

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Chairman's statement

Economic environment

The economy is reported to have grown by 3.4% in 2013, down from 10.6% in 2012. Economic growth was mainly driven by the retail sector as manufacturing capacity utilisation remained low, while an extended dry spell depressed agriculture output. Tobacco, however, registered a 15% growth in volumes to 167 million kilograms. The financial sector remained vulnerable on the back of slow growth in domestic savings growth and little capital inflows. Total banking deposits stood at US\$3.7 billion as at the end of December 2013. The National Budget set a growth target of 6.1% in 2014.

Annual inflation for 2013 eased from 2.9% in 2012 to 0.3%. Price increases were contained by declining disposable income, worsened by growing consumer debt obligations. Money market activity was largely in the short end of the market, with most activity in the 30 and 90 day investment horizons. The benchmark Zimbabwe Stock Exchange (ZSE) industrial index ended the year 32.6% firmer as positive earnings reported by blue-chip companies re-ignited investor participation. The ZSE market capitalisation ended the year at US\$5.6 billion. Property market returns were supported by improved rental income on the back of an improvement in the quality of tenants.

Financial performance

Turnover for the year to December 2013 grew to US\$7.445 million (2012: US\$5.148 million). Operating costs decreased to US\$3.058 million (2012: US\$3.173 million) during the period under review resulting in profit increasing to US\$3.287 million (2012: US\$1.427 million).

Funds under management grew to US\$1 072.387 million (2012: US\$804.727 million).

The Company's combined capital and reserves stood at US\$2.324 million as at 31 December 2013 (2012: US\$1.552 million) which is well above the regulatory minimum capital requirements for asset managers of US\$0.5 million.

Outlook

The board and management remain confident that the Company will deliver improved performance in the coming year 2014 and will continue to focus on strategies to preserve value for our clients and the shareholders.

Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere appreciation for the support of our clients, staff, the regulatory authorities and fellow members of the Board during the year 2013. We continue to cherish this valuable support.

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K. Mandevhani
Chairman

17 March 2014

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Compliance and corporate governance report

During the year ended 31 December 2013, a total of four Board meetings and four Audit, Risk and Compliance Committee (ARCC) meetings were held.

Meeting of Board of Directors

DIRECTOR		ATTENDANCE
K. Mandevhani	Independent Non-Executive Chairman	100%
A.C. Mills	Independent Non-Executive Director	50%
J. Mushosho	Group Chief Executive Officer	50%
H. A. Mwamuka	Independent Non-Executive Director	75%
Z. Chizura*	Managing Director	75%
Average attendance		70%
*Executive		

Meeting of Audit, Risk and Compliance Committee (ARCC)

MEMBER		ATTENDANCE
A.C. Mills	Independent Non-Executive Chairman	100%
H.A. Mwamuka	Independent Non-Executive Director	100%

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

Assessment of Board members

There is an internal self-assessment of the Board, Board Committees and individual Board members that is carried out at least once a year. In addition, the Company carries out an annual assessment of the Board, Board Committees and individual Board members using RBZ assessment guidelines.

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

Audit, Risk and Compliance Committee (ARCC)

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

Management Risk and Compliance Committee (MRCC)

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

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

CHAIRMAN'S STATEMENT

ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Compliance and corporate governance report (continued)

Conflicts of interest

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

Fees

Our fee scales range from 40 to 300 basis points per annum. The fees applicable to each client are mainly determined by client requirements, as stated in the client mandate, the fund size and the product type. Once the fee scale is agreed with the client, it remains at that level, notwithstanding the trading strategy adopted for the client portfolio.

Investment policy

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

Corporate governance and statutory compliance

The OMIG Board is satisfied that the Company has made every practical effort to comply with all material aspects of King III during the review period, insofar as it was applicable to its operations, and will ensure that the appropriate principles and guidelines are applied.

The Company was in compliance with all the legal and regulatory requirements during the year.

Going concern

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

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Directors
..... } 17 March 2014

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

ABRIDGED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	US\$	US\$
Revenue		
Fee income	7 253 480	5 020 937
Investment income	145 958	95 561
Other income	45 564	31 905
	<hr/>	<hr/>
Total revenue	7 445 002	5 148 403
Expenses		
Operating and administration expenses	(3 058 122)	(3 173 441)
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Total expenses	(3 058 122)	(3 173 441)
Profit before tax	4 386 880	1 974 962
Income tax expense	(1 099 442)	(548 397)
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Profit after tax	3 287 438	1 426 564
	<hr/>	<hr/>
Profit after tax	3 287 438	1 426 564
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive income	3 287 438	1 426 564
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OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

ABRIDGED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

Assets	Note	2013 US\$	2012 US\$
Property and equipment	3	124 242	176 980
Deferred tax asset		72 435	-
Deferred acquisition costs		3 468	360
Loans and advances		49 006	88 438
Investments and securities		2 196 470	567 391
Trade receivables		901 956	772 041
Current tax receivables		-	27 874
Cash and cash equivalents		624 316	873 187
Total assets		3 971 893	2 506 271
Liabilities			
Provisions		377 176	468 254
Deferred tax liability		-	23 040
Current tax payable		46 325	-
Other payables		1 224 223	462 750
Total liabilities		1 647 724	954 044
Net assets		2 324 169	1 552 227
Shareholder's equity			
Share capital	4	100	100
Other reserves		753 711	469 207
Non-distributable reserve		363 251	363 251
Retained earnings		1 207 107	19 669
Total equity		2 324 169	1 552 227

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Directors
..... } 17 March 2014

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

ABRIDGED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital US\$	Non- distributable reserves US\$	Retained earnings US\$	Other reserves US\$	Total US\$
2013					
Shareholder's equity at beginning of the year	100	363 251	719 669	469 207	1 552 227
Movement in other reserves	-	-	-	284 504	284 504
Total comprehensive income	-	-	3 287 438	-	3 287 438
Dividend	-	-	(2 800 000)	-	(2 800 000)
Shareholder's equity at end of year	100	363 251	1 207 107	753 711	2 324 169
2012					
Shareholder's equity at beginning of the year	100	363 251	693 105	73 103	1 129 559
Total comprehensive income	-	-	1 426 564	-	1 426 564
Dividend	-	-	(1 400 000)	-	(1 400 000)
Movement in other reserves	-	-	-	396 104	396 104
Shareholder's equity at end of year	100	363 251	719 669	469 207	1 552 227

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

ABRIDGED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 US\$	2012 US\$
Cash flows from operating activities		
Profit before tax	4 386 880	1 974 962
Non-cash movements and adjustments to profit before tax	823 076	645 090
Taxation paid	(1 120 717)	(581 387)
Net cash from operating activities	4 089 239	2 038 665
Cash flows from investing activities		
Purchase of investments	(3 786 436)	(2173 223)
Proceeds from disposal of investments	2 282 979	2 204 617
Proceeds from disposal of property and equipment	6 750	17 652
Acquisition of property	(41 405)	(39 446)
Net cash flows (used)/from investing activities	(1 538 112)	9 600
Cash flows from financing activities		
Dividends paid to Company's shareholder	(2 800 000)	(1 400 000)
Net cash flows used in financing activities	(2 800 000)	(1 400 000)
Net (decrease)/increase in cash and cash equivalents	(248 873)	648 265
Cash and cash equivalents at the beginning of year	873 188	224 922
Cash and cash equivalents at the end of year	624 315	873 187

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation

OMIG's functional and presentation currency is the United States Dollar.

The financial statements provide information about the financial position, results of operations and changes in the financial position of the Company. They are based on the statutory records that are maintained under the historical cost convention.

2.2 Statement of compliance

The Company's abridged financial statements are prepared and presented on the basis that they reflect the information necessary to be a fair summary of the annual financial statements from which they are derived. This includes abridged financials statements that agree with or can be recalculated from the related information in the audited financial statements and that contain the information necessary so as not to be misleading in the circumstances. The information contained in these financial statements does not contain all the disclosures required by International Financial Reporting Standards and the Zimbabwe Companies Act (Chapter 24:03), which is disclosed in the full annual financial statements from which this abridged set was derived. For a better understanding of the Company's financial position, its financial performance and cash flows for the year, the abridged financial statements should be read in conjunction with the audited annual financial statements.

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. PROPERTY AND EQUIPMENT

Cost	Motor vehicles US\$	Office equipment US\$	Computer equipment US\$	Total US\$
At 1 January 2013	401 682	18 551	67 089	487 322
Additions	22 600	3 636	15 169	41 405
Disposals	(146 450)	-	(964)	(147 414)
At 31 December 2013	277 832	22 187	81 294	381 313

Accumulated depreciation

At 1 January 2013	259 976	9 725	40 641	310 342
Charge for the year	42 822	3 659	9 626	56 107
Disposals	(108 210)	-	(1 168)	(109 378)
At 31 December 2013	194 588	13 384	49 099	257 071
Carrying amount at end of year	83 244	8 803	32 194	124 242

Cost	Motor vehicles US\$	Office equipment US\$	Computer equipment US\$	Total US\$
At 1 January 2012	400 882	15 572	59 877	476 331
Additions	23 000	4 158	12 270	39 428
Disposals	(22 200)	(1 179)	(5 058)	(28 437)
At 31 December 2012	401 682	18 551	67 089	487 322

At 1 January 2012	217 268	7 651	35 933	260 852
Charge for the year	64 908	2 849	7 919	75 676
Disposals	(22 200)	(775)	(3 211)	(26 186)
At 31 December 2012	259 976	9 725	40 641	310 342
Carrying amount at end of year	141 706	8 826	26 448	176 980

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED F31 DECEMBER 2013

4. SHARE CAPITAL

	2013	2012
	US\$	US\$
Authorised share capital		
20 000 ordinary shares of US\$1,00 each	20 000	20 000
	<u> </u>	<u> </u>
Issued share capital		
100 ordinary shares of US\$1,00 each	100	100
	<u> </u>	<u> </u>
Authorised share capital		
Share premium	-	-
	<u> </u>	<u> </u>
	<u>100</u>	<u>100</u>

Subject to the restrictions imposed by the Companies Act (Chapter 24:03) as amended, the unissued shares are under the control of the directors, until the forthcoming annual general meeting.

5. FUNDS UNDER MANAGEMENT

Total funds under management is represented by:

	2013	2012
	US\$	US\$
Cash and cash equivalents	7 537 700	6 109 599
Interest bearing investments	336 771 773	238 559 958
Listed equity investments	673 330 439	513 063 200
Alternative investments	54 746 895	46 994 633
	<u> </u>	<u> </u>
Total funds under management	<u>1 072 386 807</u>	<u>804 727 390</u>

Funds under management represent assets being managed on behalf of investors and these are kept off balance sheet.

OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

6. RISK MANAGEMENT

- 6.1 *Market risk*- The risk of adverse changes in the market value of assets and their impact on future earnings. The risk is managed through continuous research and review of investment strategies in line with market developments and client mandates.
- 6.2 *Liquidity risk*- The risk that available liquid assets will be insufficient to meet changing market and business conditions, funding asset purchases or an increase in client demands for cash. The risk is managed through daily cash flow assessments and matching maturity profile of assets and liabilities.
- 6.3 *Credit risk*- The risk that an asset against a counterparty will not be repaid at the stipulated time. Management carries out robust market research and regular reviews of counterparty trading limits.
- 6.4 *Operational risk*- The risk of losses due to failed people, processes, systems and external events. Management implements clear and documented investment processes and procedures. The business has Business Continuity Plans in place to ensure that it is able to service its clients even after the occurrence of a disaster.
- 6.5 *Legal and compliance risk*- The risk that laws and regulations will be breached resulting in penalties, fines and financial losses. The business complies with all relevant regulations through liaison with the Corporate Legal Department. The regulator is also consulted to get clarity on certain regulatory requirements.
- 6.6 *Strategic risk*- The risk that discretionary decisions made will adversely affect future earnings and sustainability of the business. The risk is managed through implementing Board approved business plans of adverse changes in the market value of assets and their impact on future earnings. The risk is managed through continuous research and review of investment strategies in line with market developments and client mandates.

**OLD MUTUAL INVESTMENT GROUP
ZIMBABWE (PRIVATE) LIMITED**

**ABRIDGED
FINANCIAL STATEMENTS**

31 DECEMBER 2013