First Mutual Holdings Limited

Go Beyond

LIFE | HEALTH | INSURANCE | RE-INSURANCE | WEALTH MANAGEMENT | PROPERTY | ACTUARIAL

ANNUAL REPORT 2014

Contents

REGISTERED OFFICE AND HEAD OFFICE
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100 Borrowdale Road,
Borrowdale,
Harare,
Zimbabwe

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Harare,
Zimbabwe,
Tel: +263 (4) 886 000-17,
Email: info@firstmutualholdings.com

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Group Marketing : +263 (4) 850325
Group Audit & Risk Management : +263 (4) 886046
Fax numbers : (Executive) +263 (4) 886 041
(General) +263 (4) 886 070
Website: www.firstmutualholdings.com

INCORPORATION AND ACTIVITIES
The company is incorporated in Zimbabwe, and is an investment holding company. First Mutual Holdings Limited (First Mutual) was established from the demutualisation of First Mutual Life Assurance Society, effective 1 July 2003.

REPORTING PERIOD
The current reporting period is for the calendar year from 1 January 2014 to 31 December 2014. The comparative report period is for the calendar year ended 31 December 2013. The reporting and functional currency is the United States dollar.

BUSINESS
The main business of the group and its subsidiaries is that of provision of short-term insurance, health insurance, life and pensions, reinsurance, property management and development, actuarial consultancy services and wealth management.

AUDITORS
Ernst & Young,
Chartered Accountants (Zimbabwe),
Angwa City Building,
Corner Julius Nyerere Way / Kwame Nkrumah Avenue, Harare

TRANSFER SECRETARIES
First Transfer Secretaries (Private) Limited, 1 Armagh Avenue, Eastlea, Harare.
Contact Details: +263 (4) 782869 / 72, +263 (4) 782869
Email: ftsgen@mercantileholdings.co.zw
STATUTORY ACTUARY
Giles Waugh, BW Deloitte, Building 17, The Woodlands, Western Service Road, Woodmead, Johannesburg, Republic of South Africa

PRINCIPAL BANKERS
Standard Chartered Bank Zimbabwe Limited
Stanbic Bank Zimbabwe Limited
Barclays Bank Zimbabwe Limited

PRINCIPAL PROPERTY VALUERS
Knight Frank Zimbabwe
P.O. Box 3526,
1 st Floor Finsure House
Harare
Zimbabwe

PRINCIPAL LEGAL ADVISORS
Scanlen & Holderness
CABS Centre
74 Jason Moyo
P.O. Box 188
Harare
Zimbabwe

Corporate
Information

As at the reporting date:

Oliver Mtasa	- Chairman
Misheck Sukutai Manyumwa	- Deputy Chairman
John Mafungei Chikura	
James Mwaiyapo Matiza	
Samuel Vengai Rushwaya	
Douglas Hoto*	- Group Chief Executive Officer
Elisha Moyo	
Thembelihle Khumalo (Ms)	
Israel Paul Zaba Ndlovu	
William Munyaradzi Marere*	- Group Finance Director

*Executive

Directorate

Chairman's
Statement

ECONOMIC OVERVIEW

The Gross Domestic Product (GDP) of the nation is estimated to have grown by 3.1% in 2014 mainly driven by agriculture up 23.4% on the back of a record tobacco output of 216 million kilogrammes, tourism up 3.9%, electricity and water up 3.5%. However, the mining and manufacturing sectors declined 2.1% and 4.9% respectively, with manufacturing sector capacity utilization decreasing to 36.3%. The Government expects GDP to grow by 3.2% in 2015 with growth spread evenly across most sectors. The central bank reported that annual broad money (excluding interbank deposits) grew by 12.8% from US$3.9bn in January 2014 to US$4.4bn by December 2014 partially due to the liquidity inflows from the tobacco selling season earlier in the year. Deposit rates at first tier banks ranged from 3%-6% per annum, while second tier banks averaged 9% per annum. The banking sector remained under pressure from high non-performing loans. The annualised inflation rate was -0.80% in December 2014 compared to 0.33% recorded in December 2013, benefitting largely from an 11% depreciation of the South African Rand against the US dollar, and declining aggregate demand. The Zimbabwe Stock Exchange (ZSE) Industrial Index closed the year down 19.46% to 162.79 points with a sizeable number of large cap stocks trading in the red while the Mining Index was up 56.61%. Bond and Prescribed Asset returns remained relatively high compared to the money market with most instruments quoted near the 10% p.a. rate. Property market returns were subdued owing to increasing voids and downward pressure on rental rates.

In Botswana, where the Group has a reinsurance operation, the IMF estimated a GDP growth of 4.5% for 2014 and 4.6% in 2015 while the Botswana government is expecting a GDP growth of 4.9%, mainly driven by the non-mining sectors including trade, hotels and restaurants, finance and banking and social and personal services. The December 2014 headline inflation fell to 3.8% from 4.1% in December 2013. The Pula depreciated by 8.4% against the US dollar while appreciating against the South African Rand by 1.7%.

DEVELOPMENTS IN THE INSURANCE SECTOR

In the 2015 National Budget Statement, the Minister of Finance announced that lump sum pension contributions by employers (pension fund capitalisation) would be treated as tax deductible with effect from 1 January 2015 as a way to encourage employers to fund the pension funds. This presents an opportunity for employers to enhance post-retirement benefits for their employees.

FINANCIAL RESULTS

The financial highlights for the year ended 31 December 2014 (compared to December 2013) for the statement of comprehensive income items and statement of financial position are shown below:

Statement of comprehensive income	31-Dec-14 US$000	31-Dec-13 US$000	Change %
GPW – Life assurance and pensions	36,191	29,897	21%
GPW – Property and casualty insurance	28,946	28,146	3%
GPW - Health insurance	50,192	43,058	17%
Property business - rental income	7,542	7,778	-3%
Operating profit excluding unusual items	1,791	1,316	36%
Fair value gains – investment property	1,206	8,096	-85%
Investment (loss) / income – fixed interest and equities	(3,771)	6,504	-158%
(Loss) / profit for the period	(5,067)	5,978	-185%

Financial position highlights	31-Dec-14 US$000	31-Dec-13 US$000	Change %
Investments	127,797	115,562	11%
Held to maturity investments	7,473	3,998	87%
Financial assets at fair value through profit and loss	18,992	25,564	-26%
Insurance contract liabilities	88,172	83,259	6%
Total Assets	213,339	205,211	4%

Statement of cash flows Highlights	31-Dec-14 US$000	31-Dec-13 US$000	Change %
Cash generated from operations	14,994	3,936	281%
Cash and cash equivalents at year end	22,903	18,360	25%

FINANCIAL PERFORMANCE

Statement of Comprehensive Income

Gross Premium Written (GPW) at $115.3 million for the year ended 31 December 2014 was 14% above the prior year figure of $101.1 million on the back of improved performance from the health insurance and life assurance businesses.

Rental income decreased by 3% from US$7.8 million in 2013 to US$7.5 million in 2014, reflecting the current challenges faced by tenants and the resultant decline in rentals per square metre. The average rental per square metre decreased from $8.28 in 2013 to $7.57 in the current year. The occupancy rate for the period was 80% compared to 76% in the prior year.

The Group had negative investment income of $3.8 million in 2014 compared to investment gains of $6.5 million in 2013 in line with movements in the stock market in general.

Total expenditure for the year increased by $10.9 million to $114.7 million compared to the previous year. The increase in total expenditure was partially due to the upturn in total claims which increased by 41% to $70 million (2013: $49.8 million) due to a higher claims ratio in the health insurance business, increased retrenchment and retirement withdrawals in the life company amounting to $44.9 million and $5.8 million respectively. During the year impairment charges totalling $2.7 million were made against certain money market investments with banks that are no longer operational and some unlisted investments. The provision for credit losses increased from $1.3 million to $2.1 million in 2014 due to an increase in the provision against trade receivables to take into account collection challenges with customers.

The Group also incurred staff rationalisation costs of $2.5 million as it aligned its operating structure with the environment. The payback period of the exercise is expected to be 1.8 years.

The Group incurred an overall loss after tax of $5.1 million compared to a profit of $6.0 million in the previous year. The total comprehensive loss attributable to the equity holders of the parent company for the year was $6.5 million (Profit of $3.7 million for 2013).

Statement of Financial Position

The Group's total assets grew by 4% from $205.2 million at 31 December 2013 to $213.3 million at 31 December 2014. This growth was mainly attributable to an increase in investment properties following the acquisition of the remainder of Lot 57, Mount Pleasant, Harare for a purchase price of $9.6 million as well as the growth in held to maturity investments and cash and cash equivalents.

FIRST MUTUAL IN THE COMMUNITY

The Group recognises the importance of contributing to the societies within which we operate and are actively doing so through the First Mutual Foundation whose focus is on education. Partnering with World Education Inc., the Foundation gained traction this year and saw its first group of recipients obtain financial support allowing them to reintegrate into formal primary and secondary schools. In addition, it has provided bursaries for university students studying at local universities.

DIRECTORATE

Dr C U Hokonya resigned from his position as Non-Executive Director of the Board with effect from 9 May 2014. On behalf of the Board, I would like to extend my sincere gratitude to Dr Hokonya for his invaluable contribution to the Group. Mr S V Rushwaya was appointed to the Board on 9 September 2014.

DIVIDEND

In view of the loss incurred for the year, the directors recommend that no dividend should be declared.

OUTLOOK

While the operating environment is expected to remain challenging in the short term, the board is confident that the transformation initiatives, such as the staff rationalisation exercise concluded in 2014, will position the Group to deliver value to its stakeholders. A robust risk management framework will also be maintained and continuously reviewed to mitigate against risks in the operating environment.

Further efforts will be channelled towards improving business processes, working capital management and developing innovative and sustainable products.

APPRECIATION

On behalf of the Board of Directors, I would like to convey my profound gratitude to our clients, management and staff, the regulatory authorities and other stakeholders for their continued support and confidence in us to deliver sustainable value.

Oliver Mtasa
Chairman
16 March 2015

Management continues in its efforts to position the business for sustainable returns in the market place through adherence and focus on its three strategic imperatives of:

i) Risk Management
ii) Wealth Creation
iii) Wealth Management

In order to fully customise and gear the business to our strategic imperatives, various transformational measures were commenced in 2013 and several initiatives are being pursued to achieve the desired outcome. We understand this is a long term journey that will take the next two years until 2016 and will be conducted in phases as we navigate the complexities posed by our environment. Thereafter, there will be small incremental changes as the calibration process continues.

OPERATIONS REVIEW

Except where indicated, the commentary below refers to unconsolidated figures.

Property

Pearl Properties

Revenue decreased by 3% to $8.8 million (2013: $9.0 million), due to an overall 8.6% decline in the average rental per square metre and a decrease in turnover based rental income. Revenue consists of rental income and agency income from property services rendered to third parties. The average rental per square metre achieved for the year was US$7.57 (2013: US$8.28) and the annualised rental yield achieved in 2014 was slightly lower at 7.5% (2013: 7.8%) due to slower growth in rentals relative to the appreciation in investment property values. The vacancy rate for the year 2014 decreased to 20.1% (2013:23.7%), driven by lettings in the industrial sector, where space was converted and marketed for retail warehousing use. The investment properties were revalued by an independent professional valuer at year end resulting in fair value gains of US$1.2 million compared to 2013 fair value gains of US$8.2million.

Life & Pensions

First Mutual Life Assurance Company

The business achieved gross premium written of $33.2 million which was a growth of 17% relative to the prior year. Gross premium written from shareholder risk business at $13.9 million grew by 10% from gross premium written recorded in the same period last year. The growth in Funeral Cash Plan premium for the twelve months ended 31 December 2014 was largely attributable to new distribution channels introduced during the year. The policyholder business achieved gross premium written of $19.3 million, a growth of 22% from prior year mainly driven by single premiums of $6.3 million received from asset transfers, preservation and growth funds. Claims and withdrawals rose significantly to $15.2 million (2013: $7.6 million) mainly due to increased withdrawals and retrenchments. These withdrawals, coupled with the investment losses incurred, resulted in a reduction in the net transfer to policyholders to $0.9 million (2013: $12.9 million).

FMRE Life & Health

Gross premium written grew by 115% to US$4.3 million (2013: US$2.0 million) with health insurance contributing 78% of the gross premium written whilst Group life contributed 17% (2013: 27%) and individual life business contributed 5% (2013: 7%). Regional business contributed US$2.3 million (2013: US$940,000) to gross premium written constituting 69% of total business written. Regional business was mainly from East Africa.

Group CEO's

review of operations

Health insurance
First Mutual Health Company

First Mutual Health Company's gross premium written grew by 16% to US$50.2 million (2013: US$43.1 million) on the back of increased membership. Valid membership at 31 December 2014 was 117,509 compared to 107,796 members in the prior year. The average monthly premium per member for the year of US$37.86, was lower than the prior year average monthly premium of US$39.84 due to some members downgrading their plans. The total claims incurred during the year increased by 31% from US$34.4 million to US$45.0 million resulting in the claims ratio increasing to 90% (2013: 80%).

The Company will continue to seek new business through providing quality service, demonstrated claims paying ability, wellness campaigns, innovative products and affordable pricing to its members.

Property and casualty insurance
TristarInsurance Company

Gross premium written decreased by 10% in 2014 to US$6.3 million (2013: US$7.1 million) largely due to premium reversals as a result of non-payment. Motor and fire were the dominant classes in terms of GPW in the period, with contributions of 54% and 34% respectively.

FMRE Property & Casualty (Zimbabwe)

The business experienced a marginal decline in gross premium written to US$19.8 million (2013: US$20.0 million) as major cedants raised their retention limits and the company re-aligned its portfolio. Regional business grew by 6% relative to the prior year and contributed 12% of gross premium written.

FMRE Property & Casualty (Botswana)

Gross premium written closed the year at $4.0 million which was 47% above prior year largely due to new business acquired by the company during the year. The Botswana market contributed the bulk of the premium at 72% with the balance coming from the regional market. The increased support from the local market is attributable to greater confidence in the company following the recapitalisation exercise completed in December 2012.

HUMAN CAPITAL DEVELOPMENT

Our focus is on the future of our businesses, and this demands a results-based culture which will be achieved through the transformation process resulting in the creation of a people culture which will help us Go Beyond. During the year, the Group undertook an organisational transformation exercise that resulted in the streamlining of manpower levels. Pursuant to this exercise, a culture transformation initiative aptly named The First Mutual Way was embarked upon. This will encompass employee rational and emotional engagement pillars which will see the group working towards Good Employer status and Best Customer Proposition, amongst other initiatives. The Group will continue to invest in staff training and supporting staff members seeking relevant academic qualifications.

Looking Ahead

Outside the unusual items, our performance displayed an upward trend with 14% growth in GPW. Product relevance and service quality remain the cornerstone of our business. Greater efficiency is key to competing effectively and we are confident that with the completion of the rationalisation exercise, we have a more appropriate cost base to support growth though the financial impact will be more evident in 2015 and beyond. We believe that the measures taken will position the business to deliver value to stakeholders.

Douglas Hoto
Group Chief Executive Officer

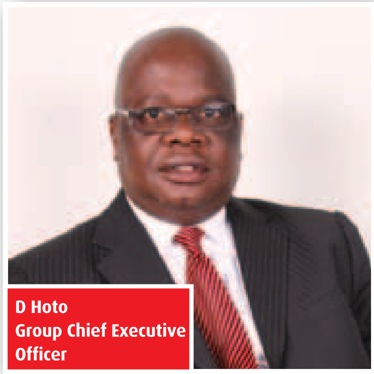
16 March 2015


O Mtasa
(Chairman)


M S Manyumwa
(Deputy Chairman)


J M Chikura


S V Rushwaya

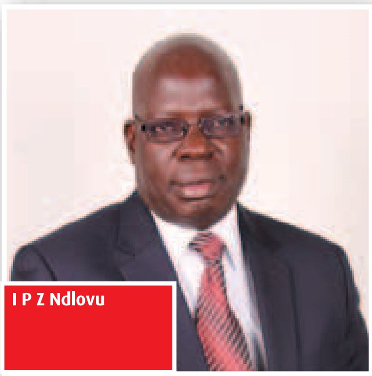

D Hoto
Group Chief Executive
Officer


T Khumalo


W M Marere
Group Finance
Director


J M Matiza


E Moyo


I P Z Ndlovu


S F Lorimer
Group Company
Secretary

Board Of Directors

FIRST MUTUAL LIFE ASSURANCE COMPANY (PRIVATE) LIMITED
S V Rushwaya (Chairperson)
G Dikinya*
W Marere *(Group Finance Director)
G N Baines**
A R T Manzai**
D Hoto
I P Z Ndlovu
V S Nkomo
R B Ncube (Ms) (Managing Director)

** Appointed 22 May 2014*
*** Appointed 1 August 2014*

FMRE PROPERTY & CASUALTY (PRIVATE) LIMITED
P A Kadzere (Chairperson)
I C Tavonesa (Managing Director)
D Hoto
J M Chikura
M S Manyumwa
M M Mukonoweshuro (Mrs)

This Board is also responsible for the operations of FMRE Life & Health (Private) Limited.

AFRICAN ACTUARIAL CONSULTANTS (PRIVATE) LIMITED
I P Z Ndlovu (Chairperson)
D Hoto
S V Rushwaya

TRISTARINSURANCE COMPANY LIMITED
O Mtasa (Chairperson)
D Hoto
C Chiswo
E K Moyo
E Muzvondiwa
P P Shoniwa
A Marangwanda (Managing Director)
C Chetsanga (Mrs)

FIRST MUTUAL WEALTH MANAGEMENT (PRIVATE) LIMITED
J M Matiza (Chairperson)
O Mtasa
J M Chikura
D Hoto
W Marere

PEARL PROPERTIES (2006) LIMITED
E Moyo (Chairperson)
D Hoto
R B Ncube (Ms)
J P Travlos
F Nyambiri (Managing Director)
M J-R Dube
W Marere
E Mkondo* (Ms)
S Jogi* (Dr)
J Mutizwa*

' Appointed 18 November 2014*

FMRE PROPERTY & CASUALTY (PROPRIETARY) LIMITED
D Hoto (Chairperson)
I C Tavonesa
C Lesetedi-Letegele (Mrs)
S Tumelo
I Chagonda

FIRST MUTUAL HEALTH COMPANY (PRIVATE) LIMITED
D Hoto (Chairperson)*
T A Makoni* (Dr)
V S Chitimbire*(Mrs)
T Khumalo* (Ms)
J S Mutizwa*
N Dube* (Mrs)
R Mandima**
C Stuart***

** Appointed 5 June 2014*
*** Appointed 29 August 2014*
**** Appointed 27 November 2014*

Boards Of Directors
Subsidiary Companies

First Mutual Holdings Limited (First Mutual) is the parent company which operates in four principal operating segments, according to the nature of products and services offered. It provides life insurance, non-life insurance (comprising general insurance, reinsurance, healthcare and funeral assurance), property management, actuarial consultancy services and wealth management services through its nine subsidiaries listed below.

Subsidiary companies and Services

1 First Mutual Life Assurance Company (Private) Limited
Life assurance, and Pensions

2 FMRE Life & Health (Private) Limited
Life and pensions reinsurance

3 TristarInsurance Company Limited
Property and casualty insurance - direct

4 FMRE Property & Casualty (Private) Limited
Property and casualty insurance - reinsurance based in Zimbabwe

5 FMRE Property & Casualty (Proprietary) Limited
Property and casualty insurance - reinsurance based in Botswana

6 Pearl Properties (2006) Limited
Property ownership, management and development

7 African Actuarial Consultants (Private) Limited
Actuarial consultancy services

8 First Mutual Health Company (Private) Limited
Health insurance

9 First Mutual Wealth Management (Private) Limited
Investment and wealth management services

The Group held 19.94% of the issued shares of Rainbow Tourism Group Limited (RTG) as at 31 December 2014. RTG is a hospitality and tourism group with business interests in hotels and other related tourism ventures in Southern Africa.

Share Capital
As at 31 December 2014, the authorised and issued share capital of the company is as follows:

- Authorised - 1,000,000,000 Ordinary shares of US$0.001 each
- Issued and fully paid - 380,200,758 Ordinary shares of US$0.001 each

Group Results
The consolidated primary financial statements of the Group for the year are set out on pages 25 to 70.

Directors
In accordance with Article 106 of the Company's Articles of Association, Ms T Khumalo, Mr M S Manyumwa, Mr J M Matiza and Mr E K Moyo retire as directors of the Company and, being eligible, offer themselves for re-election.

Mr S V Rushwaya, who was appointed as a Non-Executive Director of the Board on 9 September 2014, also retires and, being eligible offers himself for re-election in terms of Article 113.

Capital Commitments
Details of the Group's Capital commitments are set out in note 34 of the financial statements.

Dividend
Having taken due regard for the Group’s cash flow requirements and the loss incurred for the year, the board of directors recommends that no dividend be declared.

Directors' Interest in the Group
As at 31 December 2014, Directors held the following direct and indirect beneficial interest in the shares of First Mutual:

Director	Direct Interest	Director Indirect Interest	Direct Interest Share Options	Indirect
M S Manyumwa**	-	25 000	-	
J M Chikura	1 198	-	-	
S V Rushwaya	10,100	-	-	
D Hoto	-	-	1,188,599	
W M Marere	-	-	701,126	
J M Matiza*	-	-	-	
E K Moyo	924	-	-	
O Mtasa	-	-	-	
I P Z Ndlovu	684	-	-	
T Khumalo (Ms)	-	-	-	

* Mr J M Matiza is the General Manager of the National Social Security Authority (NSSA) which owns approximately 51% and, through Capital Bank, controls a further 20% of the issued share capital of First Mutual.

** Mr M S Manyumwa holds shares in First Mutual through Sukus Investments

Remuneration
Non-Executive Directors’ remuneration is subject to shareholder approval.

Auditors
At the forthcoming Annual General Meeting, shareholders will be asked to appoint auditors for the Group for the ensuring year and to fix their remuneration.

By Order Of The Board

Mr O Mtasa
Group Chairman
Harare
16 March 2015

Mrs S F Lorimer
Group Company Secretary
Harare
16 March 2015

Report Of The Directors

Hold a true friend with both hands
FMRE Life & Health is involved in the provision of professional knowledge and expertise on Life and Health reinsurance. In addition the company provides risk management solutions to Life, Health and Funeral Insurers locally and regionally. The territorial scope of FMRE Life & Health Company is predominantly Zimbabwe with interests in selected African countries.
FMRE
LIFE & HEALTH
GUARANTEED PROTECTION, UNIQUE SOLUTIONS
FMRE LIFE & HEALTH
Ground Floor First Mutual Park ,100 Borrowdale Road, Harare
P O Box CY2744, Causeway, Harare
Telephone: +263-4-886000-50
Website: www.fmrelifeandhealth.co.zw
Email: info@fmrelifeandhealth.co.zw

The Group is committed to the principles of good corporate governance based on best global practice. The directors' recognise the need to conduct the business of the Group with integrity and in accordance with generally accepted corporate practices in order to safeguard stakeholders' interests.

CODE OF CORPORATE PRACTICES AND CONDUCT

The Group is committed to promoting the highest standards of ethical behaviour amongst all its employees. All employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Furthermore, all employees are required to observe the Group's Code of Ethics. The Group is a subscriber to an independently managed fraud hotline system.

In line with the Zimbabwe Stock Exchange Listing requirements, the Group operates a "closed period" prior to publication of its interim and year-end financial results during which period Directors and staff of the Group are not authorised to deal in the shares of the Company.

BOARD COMPOSITION AND APPOINTMENT

The Board of Directors is chaired by an independent non-executive director and comprises seven other non-executive and two executive directors. The Board enjoys a strong mix of skills and experience. The Board is the primary governance organ. The role of the Board is to determine overall policies, plans and strategies of the Group and to ensure that these are implemented in an ethical and professional manner.

The Board meets regularly, at least four times a year, and guides corporate strategy, risk management practices, annual budgets and business plans. Special Board meetings may be convened on an ad-hoc basis when necessary to consider issues requiring urgent attention or decision. The Board Secretary maintains an attendance register of Directors for all scheduled meetings during the year through which Directors can assess their devotion of sufficient time to the Group.

The Board has overall responsibility for ensuring the integrity of the Group's accounting and financial reporting systems including the independent audit, and that appropriate systems of control, risk management and compliance with laws are in place. To ensure effectiveness, Board members have unfettered access to information regarding the Group's operations which is available through Board meetings, Board and Management Committees as well as Strategic Planning workshops organised by the Group. Directors may, at the Group's expense, seek independent professional advice concerning the Group's affairs.

The Board appointments are made to ensure a variety of skills and expertise on the Board. A third of the Directors are required to retire on a rotational basis each year along with any Directors appointed to the Board during the year. Executive directors are employed under performance driven service contracts setting out responsibilities of their particular office.

First Mutual Holdings Limited Board members' attendance during the year:

	Number of Meetings	Number of Meetings Attended
Oliver Mtasa	5	5
Misheck Sukutai Manyumwa	5	4
James Mwaiyapo Matiza	5	2
John Mafungei Chikura	5	3
Christopher Urombo Hokonya*	1	1
Douglas Hoto	5	5
Samuel Rushwaya **	3	3
Elisha Moyo	5	5
Thembelihle Khumalo (Ms)	5	5
Israel Paul Zaba Ndlovu	5	5
William Munyaradzi Marere	5	5

*resigned 9 May 2014
** appointed 9 September 2014

BOARD ACCOUNTABILITY AND DELEGATED FUNCTIONS

The Board is supported by various Committees in executing its responsibilities. The main Committees meet at least quarterly to assess, review performance and provide guidance to management on both operational and policy issues.

Each Committee acts within written terms of reference under which certain functions of the Board are delegated with clearly defined purposes. The Board monitors the effectiveness of controls through reviews by the Combined Audit & Actuarial Committee and independent assessment by the external auditors. The Group from time to time reviews the number of Committees as necessitated by the prevailing environment.

FIRST MUTUAL HOLDINGS LIMITED BOARD COMMITTEES

In order to more effectively discharge its duties and responsibilities, standing committees are placed to deal with specific issues..

I. COMBINED AUDIT AND ACTUARIAL COMMITTEE

I P Z Ndlovu (Acting Chairperson), C Chetsanga (Mrs), E F Muzvondiwa

The Combined Audit and Actuarial Committee comprises four (4) non-executive directors, one of whom is the Chairperson. After the resignation of Dr C U Hokonya, there was a vacancy which has, subsequent to year end, been filled by Mr J Chikura. The Group Chief Executive Officer and Group Finance Director attend these meetings in an ex-officio capacity. The Combined Audit and Actuarial Committee has written terms of reference and is tasked with ensuring financial discipline within the Group, sound corporate values and financial procedures. This Committee is further tasked with reviewing and approving the interim and annual financial statements of the Group and considering any accounting practice changes. The Committee also recommends the appointment and reviews the fees of the external auditors. The Group's Audit and Risk Management Executive and the Audit Partner in charge of the external audit are invited to attend all meetings and have unrestricted access to this Committee to ensure their independence and objectivity.
In respect of actuarial work, the Committee is tasked with protecting policyholders' interests by:

- Ensuring separate accounting for the assets of policyholders and shareholders of the insurance companies in the Group;
- Devising and ensuring adherence to profit participation rules; and
- Reviewing actuarial valuation reports and monitoring implementation of actuarial recommendations.

The Group's Actuary is invited to attend all the Committee meetings. Combined Audit and Actuarial Committee members' attendance during the year:

	Number of Meetings	Number of Meetings Attended
C U Hokonya (resigned 9 May 2014)	3	3
C Chetsanga (Mrs)	7	7
I P Z Ndlovu	7	5
E F Muzvondiwa	7	7

II. GROUP HUMAN RESOURCES DEVELOPMENT, REMUNERATION AND NOMINATIONS COMMITTEE

M S Manyumwa (Chairperson), S V Rushwaya, J M Matiza and O Mtasa

This Committee comprises four (4) Non-Executive Directors of the First Mutual Group, one of whom is the Chairperson. This Committee is mandated to deal with staff development and formulate remuneration policies as well as approve remuneration packages for executive directors and senior executives. The Committee is responsible for reviewing the supporting organizational structure in line with the Strategy and makes recommendations to the Board. The Committee reviews recruitment procedures and strives to ensure that remuneration packages remain competitive. The Committee acts as a Nominations Committee for Directors to Group Boards.
The remuneration policy is designed to reward performance, to attract, motivate and retain high calibre individuals who will contribute fully to the success of each of the businesses in which First Mutual operates. Accordingly, a performance related profit share is offered in addition to a basic salary package, and for senior staff there is a share option scheme. The Committee draws on local and regional market survey data from independent advisors to ensure that the remuneration policy is appropriate and relevant to the prevailing times.

Group Human Resources Development and Remuneration Committee members' attendance during the year:

	Number of Meetings	Number of Meetings Attended
M S Manyumwa (Chairperson)	8	8
S V Rushwaya	8	7
J M Matiza	8	6
O Mtasa	8	7

III. GROUP INVESTMENTS COMMITTEE

J M Matiza (Chairperson), O Mtasa and J Chikura

This Committee comprises four (4) non-executive directors one of whom is the Chairperson. There is presently one vacancy on the Committee. The Group Chief Executive Officer and Group Finance Director attend in an ex officio capacity. The Committee formulates investments strategy and policy, reviews the performance of investments within the Group and recommends new investments for approval by the First Mutual Board. The Committee assists the Board in implementation of its investment policies and ensures that portfolio management is conducted in accordance with the Group's policies.

Investments Committee members' attendance during the year:

	Number of Meetings	Number of Meetings Attended
J M Matiza (Chairperson)	5	4
C U Hokonya (resigned 9 May 2014)	3	2
O Mtasa	5	5
J M Chikura	5	3

IV. GROUP CORPORATE GOVERNANCE COMMITTEE

E K Moyo (Chairperson), O Mtasa, J M Chikura, J M Matiza, T Khumalo, M M Manyumwa

A Group Corporate Governance Committee was established in 2013 to take a leadership role in shaping the corporate governance of the Group. This is an ad hoc Committee of the Board presently comprising six (6) non-executive directors, one of whom is the Chairperson. Members of management are invited to attend meetings of this Committee as required. The Committee is responsible for all corporate governance issues across the First Mutual Group. As part of its overall responsibilities, the Committee ensures that formal and transparent procedures for dealing with potential related party issues are adhered to. The Committee considers the circumstances in which the Company may enter into a related party transaction and prescribes the manner in which the Company may conduct such a transaction.

WORKS COUNCIL

The Company holds Works Council Meetings every quarter. The Council provides a forum for employees to participate in the decision making process and discuss employees' concerns with management.

INTERNAL AUDIT

The Internal Audit department is headed by the Group Audit and Risk Management Executive. Its main activities are to address the following issues at each of the business units of the Group:

- Appraising of systems, procedures and management controls and providing recommendations for improvements;
- Evaluating the integrity of management and financial information;
- Assessing the controls over the Group assets; and
- Reviewing compliance with applicable legislation, regulations, Group policies and procedures.

The Internal Audit function reports to the subsidiary company audit committees and to the Combined Audit and Actuarial Committee and has unrestricted access to these Committees. Each company within the Group is audited regularly by the internal auditors based on the annual work plan and close communication is maintained between internal and external audit.

FINANCIAL CONTROL

The Company's internal financial controls are set out in the relevant procedures manuals which also set the required standards and key control activities. Adequate segregation of duties is in place to enhance the effectiveness of these controls. The accounting policies are reviewed periodically by the Combined Audit & Actuarial Committee as well as the external auditors.

RISK MANAGEMENT

Risk Management is practised within the Group in order to protect assets and earnings against exceptional financial losses and legal liabilities. Operational risks are managed through formalised procedures and controls, well trained personnel and where necessary back-up facilities. The Group manages risk of all forms including operational, market, reputational, liquidity and credit risks. These risks are identified and monitored through various channels and mechanisms. The Group Audit and Risk Management department is responsible for the assessment of the overall risk profile which is managed by the Managing Directors and General Managers on an on-going basis. Emphasis is placed on continuous improvement of systems and ways of working through business process re-engineering as well as internal and external audits.

Risk is inherent in all business activities and it is the potential for loss arising from ineffective internal controls, poor operational procedures to support these controls, errors and deliberate acts of fraud. The Board has the Combined Audit and Actuarial Committee whose function is to ensure that risk is minimised. The Combined Audit and Actuarial Committee, through the internal audit function, assessed the adequacy of the internal controls and makes the necessary recommendations to the Board.

Mr O Mtasa
Group Chairman
16 March 2015

Mr M S Manyumwa
Deputy Chairman
16 March 2015

FMRE Property & Casualty is involved in the provision of reinsurance security in all classes of general insurance. The company also provides a diverse range of technical services to back its core reinsurance services to insurance companies and reinsurance brokers across Africa. FMRE Property & Casualty has offices in Zimbabwe and Botswana.

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FMRE Property & Casualty Botswana
(Proprietary) Limited, Millennium Office Park, Plot 127, Unit 11
P O Box 47202 Gaborone, Botswana
Telephone: +267-3934287/93/94
Website: www.fmrepropertyandcasualty.co.zw
Email: fmre@fmre.co.bw

The Group's external auditors, Ernst & Young, have audited the historical financial statements and their report is set out on page 24. The Directors of the Group are responsible for maintaining adequate accounting records and for the preparation of financial statements that present fair and accurate information.

In discharging this responsibility, the Group maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are executed and recorded in accordance with Group policies.

The Directors have satisfied themselves that all the subsidiary companies in the Group are in a sound financial position and have adequate resources to continue in operational existence for the foreseeable future.

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

Mr O Mtasa
Group Chairman
16 March 2015

Mr M S Manyumwa
Deputy Chairman
16 March 2015

Statement of Directors'

Responsibilities

Certificate
of Compliance by Group Company Secretary

In my capacity as Group Company Secretary of First Mutual Holdings Limited and its Subsidiary Companies, I confirm that, in terms of the Companies Act (Chapter 24:03), the company lodged with the Registrar of Companies all such returns as are required of a public quoted company in terms of this Act, and that all such returns are true, correct and up to date.

S Lorimer

S F Lorimer (Mrs)
Group Company Secretary
16 March 2015


However long the night, the dawn will break
TristarInsurance Company offers superior and innovative short term insurance products to corporates and individuals. As a short term insurer, the business provides relevant and innovative risk management solutions to its customers. TristarInsurance has under its stable the following customised products:
Motor Vehicle Insurance, Engineering Insurance Fire Insurance, Marine Insurance, Aviation Insurance, Agriculture Insurance, and Travel Insurance. The business also offers tailor made schemes for specific segments of society such as schools and churches through the School Star Scheme and Church Star. The company has office countrywide with branches in Harare, Gweru, Bulawayo and Mutare with satellite offices in small towns and rural district councils.
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Website: www.tristarInsurance.co.zw |
Email: info@tristarInsurance.co.zw
TristarInsurance
However complex...we insure

Chartered Accountants (Zimbabwe)
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FIRST MUTUAL HOLDINGS LIMITED

We have audited the accompanying consolidated financial statements of First Mutual Holdings Limited as set out on pages 25 to 70, which comprise the consolidated statement of financial position at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of 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 information.

Directors' responsibility for the financial statements

The company directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) and 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement. including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment s. the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also inc ludes evaluating the appropriateness of accounting policies used and the rea sonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements .

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects. the financial position of First Mutual Holdings Limited as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have. in all material re spects, been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Harare
19 March 2015

Consolidated

Statement of Financial Position

as at 31 December 2014

	Note	31-Dec-14 US$	31-Dec-13 US$
ASSETS			
Intangible assets	6	268,051	460,733
Property, vehicles and equipment	7	11,256,014	12,059,640
Investment properties	8	127,797,001	115,562,001
Investment in associate	9	7,081,684	7,014,047
Deferred acquisition costs	11	1,111,471	786,322
Tax asset	20.2	620,636	665,718
Inventory	12	2,952,089	1,494,812
Insurance receivables	13	9,015,957	8,968,300
Rental receivables	14	1,318,935	1,237,075
Other receivables	15	2,549,476	9,030,476
Held to maturity investments	10.4	7,472,667	3,998,587
Available for sale investments	10.2	-	10,302
Financial assets at fair value through profit or loss	10.3	18,991,887	25,563,655
Cash and cash equivalents	16	22,902,731	18,359,680
TOTAL ASSETS		**213,338,599**	**205,211,348**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	380,201	380,201
Share premium		7,957,918	7,957,918
Non-distributable reserves	17.4	2,107,863	2,323,240
Retained profit		3,291,153	9,247,268
Total Equity attributable to equity holders of the parent		**13,737,135**	**19,908,627**
Non-controlling interests		**53,919,384**	**53,377,757**
Total Equity		**67,656,519**	**73,286,384**
Liabilities			
Insurance contract liabilities	18	88,171,994	83,258,894
Investment contract liabilities	19	7,316,953	9,043,836
Deferred tax liability	20.1	15,080,544	15,012,542
Income tax liability	20.2	98,735	226,713
Unearned premium reserve	21	4,970,098	4,191,181
Borrowings	23	5,002,838	538,776
Insurance liabilities	22	10,585,387	6,073,072
Trade and other payables	24	14,455,531	13,579,950
Total liabilities		**145,682,080**	**131,924,964**
TOTAL EQUITY & LIABILITIES		**213,338,599**	**205,211,348**

The financial statements were approved by the board of directors at its meeting on 16 March 2015

O Mtasa
Chairman

D Hoto
Chief Executive Officer

Consolidated

Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	31 Dec 2014 US$	31 Dec 2013 US$
INCOME			
Net written premium	25	105,543,182	90,470,025
Movement in unearned premium reserve	21	(869,246)	(1,056,221)
Net premium earned		**104,673,936**	**89,413,804**
Rental income	26	7,541,667	7,778,465
Fair value adjustments- investment properties	8	1,120,630	8,096,037
Investment (loss)/ income	27	(3,770,725)	6,504,766
Other income	28	1,692,082	1,387,377
Total income		**111,257,590**	**113,180,449**
EXPENDITURE			
Net claims and benefits	29	(70,029,415)	(49,745,460)
Net commission paid	30	(7,397,299)	(6,359,782)
Movement in insurance liabilities	18	(4,913,098)	(15,017,661)
Surplus on revenue account	18	(4,227,168)	(15,017,661)
Policyholder gain on acquisition of Pearl shares	18	(685,930)	-
Movement in investment liabilities	19	2,325,295	(2,514,090)
Acquisition expenses		(1,563,439)	(1,794,905)
Expenses of management	32	(24,872,799)	(25,880,106)
Provision for credit losses		(2,089,354)	(1,265,611)
Impairment of money market investments	15.1	(1,879,568)	(222,748)
Rationalisation expenses	32.2	(2,498,012)	-
Property expenses	31	(1,102,797)	(952,361)
Finance cost on borrowings		(699,928)	(71,460)
Total expenditure		**(114,720,414)**	**(103,824,184)**
(Loss)/profit before share of (loss)/profit of associate		**(3,462,824)**	**9,356,265**
Share of (loss)/ profit of associate	9	(270,371)	202,696
(Loss)/profit before tax	32	**(3,733,195)**	**9,558,961**
Taxation expense	20.3	(1,333,995)	(3,580,512)
(Loss)/profit for the year		**(5,067,190)**	**5,978,449**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available for sale reserve reclassified to profit or loss		(144,164)	-
Fair value gain on available for sale investments		-	3,384
Deferred tax effect		-	-
Exchange differences on translating foreign operations		(95,707)	(223,742)
Net other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods		**(239,871)**	**(220,358)**
Other comprehensive losses not to be reclassified to profit or loss in subsequent periods:			
Share of associate's other comprehensive income		338,008	-
Revaluation of property prior to transfer to investment properties		-	5,813,533
Deferred tax effect		-	(1,497,019)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**338,008**	**4,316,514**
Total other comprehensive income		**98,137**	**4,096,156**
Total comprehensive (loss)/income for the year, net of tax		**(4,969,053)**	**10,074,605**
(Loss)/profit attributable to:			
Equity holders of the parent		(6,599,852)	1,627,429
Non - controlling interest		1,532,662	4,351,020
(Loss)/Profit for the year		**(5,067,190)**	**5,978,449**
Comprehensive income attributable to:			
Equity holders of the parent		(6,501,715)	3,686,902
Non - controlling interest		1,532,662	6,387,703
Total comprehensive income for the year		**(4,969,053)**	**10,074,605**
Basic (loss)/profit per share (US cents)		(1.74)	(0.43)
Diluted (loss)/profit per share (US cents)		(1.74)	(0.43)

Consolidated

Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital US$	Non distributable Reserve (note 17.4) US$	Share Premium US$	Retained earnings US$	Total equity for parent US$	Non-controlling Interest US$	Total equity US$
As at 1 January 2013	**380,201**	**204,171**	**7,957,918**	**7,679,435**	**16,221,725**	**46,990,054**	**63,211,779**
Transfer to solvency reserve	-	59,596	-	(59,596)	-	-	-
Total comprehensive income	-	2,059,473	-	1,627,429	3,686,902	6,387,703	10,074,605
Other comprehensive income	-	2,059,473	-	-	2,059,473	2,036,683	4,096,156
Profit for the year	-	-	-	1,627,429	1,627,429	4,351,020	5,978,449
As at 31 December 2013	**380,201**	**2,323,240**	**7,957,918**	**9,247,268**	**19,908,627**	**53,377,757**	**73,286,384**
Share based payments	-	24,494	-	-	24,494	-	24,494
Acquisition of non-controlling					-	-	-
interest (note 17.5)	-	-	-	685,930	685,930	(991,035)	(305,105)
Dividend paid	-	-	-	(380,201)	(380,201)	-	(380,201)
Total comprehensive income	-	(239,871)	-	(6,261,844)	(6,501,715)	1,532,662	(4,969,053)
Other comprehensive income	-	(239,871)	-	338,008	98,137	-	98,137
Loss for the year	-	-	-	(6,599,852)	(6,599,852)	1,532,662	(5,067,190)
As at 31 December 2014	**380,201**	**2,107,863**	**7,957,918**	**3,291,153**	**13,737,135**	**53,919,384**	**67,656,519**

Consolidated
Statement of Cash Flows
for the year ended 31 December 2014

	Note	31 Dec 2014 US$	31 Dec 2013 US$
(Loss)/ profit before tax		(3,733,195)	9,558,961
Non-cash items			
Depreciation	7	1,292,091	1,600,049
Finance costs		699,928	71,460
Amortisation of intangible assets	6	192,682	192,504
Fair value loss on unquoted equities	10.3	772,145	349,835
Fair value loss/ (gain) on quoted equities	10.3	5,330,772	(3,524,366)
Fair value adjustments on investment properties	8	(1,120,630)	(8,096,037)
Gain on disposal of investments	27	(30,263)	(856,328)
Profit on disposal of equipment	28	(56,463)	(89,080)
Dividend received	27	(412,885)	(232,510)
Movement in insurance and investment contract liabilities with DPF	18	4,913,098	15,017,661
Movement in investment contract liabilities without DPF	19	(2,325,295)	2,514,090
Unearned premium reserve movement	21	869,246	1,056,221
Interest received	27	(1,889,045)	(2,241,397)
Share of losses/ (profit) of associate	9	270,371	(202,696)
Deferred acquisition costs	11	325,149	203,549
Total non-cash and separately disclosed items		**8,830,901**	**5,762,955**
Operating cash flows before working capital changes		**5,097,706**	**15,321,916**
Working capital changes			
Decrease/ (increase) in other receivables		6,481,000	(6,756,076)
Increase in rental receivables		(81,860)	(398,178)
Increase in insurance receivables		(47,657)	(747,421)
Increase in inventory		(1,457,277)	(1,171,694)
Increase/ (decrease) in trade and other payables		489,233	(2,130,987)
Increase/ (decrease) in insurance payables		4,512,316	(181,258)
Working capital changes		**9,895,755**	**(11,385,614)**
Cash flows from operations		**14,993,461**	**3,936,302**
Finance costs on borrowings		(699,928)	(71,460)
Interest received	27	1,889,045	2,241,397
Taxation paid	20.2	(1,348,889)	(2,111,867)
Net cash flows from operating activities		**14,833,689**	**3,994,372**
Investing activities			
Dividends received	27	412,885	232,510
Purchase of vehicles and equipment	7	(620,973)	(1,193,065)
Additions to investment property	8	(11,449,370)	(229,965)
Disposal of investment property		335,000	-
Proceeds from disposals of vehicles and equipment		188,295	504,585
Net movement in investments		(2,935,231)	(9,686,788)
Cash utilised in investing activities	23	**(14,069,394)**	**(10,372,723)**
Financing activities			
Loan received		5,700,000	684,000
Loan repayment	23	(1,235,938)	(145,224)
Dividends paid		(380,201)	-
Acquisition of non-controlling interest		(305,105)	-
Cash flows from financing activities		**3,778,756**	**538,776**
Net increase /(decrease) in cash and cash equivalents		**4,543,051**	**(5,839,575)**
Movement in cash and cash equivalents			
At the beginning of the year		18,359,680	24,199,255
Net increase/ (decrease) for the year		4,543,051	(5,839,575)
At the end of the year	16	**22,902,731**	**18,359,680**
Disclosed as			
Cash at bank and on hand	16	6,261,850	4,567,052
Money market investments	16	16,640,881	13,792,628
		22,902,731	18,359,680

Notes to the

Financial Statements

for the year ended 31 December 2014

1. Corporate Information

The consolidated historical financial statements of First Mutual Holdings Limited for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors at a meeting held on 16 March 2015. First Mutual is a company incorporated in Zimbabwe whose shares are publicly traded. The principal activity of the company is that of an investment holding company. It has investments in short-term insurance and reinsurance, life insurance and reinsurance, health insurance and reinsurance, property management, actuarial consultancy services and wealth management.

2. Basis of Preparation and Presentation

2.1. Basis of preparation-Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties and those financial assets and financial liabilities that have been measured at fair value.

Unless otherwise indicated, the consolidated financial statements are presented in United States Dollars, which is the reporting and functional currency rounded to the nearest dollar.

2.2. Going Concern Assumption

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.

3. Basis of Consolidation

3.1. Group

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014.

3.2 Subsidiaries

Control is achieved 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.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income and statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary.

In the company's separate financial statements, investments in subsidiary companies are accounted for at original cost.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3 Change in degree of control

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it;

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative transaction differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3.4 Changes in accounting policies and disclosures

The Group applied, for the first time, the following standards and amendment to standards that are relevant to the Group. There was no restatement required on initial application of these standards.

New and Amended Standards and Interpretations Effective in the current year

During the year, several standards and amendments to standards became effective for annual periods beginning on or after 1 January 2014. The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group does not apply hedge accounting.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

The amendments to IAS 36 Impairment of Assets clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant. In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

The amendment did not have any impact on the Group.

3.5 New standards, interpretations and amendments to existing standards that are not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments – classification and measurement

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 – Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The classification and measurement requirements address specific application issues arising in IFRS 9 (2009) that were raised by preparers, mainly from the financial services industry. The expected credit loss model addresses concerns expressed following the financial crisis that entities recorded losses too late under IAS 39.

IFRS 9 stipulates that financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, but early adoption is permitted. The Group is currently assessing the impact of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

The IASB has issued the revenue recognition standard, IFRS 15 Revenue from Contracts with Customers, which replaces all existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

The standard is effective for annual periods beginning on or after 1 January 2017, but early adoption is permitted. The Group is still assessing the impact of the standard on its contracts with customers.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively. The amendment becomes effective for annual periods beginning on or after 1 January 2016 and will not have any impact on the Group as depreciation is not based on revenue methods.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments are effective for annual periods beginning on or after 1 January 2016 and must be applied prospectively. The amendments will be considered by the Group where applicable.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation. Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business; previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

The amendments are applied prospectively and are effective for annual periods beginning on or after 1 January 2016. The Group will consider the amendments when it enters into transactions where the amendments are applicable.

Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments are effective for annual periods beginning on or after 1 January 2016 and are not expected to affect the Group as no companies within the Group meet the definition of an investment entity.

IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

The amendments is effective for annual periods beginning on or after 1 July 2014 and are not expected to affect the Group as it does not have defined benefit schemes.

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27

The amendments to IAS 27 Separate Financial Statements

allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:
• At cost
• In accordance with IAS 39
Or
• Using the equity method

The entity must apply the same accounting for each category of investments.

The amendments must be applied retrospectively and are effective for year ends beginning on or after 1 January 2016. The parent entity will consider the amendment when it becomes effective.

IAS 1 Disclosure Initiative – Amendments to IAS 1
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

The amendments are effective for annual periods beginning on or after 1 January 2016 and early application is encouraged.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS. The standard is not applicable to the group.

IAS 16 and IAS 41 Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41
The amendments to IAS 16 and IAS 41 Agriculture change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). Agricultural produce growing on bearer plants (e.g., fruit growing on a (tree) will remain within the scope of IAS 41. As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in IAS 16 including the choice between the cost model and revaluation model for subsequent measurement. The amendments are effective for annual periods beginning on or after 1 January 2016 and are not applicable to the group.

3.6 Improvements to existing standards

2010- 2012 annual cycle of improvements (issued December 2013)

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs. The changes are effective from 1 July 2014 either prospectively or retrospectively. A summary of applicable amendments is described below:

IFRS 2 Share based payment (Amendments to definitions relating to vesting conditions)
Performance conditions and service conditions are defined in order to clarify various issues. The issues relate to performance conditions which must contain a service condition and a performance target which must be met while the counterparty renders service. The amendment also clarifies that a performance target may relate to the operations of an entity or to those of an entity in the same group. The Group will consider the amendment when it becomes effective.

IFRS 3 Business Combinations - Scope for joint ventures
The amendment clarifies that joint arrangements are outside the scope of IFRS 3, not just joint ventures, and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. Amendment will be considered by the Group when it becomes effective to the extent applicable.

IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination
Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment will not affect the Group as it does not have any contingent consideration paid or payable under a business combination.

IFRS 8 Operating Segments - Aggregation of operating segments and reconciliation of the total of the reportable segment assets to the entity's total assets.

Aggregation of operating segments:
Operating segments may be combined/ aggregated if they are consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are combined, the entity must disclose the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The amendment will not have a material impact on the Group financial statements as no segments are combined.

Reconciliation of the total of the reportable segment assets to the entity's total assets
The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The amendment will not have a material impact on the Group financial statements as the entity already provides the required reconciliation.

IFRS 13 Fair value measurement – Portfolio exception
The amendment clarifies that the portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is not expected to affect the Group as it does not have financial assets, financial liabilities and other contracts that meet this criteria.

IAS 16 Property, plant and equipment and IAS 38 Impairment - Revaluation method-proportionate restatement of accumulated depreciation
The amendment clarifies that revaluation can be performed by adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying amount and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment also clarified that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount of the asset (i.e., gross carrying amount –accumulated depreciation/amortisation = carrying amount).

The amendment to IAS 16.35(b) and IAS 38.80(b) clarifies that the accumulated depreciation/amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value. The amendment will not affect the Group as it does not revalue property, plant and equipment.

IAS 24 Related party disclosures - Key management personnel
The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment will not affect the Group as it has no management entity providing key management services to the Group.

IAS 40 Investment property - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying investment property or owner occupied property - Amendment to IAS 40
The description of ancillary services in IAS 40 differentiates between investment property and owner occupied property. IFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination. The Group will consider the amendment when it enters into transactions (after the effective date of the amendment) where the amendment is applicable.

2012 – 2014 Annual improvement cycle (issued September 2014)

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for annual periods beginning on or after 1 January 2016. Below is a list of those amendments.

IFRS 7 – Servicing Contracts
Paragraphs 42A - H of IFRS 7 require an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The Group will consider the amendment, where applicable, when it becomes effective.

IFRS 7 – Applicability of the offsetting disclosures to condensed interim financial statements.
In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment, paragraph 44R of IFRS 7 states that "[An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods]". The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose, an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.

The Group will consider the amendment in preparing its interim financial statements when they become effective.

IAS 34 Disclosure of information 'elsewhere in the interim financial report
IAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. However, it is unclear what the Board means by 'elsewhere in the interim financial report'.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The Group will consider the amendments, when they become effective, when preparing its interim financial report.

IAS 19 – Discount rate Regional market rates
IAS 19 requires an entity to recognise a post-employment benefit obligation for its defined benefit plans. This obligation

must be discounted using market rates on high quality corporate bonds or using government bond rates if a deep market for high quality corporate bonds does not exist. Some entities thought that the assessment of a deep market was based at a country level (e.g., Greece) while others thought it was based at a currency level (e.g., the euro).

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendment will not affect the Group as the Group does not have defined benefit pension schemes.

IFRS 5 – Changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

The Group will consider the amendment, if applicable, when it becomes effective.

4 Summary of significant accounting policies

4.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required for business combinations. However, this does not preclude the Group from reclassifying insurance contracts to accord with its own policy only if classification needs to be made on the basis of the contractual terms and other factors at the inception or modification date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised as measurement period adjustments if the adjustment is made during the measurement period or in accordance with the applicable IFRS if adjustment is not made after the measurement period. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Fair values for life insurance contracts are derived from embedded value (EV) principles. Fair values for non-life insurance contracts are derived by calculating the present value of claims reserves. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4.2 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate are accounted for using the equity method.
Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4.3 Property, Vehicles and Equipment

Property, vehicles and equipment are initially measured at cost. Subsequently they are measured at initial cost less accumulated depreciation on vehicles and equipment and impairment losses recognised. Repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

• Vehicles and equipment	20%	5 years
• Furniture	10%	10 years
• Property	2%	50 years

An item of property, vehicles and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition is included in profit or loss in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate. Changes in the asset's depreciation method, residual value or useful life are treated as a change in accounting estimates in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

4.4 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

4.4.1 Research and Development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete the intangible asset and use or sell it
- Its ability to use or sell the intangible asset
- How the asset will generate future economic benefits
- The availability of resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually and if impaired the loss is recognised in profit or loss in the year such impairment is assessed.

An intangible asset is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

4.5 Investment Properties

Investment properties comprise land and buildings that are either held for capital appreciation and or to earn rentals. Buildings under construction to be used for rental to others or for capital appreciation are also classified as investment property.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. 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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, equipment and vehicles up to the date of change in use.

4.6 Inventory

Inventory comprises Property (inventory property) acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction. Cost includes;

- Freehold and leasehold rights for land.
- Amounts paid to contractors for construction,
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.
- Consumables and other stocks

Consumables and other stocks are valued on the basis of weighted average cost and at the lower of cost or estimated net realisable value (NRV). Inventory property is also valued at the lower of cost or estimated NRV, but is based on the specific identification of the property. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale. NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date, and is determined by the Group in light of recent market transactions.

4.7 Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of the asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified; an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.8. Fair Value

The Group measures financial assets such as quoted and unquoted investments and non-financial assets such as investment property at fair value at reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.10 Foreign currencies

The Group's presentation and functional currency is the United States dollar, which is the currency of the primary economic environment in which the Group operates. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4.10.1 Transactions and balances

Transactions in currencies other than United States Dollars are initially recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in currencies other than United States Dollars are re-translated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising from settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising is treated in line with the recognition of the gain or loss on change in fair value of the item.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

4.10.2 Group companies

On consolidation, the assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

4.11 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.11.1 Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for-sale financial assets as appropriate. Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and where allowed and appropriate, re-evaluates the designation at each financial year-end.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

4.11.1.1 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows;

4.11.1.1a Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in profit or loss.

In the company's separate financial statements, investments in subsidiary companies are accounted for at original cost.

4.11.1.1b Available-for-sale financial investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income and accumulated in an available-for-sale reserve (a separate component of equity) until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in the available-for-sale reserve is reclassified out of other comprehensive income into profit or loss.

4.11.1.1c Held-to-maturity investments

These are non-derivative financial assets that comprise fixed or determinable payments and maturities of which the Group has the positive intention and ability to hold until maturity. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method. Gains and losses are recognised in profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process.

4.11.1.1d Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit and loss statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

4.11.1.1e Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value. Cash and cash equivalents are stated at amortised cost.

4.11.1.2 Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4.11.1.2a Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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 there is objective evidence that an impairment loss 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 future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to profit or loss.

4.11.1.2b Available for sale financial assets

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from the available-for-sale reserve and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

4.11.1.3 De-recognition of financial assets

A financial asset is de-recognised when the right to receive cash flows from the asset has expired or the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either, has transferred substantially all the risks and rewards of the asset to another party, or the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

4.11.2 Financial liabilities

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include other payables.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank borrowings, policyholder liabilities, and investment contracts. All the Group's financial liabilities are classified as loans and borrowings.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

4.11.2.1 De- recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

4.11.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.11.4 Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.12 Leases

The group has numerous leasing contracts as the lessor of investment properties. The leases are operating leases, which are those leases where the group retains a significant portion of risks and rewards of ownership. Contractual rental income is recognised on a straight-line basis over the period of the lease term. The leases are on a net lease basis arrangement where certain operating costs such as rates and insurance are paid by the tenant.

4.13 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding any discounts and rebates, and other value added taxes or duty. The following specific recognition criteria must be met before the revenue is recognised:

4.13.1 Premium income

Premiums and annuity considerations are shown net of reinsurance and accounted for as follows:

Pensions	-	when due
Life	-	when paid or when due
Property and Casualty Insurance	-	when due
Health insurance	-	when due

In the short-term business, premium income is accounted for as and when the premiums are agreed and risks accepted. Refer to note 4.17.2.3 for the Group's accounting policy for unearned premium.

4.13.2 Rental income

The Group is the lessor in operating leases.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature, except for contingent rental income, which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations as well as recovery of fixed operating costs are recognised in profit or loss when the right to receive them arises.

4.13.3 Dividend income

Dividend income is brought to account when the Group's right to receive the payment is established.

4.13.4 Interest income

Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method.

4.13.5 Fee income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees and charges are recognised as revenue over the period in which the related services are performed. Actuarial and consultancy fee income is recognised on an accrual basis, based on the values of the services provided.

4.13.6 Realised gains and losses

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

4.14 Claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Property and Casualty and Health claims are recorded when notified including an estimate of claims incurred but not notified.

4.15 Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

4.16 Commission

Commission is recognised as an expense in profit or loss when the premium is received through an intermediary or agent. The period over which commission is paid and the commission rate differ per product depending on the product design structure.

4.17 Acquisition costs

Acquisition costs are costs incurred for running the Group's branch network for the life business. Branches are set up to acquire business across the country and the costs are charged to profit or loss in the period in which they are incurred. The costs include costs of supporting the agents, including medical aid and pension for the agents. Staff expenses for employees working in the branches are included as acquisition costs together with all other costs for maintaining the branches functional.

4.18 Insurance contract liabilities

Policyholder contracts are classified into three categories, namely, life insurance contracts, investment contracts with discretionary participation features and investment contracts without discretionary participation features.

An insurance contract is one 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. Such contracts may also transfer financial risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of the insured event that are significantly more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variables.

Discretionary participation features (DPF)

A number of insurance contracts and investment contracts contain a discretionary participation feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

i) that are likely to be a significant portion of the total contractual benefits;
ii) whose amount or timing is contractually at the discretion of the Group; and
iii) that are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract; and / or
- realised and / or unrealised investment returns on a specified pool of assets held by the group.

All components of the DPFs are included in the policyholder liabilities.

4.18.1 Life assurance liabilities

Life assurance liabilities comprise the policyholder funds and the shareholder risk reserves. These are determined on the basis derived by the Group's actuary as detailed in note 5.2.3. Actuarial valuation reports for each year are done annually and signed-off by the statutory Actuaries.

The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style that could result in significant changes to the expected future mortality exposure.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

4.18.2 Non-life insurance contract liabilities (which comprises general insurance and health care)

These include the outstanding claims provision and the incurred but not reported reserve (disclosed as insurance payable) and the provision for unearned premium.

4.18.2.1 Outstanding claims

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim project techniques, based on empirical data and current assumptions that may include a margin for adverse variation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

4.18.2.2 Incurred but not reported - (IBNR)

The provision for incurred but not reported claims (IBNR) represents all claims incurred before the reporting date but only reported subsequent to year-end. The (IBNR) is actuarially determined as at the reporting date.

4.18.2.3 Unearned premium reserves - (UPR)

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

4.19 Deferred acquisition costs

Acquisition costs, which represent commission, are deferred over a period in which the related premiums are earned. The deferred portion is calculated by applying the actual commission rate on the unearned premium reserve balance.

4.20 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance are recognised in profit or loss immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

4.21 Taxes

4.21.1 Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the taxation authorities. The tax rates and laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in profit or loss.

Taxable income for the life assurance subsidiary company is calculated in accordance with the insurance formula as laid down in the Eighth Schedule to the Income Tax Act (Chapter 23:06).

4.21.2 Deferred taxation

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except;

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, when 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 income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised except;

- When the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

4.21.3 Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included
  The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.
  The policy relates to all companies that are VAT registered, with the exception of the insurance subsidiaries that are VAT exempt.

4.22 Employee benefits

The Group operates two defined contribution plans, the assets of which are held in separate trustee administered funds. The pension plans are funded by payments from employees and the relevant Group companies. The Group's contributions to the defined contribution pension plans are charged to profit or loss in the period in which the contributions relate. Retirement benefits are also provided for the Group's employees through the National Social Security Authority (NSSA) Scheme. The cost of retirement benefits applicable to the NSSA Scheme is determined by the systematic recognition of legislated contributions.

4.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.24 Retrenchment accounting policy

The Group recognises termination benefits as a liability and / or expense when there is a demonstrable commitment to either terminate the employment of an employee or group of employees before normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The Group will recognise such termination benefits when and only when, there is a detailed formal plan for the termination and there is no realistic possibility for withdrawal for such plans. The detailed formal plan will include the location, function and approximate number of employees whose services are to be terminated, the termination benefits for each job classification or function and the time at which the plan will be implemented

5 Significant Accounting Judgements, Estimates and Assumptions.

In preparation of the Group's financial statements, management is required to make judgements, estimates and assumptions that affect reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

5.1 Judgements other than estimates

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

5.1.1 Classification of property

The Group determines whether a property is classified as investment property, owner occupied property or inventory:

Investment property comprises land and buildings (principally office, industrial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the group develops and intends to sell before or on completion of construction. As at year end a property valued $2.70million (2013 - $1.15 million) met the criteria to be recognised as inventory. The distinction between investment property and inventory is not always clear and management will make judgement on the classification of the property as investment property or inventory.

Owner occupied properties comprises property which is owned by the group but is significantly occupied by group companies, regardless of the leasing of the property being at market related rentals and terms. Significant occupation by a group company is considered as 25% of the space of the property occupied or above. Such owner occupied properties are classified under property, vehicles and equipment and depreciated in line with the Group policies.

5.1.2 Insurance contracts and investment contracts

The group classifies contracts entered into between investment contracts and insurance contracts on the basis of whether the contract is mostly a life assurance contract or a deposit contract. In the event of both elements existing in the contract, judgement is applied in determining which of the two elements makes up a more significant portion of the contract, in which case it is classified as such.

5.1.3 Impairment of available for sale financial assets

For available for sale assets the Group assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Management exercises judgment in deciding the quantitative thresholds of what constitute a significant and prolonged decline in fair value below cost and accordingly, a decline below fair value of less than 20% for less than 12 months is not considered significant. No impairment loss has been recognised on available for sale investments.

5.1.4 Fair valuation of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5.1.5 Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of terms and conditions of the lease arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases. This involves the analysis of likelihood of exercising extension options, lease term analysis, etc.

5.1.6 Taxes

The Group is subject to income and capital gains taxes in several jurisdictions. Significant judgement is required to determine the total provision for current and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred taxation, the effective tax rate applicable on the temporary differences on investment property depends on the method by which the carrying amount of investment property will be realised.

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

5.2.1 Incurred but not reported (IBNR)

The provision for incurred but not reported claims (IBNR) represents all claims incurred before the reporting date but only reported subsequent to year end. The (IBNR) is actuarially determined as at the reporting date.

5.2.2 Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Taxes particularly for the life assurance company are calculated in accordance with the insurance formulae as laid down in the Eighth Schedule to the Income Tax Act (Chapter 23:06). Given its complexity, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations.

5.2.3 Insurance contract liabilities (Policyholders’ funds) and actuarial assumptions.

The life policyholder funds, under un-matured policies, are computed at the reporting date by the Group’s independent actuary, in accordance with prevailing legislation, guidelines issued by the Actuarial Society of South Africa (SAP104). Under this method, the insurance contract liabilities are valued using realistic expectations of future experience with prescribed margins for prudence. The insurance contract liabilities reflected in the statement of financial position represent the increase or decrease in actuarial liabilities, calculated using the Financial Soundness Valuation method. The main assumptions used relate to mortality, longevity, investment returns, expenses, lapses, surrender rates and discount rates. Estimates are also made as to future investment income arising from the assets backing the life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels adjusted for expected expense inflation adjustments if necessary. Lapse and surrender rates depend on product features, policy duration and external circumstances such as sales trends. Discount rates are based on current expense levels adjusted for expected inflation adjustments if appropriate. Refer to note 18 and 19 for the carrying amount of policyholder funds and insurance risk reserve and the assumptions used to determine the carrying amounts.

5.2.4 Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Yield Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value properties on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/ outgoings. A series of periodic net operating income, along with an estimate of the reversal/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate.

The property valuations have been undertaken in an environment of poor liquidity conditions and limited transaction evidence. In undertaking the valuations for commercial, industrial and retail properties, reliance has been placed on rental market evidence, void rates and arrears currently applying to the individual properties in the portfolio. The achieved rents for the portfolio are generally in line and in some instances higher than the rental rates being achieved in the market. With regards to the residential properties, various properties were identified that were sold or which are on sale and situated in comparable residential suburbs. In analysing the comparable properties, the Main Space Equivalent (MSE) principle was applied. The total MSE of the comparable property was then used to determine a value per square meter of MSE. The objective is to arrive at a common basis of comparison. After adjustments for quality, location and size, the rates per MSE reflected by the comparable were then applied to the subject residential properties. The yield, have been obtained from the limited concluded transactions and have also been assessed taking into account asking prices and offers that may have been received for properties currently on the market, formally or otherwise, although the transactions may not have been concluded. Refer to note 8 for the carrying amount of investment properties and more information on the estimates and assumptions used to determine the fair, value of investment properties.

5.2.5 Impairment of Non-financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Where indicators of impairment have been identified the Group determines the recoverable amount based on the fair value of the assets. Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

5.2.6 Useful lives and Residual values of property plant and equipment

The Group assesses the useful lives and residual values of vehicles and equipment each year taking to consideration past experience, technology changes and the local operating environment. No changes to the useful lives have been considered necessary during the year. Residual values will be reassessed each year and adjustments for depreciation will be done in future periods if there is an indication of impairment in value. Refer to note7 for the carrying amount of property, vehicles and computer equipment and accounting policy note 4.3 for the useful lives of property, vehicles and equipment.

5.2.7 Allowances for credit losses

In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables is calculated on a specific basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on each trade debtor.

		31-Dec-14 US$	31- Dec -13 US$
6	**Intangible assets - software**		
	Cost		
	As at 1 January	**993,087**	**993,087**
	Additions	-	-
	As at 31 December	**993,087**	**993,087**
	Accumulated amortisation and impairment losses		
	As at 1 January	**532,354**	**339,850**
	Charge for the year	192,682	192,504
	As at 31 December	**725,036**	**532,354**
	Carrying amount		
	As at 31 December	**268,051**	**460,733**

Intangible assets refer to the Individual Life Assurance business Exergy system and the Nexus system in the Health insurance business. The intangible assets are amortised over their useful economic lives, determined by management to be five years, which is 20% per annum, using the straight-line method and recognized in profit or loss. As at 31 December 2014, these assets were tested for impairment, and management has determined that no impairment is required in respect of these intangibles.

7 Property, vehicles and equipment

	Office Equipment US$	Motor Vehicles US$	Office Furniture US$	Land & Buildings US$	Total US$
Cost					
At 1 January 2013	**2,039,864**	**4,542,099**	**505,479**	**18,902,332**	**25,989,774**
Additions	166,033	904,300	58,382	64,350	1,193,065
Disposals	(11,911)	(621,092)	(6,139)	(320,001)	(959,143)
Revaluation	-	-	-	5,126,823	5,126,823
Transfer to investment property	-	-	-	(14,400,000)	(14,400,000)
At 31 December 2013	**2,193,986**	**4,825,307**	**557,722**	**9,373,504**	**16,950,519**
Additions	124,368	322,646	173,958	-	620,972
Disposals	(19,689)	(558,776)	(1,379)	(858)	(580,702)
At 31 December 2014	**2,298,665**	**4,589,177**	**730,301**	**9,372,646**	**16,990,789**
Accumulated depreciation					
At 1 January 2013	**877,581**	**2,043,634**	**279,782**	**1,320,181**	**4,521,178**
Charge for the year	375,293	850,715	60,814	313,227	1,600,049
Depreciation on disposals	(6,685)	(508,857)	(2,496)	(25,600)	(543,638)
Revaluation	-	-	-	(686,710)	(686,710)
At 31 December 2013	**1,246,189**	**2,385,492**	**338,100**	**921,098**	**4,890,879**
Charge for the year	328,874	720,796	54,951	187,470	1,292,091
Depreciation on disposals	(5,897)	(441,268)	(1,030)	-	(448,195)
At 31 December 2014	**1,569,166**	**2,665,020**	**392,021**	**1,108,568**	**5,734,775**
Carrying amount					
At 31 December 2013	**947,797**	**2,439,815**	**219,622**	**8,452,406**	**12,059,640**
At 31 December 2014	**729,499**	**1,924,157**	**338,280**	**8,264,078**	**11,256,014**

There were no restrictions on the title of the above property, plant and equipment, except for motor vehicles as at the reporting date. Included in property, vehicles and equipment are motor vehicles with a cost of $884,000 (2013: $684,000) and a net book value of $437,961 (2013:$547,200) financed through a loan. The loan of an equivalent amount was advanced to First Mutual Holdings Limited, the company by Post Office Savings Bank. Security for the loan is in the form of a Notarial General Covering Bond on the vehicles financed.

A loan of $5.5 million was sourced from a local financial institution to partially fund the acquisition of the land in Mount Pleasant district of Harare. Stand 14908 of Salisbury Township called First Mutual Park valued at US$6.5million was pledged as security. This building is owner occupied, thus classified as property vehicles and equipment.

The revaluation shown on the note is in respect of 99 Jason Moyo, and Block 1 Arundel Office Park which were reclassified to investment property. Up to the date of transfer the properties were measured at cost less accumulated depreciation and the revaluation represents the difference between the properties' carrying amount and fair value, at the date of transfer.

		31- Dec – 14 US$	31- Dec -13 US$
8	**Investment properties**		
	At 1 January	115,562,001	93,315,999
	Additions to properties under development	10,727,341	-
	Improvements to existing properties	722,029	229,965
	Disposals	(335,000)	-
	Reclassification to Inventory (note 12)	-	(480,000)
	Transfer from Property, vehicles and equipment (note 7)	-	14,400,000
	Fair value adjustments	1,120,630	8,096,037
	At 31 December	**127,797,001**	**115,562,001**

The property that was formally occupied by the owner at 99 Jason Moyo and Arundel Office Park were reclassified in 2013 to investment property when the group relocated to First Mutual Park.

Fair Value Hierarchy
The following table shows an analysis of the fair values of investment property recognised in the statement of financial position by level of the fair value hierarchy;

All figures in USD 31 December 2014	Level 1	Level 2	Level 3	Total	Total gain/(loss) in the period in profit /loss
	US$	US$	US$	US$	US$
CBD Retail	-	-	12,490,001	12,490,001	1,520,000
CBD Offices	-	-	37,470,000	37,470,000	(1,464,169)
Office Parks	-	-	34,470,000	34,470,000	1,234,999
Suburban Retail	-	-	9,800,000	9,800,000	(25,967)
Industrial	-	-	12,840,000	12,840,000	449,968
Residential	-	-	355,000	355,000	(110,690)
Land *	-	-	20,372,000	20,372,000	(483,511)
Total	**-**	**-**	**127,797,001**	**127,797,001**	**1,120,630**

31 December 2013	Level 1 US$	Level 2 US$	Level 3 US$	Total US$	Total gain or (loss) in period in profit or loss US$
CBD Retail	-	-	10,740,001	10,740,001	150,000
CBD Offices	-	-	38,340,000	38,340,000	560,000
Office Parks	-	-	33,570,000	33,570,000	(20,000)
Suburban Retail	-	-	9,800,000	9,800,000	(146,977)
Industrial	-	-	12,210,000	12,210,000	1,076,968
Residential	-	-	160,000	160,000	-
Land *	-	-	10,742,000	10,742,000	6,476,046
Total	**-**	**-**	**115,562,001**	**115,562,001**	**8,096,037**

* This consists of land earmarked for future developments.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to $1.12 million (December 2013:$8.096 million) and are presented in the consolidated statement of comprehensive income in line items 'Fair value adjustments – Investment Properties'.

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period.

Valuation techniques used to derive level 3 fair values
The table below presents the following for each class of the investment property:

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy (in this case Level 3) within which the fair value measurements are categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- Level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value measurement.

Class of Property	Fair Value 31 December 14 US$	Valuation Technique	Key unobservable Inputs	2014 Range (Weighted Average)	2013 Range (Weighted Average)
CBD Retail	12,490,001	Income Capitalisation	Rental per square metre	$10.00-$25.00 ($17.50)	$15.00-$30.00 ($23.00)
			Prime yield	7.00%-13.00% (10.00%)	7.00%-13.00% (10.00%)
			Vacancy Rate	0.00%-40.00% (20.00%)	0.00%-41.00% (7.00%)
CBD Offices	37,470,000	Income Capitalisation	Rental per square metre	$5.00-$15.00 ($10.00)	$7.00-$15.00 ($11.00)
			Prime yield	7.00%-13.00% (10.00%)	8.00%-13.00% (11.00%)
			Vacancy Rate	40.00%-60.00% (50.00%)	23.41%-50.19% (38.00%)
Office Parks	34,470,000	Income Capitalisation	Rental per square metre	$10.00-$15.00 ($12.50)	$7.00-$15.00 ($11.00)
			Prime yield	7.00%-13.00% (10.00%)	8.00%-13.00% (11.00%)
			Vacancy Rate	40.00%-60.00% (50.00%)	0.00%-73.99% (37.00%)
Suburban Retail	9,800,000	Income Capitalisation	Rental per square metre	$10.00-$25.00 ($17.50)	$15.00-$30.00 ($23.00)
			Prime yield	7.00%-13.00% (10.00%)	7.00%-13.00% (10.00%)
			Vacancy Rate	0.00%-3.00% (1.50%)	0.00%-2.67% (0.89%)
Industrial	12,840,000	Income Capitalisation	Rental per square metre	$1.00-$5.00 ($3.00)	$1.50-$5.00 ($3.00)
			Prime yield	11.00%-15.00% (13.00%)	11.00%-15.00% (13.00%)
			Vacancy Rate	40.00%-60.00% (50.00%)	0.00%-64.69% (12.79%)
Land	20,372,000	Market Comparable	Rate per square metre	$25.00-$30.00 ($27.50)	$11.99 - $40.36 ($28.23)
Other	355,000	Market Comparable	Comparable transacted properties prices		
Total	**127,797,001**				

**Other relates to residential property valued at $0.355 million which has been valued based on market comparable method (main space equivalent).

Descriptions and Definitions
The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

i. Income Capitalisation Method
Under the income capitalisation method, a property 's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return). Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised (discounted).

ii. Market Comparable Method
Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre (sqm).

iii. Rent Per Square Metre
The rent at which space could be let in the market conditions prevailing at the date of valuation. The unit of comparison is the rental rate per square metre.

iv. Vacancy Rate
The Group determines the vacancy rate which can be based on the percentage of estimated vacant space divided by the total lettable area.

v. Prime Yield

The prime yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to Estimated Rental Value (ERV) at the next review, but with no further rental growth.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy.
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the value hierachy of the groups portfolios of investment property are :

- Prime yield
- Vacancy rate
- Rental per square meter and
- Comparable transacted properties

Significant increases/ (decreases) in the comparable transacted properties and rental per square metre in isolation would result in a significant higher/ (lower) fair value measurement. Significant increases/ (decreases) in the long-term vacancy rate and prime yield in isolation would result in a significant lower/ (higher) fair value measurement.

Analysis of property portfolio

Sector	Lettable Space m2		% of portolio	
	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Industrial	37,239	37,239	30.87%	30.95%
CBD Offices	39,158	39,277	32.46%	32.64%
Office Park	25,231	24,652	20.91%	20.49%
Suburban Retail	7,680	7,683	6.37%	6.39%
CBD Retail	11,328	11,468	9.39%	9.53%
Total	**120,636**	**120,319**	**100.00%**	**100.00%**

Investment properties are stated at fair value, which is determined based on valuations performed by Knight Frank Zimbabwe, an accredited independent property valuer, at 31 December 2014. Investment properties are stated based on a desktop valuation at 31 December 2014 as opposed to the full valuations conducted in previous years. Knight Frank Zimbabwe is an industry specialist in valuing these types of investment properties. The fair values of some properties have not been determined with reference to transactions observable on the market because of the nature of the properties and the limited amount of comparable data. Instead, valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Valuation Process

The Group's valuation policies and procedures for property valuations are determined by a management committee. Each year, the committee decides, after advising the Audit Committee, which External Valuer to appoint to be responsible for the external valuation of the Group's property portfolio. The selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. Consideration is normally given to rotate external valuers every five years. In addition, the Managing Director for the property business unit is responsible for recruiting personnel in the Group's internal valuation department. The Group's internal valuation department comprises two employees, both of whom hold relevant internationally recognised professional qualifications and are experienced in valuing the types of properties in the applicable locations.

The management committee decides, after discussions with the Group's external valuers and the Group's internal valuation department:

- Whether a property's fair value can be reliably determined;
- Which valuation method should be applied for each property (the methods that are applied for fair value measurements categorized within Level 3 of the fair value hierarchy are market comparables and the income capitalization method) and;
- The assumptions made for the unobservable inputs that are used in the valuation methods (the major observable inputs are rental per square metre, rate per square metre, vacancy rate and prime yield).

As at each year-end, all properties are valued by external valuers. At each reporting date, the internal valuation department analyses the movements in each property 's value. For this analysis, the internal valuation department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts (for example rent amounts in lease agreements), market reports (for example market rent, capitalisation rates in property market reports) and other relevant documents. In addition, the accuracy of the computation is tested on a sample basis. For each property, the latest valuation is compared with the valuations of the preceding annual periods. If fair value changes (positive or negative) are abnormal, the changes are further analysed for example by having discussions with external valuers.

The internal valuation department also compares each property's change in fair value with relevant external sources (e.g. the investment property database or other relevant benchmark) to determine whether the change is reasonable.

On an annual basis, after the management commitee has discussed the valuations with the internal valuation department, they present the valuation results with the Group's external valuers to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations, with an emphasis on:

- Properties with fair value changes that are abnormal; and
- Investment properties under construction.

9 Investment in associate

The Group has a 19.94% (2013: 19.92%) interest in its associate, Rainbow Tourism Group Limited (RTG), which is involved in the tourism and leisure industry. RTG is a public listed entity on the Zimbabwe Stock Exchange and there are published price quotations for the fair value of this investment. The principal place of business is Rainbow Towers Hotel and Conference Centre, 1 Pennefather Avenue, Harare.

The reporting date for RTG is the same as the Group and no differences in accounting policies between First Mutual and the associate have been identified which warrant adjustments in the Group financial statements. The investment in RTG is as follows:

	31-Dec-14 US$	31-Dec-13 US$
Carrying amount as at 1 January	7,014,047	6,811,351
Share of comprehensive income	338,008	-
Share of associates' (loss)/profit for the year	(270,371)	202,696
Carrying amount of investment in associate	**7,081,684**	**7,014,047**

The shares held by the Group in RTG Limited had a fair value of US$4,844,571 (2013: US$5,812,343) as at reporting date. Associate's statement of financial position

	31-Dec-14 US$	31-Dec-13 US$
Assets		
Non-current assets	41,044,368	38,414,452
Current assets	9,329,812	12,512,328
Total Assets	**50,374,180**	**50,926,780**
Equity and Liabilities		
Shareholders' equity	17,126,764	16,787,563
Non-current liabilities	19,221,946	21,978,835
Current Liabilities	14,025,470	12,160,382
Total Equity and Liabilities	**50,374,180**	**50,926,780**
Share of net assets	**3,408,226**	**3,340,725**
Associate's statement of comprehensive income		
Revenue	30,715,846	29,322,787
Cost of sales	(10,234,917)	(9,399,542)
Gross profit	**20,480,929**	**19,923,245**
Other operating income	51,575	112,915
Operating expenses	(19,639,841)	(15,779,065)
Earnings before interest tax depreciation and amortisation	**892,663**	**4,257,095**
Depreciation	(1,731,089)	(1,471,271)
(Loss)/profit from operations	**(838,426)**	**2,785,824**
Finance expense	(2,109,308)	(1,776,166)
(Loss)/profit before tax	**(2,947,734)**	**1,009,658**
Income tax (expense)/credit	1,591,812	216,331
(Loss)/profit after tax from continuing operations	**(1,355,922)**	**1,225,989**
Loss from discontinued operations	-	(167,145)
(Loss)/profit for the year	**(1,355,922)**	**1,058,844**
Other comprehensive income		
Items that will not be reclassified subsequent to profit or loss		
Gain on Property revaluation, net of tax	1,728,103	-
Items that will be reclassified subsequent to profit or loss		
Exchange loss arising from translation of foreign operations	(32,980)	(40,271)
Total comprehensive income for the year	**339,201**	**1,018,573**
Share of (losses)/profit	**(270,371)**	**202,696**
Share of comprehensive income	**338,008**	**-**

		31-Dec-14 US$	31-Dec-13 US$
10	**Classification of financial instruments**		
	The group's financial instruments are summarised by categories as follows:		
	Available for sale investments (note 10.2)	-	10,302
	Held to maturity (note 10.4)	7,472,667	3,998,587
	Loans and receivables (note 10.1)	35,303,382	32,264,414
	Financial assets at fair value through profit or loss (note 10.3)	18,991,887	25,563,655
	Total financial instruments	**61,767,936**	**61,836,958**

The fair values of the financial instruments were equal to their carrying values.

		31-Dec-14 US$	31-Dec-13 US$
10.1	**Loans and receivables are broken down as follows:**		
	Insurance receivables (note 13)	9,015,957	8,968,300
	Cash and cash equivalents (note 16)	22,902,731	18,359,680
	Rental receivables (note 14)	1,318,935	1,237,075
	Other receivables, excluding prepayments (note 15)	2,065,759	3,699,359
	Total	**35,303,382**	**32,264,414**
10.2	**Available-for-sale investments**		
	At 1 January	10,302	622,760
	Purchases	-	-
	Disposals	(10,302)	(615,842)
	Fair value gains	-	3,384
	Total available-for-sale investments at fair value	**-**	**10,302**
10.3	**Financial assets at fair value through profit or loss**		
	Fair value		
	At 1 January	25,563,655	16,332,557
	Purchases	3,203,239	12,241,941
	Disposals	(3,672,090)	(6,185,374)
	Fair value loss on unquoted investments	(772,145)	(349,835)
	Fair value (loss)/gain on quoted equities	(5,330,772)	3,524,366
	Total financial assets at fair value through profit or loss	**18,991,887**	**25,563,655**

The table below indicates the fair value of financial assets at fair value through profit or loss, designated between listed and unlisted financial assets. All financial assets at fair value through profit or loss were designated as such upon initial recognition.

		31-Dec-14 US$	31-Dec-13 US$
	Unquoted equity investments	-	772,145
	Quoted equity investments	18,991,887	24,791,510
		18,991,887	**25,563,655**
10.4	**Held to maturity investments**		
	At 1 January	3,998,587	659,250
	Purchases	6,076,306	4,250,000
	Maturities of investments	(2,602,226)	(910,663)
	At 31 December	**7,472,667**	**3,998,587**

10.5 Determination of fair value and fair values hierarchy

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1** : Quoted (unadjusted) prices in active markets for identical assets and liabilities
- **Level 2** : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, directly or indirectly.
- **Level 3** : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value of the fair value hierarchy:

	Level 1 US$	Level 2 US$	Level 3 US$	Total fair value US$
At 31 December 2014				
Financial assets designated at fair value through profit or loss	18,991,887	-	-	18,991,887
Total financial assets recorded at fair value	**18,991,887**	**-**	**-**	**18,991,887**
31 December 2013				
Financial assets designated at fair value through profit or loss	24,791,510	-	772,145	25,563,655
Available-for-sale financial assets	10,302	-	-	10,302
Total financial assets recorded at fair value	**24,801,812**	**-**	**772,145**	**25,573,957**

During the year there were no transfers of financial assets between Levels 1, 2 and 3.

Valuation techniques for financial assets measured at fair value

Quoted equity investments valuation
Level 1 is made up of the group's investments in quoted equities

Unquoted equity investments valuation
Level 3 was made up of the group's investments in Africom and Afrasia. Management reduced the fair value of both investments to nil as at 31 December 2014 due to Africom making consistent losses with negative equity while AfrAsia became insolvent during the year.

Valuation technique and key unobservable inputs:

Only the information for the investment in Africom has been provided below, as the investment in AfrAsia was not considered material.

The fair value of the unquoted equity investment in Africom has been determined using the net asset value (NAV) of the investee. Management has evaluated that NAV provides the most reliable fair value after taking account the information available, the nature and operations of the investee and the purpose of the Group's investment in the investee.

The shares of the investee are not publicly traded and there are no other similar companies whose shares are publicly traded. Furthermore the investee does not have a history of declaring dividends and has been making operating losses for a number of years. The Group does not have access to the investee's future plans and budgets given the size of its shareholding in the investee. It is management's view that the assets and liabilities of the investee are not carried at values that are significantly different from their fair values. After considering the above factors and the materiality of the investment, management believes the investment's fair value is not materially different from the Group's share of the NAV of the investee and that NAV gives the best estimate of the investment's fair value.

The following unobservable inputs were used in the calculation of the fair value of the investment.

		31-Dec-14	31- Dec -13
Net asset value per share	(US Cents)	(0.63)	0.42
Number of shares held		176,784,241	176,784,241

The fair value of the investment is most sensitive to changes in the net asset value of the investee. An increase in net asset value of the investee will result in an increase in the fair value of the investment and a decrease in net asset value will result in a decrease in the fair value of the investment.

Below is the movement in the carrying amount of the investments in unquoted equities;

	31-Dec-14 US$	31- Dec -13 US$
Balance as at 1 January	772,145	1,121,980
Fair value adjustment	(772,145)	(349,835)
Balance as at 31 December	**-**	**772,145**

The fair value adjustments have been disclosed as part of investment income on the face of the statement of comprehensive income.

10.6 Comparison of carrying amounts and fair values of financial instruments
The carrying amount of financial instruments as reported on the statement of financial position approximate their fair values. The interest rates on held to maturity investments, money market investments and interest bearing loans are not significantly different from the market rates. Other financial assets and liabilities have short-term tenures of less than three months.

		31-Dec-14 US$	31-Dec-13 US$
11	**Deferred acquisition costs**		
	At 1 January	786,322	582,773
	Expenses deferred during the year	592,034	520,552
	Amortisation	(266,885)	(317,003)
	Closing balance	**1,111,471**	**786,322**
12	**Inventory**		
	Property held for trading	140,233	140,150
	Work-in-progress Cluster Home Development	2,608,309	1,152,034
	Capitalised project costs	2,608,309	672,034
	Transfer from investment properties (Note 8)	-	480,000
	Consumables	203,547	202,628
		2,952,089	**1,494,812**

There was no write off of inventories during the year ended 31 December 2014.

Property held for trading comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group acquires or develops and intends to sell before or on completion of construction. The inventory property is measured at the lower of cost or net realizable value which has not changed from prior year. Work in progress comprises cluster home development valued at $2.6 million (2013: $1.2 million) at end of year.

		31-Dec-14 US$	31-Dec-13 US$
13	**Insurance receivables**		
	Due from policyholders	9,851,543	8,090,337
	Due from agents, brokers and intermediaries	741,793	1,789,585
		10,593,336	**9,879,922**
	Allowance for credit losses	(1,577,379)	(911,622)
		9,015,957	**8,968,300**

Insurance receivables for the pensions business relate to pension contributions and Group Life Assurance (GLA) premiums that are in arrears. Pension receivables are not accumulated for more than 3 months in accordance with pension regulations. In the event that three months passes with the contributions still outstanding, premiums are reversed. The same applies for GLA premiums.

The premiums for the individual life business are accounted for on a cash basis due to the lapsable nature of the life Insurance contracts. In the event of default, the contract will lapse and the premium will no longer be due to the business hence the criteria to recognise revenue only when received. Refer to note 36.3 for the ageing of Insurance receivables that are past due but not impaired.

For the property and casualty insurance business premiums are booked on inception of the policy, any premium due but not settled after 120 days is reversed or provided for in full

Allowance for credit losses on insurance receivables

Insurance receivables with a value of $1.58 million (2013: $911,622) were impaired and fully provided for due to policyholder defaults. Movements in the allowance for credit losses of insurance receivables were as follows:

		31-Dec-14 US$	31-Dec-13 US$
13.1	**Allowance for credit losses on insurance receivables**		
	At 1 January	911,622	253,021
	Charge for the year	3,526,067	708,960
	Utilised during the year	(2,860,310)	(50,359)
	Closing balance	**1,577,379**	**911,622**
14	**Rental Receivables**		
	Tenant cost recoveries	573,565	517,074
	Rental receivables	2,393,036	1,706,927
	Allowance for credit losses	(1,647,666)	(986,926)
		1,318,935	**1,237,075**

Rental receivables are normally on 30 day terms. Tenants will be charged 10% p.a. as interest on overdue amounts that remain outstanding after 30 days. Refer to note 36.3 for further information relating to credit risk management
Refer to note 36.3 for the aging of rental receivables

		31-Dec-14 US$	31-Dec-13 US$
14.1	**Allowance for credit losses on rental receivables**		
	At 1 January	986,926	765,777
	Charge for the year	1,215,199	446,542
	Utilised during the year	(554,459)	(225,393)
	At 31 December	**1,647,666**	**986,926**
15	**Other receivables**		
	Sundry debtors	3,482,104	699,900
	Staff debtors	705,760	1,400,681
	Staff loans in transit to a financial institution	-	1,853,911
	At 31 December	**4,187,864**	**3,954,492**
	Allowance for credit losses - Trust Bank, AfrAsia Bank & Capital Bank balance	(2,122,105)	(255,133)
	Other receivables excluding prepayments	**2,065,759**	**3,699,359**
	Prepayments:		
	Prepayments – Land	-	4,100,000
	Prepayments - Investment Properties	-	301,468
	Prepayments – Other	483,717	929,649
	Total other receivables	**2,549,476**	**9,030,476**

Sundry debtors comprise of amounts owing to the Group from various counter parties which are receivable within a period of less than three months.

Balances that were sitting with Capital Bank, AfrAsia bank, and Trust Bank in the form of cash and cash equivalence have been fully provided for following the withdrawal of the institutions' banking licences.

		31-Dec-14 US$	31-Dec-13 US$
15.1	**Provision for credit losses**		
	At 1 January	255,133	32,385
	Charge for the year	1,879,568	222,748
	Utilised during the year	(12,596)	-
	Financial assets at fair value through profit and loss	**2,122,105**	**255,133**
16	**Cash and cash equivalents**		
	Money market investments	16,640,881	13,792,628
	Cash at bank and on hand	6,261,850	4,567,052
		22,902,731	**18,359,680**
	Split of cash and cash equivalents		
	Policyholder	5,163,787	2,767,672
	Owners of parent	17,319,380	15,451,288
	Non-controlling interest	419,564	140,720
	Total	**22,902,731**	**18,359,680**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Money market investments are made of varying periods as between one day and three months depending on the immediate cash requirements of the Group and earn interest at the short-term deposit rates.

		31-Dec-14 US$	31-Dec-13 US$
17	**Share Capital**		
17.1	**Authorised**		
	1,000,000,000 Ordinary shares of $0.001 each	**1,000,000**	**1,000,000**
17.2	**Issued and fully paid**		
	380,200,758 Ordinary shares of $0,001 each	**380,201**	**380,201**
17.3	**Unissued shares**		
	Unissued shares, under the control of directors	**619,799,242**	**619,799,242**

	Available for Sale	Change in functional currency	Foreign Currency Translation Reserve	Revaluation Reserve	Solvency Reserve	Share Based Payment Reserve	Redenomination of share capital	Total
17.4 Non Distributable reserves								
At 1 January 2013	**142,298**	**196,730**	**81,918**	**-**	**-**	**-**	**(216,775)**	**204,171**
Transfer to solvency reserve	-	-	-	-	59,596	-	-	59,596
Other comprehensive income	1,866	-	(223,742)	2,281,350	-	-	-	2,059,473
At 1 January 2014	**144,164**	**196,730**	**(141,824)**	**2,281,350**	**59,596**	**-**	**(216,775)**	**2,323,240**
Other comprehensive income	(144,164)	-	(95,707)	-	-	-	-	(239,871)
Share based payments						24,494		24,494
At 31 December 2014	**-**	**196,730**	**(237,531)**	**2,281,350**	**59,596**	**24,494**	**(216,775)**	**2,107,863**

Available for sale reserve
Available for sale reserve refers to cumulative fair value gains on investments that had been set aside for property developmental projects in accordance with the objectives of the Initial Public Offer of 2007.

Foreign currency translation reserve
The change in functional currency reserve relates to the gains/ (losses) that arise in translating the statement of financial position of a foreign subsidiary to the reporting currency 2014 loss of $95,707 (2013: loss of $223,742).

Revaluation reserve
The revaluation surplus arose in the prior year in respect of properties that were reclassified from owner occupied to investment property.

Solvency reserve
The solvency reserve is as a result of a regulatory requirement for the foreign subsidiary.
Re-denomination of share capital and change in functional currency reserve
The reserves in respect of the redenomination of share capital and change in functional currency relate to reserves created on dollarisation when balances were converted to United States Dollars, and the related redenomination of share capital.

17.5 Acquisition of additional interest in Pearl Properties
The Group acquired an additional interest in the voting shares of Pearl Properties (2006) Limited, increasing its ownership interest to 56.52%. Cash consideration of $305,105 was paid to the non-controlling shareholders

	US$
Cash consideration paid to non-controlling shareholders	305,105
Carrying value of the additional interest in Pearl Properties (2006) Limited	(991,035)
Difference recognised in retained earnings	**(685,930)**

17.6 Employee share option scheme.
First Mutual has a Share Option Scheme that was approved by shareholders, the objective of which is to attract, retain and motivate key employees and agents of the First Mutual Group. 19,010,038 (nineteen million ten thousand and thirty eight) shares, representing 5% of the issued ordinary share capital of the Company at the commencement of the scheme, were set aside by the Board for purposes of the scheme. Each year the Board may determine how many share options shall be issued.

Participants to whom an option has been granted under the scheme shall only be entitled to exercise the options in part as follows:
- On the first anniversary of the date of grant, the participant shall be entitled to exercise up to one third (1/3) of the shares offered to him under that particular option;
- On the second anniversary of the date of grant, the participant shall be entitled to exercise an additional one third (1/3) of the shares offered to him under that option;
- On the third anniversary of the date of grant, the participant shall be entitled to exercise an additional one third (1/3) of the shares offered to the participant under that option.
- Options not exercised within five (5) years from the date of grant shall lapse.

Details of the share options outstanding during the year are as follows:-

Date of Grant	Exercise Price US$	Number of Shares 2014
30 April 2014	0.065	7,073,114

There were no movements in share options in the year under review. There also were no options that were exercised given that the first anniversary date is 30 April 2015 as per scheme rules.

In terms of the share option scheme, options were granted on 30 April 2014. The estimated fair value of the options granted on that date was $72,204. The FMHL Group recognized total expenses of $24,494 in respect of the share options that are granted. The options granted mature in batches at every anniversary date and hence will be amortised over the exercisable periods.
The fair value of the options was calculated using the Black-Scholes Merton Optional Valuation Method under the following assumptions:

Grant Date	30 April 2014
Grant Date Share Price US$	0.065
Exercise Price of Option US$	0.065
Risk-Free Interest Rate	8.62%
Annualized Standard Deviation	5.87%
Dividend Yield	0%
Weighted average remaining contractual life	4.33 years
Expected Volatility	5.87%

The standard deviation was calculated over a 3 year period, that from January 2012 to December 2014 but it should be noted that the share is generally not very liquid on the Zimbabwe Stock Exchange. The risk free rate was determined on the power-related bonds issued by Infrastructure Development Bank of Zimbabwe (IDBZ) on behalf of Zimbabwe Electricity Transmission and Distribution Company (ZETDC) and Zimbabwe Power Company (ZPC).

Movement for the Year	2014 Number of Shares	2013 Number of Shares
At 1 January	-	-
Options granted during the year	7,073,114	-
Lapsed Options	-	-
Options exercised during the year	-	-
At 31 December	7,073,114	-
Exercisable at 31 December	-	-

		31-Dec-14 US$	31- Dec -13 US$
18	**Insurance contract liabilities**		
	Insurance contracts with DPF (note 18.1)	14,769,684	13,815,103
	Insurance contracts without DPF (note 18.2)	16,152,456	14,021,302
	Investment contracts with DPF (note 18.3)	57,249,854	55,422,489
	Total insurance and investment contracts with DPF	**88,171,994**	**83,258,894**
	Total Movement for the year	**4,913,098**	**15,017,661**
18.1	**Insurance contracts with DPF**		
	Balance at 1 January	13,815,103	10,865,174
	Movement	954,581	2,949,929
	Balance at 31 December	**14,769,684**	**13,815,103**
18.2	**Insurance contracts without DPF**		
	Balance at 1 January	14,021,304	9,574,327
	Movement	2,131,152	4,446,975
	Balance at 31 December	**16,152,456**	**14,021,302**
18.3	**Investment contracts with DPF**		
	Balance at 1 January	55,422,489	47,801,732
	Movement	1,827,365	7,620,757
	Balance at 31 December	**57,249,854**	**55,422,489**
	Total insurance contracts and investment contracts with DPF liabilities	**88,171,994**	**83,258,894**

The Insurance and investment contracts liabilities with Discretionary Participating Features (DPF) as at 31 December 2014 and 2013 have been actuarially determined using the Financial Soundness Valuation method.

		31-Dec-14 US$	31- Dec -13 US$
19	**Investment contract liabilities**		
	Balance at 1 January	**9,043,836**	**6,742,567**
	Investments performance	(2,325,295)	2,514,090
	Net cash flows	**598,412**	**(212,820)**
	Premium	979,034	20,584
	Claims and policy benefits	(216,811)	(45,055)
	Investment expenses	(98,968)	(115,584)
	Other charges and transfers	(64,843)	(72,765)
	Balance at 31 December	**7,316,953**	**9,043,836**

Adjustments to prior periods

The Group has changed the presentation of the policyholder liability for 2013 and 2012 on the statement of financial position by splitting the liability into a portion relating to insurance contracts and investment contracts with DPF and a portion relating to investment contracts without DPF. In prior years there was no such split provided although both types of contracts were held by policyholders. This change did not result in a change to the total policyholder liabilities.

The change has also resulted in premiums received on investment contracts without DPF being credited to the policyholder liability as opposed to being recognized as income. Claims relating to investment contracts without DPF are debited to the policyholder liability as opposed to being recognized as an expense.

Investment income, fair value gains or losses and investment impairments on assets backing investment contracts without DPF are recognized in the statement of comprehensive income (SOCI) as income of the entity. A corresponding adjustment is made in the SOCI to transfer such investment income, fair value gains or losses and investment impairments to the investment contract without DPF liabilities.

Due to the way the Group calculates its policyholder liability at year end, the change in accounting did not have an effect on profit or loss as the adjustment resulted in a compensating trade-off between the claims expense, the premium income and the movement in policyholder liability.

Below is the impact of the change in accounting treatment on the 2013 profit or loss;

	31 DEC 2013 US$
Increase / (decrease) in Premiums	(20,584)
(Increase) / decrease in Claims	45,055
Increase / (decrease) in Management fees Income on profit or loss	70,612
(Increase) / decrease in Bank Charges	2,153
(Increase) / decrease in Investment fees	115,584
Total increase from the change	**212,820**
Increase in transfer to policyholder offsetting the above increase	**(212,820)**
Net effect on profit or loss	**-**

The effect of the changes on the income statement is to reduce expenses and premium items for the policyholder at the same time increasing the transfer to the policyholder from the income statement by the same amount which results in a set off with no effect on shareholder profit.

The investment contracts without discretionary participation features included investment contracts for the Managed Fund, Econet Pension Fund and First Mutual Holdings Pension Fund. These contracts do not participate in profits but returns are directly linked to market performance.

Actuarial Valuation assumptions

All insurance contract liabilities and investment contract with DPF liabilities as at 31 December 2014 and 2013 were actuarially determined using the Financial Soundness Valuation method. The policyholder liability falls within Level 3 of the fair value hierarchy. The inputs which have a significant effect on the recorded fair value are not based on observable market data.

In calculating Gross premium liabilities above best estimates assumptions (unobservable inputs) were used plus compulsory margins as defined in SAP 104. The best estimate assumptions were derived from experience investigations carried out during the year. The primary assumptions used in in the gross premium valuation (excluding compulsory margins) are as follows (as per Actuarial Valuation report):

- Mortality assumptions were based on mortality investigations conducted during the year with explicit allowance for HIV / Aids
- Expense assumptions of $21 per policy was estimated from the 2013 expense investigation
- Expense inflation assumption of 5%. Economists projected the annual inflation to be negative in the short term due to weak demand in the economy as a result of the liquidity crunch. Management is of the view that in the medium to long term inflation should average 5% as the country is importing more than it is exporting due to low capacity utilization. This trade deficit results in imported inflation.
- Withdrawal rates are based on the Company's current experience.
- The real investment return assumption has also been maintained at 2%

	% p.a. 2014	%p.a. 2013
Investment – untaxed	7.0%	7.0%
Expense inflation	5.0%	5.0%

- A contingency reserve to cover for possible data problems of $398,738 was held as a discretionary reserve.

In addition to the above compulsory margins were allowed for as outlined in SAP104.

The bonus smoothing account is used to reduce policyholders' exposure to market ups and downs. During periods of relatively strong investment performance of the fund's investments, a portion of investment growth is not declared as a bonus. It is held back, so that in times of relatively poor investment performance, there are funds available to declare a higher bonus than would otherwise have been the case.

Change in assumptions from the prior year

19.1 Expense per policy assumption

Expense assumptions were changed as shown below after management carried out an expense investigation

	2014 $ per annum	2013 $ per annum
Individual Assurances	21	18
Funeral Cash Plan	21	15
Individual Annuities	64	41
Unit Linked Assurances	21	18

19.2 Lapse Assumptions

A lapse investigation was carried out which suggested reducing the lapse assumptions. Lapse assumptions were reduced but to maintain stability of the basis, the lapses were not reduced to the levels in the investigation but rather gradually.

Below are the lapse assumptions used for 2014 and 2013.

2014

Product	1st Year	2nd Year	3rd Year	4th Year	Subsequent
Funeral Cash Plan	25%	20%	10%	10%	10%
Wealth Life Plan	15%	7%	5%	5%	5%
Platinum Plan	10%	7%	5%	0%	0%
Early Harvest Plan	10%	7%	5%	0%	0%

2013

Product	1st Year	2nd Year	Subsequent
Funeral Cash Plan	34%	20%	10%
Wealth Life Plan	15%	7%	5%
Platinum Plan	10%	7%	7%
Early Harvest Plan	10%	7%	5%

19.3 Mortality assumptions

A mortality investigation was carried out for the five years ending 31 December 2013. The actual mortality was lower than the valuation assumption, in particular the AIDS assumption. The AIDS assumption was therefore reduced for all products from 50% AIDS HA1 to 33.33%.

Below is a table showing the effect of the change in actuarial assumptions on policyholder liabilities.

Assumption	Effect of Change on Policyholder liabilities
Mortality	(4,058,789)
Expense	2,737,767
Lapse	138,659
Net effect of change in assumptions	**(1,182,363)**

		31-Dec-14 US$	31- Dec -13 US$
20	**Taxation**		
20.1	**Deferred tax liability**		
	At 1 January	**15,012,542**	**11,555,600**
	Recognised through profit or loss	68,002	1,959,923
	Fair value adjustment on available-for-sale investments	-	34
	Revaluation	-	1,496,985
	At 31 December	**15,080,544**	**15,012,542**
	Analysis of deferred tax		
	Arising on vehicles and equipment	3,137	75,153
	Arising on investment properties	15,681,770	14,972,236
	Arising on financial assets at fair value through profit or loss	189,919	2,996
	Arising on available for sale investments	4,870	4,155
	Arising from life business (schedule 8 Income tax Act)	206,189	488,481
	Arising from assessed losses	(271,255)	-
	Receivables and prepayments	894,101	959,974
	Payables and provisions	(1,376,891)	(1,244,985)
	IBNR	(45,968)	(63,854)
	Deferred acquisition costs	(198,853)	(164,974)
	Leave pay provision	(6,475)	(16,640)
	At 31 December	**15,080,544**	**15,012,542**
20.2	**Income tax liability**		
	At 1 January	**(439,005)**	**1,383,709**
	Tax asset	(665,718)	-
	Tax liability	226,713	1,383,709
	Charge for the year	1,265,993	1,620,589
	Tax asset	-	(1,331,436)
	Paid during the year	(1,348,889)	(2,111,867)
	At 31 December	**(521,901)**	**(439,005)**
	Disclosed as : Income tax asset	(620,636)	(665,718)
	: Income tax liability	98,735	226,713
		(521,901)	**(439,005)**
20.3	**Tax expense**		
	Deferred taxation expense	68,002	1,959,923
	Current income tax expense	1,265,993	1,620,589
		1,333,995	**3,580,512**
20.4	**Reconciliation of tax charge**		
	Standard rate		
	Accounting (loss) / profit	(3,733,196)	9,558,963
	Tax standard rate 25.75%	(961,298)	2,461,433
	Financial assets at fair value through profit or loss taxed at different rate	1,479,986	(585,697)
	Effect of expenses not deductible for tax purposes	172,477	1,898,290
	Arising from Schedule 8 of Income Tax Act	158,841	(1,475,291)
	Tax on impairment of money market investments	483,989	
	Impact of write off of tax asset on subsidiary now exempt from tax	-	1,281,777
	Tax charge for the year	**1,333,995**	**3,580,512**
21	**Unearned premium reserve**		
	Balance at 1 January	4,191,181	3,202,918
	Movement for the year	869,246	1,056,221
	Loss on exchange	(90,329)	(67,958)
		4,970,098	**4,191,181**
22	**Insurance liabilities**		
	Outstanding claims	5,688,395	2,531,506
	Losses incurred but not reported	4,896,992	3,541,566
		10,585,387	**6,073,072**

The insurance payables are of a short term nature (less than 12 months).

		31-Dec-14 US$	31- Dec -13 US$
23	**Borrowings**		
	At 1 January	538,776	-
	Loan received	5,700,000	684,000
	Loan repayment	(1,235,938)	(145,224)
	Closing balance	**5,002,838**	**538,776**

A loan of $5.5 million was sourced from a local financial institution to partially fund the acquisition of the land in Mount Pleasant district of Harare and will be at a base rate of minus 3% and drawdown rate of 13%. The tenure of the facility is 5 years and stand 14908 of Salisbury Township called First Mutual Park has been pledged as security.

The group also sourced a loan of $0.2 million to fund the purchase of motor vehicles with the security for the loan being in the form of a Notarial General Covering Bond on the vehicles financed. This loan was an addition to the $0.684 million received in prior year and interest will be charged at 14% while repayment is in monthly instalments over three years.

24	**Trade and other payables**		
	Trade payables	7,799,181	7,551,788
	Payroll and statutory deductions	969,462	914,034
	Medical savings pot	4,229,342	3,842,994
	Commissions	294,651	300,007
	Other	1,162,895	971,127
		14,455,531	**13,579,950**

Trade and other payables are non-interest bearing and are normally on 30 day terms. Provision is made for leave pay when staff accrues leave days. In the event the staff members leave the employ of the Group they are entitled the cash equivalent of their leave days. In the event that it is impractical for staff members to exhaust their leave days according to their leave plan part of the accumulated days can be cashed and the rest utilized by the staff member. There is uncertainty on when a staff member may decide to leave the Group and the liability is calculated based on the normal pay rates

Savings pot balance refers to amounts held on behalf of health care clients as an accumulation from their contributions. The amounts accumulated are meant to cover selected future medical claims as well as to qualifying members for a cash back arrangement if they meet certain claims thresholds. Any balance due to them is payable on termination.

25	**Net premium written**		
	Life assurance and pension	36,190,725	29,876,047
	Health insurance	50,191,865	43,058,291
	Property and casualty - direct	6,282,684	7,050,623
	Property and casualty - reinsurance	22,663,381	21,095,436
	Gross premium	**115,328,655**	**101,080,397**
	Less: Reinsurance recoveries	(9,785,473)	(10,610,372)
	Net premiums	**105,543,182**	**90,470,025**
26	**Rental income**		
	Office	2,871,753	3,163,039
	Retail	3,564,811	3,466,779
	Industry	1,097,303	1,133,797
	Other	7,800	14,850
	Total rental income	**7,541,667**	**7,778,465**
27	**Investment (loss)/income**		
	Interest income from money market investments	1,889,045	2,241,397
	Dividend received	412,885	232,510
	Gain on disposal of quoted investments at fair value through profit or loss	30,262	856,328
	Fair value loss on unquoted equities at fair value through profit or loss	(772,145)	(349,835)
	Fair value (loss) / gain on quoted equities at fair value through profit or loss	(5,330,772)	3,524,366
		(3,770,725)	**6,504,766**
28	**Other income**		
	Tenant interest	263,906	199,951
	Profit on disposal of vehicles and equipment	56,463	89,080
	Fee income	1,371,713	1,098,346
		1,692,082	**1,387,377**

		31-Dec-14 US$	31-Dec-13 US$
29	**Claims and benefits**		
	Health insurance	45,967,318	34,452,944
	Life assurance	4,068,153	5,100,902
	Pensions	11,109,203	3,524,583
	Property and casualty - Direct	1,579,209	1,634,712
	Property and casualty - Reinsurance	8,344,802	6,656,150
		71,068,685	**51,369,291**
	Less: Reinsurance recoveries	(1,039,270)	(1,623,831)
	Net claims and benefits	**70,029,415**	**49,745,460**
30	**Net Commissions paid**		
	Commissions paid	9,592,755	9,313,793
	Commissions received	(2,195,456)	(2,954,011)
	Net commissions paid	**7,397,299**	**6,359,782**
31	**Property expenses**		
	Operating costs recoveries	540,725	87,839
	Maintenance costs	212,888	310,824
	Valuation fees	15,873	460
	Property security & utilities	237,632	135,133
	Landlord costs	95,679	418,105
	At 31 December 2014	**1,102,797**	**952,361**

Property expenses relate to properties that generated rental income during the year

32.	**Profit before taxation**		
	The profit before tax is shown after charging:		
	Staff costs (note 32.1)	13,411,410	13,835,079
	Directors' fees - holding company	98,246	83,011
	- group companies	306,373	156,298
	Depreciation of property, vehicles and equipment	1,292,091	1,600,050
	Amortisation of intangible assets	192,682	192,504
	Audit fees	463,738	334,115
	Other Costs	9,108,259	9,679,049
	Total expenses of management	**24,872,799**	**25,880,106**
32.1	**Staff costs**		
	Wages and salaries	9,560,621	9,782,414
	Social security and health insurance costs	1,582,033	1,000,199
	Defined contribution pension costs	715,105	941,540
	Share based payments	24,494	-
	Other staff costs	1,529,157	2,110,926
	Total staff costs	**13,411,410**	**13,835,079**

Staff Pension and Life Assurance scheme

All employees are members of the First Mutual Staff Pension and Life Assurance Scheme, which is a defined contribution pension plan. The Group's contributions to the defined contribution pension plan are charged to the profit or loss in the year in which they relate.

National Social Security Authority Scheme

The Group and its employees contribute to the National Social Security Authority Pension Scheme. This is a social security scheme, which was promulgated under the National Social Security Act. The Group obligations under the scheme are limited to specific contributions legislated from time to time.

32.2 Rationalisation expenses

Following a rationalisation exercise that was concluded in 2014, the Group incurred a cost of $2,498,012 (2013: Nil) representing the pay-outs to employees retrenched. $368,290 remained outstanding as at 31 December 2014 payable in 2015.

The pay-out was based on either:

a) What would have been mutually agreed between the company and the affected employee, or
b) Where the parties failed to agree, the package approved by the Retrenchment Board.

33 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS 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 that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	31-Dec-14 US$	31- Dec -13 US$
33.1 Basic earnings per share		
(Loss)/profit attributable to ordinary equity holders of the company	(6,599,822)	1,627,429
Weighted average number of shares in issue	380,200,758	380,200,758
Basic (loss)/profit per share (US cents)	**(1.74)**	**0.43**
33.2 Diluted earnings per share		
(Loss)/profit attributable to ordinary equity holders of the company	(6,599,822)	1,627,429
Weighted average number of shares in issue	380,200,758	380,200,758
Weighted number of shares adjusted for the effects of dilution	380,200,758	380,200,758
Diluted (loss)/profit per share (US cents)	**(1.74)**	**0.43**

The share options are not dilutive as the exercise price is above the market price at 31 December 2014

34 Commitments and contingent liabilities

34.1 Commitments

34.1.1 Authorised but not contracted for:

There were no commitments authorised but not contracted for as at year-end.

34.1.1.2 Authorised and contracted for:

The Group, through its subsidiary, Pearl Properties (2006) Limited is committed to utilizing funds raised at the Initial Public Offer for the construction of capital projects. The funds that are still to be utilised in respect of this commitment amount to US$389,823 (2013: US$415,460).

35 Related party disclosures

Related companies

Related party transactions exist between First Mutual Holdings Limited and its fellow subsidiaries.

The National Social Security Authority (NSSA) is the ultimate parent company of First Mutual Holdings Limited. NSSA holds an effective 51% in First Mutual directly and indirectly as at 31 December 2014.

Capital Bank, which is owned 84% by NSSA, held a 20% shareholding in First Mutual Holdings Limited as at 31 December 2014.

35.1 Subsidiaries and associates

The financial statements comprise the financial statements of First Mutual and its subsidiaries and associate companies listed in the following table (indicating the extent of ownership):

		31-Dec-14	31- Dec -13
First Mutual Life Assurance Company (Private) Limited		100%	100%
FMRE Property and Casualty (Private) Limited		100%	100%
FMRE Life and Health (Private) Limited		100%	100%
Pearl Properties (2006) Limited		57%	56%
TristarInsurance Company Limited		100%	100%
African Actuarial Consultants (Private) Limited		100%	100%
Rainbow Tourism Group		20%	20%
First Mutual Health Company (Private) Limited		100%	100%
First Mutual Wealth Management (Private) Limited		100%	100%
FMRE Property and Casualty (Proprietary) Limited*		100%	100%
Pearl Properties (2006) Limited is controlled 56.52% by First Mutual Group as follows:			
First Mutual Holdings Limited	- the company	0.24 %	0.80%
First Mutual Life Assurance Company	- Shareholders	11.50 %	11.50%
First Mutual Life Assurance Company	- Policyholders	40.09 %	39.27%
FMRE Property and Casualty	- Shareholders	1.52 %	1.13%
FMRE Life and Health	- Shareholders	1.04 %	1.04%
TristarInsurance	- Shareholders	1.35 %	1.35%
First Mutual Health Company	- Shareholders	0.77 %	-
		56.52 %	55.09 %

* This company is registered and operates in Botswana

	31-Dec-14 US$	31- Dec -13 US$
35.2 Transactions and balances with related companies:		
Expenditure/Income		
Capital Bank - bank charges	-	96
National Social Security Authority - social security contributions	276,172	276,618
Interest income - Capital Bank	-	282,796
Balances		
Capital Bank - cash at bank	-	493,665
Capital Bank - money market investments	-	741,594
Capital Bank – impairment of bank balances and money market investments	1,306,423	-

35.3 Compensation of key management:

Key management personnel includes Executive Directors and Senior Management of the group

Short term employment benefits	3,320,593	3,496,113
Post-employment pension and medical benefits	450,542	456,279
Share based payments	24,494	-
Total compensation paid to key management personnel	**3,795,629**	**3,952,392**

35.4 Loans to directors and officers:

Executive Directors	**-**	**221,573**

35.5 Directors' and other key management's interest in the employee share option scheme:

In terms of the share option scheme 19,010,038 options were granted to executive directors and key management on 30 April 2014. There were no share options exercised by executive members of the Board of Directors to purchase ordinary shares of the Group.

35.6 Material partly – owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests are provided below

Portion of equity interest held by non-controlling interest

Name	Country of Incorporation and operation	2014	2013
Pearl Properties (2006) Limited	Zimbabwe	43.48%	44.31%

	2014 US$	2013 US$
Accumulated balances of material non-controlling interest		
Pearl Properties (2006) Limited	53,919,384	53,377,757
Profit allocated to non-controlling interest:		
Pearl Properties (2006) Limited	1,532,662	4,351,020

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations

Summarised statement of profit or loss		
Revenue	8,777,892	9,022,322
Direct expenses	(2,317,996)	(1,683,164)
Administration expenses	(2,982,268)	(3,364,339)
Operating profit	**3,477,628**	**3,974,819**
Investment Income	1,333,930	8,727,740
Profit before tax	**4,811,558**	**12,702,559**
Income tax	(1,286,578)	(2,878,970)
Profit for the year	**3,524,980**	**9,823,589**
Other comprehensive income	29,533	(205,225)
Total comprehensive income	**3,554,513**	**9,618,364**
Attributable to non-controlling interest	1,532,662	4,351,020
Dividends paid to non-controlling interest	-	-
Summarised statement of financial position as at		
Investment properties	140,797,000	128,142,001
Property, plant and equipment and other non-current financial assets	2,248,218	1,176,874
Inventories, cash and bank, current financial assets and other receivables (current)	6,316,093	10,445,000
Non - current liabilities (deferred tax only)	(15,511,194)	(14,969,275)
Long term liabilities	(3,391,667)	-
Trade and other payable (current)	(2,945,581)	(836,244)
Total equity	**127,512,869**	**123,958,356**

	31-Dec-14 US$	31- Dec -13 US$
Summarised cash flow information for year ending 31 December		
Operating	7,188,861	(2,058,951)
Investing	(11,179,344)	126,037
Financing	4,637,861	-
Net increase /(decrease) in cash and cash equivalents	**647,378**	**(1,932,914)**

36 Group Financial Risk Management

The Group is exposed to financial risk through its financial assets and liabilities, insurance and reinsurance assets and liabilities. The most important components of financial risk are investment risk, equity price risk, interest rate risk, liquidity risk, currency risk, and credit risk.

36.1 Investment Risk

The Group's investment risk management system operates through a hierarchy of investment limit approvals. Individual fund managers within group investments have authority to trade within certain limits. Investments in excess of the specified limits require the approval of the Group Investment Committee. In addition, the Group Investment Committee makes all decisions regarding property investments and unquoted companies' share transactions.

36.2 Equity Price Risk

Equity price risk is the potential loss arising from changes in the market price of a financial instrument as a result of fluctuations in the market price. A substantial part of the equity portfolio comprises listed counters. Unquoted counters are subjected to periodic financial analysis and review. The group's equity price risk policy is to manage such risks by setting and monitoring objectives on investments, diversification of portfolios and setting limits on investment in each sector.

31 December 2014 analysis

% change in market price	Impact on profit before tax US$	Impact on equity (retained earnings) US$
10%	1,899,189	1,410,148
(10%)	(1,899,189)	(1,410,148)

31 December 2013 analysis

% change in market price	Impact on profit before tax US$	Impact on equity (retained earnings) US$
10%	2,479,151	1,840,770
(10%)	(2,479,151)	(1,840,770)

At the reporting date, the exposure to listed equity securities at fair value through profit and loss was $18,991,887 (2013 - $25 563,655) and to unlisted equities classified as available for sale was $Nil (2013- $10,302).

36.3 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- A Group credit policy which sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group Combined Audit and Actuarial Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or group of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held.
- Guidelines are in place to determine when to obtain collateral and guarantees.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, the boards and management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowances for impairment.
- The Group sets maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.
- Maximum exposure to credit risk for the Group is equal to the carrying amount of the financial assets as disclosed in the statement of financial position.

As at 31 December 2014 the analysis of financial assets that were past due but not impaired is set out below:

	Neither past due nor impaired 30 days US$	Past due but not impaired 60 days US$	90 days US$	120 days US$	Total US$
31 December 2014					
Insurance receivables	2,440,397	1,010,760	2,287,965	3,276,835	9,015,957
Rental receivables	132,342	133,981	114,370	938,242	1,318,935
Other receivables excluding prepayments	616,495	428,288	536,124	484,852	2,065,759
Total	**3,189,234**	**1,573,029**	**2,938,459**	**4,699,929**	**12,400,651**
31 December 2013					
Insurance receivables	4,450,116	1,289,381	1,076,882	2,151,921	8,968,300
Rental receivables	1,058,996	94,655	39,162	44,263	1,237,075
Other receivables excluding prepayments	1,127,047	944,709	918,275	709,328	3,699,359
Total	**6,636,159**	**2,328,745**	**2,034,319**	**2,905,512**	**13,904,734**

36.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations which carry a fixed interest rate. The Group is not exposed to the risk of changes in market interest rates as a result of the Group's long-term debt obligations. As a result of the fixed nature of interest rates, no interest rate sensitivity analysis has been presented.

36.5 Operating lease commitments with the group as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the lease arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases. This involves the analysis of likelihood of exercising extension options, lease term analysis, etc. The lease rental in most of the lease arrears are revised on an annual basis.

36.6 Liquidity Risk

It is the Group's policy to ensure that resources are at all times available to meet cash flow requirements as they arise. Cash outflows arise from normal payment of intimated claims and benefits falling due, purchase of investments and other operating commitments. But such outflows are adequately matched by inflows from premium income, maturing investments and investment income. The Group maintains and monitors comprehensive cash flow forecasts and budgets.

The table below summarises the maturity profile of the Group's financial assets and financial liabilities based on contractual and undiscounted payments.

Assets 31 December 2014	M<1 month US$	1 month<M< 3 months US$	3 months < M <1 year US$	1 year < M < 5 years US$	TOTAL US$
Held to maturity investments	-	-	7,472,667	-	7,472,667
Available for sale investments	-	-	-	-	-
At fair value through profit and loss	-	18,991,887	-	-	18,991,887
Insurance receivables	-	9,015,957	-	-	9,015,957
Rental receivables	1,318,935	-	-	-	1,318,935
Other receivables	-	2,549,476	-	-	2,549,476
Cash and cash equivalents	22,902,731	-	-	-	22,902,731
Total Assets	**24,221,666**	**30,557,320**	**7,472,667**	**-**	**62,251,683**
Liabilities					
Borrowings	-	475,639	1,385,667	3,141,532	5,002,838
Trade and other payables	14,455,531	-	-	-	14,455,531
Investment contract liabilities	-	-	-	7,316,953	7,316,953
Insurance payables	-	-	10,585,387	-	10,585,387
Total Liabilities	**14,455,531**	**475,639**	**11,971,054**	**10,458,485**	**37,360,709**

Assets 31 December 2013	M<1 month US$	1 month<M< 3 months US$	3 months < M <1 year US$	1 year < M < 5 years US$	TOTAL US$
Held to maturity investments	-	-	3,998,587	-	3,998,587
Available for sale investments	-	10,302	-	-	10,302
At fair value through profit and loss	-	25,563,655	-	-	25,563,655
Insurance receivables	-	8,968,300	-	-	8,968,300
Rental receivables	1,237,075	-	-	-	1,237,075
Other receivables	-	9,030,476	-	-	9,030,476
Cash and cash equivalents	18,359,680	-	-	-	18,359,680
Total Assets	**19,596,755**	**43,572,733**	**3,998,587**	**-**	**65,168,075**
Liabilities					
Borrowings	-	-	-	538,776	538,776
Trade and other payables	13,579,950	-	-	-	13,579,950
Investment contract liabilities	-	-	-	9,043,836	9,043,836
Insurance payables	-	-	6,073,072	-	6,073,072
Total Liabilities	**13,579,950**	**-**	**6,073,072**	**9,582,612**	**29,235,634**

The table below summarises the expected utilisation or settlement of assets and liabilities

Maturity analysis on expected maturity basis 31 December 2014

	Current US$	Non-current US$	Total US$
Assets			
Tax asset	620,636		620,636
Property, vehicles and equipment		11,256,014	11,256,014
Intangible assets		268,051	268,051
Investment properties		127,797,001	127,797,001
Held to maturity investments		7,472,667	7,472,667
Available for sale investments		-	-
At fair value through profit and loss		18,991,887	18,991,887
Investment in associate		7,081,684	7,081,684
Inventory	2,952,089		2,952,089
Deferred acquisition costs	1,111,471		1,111,471
Insurance receivables	9,015,957		9,015,957
Rental receivables	1,318,935		1,318,935
Other receivables	2,549,476		2,549,476
Cash and cash equivalents	22,902,731		22,902,731
Total assets	**40,471,295**	**172,867,304**	**213,338,599**
Liabilities			
Insurance contract liabilities		88,171,994	88,171,994
Borrowings		5,002,838	5,002,838
Investment contract liabilities		7,316,953	7,316,953
Income tax liability	98,735		98,735
Deferred tax liability		15,080,544	15,080,544
Trade and other payables	14,455,531		14,455,531
Unearned premium reserve	4,970,098		4,970,098
Insurance liabilities	10,585,387		10,585,387
Total liabilities	**30,109,751**	**115,572,329**	**145,682,080**

Maturity analysis on expected maturity basis 31 December 2013

	Current US$	Non-current US$	Total US$
Assets			
Tax asset	-	665,718	665,718
Property vehicles and equipment	-	12,059,640	12,059,640
Intangible assets	-	460,733	460,733
Held to maturity investments	-	3,998,587	3,998,587
Available for sale investments	10,302	-	10,302
At fair value through profit and loss	-	25,563,655	25,563,655
Investment in associate	-	7,014,047	7,014,047
Inventory	1,494,812	-	1,494,812
Deferred acquisition costs	786,322	-	786,322
Premium debtors	8,968,300	-	8,968,300
Rental receivables	1,237,075	-	1,237,075
Other receivables	9,030,476	-	9,030,476
Cash and cash equivalents	18,359,680	-	18,359,680
Total assets	**39,886,967**	**49,762,380**	**89,649,347**
Liabilities			
Insurance contract liabilities	-	83,258,894	83,258,894
Borrowings	-	538,776	538,776
Investment contract liabilities	-	9,043,836	9,043,836
Income tax liability	226,713	-	226,713
Deferred tax liability	-	15,012,542	15,012,542
Trade and other payables	13,579,950	-	13,579,950
Unearned premium reserve	4,191,181	-	4,191,181
Insurance liabilities	6,073,072	-	6,073,072
Total liabilities	**24,070,916**	**107,854,048**	**131,924,964**

36.7 Foreign Exchange Risk

The following table details the Group's sensitivity to a 10% increase and decrease in the dollar against the relevant foreign currencies with all other variables held constant. 10% represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and is calculated by adjusting the translation of foreign currency amounts at the period end for a 10% change in foreign currency rates.

		31 December 2014		31 December 2013	
Currency	Change in variables US$	Impact on profit before tax US$	Impact on retained earnings US$	Impact on profit before tax US$	Impact on retained earnings US$
South African Rand (ZAR)	+10%	18,871	14,012	33,736	25,049
Malawi Kwacha	+10%	4,243	3,150	-	-
South African Rand (ZAR)	-10%	(18,871)	(14,012)	(33,736)	(25,049)
Malawi Kwacha	-10%	(4,243)	(3,150)	-	-

This method used for deriving sensitivity information and significant variables did not change from the previous period.

36.8 Insurance Risk

The Group is exposed to insurance risk arising from its insurance contracts with policyholders and other beneficiaries. The main risk that the Group faces is that the actual claims and benefits payments or the timing thereof differ from expectations. The above risk exposure is mitigated by the use of careful selection procedures and implementation of underwriting procedures, use of actuarial models which calculate premiums and monitor claims patterns, as well as the use of reinsurance arrangements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relates to the valuation of insurance contract liabilities

The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality on historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style that could result in significant changes to the expected future mortality exposure.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders.
Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.
The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

Life insurance contract sensitivity analysis

At 31 DECEMBER 2014	Change in assumptions	Impact on liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
Base					
Mortality	+10%	(1,096,464)	(1,096,464)	(1,096,464)	(814,125)
Mortality	-10%	1,129,410	1,129,410	1,129,410	(838,587)
Investment return	+1%	1,126,819	1,126,819	1,126,819	836,663
Expenses	+10%	(958,251)	(958,251)	(958,251)	(711,501)
Lapse and surrenders rate	+10%	659,427	659,427	659,427	489,625

At 31 DECEMBER 2013	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
Base					
Mortality	+10%	740,860	761,826	(1,143,446)	(851,296)
Mortality	-10%	(728,428)	(749,043)	1,177,647	876,758
Investment return	+1%	(2,920,762)	(3,003,420)	1,091,678	812,754
Expenses	+10%	1,218,249	1,252,725	(801,652)	(596,830)
Lapse and surrenders rate	+10%	(774,926)	(796,856)	741,215	551,835

Concentration risk

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography and number of contracts written per product type. The following tables show the concentration of life insurance liabilities and investment contract liabilities by type of contract.

31 DECEMBER 2014	Investment contract liabilities with DPF $	Investment contract liabilities without DPF $	Insurance contract liabilities with DPF $	Insurance contract liabilities without DPF $	Total Insurance and Investment contract liabilities $
Pensions	54,318,304	7,316,951	13,145,654	6,174,440	80,955,348
Individual life	2,959,469	-	1,624,030	8,864,397	13,447,896
Group Life	-	-	-	1,113,619	1,113,619
Total	**57,277,773**	**7,316,951**	**14,769,684**	**16,152,456**	**95,516,864**

31 DECEMBER 2013	Investment contract liabilities with DPF $	Investment contract liabilities without DPF $	Insurance contract liabilities with DPF $	Insurance contract liabilities without DPF $	Total Insurance and Investment contract liabilities $
Pensions	52,869,790	9,043,835	12,679,354	5,719,892	80,312,871
Individual life	2,552,699	-	1,135,749	7,363,777	11,052,225
Group Life	-	-	-	937,635	937,635
Total	**55,422,489**	**9,043,835**	**13,815,103**	**14,021,304**	**92,302,731**

The concentration table for 2013 has been restated to allow for a more refined presentation of policyholder liability concentration by type of product and contract type.

Property and Casualty claims development table

Accident year	2009	2010	2011	2012	2013	2014	Total
At end of accident year	**3,463,349**	**6,592,617**	**6,589,800**	**7,673,260**	**8,912,682**	**9,843,169**	**43,074,877**
One year later	3,463,349	6,592,617	6,589,800	7,673,260	8,912,682	-	-
Two years later	3,463,349	6,592,617	6,589,800	7,673,260	-	-	-
Three years later	3,463,349	6,592,617	6,589,800	-	-	-	-
Four years later	3,463,349	6,592,617	-	-	-	-	-
Five years later	3,463,349	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**3,463,349**	**6,592,617**	**6,589,800**	**7,673,260**	**8,912,682**	**9,843,169**	**43,074,877**
At end of accident year	**(4,323,968)**	**(6,993,047)**	**(7,290,182)**	**(7,213,932)**	**(8,297,439)**	**(8,279,301)**	**(42,397,869)**
One year later	(3,770,364)	(6,473,643)	(6,711,279)	(6,816,950)	(8,297,439)	-	-
Two years later	(3,955,726)	(6,878,574)	(7,006,482)	(7,213,932)	-	-	-
Three years later	(4,045,955)	(6,945,220)	(7,290,182)	-	-	-	-
Four years later	(4,105,833)	(6,993,047)	-	-	-	-	-
Five years later	(4,323,968)	-	-	-	-	-	-
Cumulative payments to date	**(4,323,968)**	**(6,993,047)**	**(7,290,182)**	**(7,213,932)**	**(8,297,439)**	**(8,279,301)**	**(42,397,869)**
NET Insurance contract							
Outstanding claims provision as at 31.12.14	(860,619)	(400,430)	(700,382)	459,328	615,243	1,563,868	677,008
*Outstanding claims provision for foreign subsidiary	-	-	-	-	-	199,561	199,561
Total	**-**	**-**	**-**	**-**	**-**	**-**	**876,569**

*There was no claims development table for FMRE Property & Casualty (Proprietary) Limited which is domiciled in Botswana because of the absence of sufficient historical information.

Health Insurance claims development table

Treatment year	Before First Half 2012	First Half 2012	Second Half 2012	First Half 2013	Second Half 2013	First Half 2014	Second Half 2014	Total (USD)
At end of treatment half	-	**12,402,706**	**13,449,859**	**17,031,993**	**18,868,178**	**26,429,855**	**28,102,546**	**116,285,137**
One half later	-	12,402,706	13,449,859	17,031,993	18,868,178	26,429,855	-	-
Two halves later	-	12,402,706	13,449,859	17,031,993	18,868,178	-	-	-
Three halves later	-	12,402,706	13,449,859	17,031,993	-	-	-	-
Four halves later	-	12,402,706	13,449,859	-	-	-	-	-
Five halves later	-	12,402,706	-	-	-	-	-	-
Current estimate of cumulative claims incurred	-	**12,402,706**	**13,449,859**	**17,031,993**	**18,868,178**	**26,429,855**	**28,102,546**	**116,285,137**
At end of treatment half	-	**(12,142,294)**	**(13,039,107)**	**(16,951,279)**	**(18,566,088)**	**(25,141,135)**	**(23,161,060)**	**(113,853,520)**
One half later	-	(12,925,012)	(13,042,696)	(18,240,487)	(19,553,564)	(26,895,036)	-	-
Two halves later	-	(12,925,052)	(13,046,772)	(18,258,689)	(19,553,564)	-	-	-
Three halves later	-	(12,927,099)	(13,057,454)	(18,258,689)	-	-	-	-
Four halves later	-	(12,927,717)	(13,057,454)	-	-	-	-	-
Five halves later	-	(12,927,717)	-	-	-	-	-	-
Cumulative payments to date	-	**(12,927,717)**	**(13,057,454)**	**(18,258,689)**	**(19,553,564)**	**(26,895,036)**	**(23,161,060)**	**(113,853,520)**
Outstanding claims as at 31 December 2014	-	**(525,011)**	**392,405**	**(1,226,696)**	**(685,386)**	**(465,181)**	**4,941,486**	**2,431,617**

36.9 Capital Management Policies

The Group's capital comprises equity and retained earnings. It is the Group's objective to retain a positive capital ratio to support the development of the business. The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. Where necessary, capital is redeployed to subsidiaries from the Holding Company through dividends received or its own capital resident at the Holding Company.

There were no changes made to the objectives, processes, or policies during the year ended 31 December 2014.
As at 31 December 2014, all the Group's affected subsidiaries except FMRE L&H were compliant with the minimum capital requirements. The subsidiaries were capitalised as follows:

Capital Employed	31-Dec-14 US$	Regulatory Capital US$
FMRE Life & Health	1,111,104	1,500,000
FMRE Property & Casualty Zimbabwe	6,189,077	1,500,000
FMRE Property & Casualty Botswana	2,434,720	1,500,000
TristarInsurance Company	1,533,629	1,500,000
First Mutual Life Assurance	8,180,973	2,000,000

The Group has obtained a licence from the Insurance and Pensions Commission of Zimbabwe (IPEC) to merge the operations of the two reinsurance businesses i.e. FMRE Property & Casualty and FMRE Life & Health. This will result in the latter meeting the minimum capital requirement as the combined capital of the two businesses will be more than the required $3 million.

Capital Employed	31-Dec-13 US$	Regulatory Capital US$
FMRE Life & Health	1,172,682	1,500,000
FMRE Property & Casualty Zimbabwe	5,953,094	1,500,000
FMRE Property & Casualty Botswana	2,247,252	1,500,000
TristarInsurance Company	905,919	1,500,000
First Mutual Life Assurance	7,718,121	2,000,000

		31-Dec-14	31-Dec-13
37	**Proposed dividend on ordinary shares**		
	Final cash dividend for 2014 nil (2013: 0.1cents per share)	-	380,201

Subsequent to year-end no dividend was declared for the year (2013 0.1cents per share on 380,200,758 shares).

Segment Information

Segment information is presented in respect of the Group's operating segments. The Group's businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The business segments are based on the Group management and internal reporting structure.

Measurement of segment assets and liabilities and segment income and results is based on the accounting policies set out in the accounting policy notes.

Intersegment transactions, which occurred during the year, are conducted on an arm's length basis in a similar manner to third party transactions.

The Group comprises four reportable operating segments:

Life and pensions business

The insurance segment comprises life assurance and reassurance.

Health insurance

This relates to the medical insurance business.

Property and casualty insurance

The segment comprises direct insurance and reinsurance.

Property and other segment

The property and other segment comprises property business, wealth management and actuarial consultancy

Segmental Analysis

As at 31 December 2014

	Life	Property & Casualty	Health	Property & Other	Gross Figures	Consolidation Entries	Total Consolidated
Net Premium Earned	36,431,144	19,965,415	49,213,069	-	105,609,628	(935,692)	104,673,936
Rental Income	-	-	-	8,699,564	8,699,564	(1,157,897)	7,541,667
Investment Income and fair value adjustment on investment property	(1,454,691)	209,073	104,250	1,505,247	363,879	(3,013,974)	(2,650,095)
Other income	99,182	446,516	269,119	5,460,999	6,275,816	(4,583,734)	1,692,082
Total Income	**35,075,635**	**20,621,004**	**49,586,438**	**15,665,810**	**120,948,887**	**(9,691,297)**	**111,257,590**
Total expenses	**(32,866,900)**	**(18,825,790)**	**(53,041,623)**	**(11,372,313)**	**(116,106,626)**	**1,386,212**	**(114,720,414)**
Non-current assets	96,472,999	5,318,245	1,992,378	159,790,999	263,574,621	(90,707,318)	172,867,303
Current assets	14,215,202	16,639,516	7,662,976	7,868,404	46,386,097	(5,914,801)	40,471,297
Non-current liabilities	96,672,000	554,977	-	21,433,982	118,660,959	(3,088,630)	115,572,329
Current liabilities	4,807,266	11,245,358	12,131,931	7,378,860	35,563,415	(5,453,664)	30,109,751
Cash flows from operating activities	**3,998,002**	**434,750**	**2,667,002**	**8,050,988**	**15,150,742**	**(317,053)**	**14,833,689**
Cash flows utilized on investing activities	**(3,329,583)**	**(858,264)**	**(115,120)**	**454,000**	**(3,848,967)**	**(10,220,427)**	**(14,069,394)**
Cash utilised in financing activities	**667,500**	**(137,913)**	**-**	**(854,870)**	**(325,283)**	**4,104,040**	**3,778,757**
Profit before tax	**1,625,150**	**1,203,429**	**(3,455,184)**	**3,435,525**	**2,808,920**	**(6,542,115)**	**(3,733,195)**

As at 31 December 2013

	Life	Property & Casualty	Health	Property & Other	Gross Figures	Consolidation Entries	Total Consolidated
Net Premium Earned	29,749,300	17,060,573	42,877,788	-	89,687,661	(273,857)	89,413,804
Rental Income	-	-	-	9,012,479	9,012,479	(1,234,014)	7,778,465
Investment Income and fair value adjustment on investment property	8,856,480	(177,311)	531,016	6,089,665	15,299,850	(699,047)	14,600,803
Other income	255,996	164,545	232,972	10,871,354	11,524,867	(10,137,490)	1,387,377
Total Income	**38,861,776**	**17,047,807**	**43,641,776**	**25,973,498**	**125,524,857**	**(12,344,408)**	**113,180,449**
Total expenses	**(22,154,033)**	**(16,962,507)**	**(41,753,923)**	**(10,296,374)**	**(91,166,837)**	**(12,657,347)**	**(103,824,184)**
Non-current assets	94,812,559	4,505,255	2,137,324	147,302,111	248,757,249	(84,088,285)	164,668,964
Current assets	12,897,103	15,789,687	7,874,881	12,568,199	49,129,870	(8,587,486)	40,542,384
Non-current liabilities	92,802,063	208,729	-	15,982,901	108,993,693	(1,139,644)	107,854,049
Current liabilities	4,640,321	10,979,950	9,033,597	7,126,967	31,780,835	(7,709,920)	24,070,915
Cash flows from operating activities	**5,521,000**	**(968,185)**	**2,144,263**	**(589,497)**	**6,107,581**	**(2,113,209)**	**3,004,372**
Cash flows utilized on investing activities	**(7,729,000)**	**(440,833)**	**67,374**	**(1,154,396)**	**(9,256,855)**	**(1,115,868)**	**(10,372,723)**
Cash utilised in financing activities				**(417,331)**	**(417,331)**	**956,107**	**538,776**
Profit before tax	**16,645,925**	**85,301**	**1,887,853**	**15,437,124**	**34,056,203**	**(24,497,242)**	**9,558,961**

Analysis of additions during the year

Additions to non-current assets	Office Equipment	Motor Vehicles	Office Furniture	Investment Property	Land & buildings	TOTAL
31-Dec-14	124,368	322,646	173,958	11,449,370	-	**12,070,342**
31-Dec-13	166,033	904,300	58,382	229,965	64,350	**1,423,030**

	31-Dec-14 US$	31-Dec-13 US$
Geographical concentration of Gross Premium Written		
Zimbabwe	106,728,180	95,222,505
Other countries	8,600,475	5,857,892
Total	**115,328,655**	**101,080,397**

Company statement of

Financial Position

As at 31 December 2014

	Notes	31-Dec-14	31-Dec-13
ASSETS			
Non Current Assets			
Property, plant and equipment		651,865	1,016,274
Investments		16,496,646	16,911,190
Total Non Current Assets		**17,148,511**	**17,927,464**
Current Assets			
Other receivables	1	39,187	380,903
Intercompany receivables	2	342,672	601,098
Consumable stocks		29,068	32,412
Bank & cash balances		115,707	200,255
Total Current Assets		**526,634**	**1,214,668**
TOTAL ASSETS		**17,675,145**	**19,142,132**
EQUITY AND LIABILITIES			
Equity			
Share capital		380,201	380,201
Share premium		7,957,888	7,957,888
Capital reserves		291,077	291,077
Retained earnings		1,899,312	4,338,825
Total Equity		**10,528,478**	**12,967,991**
Non Current Liabilities			
Deferred Taxation		942,511	376,980
Intercompany loans		5,300,493	4,887,012
Long Term Loan		378,829	521,685
Total Non Current Liabilities		**6,621,833**	**5,785,677**
Current Liabilities			
Trade and other payables		409,681	388,464
Intercompany payables		115,153	-
Total Current Liabilities		**524,834**	**388,464**
TOTAL EQUITY AND LIABILITIES		**17,675,145**	**19,142,132**

Schedules to company statement of
Financial Position
As at 31 December 2014

		31-Dec-14	31-Dec-13
1	**Other receivables**		
	Staff debtors	17,086	280,801
	Prepayments	17,847	20,690
	Sundry debtors	4,254	79,412
		39,187	**380,903**
2	**Intercompany receivables**		
	First Mutual Life	-	316,528
	First Mutual Wealth Management	132,917	1,650
	First Mutual Health	55,661	51,722
	Pearl Properties	6,666	56,855
	FMRE Property & Casualty Botswana	2,214	70
	FMRE Property & Casualty Zimbabwe	40,327	114,265
	FMRE Life & Health	22,098	27,084
	TristarInsurance	82,789	32,924
		342,672	**601,098**

Statement of
Changes in Equity
for the year ended 31 December 2014

	Share Capital	Share Premium	Capital Reserve	Retained Earnings	Total
As at 1 January 2013	**380,201**	**7,957,888**	**291,077**	**1,335,026**	**9,964,192**
Profit for the year	-	-	-	3,003,799	3,003,799
As at 31 December 2013	**380,201**	**7,957,888**	**291,077**	**4,338,825**	**12,967,991**
Dividend paid	-	-	-	(380,201)	(380,201)
Loss for the year	-	-	-	(2,059,312)	(2,059,312)
As at 31 December 2014	**380,201**	**7,957,888**	**291,077**	**1,899,312**	**10,528,478**

Top 20

Shareholders

as at 31 December 2014

Rank	Account Name	Shares	%
1	NATIONAL SOCIAL SECURITY AUTHORITY	195,154,770	51%
2	CAPITAL BANK CORPORATION LIMITED	76,343,373	20%
3	STANBIC NOMINEES (PRIVATE) LIMITED	8,103,854	2%
4	ZISCO	4,220,237	1%
5	ZIMBABWE ASSOCIATION OF CHURCH RELATED HOSPITALS (ZACH) PENSION SCHEME	3,329,940	1%
6	RENAISSANCE SECURITIES NOMINEES (TWO) (PRIVATE) LIMITED	3,092,406	1%
7	AFRE CORPORATION LIMITED SHARE PURCHASE TRUST	2,843,763	1%
8	FIRST MUTUAL LIFE ASSURANCE COMPANY	2,754,300	1%
9	RUFARO	2,172,199	1%
10	NATIONAL RAILWAYS OF ZIMBABWE CONTRIBUTORY PENSION FUND	1,912,542	1%
11	COMMUNICATIONS AND ALLIED INDUSTRIES PENSION FUND	1,655,695	0%
12	CONSTRUCTION INDUSTRY PENSION FUND	1,517,746	0%
13	HAYES, NOEL (NNR)	1,342,029	0%
14	COLNEST ZIMBABWE PENSION PLAN	1,281,135	0%
15	AUTUMN GOLD GROUP PENSION PLAN	1,135,999	0%
16	ZIMBABWE ELECTRICITY IND PENSION FUND	1,007,605	0%
17	TFS NOMINEES (PVT)LTD	804,474	0%
18	PRESERVATION FUND	709,189	0%
19	STANBIC NOMINEES (PVT)LTD NNR	709,152	0%
20	COMMUNICATION ZIMBABWE GROUP PENSION PLAN (COMMAF)	679,410	0%
	TOTAL	**310,769,818**	**82%**
	OTHER SHAREHOLDERS	**69,430,940**	**18%**
	TOTAL NUMBER OF SHARES	**380,200,758**	**100%**

Notice to Shareholders

Notice is hereby given that the twelfth Annual General Meeting of the shareholders of FIRST MUTUAL HOLDINGS LIMITED will be held at Royal Harare Golf Club, Harare, on Tuesday 2 June 2015 at 14.30 hours for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements and Report of the Directors and Auditors for the financial year ended 31 December 2014.

2. To elect directors:

2.1 Ms T Khumalo, Mr M S Manyumwa, Mr J M Matiza and Mr E K Moyo retire as directors of the Company in terms of Article 106 of the Articles of Association and, being eligible, offer themselves for re-election.
2.2 Mr S V Rushwaya, who was appointed during the year, also retires and, being eligible offers himself for re-election in terms of Article 113.

3. To fix the remuneration of the Directors.

4. To confirm the remuneration of the outgoing Auditors, EY Chartered Accountants, Zimbabwe, for the past year.

AS AN ORDINARY RESOLUTION OF WHICH SPECIAL NOTICE HAS BEEN GIVEN:

5. To appoint PwC Chartered Accountants (Zimbabwe) as Auditors of the Company until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS

To consider and, if deemed fit, pass with or without modification, the following additional resolutions:

6. Loans to Executive Directors

AS AN ORDINARY RESOLUTION

THAT the Company be and is hereby authorized to make any loan to any Executive Director or to enter into any guarantee or provide any security in connection with a loan to such Executive Director for the purpose of enabling him to properly perform his duty as an officer of the Company as may be determined by the Group Human Resources Development, Remuneration and Nominations Committee, provided that the amount of the loan or the extent of the guarantee or security shall not exceed the annual remuneration of that Director. Any such loans, securities or guarantees made or provided during the six months preceding this Annual General Meeting are hereby ratified.

7. Any Other Business

To transact any other business competent to be dealt with at a general meeting.

Note:

i) In terms of the Companies Act (Chapter 24:03) a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.
ii) Proxy forms must be lodged at the registered office of the Company not less than forty-eight hours before the time for holding the meeting.
iii) The registration of members attending the meeting will commence at 1400 hours on 2 June 2015, at the meeting venue.

BY ORDER OF THE BOARD

S F Lorimer (Mrs.)
Group Company Secretary
HARARE

Registered Office
First Mutual Park
100 Borrowdale Road,
P O Box BW 178, Borrowdale
HARARE

Proxy

Form

I / We, ____

(full names)

of ____

(full address)

being the registered holder / s of ____ Ordinary shares in

FIRST MUTUAL HOLDINGS LIMITED, do hereby appoint:

____

(full names)

of ____

(full address)

or failing him / her the Chairman of the meeting as my / our proxy to vote for me / us on my / our behalf at the **ANNUAL GENERAL MEETING** of the Company to be held on Tuesday, 2nd June 2015 and at any adjournment thereof.

Signed this _____________ day of ___________________ 2015

____

SIGNATURE OF SHAREHOLDER

NOTES:

1. In terms of section 129 of the Companies Act (Chapter 24:03), a member of the Company is entitled to appoint one or more persons to act in the alternative as his proxy, to attend and vote and speak in his stead. A proxy need not be a shareholder of the Company.
2. Unless otherwise instructed, the proxy will vote as he / she thinks fit.
3. This proxy form must be deposited at the Registered Office of the Company which is situated at Second Floor, First Mutual Park, Borrowdale Road, Harare or posted to P O Box BW 178 Borrowdale, Harare, so as to be received by the Secretary not less than 48 hours before the meeting.
4. The proxy form must be signed and dated for it to be valid. Any alterations or corrections to this form must be initialled.
5. Anyone signing this proxy form in a representative capacity must be authorised to do so. Please stamp this form with your company or organisation's stamp and enclose proof of authorisation.
6. The return of this proxy form will not prevent you from attending the meeting and voting in person. However, should this happen, the proxy will be revoked.

Notes

Go Beyond

FIRST MUTUAL HOLDINGS LIMITED, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare | P O Box BW 178, Borrowdale, Harare.

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