 522 513)**
Cash flows from financing activities			
Dividends paid	58.4	(18 786 050)	(16 114 095)
Net cash used in financing activities		**(18 786 050)**	**(16 114 095)**
Net increase in cash and cash equivalents		**35 607 222**	**24 979 392**
Net foreign exchange differences on cash and cash equivalents		**(180 901)**	(134 289)
Cash and cash equivalents at the beginning of the year		154 825 305	129 980 202
Cash and cash equivalents at the end of the year		190 251 626	154 825 305

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Company US$	2016 Company US$
Cash flows from operating activities			
Profit before tax		112 329 852	30 413 113
Non-cash movements and adjustments to profit before tax	59.1	(68 166 389)	(10 785 417)
Changes in working capital	59.2	11 235 570	2 109 275
Taxation paid	59.3	(8 212 928)	(3 889 572)
Net cash from operating activities		47 186 105	**17 847 399**
Cash flows from investing activities			
Acquisition of financial assets		(29 302 964)	2 712 898
Proceeds from disposal of property and equipment		-	1 250
Increase in investments in subsidiaries		(800 000)	(700 000)
Acquisition of property and equipment		(12 724)	(72 716)
Net cash (used in)/generated from investing activities		(30 115 688)	**1 941 432**
Cashflows from financing activities			
Dividends paid	59.4	(18 860 286)	(16 457 408)
Net (decrease)/increase in cash used in financing activities		(18 860 286)	**(16 457 408)**
Net increase/(decrease) in cash and cash equivalents		(1 789 869)	**3 331 423**
Cash and cash equivalents at the beginning of the year		5 106 337	1 774 914
Cash and cash equivalents at the end of the year		3 316 468	5 106 337

Notes to the annual financial statements
For the year ended 31 December 2017

1. General Information

Old Mutual Zimbabwe Limited (OMZIL) and its subsidiaries are incorporated in Zimbabwe. These consolidated financial statements comprise the Group and its Subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group's Subsidiaries and main activities are as follows:
- Central Africa Building Society (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);
- Old Mutual Shared Services (Private) Limited (professional services).

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

2. Accounting Policies

2.1 *Statement of compliance*

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

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

2.2 *Basis of preparation*

The financial statements provide information about the financial position, results of operations and changes in the financial position of the Group. They are based on the statutory records that are maintained under the historical cost convention with the exception of investments and securities, investment properties and owner occupied properties which are included at valuation as described in note 2.9 and 2.13 below; insurance contract provisions and provisions for investment contracts with discretionary participating features which are calculated on a Financial Soundness Valuation Basis as per note 2.6 below. The accounting policies have been consistently applied to all periods presented.

The Group's functional and presentation currency is the United States Dollar (US$). The Group's presentation currency is the United States Dollar (US$) and all amounts have been rounded to US$. Please refer to the use of estimates and judgements paragraph below which details the considerations made in determining the Group's functional currency (refer note 2.3). The Group financial statements have been prepared on the going concern basis which the directors believe to be appropriate having taken into consideration the points set out in the Director's report.

2.3 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.

Functional currency

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

- There have been media reports of instances, of some businesses pricing products and services differently depending on the mode of payment, with the USD cash or payments from USD denominated nostro accounts being the cheapest alternative and RTGS the most expensive. This practice however, has been discouraged by the monetary authorities;
- The significant unavailability of the USD in cash and in Nostro accounts made processing of payments to foreign suppliers and creditors difficult for businesses, with waiting periods being experienced.

As a result of these and other factors management had to make an assessment of whether the use of the United States dollar as the Company's functional currency was still appropriate. In doing this management considered the following factors:

- The currency that mainly influences sales prices for goods and services;
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.3 Critical accounting estimates and judgements (continued)

- The currency of reference used by the country's fiscal authorities in delivering the National Budget and maintaining the national accounts;
- the currency that mainly influences labour, material and other costs of providing goods or services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

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

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

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 2.9 and 2.13 below. They are valued on the basis of listed market prices in so far as this is possible. If prices are not readily determinable, fair value is based either on internal valuation models or management estimates of amounts that could be realized under current market conditions.

The translation of the foreign currency denominated assets and liabilities to local currency is based on the year-end exchange rate and transactions 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 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 IAS 39 "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 18.4. 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 also include investments in which the Group has more than 20%. These funds back investment contracts accounted for in terms of IAS 39, 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 21.5 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

2.4.1 Subsidiary undertakings
Subsidiary undertakings are those entities controlled by the Group. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases. Subsidiary undertakings include structured entities 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 are controlled by the Group retaining 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

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.4 **Scope of consolidation (continued)**

transactions, are eliminated in preparing the Group financial statements. Unrealised losses are not eliminated to the extent that they provide evidence of impairment.

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

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

2.5 Revenue
Revenue comprises premium income from insurance contracts and investment contracts with a discretionary participating feature, fee income from investment management contracts, commission income, banking interest income and commission fees, non-banking interest income and commission fees, 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 2.13 below.

2.6 Insurance and investment contracts

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

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

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

(i) the performance of a specified pool of contracts or a specified type of contract, and

(ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group.

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

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

Outward reinsurance premiums are recognised when due for payment.

Amounts received under investment contracts other than those with a discretionary participating feature are recorded as deposits in investment contract liabilities.

2.6.3 Revenue on investment management service contracts
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 recognized 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.

Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for when notified. Reinsurance recoveries are accounted for in the same period as the related claim.

Amounts paid under investment contracts other than those with a discretionary participating feature are recorded as deductions from investment contract liabilities.

Claims incurred in respect of short-term insurance general business consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.6 Insurance and investment contracts (continued)

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 (i.e. bonus smoothing reserve) related to these contracts is included as a carrying value of liabilities.

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

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

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

2.6.*6* *Investment contract liabilities*

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

2.6.7 Acquisition costs on long-term insurance

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

2.6.8 Deferred acquisition costs in respect of investment management service contracts

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

2.7 ***Intangible assets***

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

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

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

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

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

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

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

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

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

The valuation methodology adopted is dependent upon the nature of the property. The investment method was applied on all income producing properties. This method 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.

2.10 Property and equipment

Owned assets
Owner-occupied property is recognised at revalued amounts, being the fair value at the date of the revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Equipment, principally computer equipment, motor vehicles, fixtures and furniture, are recognised at cost less accumulated depreciation and impairment losses. Property under development is valued at cost.

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

Revaluation of owner-occupied property
Owner-occupied property is recognised at fair value. Internal professional valuers perform valuations annually. Valuations are carried out on properties accounting for at least 65% of the total value of the property portfolio, and properties being valued for the first time. External valuations are obtained for top ten buildings by value or properties representing 65% of the total value of the buildings. The procedures followed are as per note 2.9 and 18.

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

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

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

In the case of owner-occupied property, on revaluation any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the property concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property. Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred tax, between the revaluation reserve and retained earnings as the property is utilised.

Land is not depreciated.

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.10 Property and equipment (continued)

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

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

2.11 Taxation

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

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

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

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

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

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

2.12 Reinsurance

Reinsurance assets comprise contracts with reinsurers under which the Group is compensated for losses on one or more contracts which are classified as insurance contracts. Reinsurance on contracts that do not meet this classification is classified as financial assets.

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

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

2.13 Financial instruments

Recognition and derecognition

A financial instrument is recognized when and only when the Group becomes a party to the contractual provisions of the particular instrument. The Group derecognises a financial asset when and only when:

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Group; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

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

All purchases and sales of financial assets carried at fair value through profit or loss that require delivery within the time frame established by regulation or market convention (‘regular way’ purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Refer to note 21.1 for the different categories of financial instruments.

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.13 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.14 Impairment of financial assets (continued)

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

The Reserve Bank of Zimbabwe (RBZ) also requires the Group to provide for provisions for loan losses rather than impairment losses as determined in accordance with International Accounting Standard (IAS) 39 “Financial Instruments: Recognition and Measurement”. Where the provision as per RBZ guidelines is higher than the IAS 39 impairment losses, the excess is treated as an appropriation of equity.

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

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

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

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

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

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

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

(v) Deferred employee benefits
Deferred employee benefits are expensed on a straight line basis over the period for which the employee is obligated to provide services to the employer.

2.17 Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under the Group's insurance arrangements, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future operating costs or losses are not provided for.

2.18 Share-based payments

Equity-settled share-based payment transactions
The services received from employees in terms of the Indigenisation and Economic Empowerment Act (Chapter 14:33) transaction entered into in June 2012, are equity-settled and are measured at the fair value of the equity instruments granted. The fair value of those equity instruments are measured at grant date and are not subsequently re-measured. If the equity instruments granted vest immediately and the employee is not required to complete a specified period of service before becoming unconditionally entitled to those instruments, the services received are recognised in full on grant date in profit or loss, with a corresponding increase in equity.

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.18 Share-based payments (continued)

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

2.19 Leases

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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

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

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

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

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

2.23 Inventory
Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories is based on the first in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

2.24 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.25 Related parties
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The Group has related party relationships with its subsidiaries, fellow subsidiaries of Old Mutual Plc, company directors, other key shareholders and key management personnel. Transactions and balances are reflected in note 35.

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

2.27 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 premium income (Life assurance and General insurance), fee and commission income (Asset management) and banking interest and fee income (Banking). In addition to this, investment returns are also earned on funds invested. The revenues generated in each reported segment can be seen in the analysis of Profits and Losses in note 3.

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.28 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.

2.29 Forthcoming requirements

Future amendments not early adopted in the 2017 annual financial statements

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

IFRS 16 Leases **(effective for accounting periods beginning on or after 1 January 2019)**

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

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

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

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

IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018)

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments.

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

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

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

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

IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018)

"IFRS 9 Financial Instruments

The Group will implement IFRS 9 'Financial Instruments' with effect from 1 January 2018, with the impact of the cumulative adjustment reflected as an adjustment to opening retained income.

(a) Classification and measurement

As at 31 December 2017, the proportion of financial assets measured in terms of the current standard (IAS 39 "Financial Instruments: Recognition and Measurement") was 61.57% at fair value; 38.43% at amortised cost; 10.6% of financial liabilities was measured at fair value while 89.4% was measured at amortised cost..

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

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

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

Notes to the annual financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.29 Forthcoming requirements (continued)

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

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

Assets	
- Amortised cost	40% – 44%
- Fair value through profit and loss	50% – 56%
Liabilities	
- Amortised cost	55% – 60%
- Fair value through profit and loss	35% – 40%

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

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

The table below provides a comparison of the impairment balances under the previous classification (portfolio/ specific) and the classification under IFRS 9 as at 31 December 2017.

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

2.30 Comparative figures
As much as possible, comparative figures are reclassified in line with current year presentation.

Notes to the annual financial statements

for the year ended 31 December 2017

3. **Segment information**

A Statement of profit or loss - segment information for the year ended 2017

	Life Assurance US$	General Insurance US$	Banking US$	Asset Management US$	Holding Co & Other US$	Consolidation Adjustments US$	Total US$
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	(1 800 278)	3 273 940
Total revenue	**751 804 183**	**45 004 073**	**148 755 396**	**20 940 866**	**192 759 378**	**(167 293 877)**	**991 970 018**
							-
Expenses							-
Claims and benefits (including change in insurance contract provisions)	(545 619 616)	(17 401 726)	-	-	-	-	(563 021 342)
Reinsurance recoveries	1 088 544	2 576 031	-	-	-	-	3 664 575
Net claims incurred	(544 531 072)	(14 825 695)	-	-	-	-	(559 356 767)
Change in provision for investment contract liabilities	(51 809 502)	-	-	-	-	-	(51 809 502)
Fees, commissions and other acquisition costs	(9 781 793)	(5 932 229)	(13 264 770)	(172 925)	-	7 988 399	(21 163 318)
Banking interest payable and similar expenses	-	-	(32 740 007)	-	-	12 500 645	(20 239 362)
Impairment charges	-	-	(2 687 262)	-	(14 017)	-	(2 701 279)
Other operating and administration expenses	(17 404 694)	(6 986 227)	(57 950 308)	(10 059 721)	(70 639 464)	69 217 027	(93 823 387)
Profit before tax	**128 277 122**	**17 259 922**	**42 113 049**	**10 708 220**	**122 105 897** -	**(77 587 806)**	**242 876 403**
Income tax expense/(credit)	(8 303 295)	(1 659 390)		(3 844 950)	(9 387 940)	(418 585)	(23 614 160)
Profit for the year	**119 973 827**	**15 600 532**	**42 113 049**	**6 863 270**	**112 717 957**	**(78 006 392)**	**219 262 243**

A Statement of profit or loss - segment information for the year ended 2016

	Life Assurance US$	General Insurance US$	Banking US$	Asset Management US$	Holding Co & Other US$	Consolidation Adjustments US$	Total US$
Revenue							
Gross earned premiums	151 948 793	36 848 015	-	-	-	(3 464 910)	185 331 898
Outward reinsurance	(2 316 362)	(8 503 746)	-	-	-	-	(10 820 108)
Net earned premiums	149 632 431	28 344 269	-	-	-	(3 464 910)	174 511 790
Investment income (non banking)	105 884 870	3 100 303	-	223 041	40 068 288	(32 377 000)	116 899 502
Banking interest and similar income	-	-	93 339 766	-	-	-	93 339 766
Fee income, commissions and income from service contracts	7 187 635	2 309 238	44 280 000	16 140 323	14 068 273	(25 251 320)	58 734 149
Other income	(134 511)	-	940 009	292 010	203 180	265 773	1 566 461
Total revenue	**262 570 425**	**33 753 810**	**138 559 775**	**16 655 374**	**54 339 741**	**(60 827 457)**	**445 051 668**
Expenses							
Claims and benefits (including change in insurance contract provisions)	(204 269 543)	(14 959 570)	-	-	-	-	(219 229 113)
Reinsurance recoveries	1 802 932	1 617 455	-	-	-	-	3 420 387
Net claims incurred	(202 466 611)	(13 342 115)	-	-	-	-	(215 808 726)
Change in provision for investment contract liabilities	(6 682 553)	-	-	-	-	-	(6 682 553)
Fees, commissions and other acquisition costs	(6 849 117)	(5 687 436)	(3 154 555)	(26 153)	-	8 404 169	(7 313 092)
Banking interest payable and similar expenses	-	-	(34 831 590)	-	-	11 875 613	(22 955 977)
Credit losses and impairment charges	-	-	(3 531 106)	-	-	-	(3 531 106)
Other operating and administration expenses	(15 640 312)	(6 743 086)	(57 814 539)	(10 080 726)	(18 073 453)	18 996 510	(89 355 606)
Profit before tax	**30 931 832**	**7 981 173**	**39 227 985**	**6 548 495**	**36 266 288**	**(21 551 165)**	**99 404 608**
Income tax expense/(credit)	690 516	(1 581 911)	-	(2 247 663)	(2 626 472)	(1 806 337)	(7 571 867)
Profit for the year	**31 622 348**	**6 399 262**	**39 227 985**	**4 300 832**	**33 639 816**	**(23 357 502)**	**91 832 741**

Notes to the annual financial statements

for the year ended 31 December 2017

3 Segment information

B Statement of financial position - segment information at 31 December 2017

	Life Insurance US$	General Insurance US$	Banking US$	Asset Management US$	Holding Co & Other US$	Consolidation Adjustments US$	Total US$
Assets							
Investment property	380 770 678	449 000	23 422 200	-	530 000	-	405 171 878
Property and equipment	27 854 500	402 149	64 550 930	1 497 856	2 016 613	-	96 322 048
Deferred acquisition costs	-	741 681	-	-	-		741 681
Reinsurer contracts	-	3 278 568	-	-	-	-	3 278 568
Investments and securities	1 339 795 755	35 835 637	233 543 725	6 035 462	365 572 140	(370 323 582)	1 610 459 137
Deferred tax assets	-	564 200	-	193 108	174 937		932 245
Loans and advances	-	-	668 823 481	-	356 721	-	669 180 202
Current tax receivable	248 079	-		-	489 719	-	737 798
Other assets	24 856 396	4 047 345	111 597 661	5 591 683	44 111 880	(44 576 111)	145 628 854
Cash and cash equivalents	15 502 254	8 354 919	164 812 227	1 231 823	7 251 952	(6 901 549)	190 251 626
Total assets	**1 789 027 662**	**53 673 499**	**1 266 750 224**	**14 549 932**	**420 503 962**	**(421 801 242)**	**3 122 704 037**
Liabilities							
Insurance contract liabilities	1 341 376 432	14 232 555	-	-	-	-	1 355 608 987
Investment contract liabilities	120 815 870	-	-	-	-	-	120 815 870
Provisions	871 953	88 150	5 272 607	767 142	7 303 209		14 303 061
Deferred tax liabilities	36 577 506	15 696	3 265 701	24 072	2 901 699	(695 365)	42 089 309
Current tax payables	164 419	93 353	-	300 152		-	557 924
Amounts due to group companies	4 541 318	92 481	-	2 423 021	106 166 996	(44 576 113)	68 647 703
Amounts owed to bank depositors	-	-	1 019 215 894	-	-	(181 189 284)	838 026 610
Credit lines	-	-	23 317 769	-	-		23 317 769
Other liabilities	13 368 944	600 049	26 879 788	2 849 004	80 665 112	(45 214 297)	79 148 600
Total liabilities	**1 517 716 442**	**15 122 284**	**1 077 951 759**	**6 363 391**	**197 037 016**	**(271 675 059)**	**2 542 515 833**
Net assets	**271 311 220**	**38 551 215**	**188 798 465**	**8 186 541**	**223 466 946**	**(150 126 183)**	**580 188 204**
Shareholders' equity							
Share capital and premium	30 121 844	9 405	35 000 000	3 850 202	1 501 330	(70 481 716)	1 065
Non-distributable reserve	29 838 703	3 177 617	1 445 851	728 710	21 374 207	(4 108 040)	52 457 048
Revaluation reserve	-	-	18 769 422	-	7 338		18 776 760
Share option reserve	3 732 032	1 277 010	5 627 027	2 524 545	69 384 472	(50 064 585)	32 480 501
Regulatory provisions reserve	-	-	17 957 094	-	-		17 957 094
Retained earnings	207 618 641	15 554 870	109 999 071	1 083 084	131 199 599	(25 471 842)	439 983 423
	271 311 220	**20 018 902**	**188 798 465**	**8 186 541**	**223 466 946**	**(150 126 183)**	**561 655 891**
Non-controlling interests	-	18 532 313	-	-	-	-	18 532 313
Total equity	**271 311 220**	**38 551 215**	**188 798 465**	**8 186 541**	**223 466 946**	**(150 126 183)**	**580 188 204**

Notes to the annual financial statements

for the year ended 31 December 2016

		Life Insurance	General Insurance	Banking	Asset Management	Holding Co & Other	Consol Adjustments	Total
3	Segment information							
B	**Statement of financial position - segment information at 31 December 2016**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
	Assets							
	Investment property	369 474 690	349 000	22 251 090	-	480 000	-	392 554 780
	Property and equipment	27 503 364	341 802	60 686 502	1 698 037	2 236 304	-	92 466 009
	Deferred acquisition costs	-	893 405	-	-	-	-	893 405
	Reinsurer contracts	-	1 949 657	-	-	-	-	1 949 657
	Investments and securities	725 615 942	15 886 917	205 940 003	3 707 667	217 439 179	(366 889 665)	801 700 043
	Deferred tax assets	-	562 651	-	299 303	151 847	17 133	1 030 934
	Loans and advances	-	-	583 252 405	-	-	-	583 252 405
	Other assets	33 873 650	4 037 621	79 114 301	4 565 736	43 301 612	(36 053 867)	128 839 053
	Cash and cash equivalents	15 985 148	15 351 048	121 851 499	1 497 790	7 165 547	(7 025 727)	154 825 305
	Total assets	**1 172 452 794**	**39 372 101**	**1 073 095 800**	**11 768 533**	**270 774 489**	**(409 952 126)**	**2 157 511 591**
	Liabilities							
	Insurance contract liabilities	888 345 414	12 443 263	-	-	-	-	900 788 677
	Investment contract liabilities	76 330 845	-	-	-	-	-	76 330 845
	Provisions	841 242	615 793	5 467 850	774 047	7 316 506	(12 904)	15 002 534
	Deferred tax liabilities	29 019 415	-	-	3 287	2 359 939	(1 084 459)	30 298 182
	Current tax payables	-	264 691	-	49 711	105 673	32 589	452 664
	Amounts due to group companies	3 397 431	246 375	-	986 500	95 016 391	(42 298 868)	57 347 829
	Amounts owed to bank depositors	-	-	845 047 209	-	-	(227 485 685)	617 561 524
	Credit lines	-	-	28 654 056	-	-	-	28 654 056
	Other liabilities	13 323 191	-	17 843 722	2 291 012	38 049 323	(19 380 101)	52 127 147
	Total liabilities	**1 011 257 538**	**13 570 122**	**897 012 837**	**4 104 557**	**142 847 832**	**(290 229 428)**	**1 778 563 458**
	Net assets	**161 195 256**	**25 801 979**	**176 082 963**	**7 663 976**	**127 926 657**	**(119 722 698)**	**378 948 133**
	Shareholders' equity							
	Share capital and premium	30 121 844	9 405	35 000 000	3 600 202	1 001 327	(69 731 713)	1 065
	Non-distributable reserve	29 838 703	3 177 617	1 445 850	728 710	20 558 208	(3 292 040)	52 457 048
	Revaluation reserve	-	-	18 448 911	-	7 338	-	18 456 249
	Share option reserve	3 589 892	1 208 475	5 345 083	2 444 676	68 197 870	(48 748 862)	32 037 134
	Regulatory provisions reserve	-	-	16 517 093	-	-	-	16 517 093
	Retained earnings	97 644 817	9 119 402	99 326 026	890 388	38 161 914	2 049 917	247 192 464
		161 195 256	**13 514 899**	**176 082 963**	**7 663 976**	**127 926 657**	**(119 722 698)**	**366 661 053**
	Non-controlling interests	-	12 287 080	-	-	-	-	12 287 080
	Total equity	**161 195 256**	**25 801 979**	**176 082 963**	**7 663 976**	**127 926 657**	**(119 722 698)**	**378 948 133**

Notes to the annual financial statements
for the year ended 31 December 2017

		Group 2017 US$	Group 2016 US$
4	**Gross earned premiums**		
	Gross premiums		
	Single	2 660 298	1 613 086
	Recurring	17 505 788	17 990 905
	Individual business	**20 166 086**	**19 603 991**
	Single	58 509 238	59 238 309
	Recurring	79 364 950	70 857 493
	Group business	**137 874 188**	**130 095 802**
	General insurance	**36 722 687**	**35 632 105**
	Total gross premiums	**194 762 961**	**185 331 898**
	Comprising		
	Insurance contracts	39 286 937	41 125 720
	Investment contracts with discretionary participating features	118 753 337	108 574 073
	General insurance	36 722 687	35 632 105
	Total gross written premium	**194 762 961**	**185 331 898**
	Total gross earned premiums	**194 762 961**	**185 331 898**
5	**Investment income (non banking)**		
	Dividend income		
	Financial assets at fair value through profit or loss	22 790 893	18 358 536
	Financial assets- other	-	-
	Interest income		
	Cash and cash equivalents	11 964 934	10 185 815
	Financial assets at fair value through profit or loss	.	
	Net rental income		
	Investment property	10 326 217	11 144 268
	Realised gains and losses		
	Investment property	-	-
	Financial assets at fair value through profit or loss	16 528 326	(6 359 844)
	Unrealised gains and losses		
	Investment property	6 348 026	(19 527 793)
	Financial assets at fair value through profit or loss	572 987 870	103 098 520
		579 335 896	83 570 727
	Total investment returns included in income statement	**640 946 266**	**116 899 502**
6	**Banking interest and similar income**		
	Interest and similar income		
	Loans and advances		
	Investments	15 875 002	16 971 222
	Loans and advances	75 489 013	76 368 544
	Total interest and similar income	91 364 015	93 339 766
	Interest Expense:		
	Credit lines	(2 768 551)	(3 497 123)
	Savings certificates deposits	(16 987 029)	(18 412 720)
	Term deposits	(10 076)	(26 745)
	Savings deposits	(473 706)	(1 019 389)
	Total interest expense	(20 239 362)	(22 955 977)
	Net interest income	**71 124 653**	**70 383 789**
7	**Fee income, commissions and income from service contracts**		
	Banking operations:		
	Commissions	22 149 454	6 357 804
	Service fees	17 317 618	23 481 502
	Adminstration fees	16 790 944	14 435 142
	Total fee income and commission from banking operations	56 258 016	44 274 448
	Long term business	5 341 332	7 187 634
	Asset management business	10 086 460	7 272 067
		71 685 808	**58 734 149**

Notes to the annual financial statements
for the year ended 31 December 2017

		Group 2017 US$	Group 2016 US$
8.	**Other income**		
	Exchange gains	(180 901)	(134 289)
	Other	3 454 841	1 700 750
		3 273 940	1 566 461
9.	**Claims and benefits**		
	Claims and benefits (including change in insurance contract provisions):		
	Increase in insurance contracts provision	445 822 666	100 972 325
	Gross claims expenses (refer to analysis in note 9.1 below)	117 858 118	118 894 086
	Shadow accounting to revaluation reserve (see note 10.1 below)	(659 442)	(637 298)
		563 021 342	**219 229 113**
9.1	**Analysis of claims expenses**		
	Individual business	**6 148 897**	**4 327 732**
	Death and disability benefits	1 252 212	1 977 468
	Maturity benefits	3 337 497	544 594
	Surrenders	1 559 188	1 805 670
	Group business	**94 307 496**	**99 606 784**
	Death and disability benefits	12 352 676	14 578 854
	Pension commutations, maturities and withdrawal benefits	56 675 471	57 824 461
	Annuities	14 875 550	14 667 042
	Surrenders	10 403 799	12 536 427
	General insurance	17 401 725	14 959 570
	Total claims and benefits	**117 858 118**	**118 894 086**
	Comprising:		
	Insurance contracts	13 601 321	17 662 749
	Investment contracts with discretionary participating features	86 855 072	86 271 767
	General insurance	17 401 725	14 959 570
	Total claims and benefits payable	**117 858 118**	**118 894 086**
10.	**Changes in provision for investment contract liabilities**		
	Investment contracts		
	Increase in investment contract liabilities	51 874 722	6 745 582
	Shadow accounting to revaluation reserve (see note 10.1 below)	(65 220)	(63 029)
		51 809 502	**6 682 553**
10.1	**Shadow accounting**		
	Insurance contracts	659 442	637 298
	Investment contracts	65 220	63 029
	Total	**724 662**	**700 327**

Notes to the annual financial statements
for the year ended 31 December 2017

		Group 2017 US$	Group 2016 US$
11	**Other operating and administration expenses**		
	Administrative expenses	8 706 268	9 551 695
	Office space costs	7 270 754	6 907 216
	Fees and levies	3 475 823	2 780 659
	Donations	637 273	645 530
	Insurance	1 023 697	992 986
	Actuarial and consultancy fees	2 740 542	2 213 137
	Advertising and marketing	3 423 270	2 854 804
	Software licensing	6 772 750	6 072 750
	Depreciation of property, plant and equipment	10 567 151	8 364 824
		44 617 528	**40 383 601**
	Auditors' remuneration		
	Statutory audit services - current year	593 257	588 278
	Staff costs		
	Wages and salaries	32 002 767	31 258 483
	Retirement obligations	2 625 599	2 390 239
	Social security costs	851 801	803 873
	Bonus and incentive remuneration	4 893 721	4 799 744
	Share based payments	935 727	1 499 475
	Other staff costs	5 864 940	5 292 824
		47 174 555	**46 044 637**
	Other	1 438 047	2 339 089
		93 823 387	**89 355 606**
12	**Income tax expense**		
	Normal income tax		
	Shareholders	10 324 041	7 843 511
	Policyholders	720 256	446 772
		11 044 297	8 290 283
	Deferred tax		
	Shareholders	8 543 122	1 018 071
	Policyholders	4 026 741	(1 736 487)
		12 569 863	(718 416)
		23 614 160	**7 571 867**
	Reconciliation of the effective tax rate	**%**	**%**
	Standard rate of taxation	**25.75**	25.75
	Adjusted for:		
		(16.03)	(18.13)
	Exempt income	(63.69)	(38.80)
	Disallowable expenses	47.66	20.67
	Capital gains		
	Effective tax rate	9.72	7.62

13 Earnings per share

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

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

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

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

Notes to the annual financial statements
for the year ended 31 December 2017

		Company 2017 US$	Company 2016 US$
14	**Investment income**		
	Dividend income		
	Financial assets at fair value through profit or loss	50 630 111	24 054 675
	Interest income		
	Cash and cash equivalents	883 516	468 952
	Realised gains and losses		
	Financial assets at fair value through profit or loss	929 687	(431 853)
	Unrealised gains and losses		
	Financial assets at fair value through profit or loss	67 489 499	10 872 854
	Investment property	50 000	
		67 539 499	10 872 854
	Total investment returns included in income statement	**119 982 813**	**34 964 628**
15	**Other income**		
	Directors' fees received	35 900	25 500
	Other	683 554	18 160
		719 454	**43 660**
16	**Other operating and administration expenses**		
	Administrative expenses	5 616 092	3 365 642
	Asset management expenses	1 056 941	537 525
	Depreciation of property, plant and equipment	100 060	106 461
		6 773 093	4 009 628
	Auditors' remuneration		
	Statutory audit services - current year	58 065	65 698
	Staff costs		
	Wages and salaries	371 184	335 760
	Retirement obligations	29 510	26 837
	Bonus and incentive remuneration	424 641	(383 380)
	Social security costs	3 939	4 364
	Share based payments	112 367	187 706
	Other staff costs	599 616	348 562
		1 541 257	519 849
	Total other operating and administration expenses	**8 372 415**	**4 595 175**
17	**Income tax expense**		
	Normal income tax		
	Deferred tax	895 941	(31 946)
	Current taxation	7 900 599	3 634 774
	Total taxation charge	**8 796 540**	**3 602 828**
	Reconciliation of taxation rate on profit before tax	**%**	**%**
	Standard rate of taxation	**25.75**	**25.75**
	Adjusted for:		
		(17.92)	(13.90)
	Exempt income	(26.28)	(16.96)
	Disallowable expenses	8.36	3.06
	Effective tax rate	**7.83**	11.85

Notes to the annual financial statements
for the year ended 31 December 2017

18 Investment property	**Group 2017 US$**	**Group 2016 US$**
Carrying amount at beginning of year	392 554 780	408 390 833
Additions	6 932 337	4 585 996
Transfer to mortgage bonds	-	-
Transfer from/(to) Non current assets held for sale	-	-
Disposal	(663 265)	(894 256)
Gain/(loss) from fair value adjustments	6 348 026	(19 527 793)
Carrying amount at end of year	**405 171 878**	**392 554 780**
Comprising:		
Freehold property	**405 171 878**	**392 554 780**
The fair value of freehold property leased to third parties under operating leases	**321 000 630**	**330 006 300**
Rental income from investment property	30 310 100	28 517 962
Direct operating expenses arising from rented-out investment property	(19 983 883)	(17 373 694)
	10 326 217	**11 144 268**

The carrying amount of investment property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The recorded values are tested by comparing with values determined by independent external valuers for a sample of properties accounting for at least 65% of the total value of the property portfolio, or for at least the top twenty five buildings by value and properties being valued for the first time. 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% (2016:7.00 % and 12.00%) and rental rates of between $0.50 and $20.00 (2016:$0.50 and $20.00). The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy due to the use of unobservable units.

As security for a credit line from PTA Bank (note 32), CABS registered a bond of US$1 million over a property, and issued powers of attorney to register bonds (in the event of default) over other properties with a total value of US$37.29million as at 31 December 2017 (both investment properties and owner occupied properties). OMZIL has guaranteed the Shelter Afrique loan for a full amount of US$14.4million. Shelter Afrique also took a cession of the performing loan book covering two times the exposure at any point in time. The Society secured the Proparco Loan through a negative pledge of assets plus cash security amounting to US$555 555.

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**
▪Office, Retail and Industrial Properties	▪Income capitalisation	▪Rental income per square meter and capitalisation rates ▪Vacancies	The estimated fair value would increase if: >net rental income increased >capitalisation rates decreased. >vacancies decreased ▪The estimated fair value would decrease if the unobservable inputs changed the other way.
▪Residential property	▪Sales comparison approach.	▪Price for comparable properties.	▪The estimated fair value would increase if prices for comparable properties increased.
▪Land	▪Sales comparison approach	▪Price for comparable properties	▪The estimated fair value would increase if prices for comparable properties increased.

Notes to the annual financial statements
for the year ended 31 December 2017

19 Property and equipment

	Land & buildings US$	Intangible assets US$	Motor vehicles US$	Computer equipment US$	Fixtures & fittings US$	Group Total 2017 US$
Carrying amount at beginning of year (1 January 2017)	65 285 098	11 630 410	3 199 228	8 464 558	3 886 713	**92 466 007**
Additions	2 449 914	2 791 865	2 182 192	5 359 349	881 352	**13 664 672**
Revaluation	1 046 489	-				**1 046 489**
Disposals			(152 070)	(17 611)	(118 288)	**(287 969)**
Depreciation/amortisation	(961 423)	(3 923 629)	(1 318 518)	(3 456 569)	(907 012)	**(10 567 151)**
Carrying amount at end of year	67 820 078	10 498 646	3 910 832	10 349 727	3 742 765	**96 322 048**
Cost/Valuation	68 065 381	25 102 523	8 520 153	24 962 226	6 435 079	133 085 362
Accumulated depreciation	(245 303)	(14 603 877)	(4 609 321)	(14 612 499)	(2 692 314)	(36 763 314)
Carrying amount at end of year (31 December 2017)	67 820 078	10 498 646	3 910 832	10 349 727	3 742 765	**96 322 048**

	Land & buildings US$	Intangible assets US$	Motor vehicles US$	Computer equipment US$	Fixtures & fittings US$	Group Total 2016 US$
Carrying amount at beginning of year (1 January 2016)	65 601 793	12 775 335	3 128 329	6 914 496	2 801 600	**91 221 552**
Additions	1 764 305	2 608 717	1 202 571	2 674 184	2 632 150	**10 881 926**
Revaluation surplus	(1 122 547)	-				**(1 122 547)**
Disposals			(46 120)	(39 188)	(64 790)	**(150 098)**
Depreciation/Amortisation	(958 453)	(3 753 642)	(1 085 552)	(1 084 930)	(1 482 247)	**(8 364 824)**
Carrying amount at end of year	65 285 098	11 630 410	3 199 228	8 464 558	3 886 713	**92 466 009**
Cost/Valuation	65 535 428	23 030 600	5 501 974	10 904 782	4 878 961	**109 851 745**
Accumulated depreciation	(250 330)	(11 400 190)	(2 302 746)	(2 440 224)	(992 248)	**(17 385 736)**
Carrying amount at end of year (31 December 2016)	65 285 098	11 630 410	3 199 228	8 464 558	3 886 713	**92 466 009**

The carrying amount of owner-occupied property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined by having regard to recent market transactions for similar properties in the same location as the Group's owner-occupied property.

20 Reinsurer contracts	Group 2017	Group 2016
Provision for unearned premiums	1 284 086	866 415
Outstanding claims	1 994 482	1 083 242
Balance at end of year	**3 278 568**	**1 949 657**

Notes to the annual financial statements
for the year ended 31 December 2017

			Group 2017 US$	Group 2016 US$
21	**Investments and securities**			
21.1	*Analysis of investments*			
	Equity securities	- listed	1 165 222 538	448 057 542
		-unlisted (refer note 40.2)	43 822 003	32 197 797
	Total Equities (see note 21.2 below)		1 209 044 541	480 255 339
	Unit trust investments		10 844 863	8 869 053
	Public sector securities		79 523 382	123 081 268
	Treasury bills (see note 21.5 below)		195 359 411	88 931 464
	Deposits and money market securities		115 686 940	100 562 919
			1 610 459 137	**801 700 043**

21.2	***Spread of equity securities by sector***		
	Commodities	148 535 376	56 693 245
	Consumer	786 293 908	300 044 063
	Financial	87 258 885	80 750 647
	Property	18 330 442	11 675 521
	Manufacturing	135 665 622	27 311 137
	Mining	32 960 308	3 780 726
		1 209 044 541	480 255 339

21.3	***Movements of investment and securities***		
	Opening balance	**801 700 043**	**664 014 093**
	Fair value movements through profit	574 579 855	102 964 539
	Interest earned	11 964 934	10 185 815
	Additions	412 625 066	36 590 596
	Disposals	(84 743 439)	(4 321 255)
	Maturities	(105 667 322)	(7 733 745)
	Closing balances	**1 610 459 137**	**801 700 043**

21.4 ***Investment in unlisted equities above 20% shareholding***

Company	% holding	Value US$	% holding	Value US$
Takura Fund II (Limited Partner) "B Shares" (held by Shareholders and OMLAC Main Fund)	40%	16 472 429	40%	14 789 687
Africa Takura Ventures-Fund 1 "M Shares" (held by Shareholders and OMLAC Main Fund)	26%	4 829	26%	7 029
Lake Harvest Aquaculture (held by Shareholders and OMLAC Main Fund)	26%	281 944	26%	1 902 466
Lobels Holdings Limited ((held by OMLAC Main Fund)	49%	2 075 877	49%	1 708 806
Manica Board and Doors (MBD) (held by OMLAC Main Fund)	55%	1 359 859	55%	4 847 903
Kupinga Renewable Energy (held by OMLAC Main Fund)	40%	429 430	40%	4 215 009
		20 624 368		27 470 900

The Group has accounted for unlisted investments of this nature on the basis of IAS 39, as Financial Assets at Fair Value through Profit and Loss, inspite 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 IAS 39.

The Group has not consolidated the investment in MBD. Management conculed that the investment in MBD is not material.

21.5 ***Treasury bills maturity analysis***

On demand to 3 months	63,293,681	20 850 309
3 months to 12 months	28 424 413	47 033 044
1 year to five years	103 641 317	21 048 111
Total	**195 359 411**	88 931 464

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%

Notes to the annual financial statements
for the year ended 31 December 2017

22 Amounts due by or (to) group companies

	2017 US$ Amounts due by	2017 US$ Amounts due (to)	2016 US$ Amounts due by	2016 US$ Amounts due (to)
Old Mutual Netherlands B.V.	-	(50 000 000)	-	(50 000 000)
Old Mutual Africa Holdings	-	(275 038)	-	-
Old Mutual Zimbabwe Holdco Limited	-	(14 437 500)	-	5 343 750
Old Mutual Life Assurance Company (South Africa)	-	(3 935 165)	-	2 004 079
	-	**(68 647 703)**	**-**	**(57 347 829)**

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

23 Loans and advances

	Group 2017 US$	Group 2016 US$
Concentration - gross loans and advances		
Housing	199 467 565	194 022 218
Unsecured personal loans	167 085 292	124 610 000
Commercial and industrial	318 217 365	284 067 312
Gross loans and advances	**684 770 222**	**602 699 530**
Less provision for impairment	(15 590 020)	(19 447 125)
Net loans and advances	**669 180 202**	**583 252 405**
Maturity analysis - gross and loans advances		
On demand to 3 months	100 406 266	62 680 000
3 months to 12 months	205 164 266	134 209 481
1 year to 5 years	316 761 569	209 277 011
Over 5 years	62 438 121	196 533 038
	684 770 222	**602 699 530**
Non performing loans	**43 276 779**	**49 918 162**
Analysis of past due but not impaired		
30 to 60 days past due	79 570 817	98 175 446
61 to 90 days past due	42 450 437	34 421 909
	122 021 254	**132 597 355**

23.1 Sectoral analysis of loans and advances

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

Sector		
Trade and services	43 622 388	31 870 000
Energy and minerals	11 267 113	8 997 508
Agriculture	86 254 224	69 224 200
Construction and property	240 953 020	240 484 101
Light and heavy industry	30 827 853	32 757 070
Unsecured personal loans	158 952 071	122 138 749
Transport and distribution	97 343 553	74 404 759
State and state enterprises	15 550 000	22 823 143
Total gross loans	**684 770 222**	**602 699 530**

Notes to the annual financial statements

for the year ended 31 December 2017

		Group 2017 US$	Group 2016 US$
24	**Other assets**		
	Accrued interest and rent	19 046 399	23 504 154
	Agent debtors and prepayments	28 638 596	18 397 143
	Capitalised project costs	54 284 530	57 088 944
	Banking settlement and other clearing accounts.	32 664 140	18 768 487
	Inventory	540 755	601 833
	Trade debtors	296 463	320 521
	Other	10 157 971	10 157 971
		145 628 854	**128 839 053**
25	**Cash and cash equivalents**		
	Cash at bank and on hand	190 251 626	154 825 305
		190 251 626	**154 825 305**

In the year 2016 the Central Bank, through Exchange Control Operational Guide 8 (ECOGAD8), introduced a prioritisation criterion which has to be followed when making foreign payments for customers. After prioritisation, foreign payments are then made subject to availability of bank balances with foreign correspondent banks, resulting in possible delay of payment of telegraphic transfers. However, no delay is expected in the settlement of local transactions through the Real Time Gross Settlement system.

Included in cash and cash equivalents are bond notes which the Reserve Bank Of Zimbabwe began issuing gradually into the economy in November 2016 to help ease the shortage of physical cash in the country. The bond notes have been included under cash and cash equivalents and are pegged at an exchange rate of 1:1 with the US$.

		Group 2017 US$	Group 2016 US$
26	**Insurance contract liabilities**		
	Outstanding claims	2 869 977	3 135 866
	Future policyholders' benefits (see analysis of movement in provision below)	1 352 739 010	897 652 811
		1 355 608 987	**900 788 677**
26.1	*Future policyholders' benefits*		
	Movement in provision for insurance contracts		
	Balance at beginning of year	897 652 811	782 482 670
	Inflows		
	Premium income	184 699 989	174 511 790
	Investment income	430 005 795	85 706 378
	Fee and other income	5 341 329	8 358 619
	Outflows		
	Claims and policy benefits	(117 858 118)	(118 894 086)
	Operating expenses	(26 981 552)	(22 489 650)
	Taxation	-	-
	Current tax	(720 256)	(446 772)
	Deferred tax	(4 026 741)	1,736,487
	Transfer to operating profit	(15 374 247)	(13 312 625)
	Balance at end of year	**1 352 739 010**	**897 652 811**
27	**Investment contract liabilities**		
	Liabilities at fair value through profit or loss	**120 815 870**	**76 330 845**
	Movement in liabilities fair valued through profit or loss		
	Balance at beginning of year	76 330 845	71 381 199
	New contributions received	1 272 183	8 294 364
	Withdrawals	(8 661 880)	(10 090 300)
	Fair value movements	51 874 722	6 745 582
	Balance at end of year	**120 815 870**	**76 330 845**

Notes to the annual financial statements

for the year ended 31 December 2017

28 Share-based payments

28.1 Indigenisation Transactions

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

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

OMZIL Indigenisation Employee Share Scheme

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

Participants only take delivery of the shares after the vesting periods of two years (one-third), three years (one-third) and 4 years (one-third) of participation in the scheme. The related expenses are recognised over the respective vesting periods. All shares that were issued under this trust vested in 2016 and there are currently no shares outstanding to staff.

OMZIL Management Incentive Share Scheme

This scheme operates for the benefit of management and its primary purpose is to attract, reward and retain senior and middle management. Awards will be made annually on agreed terms and conditions with a vesting period of three years. Participants receive dividends from the date of the award. Staff joining the Group after the allocation date also participate in the scheme.

OMZIL Clients Pension Ex-gratia Trust

This scheme operates for the benefit of client pensioners. Once off share awards were allocated to participants. These vested immediately and were not subject to any conditions.

Kurera/Ukondla Youth Fund Trust

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

Strategic Partner

The Strategic partner is Stiefel Investments (Private) Limited (Stiefel), an investment holding company and provider of advisory services. The beneficiary persons behind Stiefel are Messrs L.E.M. Ngwerume, Todd Moyo and Mrs Tracey Mutaviri. Mr Ngwerume was a non-executive director of CABS, while Mrs Mutaviri was a non-executive director of Old Mutual Life Assurance Company Zimbabwe Limited.

The purchase consideration of the shares was US$13 016 238 for 11 621 641 issued and fully paid up 'B class" shares at a price of US$ 1.12 per share. The amount funded (finance assisted) by the Group was US$12 755 913 after a 2% down payment of US$260 324 paid by Steifel.

Costs associated with Indigenisation transactions	**Group 2017 US$**	**Group 2016 US$**
Employee Share Scheme	-	236 062
Management Incentive Scheme	935 727	1 263 413
	935,727	**1 499 475**

Movements relating to the share awards during the year are as follows:	**Number of**	**Number of**
OMZIL Indigenisation Employee Share Scheme	**shares**	**shares**
Opening balance of shares	-	2 916 253
Exercised during the year	-	(2 908 323)
Forfeited	-	(7 930)
Closing balance of shares	-	**-**

The Employee share scheme came to completion following the vesting of the last batch of shares in the year 2016.

OMZIL Management Incentive Scheme		
Opening balance of shares	3 670 177	2 790 688
Issued during the year	-	1 734 073
Exercised during the year	(999 826)	(854 584)
Forfeited	(114 598)	-
Closing balance of shares	2 555 753	**3 670 177**

Shares exercised during the year were exercised at an average price of $2.05 (2016 : $0.82). The expected vesting periods for shares outstanding as at end of year are as follows:

2017	935 727	1 499 475
2018	915 134	955 706
2019	1 640 619	1 734 073

The shares are listed on the Finsec Automated Trading platform"(ATP)". The ATP price as at 31 December 2017 was $2.05 (2016 $0.82).

Notes to the annual financial statements
for the year ended 31 December 2017

28.2 Share-based payments reserve

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

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

29 Provisions

	Employee related provisions	Other	**Total 2017**
	US$	US$	**US$**
Balance at beginning of year	5 559 525	9 443 009	**15 002 534**
Amount utilised	(5 601 265)	(706 204)	**(6 307 469)**
Released	(472 681)	(306 827)	**(779 508)**
Charge	6 164 149	223 355	**6 387 504**
Balance at end of year	5 649 728	8 653 333	**14 303 061**

			Total 2016
	US$	US$	**US$**
Balance at beginning of year	11 811 643	7 787 161	**19 598 804**
Amount utilised	(4 943 936)	(1 307 263)	**(6 251 199)**
Released	(1 723 045)	(332 003)	**(2 055 048)**
Charge	414 863	3 295 114	**3 709 977**
Balance at end of year	5 559 525	9 443 009	**15 002 534**

30 Deferred tax

		At beginning 2017	**Charge to equity**	**Income statement charge**	**At end 2017**
Deferred tax liability		US$	US$	US$	**US$**
Shareholders		7 850 508	(680 047)	8 444 433	**15 614 894**
Policyholders		22 447 674		4 026 741	**26 474 415**
		30 298 182	(680 047)	12 471 174	**42 089 309**
Deferred tax asset					
Shareholders		(1 030 934)	-	98 689	**(932 245)**
		(1 030 934)	-	98 689	**(932 245)**
Aggregate deferred tax		29 267 248	(680 047)	12 569 863	**41 157 064**
Analysis of deferred tax	Wear and tear				25 639 083
	Capital gains				15 473 311
	Assessed loss				44 670
					41 157 064

					At end 2016
Deferred tax liability		US$	US$	US$	**US$**
Shareholders		7 294 604	(703 095)	1 258 999	7 850 508
Policyholders		24 184 161	-	(1 736 487)	22 447 674
		31 478 765	(703 095)	(477 488)	30 298 182
Deferred tax asset					
Shareholders		(790 006)	-	(240 928)	(1030 934)
		(790 006)	-	(240 928)	(1030 934)
Aggregate deferred tax		30 688 759	(703 095)	(718 416)	**29 267 248**
Analysis of deferred tax	Wear and tear				22 459 046
	Capital gains				8 181 861
	Assessed loss				(1373 659)
					29 267 248

31 Amounts owed to bank depositors

	2017	**2016**
	US$	**US$**
Money market deposits	357 003 412	203 864 816
Term deposits	479 436	714 748
Savings deposits	480 543 762	412 981 960
	838 026 610	**617 561 524**
Maturity analysis		
On demand to 3 months	611 585 863	450 172 141
3 months to 6 months	3 379 713	2 498 349
6 months to a year	70 973 965	52 465 329
1 year to 5 year	84 492 816	62 458 725
Over 5 years	67 594 253	49 966 980
	838 026 610	**617 561 524**

Notes to the annual financial statements
for the year ended 31 December 2017

31 Amounts owed to bank depositors (continued)

Concentration	**2017 US$**	**%**	**2016 US$**	**%**
Financial institutions	358 675 389	42.80%	332 568 122	53.85%
Companies	387 168 294	46.20%	219 083 206	35.48%
Individuals	92 182 927	11.00%	65 910 196	10.67%
	838 026 610	100.00%	617 561 524	100.00%

32 Credit lines

	2017 US$	**2016 US$**
PTA Bank loan	10 000 948	8 234 588
Shelter Afrique	9 744 240	11 490 900
ZADT loan	-	2 950 000
Proparco loan	3 332 581	5 654 301
Accrued interest on credit lines	240 000	324 267
Balance at end of the year	23 317 769	28 654 056
Maturity analysis		
On demand to 3 months	683 477	5 233 310
3 months to 6 months	4 024 970	1 969 948
6 months to 1 year	4 600 863	9 498 985
1 year to 5 years	14 008 459	11 951 823
	23 317 769	28 654 066

The PTA bank loan is repayable over 3 years and the Shelter Afrique and Proparco loans over 10 years. The PTA loan was obtained in October 2017, the Proparco loan in October 2016 and the Shelter Afrique loans in 2014. As a security for the PTA Bank loan, the Society registered a bond of US$1 million over a property, and issued powers of attorney to register bonds (in the event of default) over immovable properties with a total value of US$37.3 million as at 31 December 2017 (note 18). The Shelter Afrique loan is secured by a guarantee from OMZIL as well as a cession of the performing loan book covering two times the exposure at any given time. The Proparco loan is secured by a negative pledge of assets plus a cash security deposit of US$0.56 million.

33 Other liabilities

	2017 US$	**2016 US$**
Amounts owed to policyholders	2 500 089	881 253
Accruals and deferred income	19 851 441	9 347 062
Trade creditors	19 930 711	11 837 376
VAT payable	211 813	51 584
Dividend payable	25 396 125	25 396 125
Other liabilities	11 258 421	4 613 747
	79 148 600	**52 127 147**

34 Contingent Liabilities

34.1 Tax on Indigenisation shares

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

34.2 Commission of Inquiry

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

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

35 Post employment benefits obligations

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

The Old Mutual Staff Pension Fund

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

National Social Security Authority Scheme

This scheme was promulgated under the National Social Security Authority Act 1989. The Group's obligation under the scheme is limited to specific contributions as legislated from time to time and is presently $45 per month per employee. The Group agreed to keep the employee contributions at $6 per month and pay any contributions above $6 on behalf of the employees.

Notes to the annual financial statements
for the year ended 31 December 2017

		Group 2017 US$	Group 2016 US$
36	**Post employment benefits obligations(continued)**		
	Old Mutual Post Retirement Medical Aid Subsidy Fund		
	The fund is a defined contribution plan for the Group's full-time employees.		
	Contributions recognised as an expense for the year		
	- Old Mutual Staff Pension Fund	**2 625 599**	**2 390 239**
	- National Social Security Authority Scheme	**851 801**	**803 873**
37	**Capital commitments**		
	Authorised	**24 276 932**	**12 908 768**
	Authorised and contracted for	**-**	-
	The Group is committed to incur capital expenditure and the commitments are expected to be settled in the year 2018.		
	For advances		
	Aggregate commitments due under advances granted but not yet disbursed	**29 201 522**	**18 283 340**
38	**Leases**		
	The Group as lessor - operating lease arrangements		
	Total future minimum lease receivables under operating leases		
	Not later than one year	15 402 797	16 392 947
	Later than one year and not later than five years	71 965 372	81 964 737
	Later than five years	87 368 168	98 357 685
		174 736 337	196 715 369
	The Group as lessee - operating lease arrangements		
	Non -cancellable operating lease rentals are payable as follows:		
	Not later than one year	**730 252**	532 411
	Later than one year and not later than five years	**3 392 352**	2 572 633
		4 122 604	3 105 044

The operating lease agreements relate to property rental agreements between the Group and third parties both as lesse and lessor.

39 Related party disclosures

Holding company and fellow subsidiaries and associates.

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

Other Group companies consist of fellow subsidiaries and associates.

Transactions and balances with holding company and fellow subsidiaries

	Group 2017 US$	Group 2016 US$
Fellow related parties		
Old Mutual Life Assurance Company (South Africa) Limited		
Amounts due to as at 31 December	(3 935 165)	(2 004 079)
Old Mutual Africa Holdings		
Amounts due to as at 31 December	(275 038)	-
Old Mutual Zimbabwe Holdco Limited		
Amounts due to as at 31 December	(14,437,500)	(5 343 750)
Old Mutual Netherlands B.V		
Amounts due to as at 31 December	(50 000 000)	(50 000 000)
MBCA Bank Limited		
Amounts due by as at 31 December	14 159 618	13 552 203

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.

All the Group's principal subsidiaries together with loans due by or to them are listed in note 43 and 46.

Capital advances and amounts due by or to group companies are disclosed in note 43.

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	Group 2017 US$	Group 2016 US$
Short-term employee benefits	2 652 522	2 013 586
Share based payments	922 370	1 813 457
Post-employment benefits	51 739	26 837
	3 626 631	3 853 880

Notes to the annual financial statements
for the year ended 31 December 2017

40 *Group statement of financial position*

The Group is exposed to financial risk through its financial assets (investments and loans), financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, interest and foreign exchange rates), and liquidity risk. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and/or conditions.

40.1 *Categories of financial instruments*

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

At 31 December 2017	Designated At fair value through profit or loss	Loans and receivables/ liabilities at amortised cost	Non-financial assets/ liabilities	Total
	US$	US$	US$	**US$**
Assets				
Investment property	-	-	405 171 878	**405 171 878**
Property and equipment	-	-	96 322 048	**96 322 048**
Deferred acquisition costs	-	-	741 681	**741 681**
Reinsurers' share of insurance contract provisions	-	-	3 278 568	**3 278 568**
Investments and securities	1 610 459 137	-	-	**1 610 459 137**
Deferred tax assets	-	-	932 245	**932 245**
Current tax assets	-	-	737 798	**737 798**
Loans and advances	-	669 180 202	-	**669 180 202**
Other assets	-	80 889 889	64 738 964	**145 628 854**
Cash and cash equivalents	-	190 251 626	-	**190 251 626**
	1 610 459 137	940 321 718	571 923 183	**3 122 704 037**
Liabilities				
Insurance contract liabilities	-	-	1 355 608 987	**1 355 608 987**
Investment contract liabilities	120 815 870	-		**120 815 870**
Provisions	-	-	14 303 061	**14 303 061**
Deferred tax liabilities	-	-	42 089 309	**42 089 309**
Current tax payable	-	-	557 924	**557 924**
Amounts due to group companies	-	68 647 703	-	**68 647 703**
Amounts owed to bank depositors	-	838 026 610	-	**838 026 610**
Borrowed funds	-	23 317 769	-	**23 317 769**
Other liabilities	-	79 148 600	-	**79 148 600**
	120 815 870	1 009 140 682	1 412 559 281	**2 542 515 833**

At 31 December 2016	Designated At fair value through profit or loss	Financial assets/ liabilities at amortised cost	Non-financial assets/ liabilities	Total
	US$	**US$**	**US$**	**US$**
Assets				
Investment property	-	-	392 554 780	392 554 780
Property and equipment	-	-	92 466 009	92 466 009
Deferred acquisition costs	-	-	893 405	893 405
Reinsurers' share of insurance contract provisions	-	-	1 949 657	1 949 657
Investments and securities	801 700 043	-	-	801 700 043
Deferred tax assets	-	-	1 030 934	1 030 934
Current tax assets	-	-	-	-
Loans and advances	-	583 252 405		583 252 405
Other assets		60 669 784	68 169 268	128 839 053
Cash and cash equivalents	-	154 825 305	-	154 825 305
	801 700 043	**798 747 494**	**557 064 053**	**2 157 511 591**
Liabilities				
Insurance contract liabilities	-	-	900 788 677	900 788 677
Investment contract liabilities	76 330 845	-	-	76 330 845
Provisions	-	-	15 002 534	15 002 534
Deferred tax liabilities	-	-	30 298 182	30 298 182
Current tax payable	-	-	452 664	452 664
Borrowed funds	-	28 654 056	-	28 654 056
Amounts due to group companies	-	57 347 829	-	57 347 829
Amounts owed to bank depositors	-	617 561 524	-	617 561 524
Other liabilities	-	52 127 147	-	52 127 147
	76 330 845	**755 690 556**	**946 542 056**	**1 778 563 458**

Notes to the annual financial statements

for the year ended 31 December 2017

40 Group balance sheet - assets and liabilities (continued)

40.2 Fair values of financial assets and liabilities

Determination of fair value

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

-Assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid.

-The inclusion of a measure of the counterparties' non-performance risk in the fair value measurement of loans and advances, which involves . the modelling of dynamic credit spreads.

-The inclusion of credit valuation adjustment (CVA) and debit valuation adjustment (DVA) in the fair value measurement of derivative instruments.

-The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

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

Loans and advances

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

Investments and securities

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

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

Investment contract liabilities

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

Other financial assets and liabilities

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

Fair value hierarchy

Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.

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

Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

The judgment as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid / offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

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

Notes to the annual financial statements
for the year ended 31 December 2017

40 Group statement of financial position - assets and liabilities (continued)

40.2 Fair values of financial assets and liabilities (continued)

Analysis of instruments at fair value

At 31 December 2017	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Financial assets measured at fair value				
Investment and securities	1 165 222 538	401 414 596	43 822 003	**1610 459 137**
Total financial assets measured at fair value	1 165 222 538	401 414 596	43 822 003	**1 610 459 137**
Financial liabilities				
Loan and advances	-	-	-	-
Other liabilities	-	-	-	-
Total financial liabilities measured at fair value	-	-	-	-

At 31 December 2016	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Financial assets measured at fair value				
Investment and securities	680 570 783	88 931 464	32 197 796	**801 700 043**
Total financial assets measured at fair value	680 570 783	88 931 464	32 197 796	**801 700 043**
Financial liabilities				
Other liabilities	-	-	-	-
Total financial liabilities measured at fair value	-	-	-	-

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

2017	Opening balance 2017	Gains/losses recognised in profit or loss	Purchases and issues	Sales and settlements	Transfers into level 3 from other categories	Transfers out of level 3 to other categories	Closing balance 2017
	US$	US$	US$	US$	US$	US$	US$
Financial assets measured at fair value							
Designated (fair value through profit or loss)	32 197 797	8 504 708	14 744 874	(11 625 376)	-		43 822 003
Total financial assets measured at fair value	**32 197 797**	**8 504 708**	**14 744 874**	**(11 625 376)**	**-**	**-**	**43 822 003**
2016							
Designated (fair value through profit or loss)	29 176 774	1 472 749	1 023 994	(2 496 743)	3 021 023	-	32 197 797
Total financial assets measured at fair value	**29 176 774**	**1 472 749**	**1 023 994**	**(2 496 743)**	**3 021 023**	**-**	**32 197 797**

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

Valuation Technique	Significant unobservable input	Average range of unobservable inputs
Discounted Cash flow (DCF)	Risk adjusted discount rate:	23.5%-29.3%
	-Equity risk premium	12,9%-17.24%
	-Industry premium	6%-7%
	-Company specific premium	2%-5%
	-Nominal free risk rate	7%
Price Earnings(PE)	PE ratio/multiple :Discount applied	
	-Country risk discount	25%
	-Lack of marketability adjustment	25%

41 Financial risk management

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of financial risk are interest rate risk, liquidity risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate (both fair value and cash flow interest rate risk) and equity products, all of which are exposed to general and specific market movements.

Notes to the annual financial statements
for the year ended 31 December 2017

41　Financial risk management (continued)

Financial risk management strategy and policy

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

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

Capital Adequacy	2017 US$	2016 US$
Old Mutual Life Assurance Company Zimbabwe Limited (OMLAC)		
Excess assets	271 311 221	161 195 256
Capital adequacy requirements (CAR)	178 855 689	141 974 310
ratio of excess assets to CAR	1.5	1.1
Regulatory capital adequacy requirement	5 000 000	2 000 000
Central Africa Building Society (CABS)		
Regulatory Capital	165 436 691	153 316 716
Total risk weighted assets	947 481 966	838 860 525
Capital adequacy ratio	17%	18%
Regulatory capital adequacy ratio	12%	12%
Old Mutual Investment Group Zimbabwe (Private) Limited (OMIG)		
Shareholders equity	3 159 291	3 366 055
Regulatory capital adequacy requirement	500 000	500 000
Old Mutual Securities (Private) Limited (OMSEC)		
Shareholders equity	407 968	241 527
Regulatory capital adequacy requirement	150 000	150 000
RM Insurance Holdings Limited (RMI)		
Shareholders equity	38 551 214	22 643 498
Regulatory capital adequacy requirement	1 500 000	1 500 000
Old Mutual Finance(Private) Limited (OMFIN)		
Shareholders equity	270 170	-
Regulatory capital adequacy requirement	20 000	-
CABS Custodial Services (Private) Limited.		
Shareholders equity	1 630 005	1 111 805
Regulatory capital adequacy requirement	119,055	150 000

OMLAC

OMLAC is regulated by the Insurance and Pensions Commission (IPEC). Calculations have been determined in accordance with the requirements of acceptable minimum standards, using reliable estimates of the regulatory adjustments as the regulatory returns are yet to be completed. At 31 December 2017 the company shareholder assets were 1.5 times (2016: 1.1 times) the internal capital adequacy requirement (CAR) after allowing for reliable estimates on the value of certain assets. The Group had sufficient excess assets to cover its CAR requirements throughout the year.

CABS

The Society's lead regulator (Reserve Bank of Zimbabwe) sets and monitors capital requirements for the Society on a quarterly basis through quarterly BSD1 Returns. Currently RBZ requires the Society to maintain minimum capital of US$25 million and a capital adequacy ratio of 12% as measured by the ratio of total capital to risk weighed assets.

OMIG

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

OMSEC

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

RMI

RMI is regulated by the Insurance and Pensions Commission (IPEC) which sets and monitors capital requirements for the company. The company met the regulatory requirements regarding capitalisation.

OMFIN

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

CABSCUS

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

Capital management policies

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

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

• Maintenance, as a minimum, of capital sufficient to meet the statutory requirements and such additional capital as management believes is necessary to ensure that obligations to policyholders can be met on a timely basis.

• Maintenance of an appropriate level of liquidity at all times. The Group further ensures that it can meet its expected capital and financing needs at all times, having regard to the business plans, forecasts and any strategic initiatives.

Business risks

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

The Group has taken a number of steps to minimise the effects of AIDS on its business. Where appropriate, products are priced to include expected escalation in mortality due to AIDS. The Group also conducts HIV tests in respect of any lives insured above specific values. On the basis of experience to date, management believes that it will continue to be able to take effective steps to minimise the risk effects from the spread of AIDS for the foreseeable future.

Equity price risk

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

Notes to the annual financial statements
for the year ended 31 December 2017

41 Financial risk management (continued)

Credit risk

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

The Group does not use reinsurance to manage significant credit risk. The Group is exposed to credit risk through its investment holdings (i.e. money market). Credit risk is managed by placing limits on exposure to a single counterparty, or groups of counterparties. These limits are based on credit ratings of the counterparties conducted by Old Mutual Investment Group Zimbabwe (Pvt) Limited (OMIG). Credit risk is monitored with reference to OMIG's credit ratings with limits placed on exposure to below investment grade holdings and through holding security from the counterparty.

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

Overall credit risk	2017 US$	2016 US$
Short term funds and securities	**401 414 596**	321 444 704
Cash and cash equivalents	**190 251 626**	154 825 305
	591 666 222	**390 835 704**

Exposure to credit risk

Carrying amount	Loans and advances	
	2017	2016
Collectively impaired	**US$**	**US$**
Gross amount	684 770 222	602 699 530
Allowance for impairment	(15 590 020)	(19 447 125)
Carrying amount	**669 180 202**	**583 252 405**

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

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

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

Allowances for impairment
The Group establishes an allowance for impairment based on the class of each loan and in line with IAS 39 and the Reserve Bank of Zimbabwe guideline on provisions.

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

Collateral

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

Settlement risk

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

Currency risk

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

The table below shows the Group's exposure to foreign currency exchange risk at 31 December 2017.

					US$
At 31 December 2017	**ZAR**	**GBP**	**EURO**	**BWP**	**Total**
Cash and cash equivalents	14,070,459	1,346,400	1,195,100	101,300	16,713,259

The table below shows the Group's closing exchange rates which were used in the financial statements.

	ZAR	GBP	EURO	BWP
At 31 December 2017	12.3340	1.3506	1.1968	0.0980
At 31 December 2016	13.6001	1.2284	1.0542	0.0936

Foreign currency risk

The Group has settlement exposure to foreign suppliers and creditors who require payments to be made in foreign currency. Ability to settle is constrained by exchange control restrictions owing to limited availability of nostro funding in the wider banking system.

Foreign liabilities	2017 US$	2016 US$
Life Assurance	2 335 102	1 199 928
General Insurance	189 640	6 297 449
Banking	23 409 119	28 612 322
Holding Company and other	66 740 422	50 000 000
	92 674 283	**86 109 699**
Of the amount disclosed above, the exposure to fellow group companies was:	**69 075 524**	**51 199 928**

Notes to the annual financial statements
for the year ended 31 December 2017

41 Financial risk management (continued)

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

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

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

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

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

	0 to 3 months US$	3 to 12 months US$	Over a year US$
Money market investments	35 622 122	348 580 953	17 211 521
Loans and advances	100 406 266	205 164 266	379 199 690

Loans and advances-Concentration-Gross	Low and high density housing	Individuals	Commercial and industrial
	199 467 565	167 085 292	318 217 365

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

Maturity profile of financial assets exposed to interest rate risk:	0 to 3 months US$	3 to 12 months US$	**2017 Total US$**
Cash & cash equivalents	190 251 626	-	190 251 626
Insurance contract short term investments	1241 843 044	3 282 802	1245 125 846
Investment contract short term investments	120 815 870	-	120 815 870
	1552 910 540	3 282 802	1556 193 342

The tables below analyses assets and liabilities into current and non-current categories based on the remaining period at balance sheet date to settlement date.

	Current US$	Non Current US$	**2017 Total US$**
Loans and advances	669 180 202	-	669 180 202
Insurance and other receivables	91 344 323	54 284 530	145 628 854
Amounts owed to bank depositors	(685 939 541)	(152 087 068)	(838 026 610)
Insurance and other payables	(79 148 600)	-	(79 148 600)
	(4 563 616)	(97 802 538)	(102 366 154)

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

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

The Society manages its contractual liquidity gap through treasury operations to acquire deposits of suitable tenor and price from the market. As a contingency the Society has also entered into liquidity support arrangements with suitable

Exposure to liquidity risk
The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and short term dealing and investment securities for which there is an active and liquid market less any deposits from banks, other borrowing and liabilities maturing within the same short term period. Details of this ratio as at 31 December 2017 is given below.

	Total US$
Total liquid assets	986,398,273
Total liabilities to the public	(765,088,141)
Liquidity ratio	129%

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

	2017	**2016**
Liquidity ratio (Cabs)	38%	38%
Regulatory Minimum (Cabs)	30%	30%

Sensitivity analysis
A 5 percent weakening of the US$ against the ZAR as at 31 December 2017 would have increased equity and profit by US$703,522 The movement would not impact on profit and equity significantly. This analysis assumes that all other variables remain constant.

A 15 percent weakening of the listed equities as at 31 December 2017 would have reduced equity and profit by US$30.6 million. The movement would represent a 31% impact on profit and 8% impact on equity . This analysis assumes that all other variables remain constant.

A 5 percent weakening of interest rates as at 31 December 2017 would have reduced equity and profit by US$25 million. The movement would represent a 10% impact on profit and 4% impact on equity . This analysis assumes that all other variables remain constant.

A 5 percent decrease in investment property values as at 31 December 2017 would have reduced equity and profit by US$ 61million. The movement would represent a 21% impact on profit and 10% impact on equity . This analysis assumes that all other variables remain constant.

Notes to the annual financial statements
for the year ended 31 December 2017

42 Insurance risk management

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

For accounting purposes insurance risk is defined as risk other than financial risk. Contracts issued by the Group may include both insurance and financial risk; contracts with significant insurance risk are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts. The Group's approach to financial risk management has been described in note 42.

Risk management objectives and policies for mitigating insurance risk

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

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

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

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

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

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

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

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

Risks	Definition	Risk management
Underwriting	Misalignment of policyholders to the appropriate pricing basis or impact of anti-selection, resulting in a loss.	Experience is closely monitored. Underwriting limits, health requirements, spread of risks and training of underwriters all mitigate the risk.
HIV/AIDS	Impact of HIV/AIDS on mortality rates.	Impact of HIV/AIDS is mitigated wherever possible by writing products that allow for repricing on a regular basis or are priced to allow for the expected effects of AIDS. Tests for AIDS and other tests for lives insured above certain values are conducted. A negative test result is a prerequisite for acceptance at standard rates for lives insured above certain values.
Catastrophe	Natural and non-natural disasters could result in increased mortality risk and payouts on policies.	Catastrophe excess of loss re-insurance treaty covers all claims from one incident occurring within a specified period.

Notes to the annual financial statements
for the year ended 31 December 2017

42 Insurance risk management

Summary of key valuation assumptions (statutory basis)

Below are the key actuarial valuation assumptions per product

Product			**2017 US$**	**2016 US$**
Old Mutual Funeral Plan				
	Valuation interest rate		6.50%	6.50%
	Expense inflation		4.00%	4.00%
	Effective interest rate for assurance		6.50%	6.50%
	Mortality basis		Zim92	Zim92
	Renewal costs per annum		$11.35	$7.62
	Lapse rates			
		Year 1	40.00%	40.00%
		Year 2	20.00%	20.00%
		Year 3	15.00%	15.00%
		Year 4+	4.00%	4.00%
Old Mutual Life Plan				
	Valuation interest rate		6.50%	6.50%
	Expense inflation		4.00%	4.00%
	Effective interest rate for assurance		6.50%	6.50%
	Mortality basis		Zim92	Zim92
	Renewal costs per month		1141.00%	$12.17
	Lapse rates			
	Late rate:	Year 1	40.00%	40.00%
		Year 2	20.00%	20.00%
		Year 3	10.00%	10.00%
		Year 4+	2.00%	2.00%
Savings Plan				
	Valuation interest rate		6.50%	6.50%
	Expense inflation		4.00%	4.00%
	Mortality basis		Zim92	Zim92
	Renewal Costs per month-premium paying		$9.86	$3.57
	Renewal Costs per month-premium paid up		$9.86	$2.10
	Late rate:			
		Year 1	20.00%	20.00%
	Surrender rate:			
		Year 2	10.00%	10.00%
		Year 3	10.00%	10.00%
		Year 4+	10.00%	10.00%
Old Mutual Term Plan				
	Valuation interest rate		6.50%	N/A
	Expense inflation		4.00%	N/A
	Effective interest rate for assurance		6.50%	N/A
	Mortality basis		Zim92	N/A
	Renewal costs per month		$5.09	N/A
	Lapse rates			
		Year 1	40.00%	N/A
		Year 2	20.00%	N/A
		Year 3	15.00%	N/A
		Year 4+	4.00%	N/A
Pension Plus				
Pension Plus interest rate				
	Valuing annuities		5.9%	5.9%
	Valuing expenses		0%	0%
	Mortality		a(90)	a(90)
	Valuation interest rate per annum		5.90%	5.90%
	After-retirement interest rate		3.50%	3.50%
	Administration fee-per policy per annum		$48	$48

GLA IBNR reserves		
	2017	85% of premiums earned in the last 2.8 months
	2016	85% of premiums earned in the last 2.8 months

Notes to the annual financial statements
for the year ended 31 December 2017

43	Investment property	Company 2017 US$	Company 2016 US$
	Carrying amount at beginning of year	480 000	480 000
	Additions - through acquisition(s)	-	-
	Disposals	-	-
	Net gain from fair value adjustments	50 000	-
	Carrying amount at end of year	530 000	480 000
	Comprising:		
	Freehold property	530 000	480 000

The fair value of freehold property leased to third parties under operating leases is

The carrying amount of investment property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined by having regard to recent market transactions for similar properties in the same location as the investment property. The Company's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, are taken into account. Investment properties were fair valued using yield rates of between 7.00% and 12.00% (2016:7.00 % and 12.00%) and rental rates of between $0.50 and $20.00 (2016:$0.50 and $20.00). The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy due to the use of unobservable units.

44 Investment in subsidiary companies

	Company		2017
	Number of issued ordinary & preference shares	% interest	Carrying value of shares
Total			**US$**
Unlisted - subsidiaries			
Old Mutual Life Assurance Company Zimbabwe Limited	13 184 355	100%	40 559 147
Central Africa Building Society	15 000 000	100%	20 685 680
Old Mutual Investment Group Zimbabwe (Private) Limited	100	100%	967 517
Three Anchor Investments (Private) Limited T/A Old Mutual Custodial Services	1 200	100%	3 178 862
Old Mutual (Zimbabwe) Foundation Trust	100	100%	-
Capital Growth Investment Trust	10 000	100%	-
Old Mutual Property Zimbabwe (Private) Limited	100	100%	6 435 191
Old Mutual Securities (Private) Limited	167	70%	2 225 266
Old Mutual Shared Services (Private) Limited	602	100%	4 899 284
MCZ (Private) Limited T/A Old Mutual International Services Organisation	10 000 783	70%	1
RM Insurance Holdings Limited	940 520	50.67%	1 423 581
Old Mutual Finance (Private) Limited	10,000	100%	500 000
			80 874 529

In May 2017, the Group formed a new company , Old Mutual Finance (OMFIN), which issued 10 000 ordinary shares at a nominal price of $1 and premium of $49. OMFIN is a non deposit taking microfinance whose main business is offering loans to individuals and Small to Medium Enterprises (SME).

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

			2016
	Number of issued ordinary & preference shares	% interest	Carrying value of shares
Total			
Unlisted - subsidiaries			
Old Mutual Life Assurance Company Zimbabwe Limited	13 184 355	100%	40 417 008
Central Africa Building Society	15 000 000	100%	20 403 737
Old Mutual Investment Group Zimbabwe (Private) Limited	100	100%	918 974
Three Anchor Investments (Private) Limited T/A Old Mutual Custodial Services	1 200	100%	3 173 906
Old Mutual (Zimbabwe) Foundation Trust	100	100%	-
Capital Growth Investment Trust	10 000	100%	-
Old Mutual Property Zimbabwe (Pvt) Ltd	100	100%	6 415 854
Old Mutual Securities (Private) Limited	167	70%	1 968 234
Old Mutual Shared Services (Private) Limited	602	100%	4 648 409
MCZ (Private) Limited T/A Old Mutual International Services Organisation	10 000 783	70%	1
RM Insurance Holdings Limited	940 520	50.67%	1 355 046
			79 301 169

Notes to the annual financial statements
for the year ended 31 December 2017

45. Property and equipment

	Motor vehicles US$	Computer equipment US$	Fixtures & fittings US$	Company Total 2017 US$
Carrying amount at beginning of year	178 513	5 633	33 171	**217 317**
Additions	-	12 724	-	**12 724**
Disposals accumulated depreciation	65	29	3 261	**3 355**
Depreciation charge for the year	(63 879)	(4 842)	(31 339)	**(100 060)**
Carrying amount at end of year	114 699	13 544	5 093	**133 336**
Cost/Valuation	319 069	27 179	243 494	589 742
Accumulated depreciation	(204 370)	(13 635)	(238 401)	(456 406)
Carrying amount at end of year	114 699	13 544	5 093	**133 336**

	Motor vehicles US$	Computer equipment US$	Fixtures & fittings US$	Total 2016 US$
Carrying amount at beginning of year	164 323	5 668	81 071	**251 062**
Additions	69 853	2 498	365	**72 716**
Disposals	-	-	-	**-**
Disposals accumulated depreciation	**-**	-	-	**-**
Depreciation charge for the year	(55 664)	(2 532)	(48 265)	**(106 461)**
Carrying amount at end of year	178 512	5 634	33 171	**217 317**
Cost/Valuation	319 069	14 455	243 607	**577 131**
Accumulated depreciation	(140 556)	(8 822)	(210 436)	**(359 814)**
Carrying amount at end of year	178 513	5 633	33 171	**217 317**

46 Investments and securities

	2017 US$	2016 US$
46.1 *Analysis of investments*		
At fair value through profit or loss		
Equity securities (see analysis in note 46.2 below)	150 135 930	71 711 233
Unit trusts	3 218 612	3 528 569
Debentures	525 127	142 837
Deposits and money market securities	22 837 740	3 612 617
	176 717 409	**78 995 256**
46.2 *Spread of equity securities by sector*		
At fair value through profit or loss		
Commodities	12 289 773	4 003 458
Consumer	96 918 166	44 353 791
Financial	3 063 685	1 347 391
Properties	4 992 944	3 994 355
Manufacturing	22 401 602	9 092 125
Mining	83 099	25 406
Unquoted	10 386 661	8 894 707
	150 135 930	**71 711 233**
46.3 ***Movements of investment and securities***		
Opening balance	78 995 256	71 267 153
Fair value movements through profit and loss	68 469 186	10 441 001
Interest earned	883 516	468 952
Additions	28 369 451	7 102 404
Disposals	-	(9 815 302)
	176 717 409	**78 995 256**

Unquoted equities included in investments were valued at fair value.

47 Amounts due by or (to) group companies

	2017 US$ Due by	Company 2017 US$ Due to	2016 US$ Due by	Company 2016 US$ Due to
Old Mutual Life Assurance Company Zimbabwe Limited	-	(103 360)	-	(12 266)
Old Mutual Zimbabwe Holdco Limited	-	(9 093 750)	-	(132 515)
Old Mutual Investment Group Zimbabwe (Private) Limited	1 898 661	-	-	(14 814)
Old Mutual (Zimbabwe) Foundation Trust	3 375 170	-	2 335 015	-
Old Mutual Securities (Private) Limited	431 542	-	397 602	-
Old Mutual Shared Services (Private) Limited	21 958	-	994 112	-
Old Mutual Properties (Private) Limited	-	(12 358)	12 115	-
Old Mutual Insurance Company (Private) Limited	-	(43 984)	-	(2 344)
CABS Custodial Services (Private) Limited	-	(34 201)	284 323	-
Central Africa Building Society	-	(186 906)	-	(8 044)
Old Mutual Netherlands B.V.	-	(10 730 134)	-	(10 730 134)
The OMZIL Client Pension Exgratia Trust	12 201 277	(8 162 095)	11 862 110	(8 162 095)
The OMZIL Indigenisation Employee Share Trust	7 916 282	(13 483 167)	8 383 340	(13 483 167)
The OMZIL Management Incentive Share Trust	2 196 707	(9 876 845)	2 295 676	(9 876 845)
Old Mutual Finance (Private) Limited	-	(4 518)	-	-
Old Mutual Life Assurance Company SA Limited		(132 692)		
	28 041 597	**(51 864 010)**	**26 564 293**	**(42 422 224)**

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

Notes to the annual financial statements
for the year ended 31 December 2017

48 Other receivables

	Company 2017 US$	Company 2016 US$
Dividend receivable	-	723 078
Other	178 354	194 525
	178 354	**917 603**

49 Cash and cash equivalents

	Company 2017 US$	Company 2016 US$
Cash at bank and on hand	3 316 468	5 106 337
	3 316 468	**5 106 337**

Balances with the Central Bank and foreign banks are used to facilitate customer transactions which include payments and cash withdrawals. During 2016 the Central Bank through Exchange Control Operational Guide 8 (ECOGAD8) introduced prioritisation criteria which has to be followed when making foreign payments for customers. After prioritisation foreign payments are then made subject to availability of bank balances with foreign correspondent banks, resulting in possible delay of payment of telegraphic transfers. However, no delay is expected in the settlement of local transactions through the Real Time Gross Settlement system.

Included in cash and cash equivalents are bond notes. The bond note is a debit instrument which has been disclosed under cash and cash equivalents since it meets the definition of cash and cash equivalents and is pegged at an exchange rate of 1:1 with the US$.

50 Share-based payments

50.1 Indigenisation Transactions

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

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

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

Participants only take delivery of the shares after the vesting periods of two years (one-third), three years (one-third) and 4 years (one-third) of participation in the scheme. The related expenses are recognised over the respective vesting periods. All shares that were issued under this trust vested in 2016 and there are currently no shares outstanding to staff.

OMZIL Management Incentive Share Scheme
This scheme operates for the benefit of management and its primary purpose is to attract, reward and retain senior and middle management. Awards will be made annually on agreed terms and conditions with a vesting period of three years. Participants receive dividends from the date of the award. Staff joining the Company after the allocation date also participate in the scheme.

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

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

Strategic Partner
The Strategic partner is Stiefel Investments (Private) Limited (Stiefel), an investment holding company and provider of advisory services. The beneficiary persons behind Stiefel are Messrs L.E.M. Ngwerume, Todd Moyo and Mrs Tracey Mutaviri. Mr Ngwerume is a non-executive director of CABS, while Mrs Mutaviri is a non-executive director of Old Mutual Life Assurance Company Zimbabwe Limited.

The purchase consideration of the shares was US$13 016 238 for 11 621 641 issued and fully paid up 'B class" shares at a price of US$ 1.12 per share. The amount funded (finance assisted) by the Company was US$12 755 913 after a 2% down payment of US$260 324 paid by Steifel.

Costs associated with Indigenisation transaction	Company 2017 US$	Company 2016 US$
Employee Share Scheme	-	10 998
Management Incentive Scheme	112 367	176 708
	112 367	**187 706**

Notes to the annual financial statements

for the year ended 31 December 2017

50 Share-based payments (continued)

50.1 Indigenisation Transactions (continued)

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

OMZIL Indigenisation Employee Share Scheme

	Company 2017 Number of shares	Company 2016 Number of shares
Opening balance of shares	-	94 268
Transfer in	-	-
Exercised during the year	-	(94 268)
Transfer out	-	-
Closing balance of shares	-	**-**

OMZIL Management Incentive Scheme

	Company 2017	Company 2016
Opening balance of shares	457 134	408 526
Issued during the year	.	189 238
Transfer in	-	-
Exercised during the year	(148 824)	(140 630)
Closing balance of shares	308 310	457 134
The expected vesting periods for shares outstanding as at end of year are as follows,		
2017	-	148 824
2018	119 072	119 072
2019	189 238	189 238

50.2 Share based payments reserve

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

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

51 Provisions

Company	Employee related provisions US$	Other US$	**Total 2017 US$**
Balance at beginning of year	240 841	20 548	**261 389**
Amount utilised	(2 056 266)	(266 997)	**(2 323 263)**
Charge	2 158 978	208 010	**2 366 988**
Released		-	**-**
Balance at end of year	343 553	(38 439)	**305 114**

	Employee related provisions US$	Other US$	**Total 2016 US$**
Balance at beginning of year	868 125	30 597	**898 722**
Amount utilised	(236 997)	(291 765)	**(528 762)**
Charge	341 105	281 716	**622 821**
Released	(731 392)	-	**(731 392)**
Balance at end of year	240 841	20 548	**261 389**

Notes to the annual financial statements
for the year ended 31 December 2017

52 Deferred tax liabilities

	At beginning 2017 US$	Income statement charge US$	Company At end 2017 US$
Deferred tax liability			
Fair value adjustments	1 141 628	895,941	2 037 569
	1 141 628	895,941	**2 037 569**
Analysis of deferred tax			
Capital gains			**2 037 569**

	At beginning 2016 US$	Income statement charge US$	At end 2016 US$
Deferred tax liability			
Fair value adjustments	1 173 574	(31,946)	1 141 628
	1 173 574	(31,946)	**1 141 628**
Analysis of deferred tax			
Capital gains			**1 141 628**

53 Other liabilities

	2017 US$	2016 US$
Dividend payable	25 396 125	25 396 125
Kurera-Ukondla Fund	7 747 759	7 747 759
Other liabilities	7 876 960	5 345 119
	41 020 844	38 489 003

54 Share capital and premium

Authorised share capital		
292 953 125 ordinary shares of $0.0000032 each	**937**	937
249 035 156 'A' class ordinary shares of $0.0000032 each	**797**	797
83 011 718 'B' class ordinary shares of $0.0000032 each	**267**	267
1 preference share of $1 each (2011: 1)	**1**	1
Issued share capital		
249 035 156 'A' class ordinary shares of $0.0000032 each	**797**	797
83 011 718 'B' class ordinary shares of $0.0000032 each	**267**	267
1 preference share of $1 each	**1**	1
	1 065	1 065

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

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

55 Post employment benefits obligation

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

The Old Mutual Staff Pension Fund

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

National Social Security Authority Scheme

This scheme was promulgated under the National Social Security Authority Act 1989. The Company's obligation under the scheme is limited to specific contributions as legislated from time to time and is presently $45 per month per employee. The Group agreed to keep the employee contributions at $6 per month and pay any contributions above $6 on behalf of the employees.

Old Mutual Post Retirement Medical Aid Subsidy Fund

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

	2017 US$	2016 US$
Contributions recognised as an expense for the year		
- Old Mutual Staff Pension Fund	**29 510**	**26 837**
- National Social Security Authority Scheme	**3 939**	**4 364**

56 Capital commitments

Authorised	**76 200**	-
Authorised and contracted for	**-**	-

Notes to the annual financial statements
for the year ended 31 December 2017

57 *Related party disclosures*
Holding company and fellow subsidiaries.

The Company's immediate holding company is Old Mutual (Netherlands) B.V. 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 subsidiaries and associates.

Transactions and balances with holding company and other group companies

Subsidiaries	**2017 US$**	**2016 US$**
Old Mutual Zimbabwe Holdco Limited		
Nature of transactions		
Amounts due to at end of year	(9,093,750)	(132,515)
Old Mutual Investment Group Zimbabwe (Pvt) Ltd		
Nature of transactions: Asset Management Fees	680,480	361,121
Dividend income	5,200,000	3,000,000
Amounts due to at end of year	1,898,661	(14,814)
Central Africa Building Society		
Nature of transactions; Bank charges	2,511	3,020
Interest earned in investments	721,512	525,318
Dividend receivable	30 000 000	15 000 000
Amounts due at end of year	(186,906)	(8,044)
Old Mutual (Zimbabwe) Foundation Trust		
Nature of transactions		
Amounts due at end of year	3,375,170	2,335,015
Old Mutual Netherlands B.V.		
Nature of transactions		
Amounts due at end of year	(10,730,134)	(10,730,134)
CABS Custodial Services (Private) Limited		
Nature of transactions: Custody Fees	240,288	142,405
Dividend income	300,000	300,000
Amounts due at end of year	(34,201)	284,323
Old Mutual Securities (Pvt) Ltd		
Nature of transactions		
Amounts due at end of year	431,542	397,602
Old Mutual Shared Services (Pvt) Ltd		
Nature of transactions: Administration and internal Audit Fees	1,073,059	983,326
Amounts due at end of year	21,958	994,112

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.

All the Company's principal subsidiaries together with loans due by or to them are listed in note 43 and 46.

Capital advances and amounts due by or to group companies are disclosed in note 46.

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. Details of transactions are disclosed in note 38.

Notes to the annual financial statements
for the year ended 31 December 2017

		Group 2017 US$	Group 2016 US$
58	**Notes to the group statement of cash flows**		
58.1	**Non-cash movements and adjustments to profit before tax**		
	Depreciation and amortisation	10 567 151	9 699 169
	Revaluation surplus shadow accounting	(724 662)	(700,327)
	Net fair value gains for the year included in profit before tax	(584 357 365)	(75 877 704)
	Charges to provisions and post employment benefits obligation	6 387 504	3 709 977
	Share-based payments charge	935 727	1 499 475
	Movement in policyholder liabilities	497 697 388	94 651 134
	Unrealised exchange (gains)/losses	180 901	134 289
		(69 313 356)	**33 116 013**
58.2	**Changes in working capital**		
	Insurance, other receivables and amounts due by group companies	(102 717 598)	(39,083,293)
	Insurance, other payables and amounts due to group companies	253 450 126	8,607,435
	Reinsurer's share of insurance contract liabilities	(1 328 911)	(158,021)
	Deferred acquisition costs	151 724	4,445
		149 555 341	**(30 629 434)**
58.3	**Taxation paid**		
	Taxation payable at beginning of year	(29 719 913)	(31 423 233)
	Income tax charge for the year	(23 614 160)	(7 571 867)
	Taxation payable at end of year	40 977 190	29 719 913
		(12 356 883)	**(9 275 187)**
58.4	**Dividends paid**		
	Dividends payable at beginning of year	(25 396 125)	(25 396 125)
	Dividends declared during the year	(18 786 050)	(16 114 095)
	Dividends payable at end of year	25 396 125	25 396 125
		(18 786 050)	**(16 114 095)**

		Company 2017 US$	Company 2016 US$
59	**Notes to the company statement of cash flows**		
59.1	**Non-cash movements and adjustments to profit before tax**		
	Depreciation and amortisation	96 704	106 461
	Impairment of investment in subsidiary	-	-
	Profit on sale of equipment	-	(1,250)
	Net fair value gains for the year included in profit before tax	(68 419 185)	(10 441 001)
	Charges to provisions and post employment benefits obligation	43 725	(637 333)
	Share-based payments charge	112 367	187 706
		(68 166 389)	**(10 785 417)**
59.2	**Changes in working capital**		
	Insurance, other receivables and amounts due by group companies	(738 055)	1 734 880
	Insurance, other payables and amounts due to group companies	11 973 625	374 395
		11 235 570	**2 109 275**
59.3	**Taxation paid**		
	Taxation payable at beginning of year	(1 155 540)	(1 442 284)
	Income tax charge for the year	(8 796 540)	(3 602 828)
	Taxation payable at end of year	1 739 152	1 155 540
		(8 212 928)	**(3 889 572)**
59.4	**Dividends paid**		
	Dividends payable at beginning of year	(25 396 125)	(25 396 125)
	Dividends declared during the year	(18 860 286)	(16 457 408)
	Dividends payable at end of year	25 396 125	25 396 125
		(18 860 286)	**(16 457 408)**

60 Going concern

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

61 Subsequent events

Movement of fair values of listed shares

During 2017, the value of the Zimbabwe Stock Exchange (ZSE) Industrial Index increased by 130%. This had a significant impact on the Group's profits given the level of investment in listed equities. Subsequent to year end the value of the ZSE Industrial Index has fallen by 11.55% as at 28 February 2018. This has resulted in the value of the group's listed equity investments falling by $132,690,251 while profits have been negatively impacted by approximately $42,339,380. A sensitivity analysis has been done and shown under note 41. The Group's subsidiaries remain well capitalized and capital levels are well above prescribed minimums.

Commssion of Inquiry

On 31 December 2016, the Government of Zimbabwe concluded its inquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the dollarisation of the economy in 2009. On 9 March 2018 the results of the Government's inquiry were made public. This is however a non adjusting subsequent event and the Group disclosed a Contingent liability on note 34.2

		Group 2 017 US$	Group 2016 US$
62	**Assets held under fiduciary capacity**		
	Managed third party funds	**552 585 776**	**385 005 906**

Managed funds

The Group holds a custodianship responsibility in respect of assets owned by certain pension funds and private clients. Funds under management represent assets being managed on behalf of investors and these are kept off balance sheet. Total funds management (including Group funds) as at 31 December 2017 were US$2,7 billion (2016: US$1.8 billion).