

**Chairman's statement****Economic environment**

Old and new risks combined to weigh down economic growth in the past year, 2015. Familiar constraints to output included tight market liquidity conditions, utility cost and supply as well as generalised weakness in consumer demand. New hindrances emanated largely from external factors, particularly the strengthening USD against major trading partners and adverse weather conditions. Government estimates that GDP growth for 2015 was 1.5%, down from 3.2% in the previous year. A weak earnings environment cascaded down to compromised household spending, sustaining deflation which closed the year at -2.5%. Industrial downsizing and associated job losses continues to incentive informalisation of the economy.

USD appreciation and the accompanying capital flight from emerging and developing markets worked against performance of the local investment assets, particularly equities. Macroeconomic underperformance and an accompanying weak earnings outlook also weighed on equities performance. ZSE listed stocks closed the year under review 32.50% weaker in value at US\$3.212 billion. The ZSE industrial index retreated 29.45% during the year 2015, while the mining index shed 66.92% over the same period. Persistent deflation eroded the inflation premium on deposits, depressing money market interest rates. Money market interest rates also faced downward pressure from weak appetite for deposits as banks slowed down lending activity. The average 90 days interest rate quote on the money market softened from 5.36% in December 2014 to 3.69% in December 2015.

**Financial performance**

Turnover for the year to December 2015 grew by 12.6% to US\$9.544 million (2014: US\$8.480 million). Operating costs increased by 10.1% to US\$4.244 million (2014: US\$3.855million) during the period under review resulting, in profit increasing by 18.2% to US\$3.929 million (2014: US\$3.323 million).

Funds under management marginally dropped 1% to US\$1 060.920 million (2014: US\$1 071.651 million).

The Company's total equity stood at US\$3.192 million as at 31 December 2015 (2014: US\$3.066 million), which is above the regulatory minimum capital requirements.

**Outlook**

The board and management remain confident that the Company will be able to meet set targets for the year 2016 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 to our clients, staff, the regulatory authorities and fellow members of the Board during the year 2015. We continue to cherish this valuable support.

K. Mandevhani

Chairman

3 March 2016

Compliance & corporate governance report

During the year ended 31 December 2015, a total of four Board meetings and four Audit, Risk and Compliance Committee (ARCC) meetings were held.

**Meetings of Board of Directors**

Director		Attendance
K. Mandevhani	Independent Non-Executive Chairman	100%
A.C. Mills	Independent Non-Executive Director	100%
J. Mushosho	Non-Independent Non-Executive Director	100%
H. A. Mwamuka**	Independent Non-Executive Director	100%
M. Mpfu*	Executive Director	50%
M. Mayida*	Executive Director	50%
M. J-R. Dube***	Independent Non-Executive Director	25%

**Meetings of Audit, Risk and Compliance Committee (ARCC)**

Member		Attendance
A.C. Mills	Independent Non-Executive Chairman	100%
H.A. Mwamuka	Independent Non-Executive Director	75%

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

\*M. Mpfu retired from the board on 1 July 2015 and was replaced by M. Mayida.

\*\*H.A. Mwamuka retired from the both the board and ARCC on 31 December 2015

\*\*\*M. J-R. Dube joined the board on 1 November 2015.

**Assessment of Board members**

There is an internal self-assessment of the Board, Audit, Risk and Compliance Committee (ARCC) 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 Securities and Exchange Commission of Zimbabwe assessment guidelines.

The Company follows a set of principles of corporate governance as directed by the regulator, the Securities and Exchange Commission 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.

**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 260 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) (the Company) 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**

The OMIG Board and ARCC are satisfied that the Company has made every practical effort to comply with all material aspects of the National Code on corporate governance and King III during the review period, in so far as it was applicable to its operations, and will ensure that the appropriate principles and guidelines are applied.

**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.

**OLD MUTUAL INVESTMENT GROUP ZIMBABWE (PRIVATE) LIMITED**
**Statement of profit or loss**
*for year ended 31 December 2015*

	2015	2014
	US\$	US\$
<b>Revenue</b>		
Fee income	9,222,797	8,232,814
Investment income	304,060	234,853
<b>Total revenue</b>	<b>9,526,857</b>	<b>8,467,667</b>
Other income	16,966	11,987
<b>Total income</b>	<b>9,543,823</b>	<b>8,479,654</b>
<b>Expenses</b>		
Operating and administration expenses	-4,244,018	-3,855,329
<b>Total expenses</b>	<b>-4,244,018</b>	<b>-3,855,329</b>
<b>Profit before tax</b>	<b>5,299,805</b>	<b>4,624,325</b>
Income tax expense	-1,370,971	-1,301,694
<b>Profit for the financial year</b>	<b>3,928,834</b>	<b>3,322,631</b>

**Statement of financial position**
*as at 31 December 2015*

	2015	2014
	US\$	US\$
<b>Assets</b>		
Property and equipment	285,028	194,333
Income tax asset	13,043	7,280
Deferred acquisition costs	-	1,925
Loans and advances	66,659	94,011
Investments and securities	5,438,778	2,308,325
Trade receivables	452,417	342,599
Amounts due by group companies	1,626,229	870,835
Cash and cash equivalents	477,670	404,512
Other assets	526,566	-
<b>Total assets</b>	<b>9,010,555</b>	<b>4,271,683</b>
<b>Liabilities</b>		
Amounts due to group companies	3,153,569	176,070
Provisions	1,116,433	798,666
Other payables	1,548,199	231,086
<b>Total liabilities</b>	<b>5,818,201</b>	<b>1,205,822</b>
<b>Net assets</b>	<b>3,192,354</b>	<b>3,065,861</b>
<b>Shareholders' equity</b>		
Share capital	100	100
Share-based payments reserve	1,093,931	972,772
Non-distributable reserve	363,251	363,251
Retained earnings	1,735,072	1,729,738
<b>Total equity</b>	<b>3,192,354</b>	<b>3,065,861</b>

Statement of changes in equity  
 for the year ended 31 December 2015

2015	Share capital US\$	Non-distributable reserves US\$	Retained earnings US\$	Share-based payment reserve US\$	Total US\$
<b>Shareholder's equity at beginning of year</b>	100	363,251	1,729,738	972,772	3,065,861
Total comprehensive income	-	-	3,928,834		3,928,834
Dividend	-	-	-4,000,000		-4,000,000
Exercised share options			-	121,159	121,159
Prior year adjustments			76,500		76,500
<b>Shareholder's equity at end of year</b>	<b>100</b>	<b>363,251</b>	<b>1,735,072</b>	<b>1,093,931</b>	<b>3,192,354</b>

2014	Share capital US\$	Non-distributable reserves US\$	Retained earnings US\$	Share-based payment reserve US\$	Total US\$
<b>Shareholder's equity at beginning of year</b>	100	363,251	1,207,107	753,711	2,324,169
Total comprehensive income	-	-	3,322,631		3,322,631
Dividend			-2,800,000		-2,800,000
Exercised share options			-	219,061	219,061
<b>Shareholder's equity at end of year</b>	<b>100</b>	<b>363,251</b>	<b>1,729,738</b>	<b>972,772</b>	<b>3,065,861</b>

**Statement of cash flows**
*for the year ended 31 December 2015*

	US\$	US\$
	2015	2014
<b>Cash flows from operating activities</b>		
Profit before tax	5,299,805	4,624,325
Non-cash movements and adjustments to profit before tax		
Changes in working capital	456,752	-724,504
Depreciation	67,502	59,688
Accrued interest income	-126,807	-24,374
Share based payments (IFRS 2)	121,159	219,061
Profit on disposal of property and equipment	-13,750	-10,178
Taxation paid	-1,453,036	-1,330,727
<b>Net cash from operating activities</b>	<b>4,351,625</b>	<b>2,813,291</b>
<b>Cash flows from investing activities</b>		
Net purchase of investments	-3,132,520	-111,856
Proceeds from disposal of equipment	13,750	10,178
Acquisition of property	-159,698	-131,417
<b>Net cash outflow from investing activities</b>	<b>-3,278,468</b>	<b>-233,095</b>
<b>Cash flows from financing activities</b>		
Dividends paid	-1,000,000	-2,800,000
<b>Net cash used in financing activities</b>	<b>-1,000,000</b>	<b>-2,800,000</b>
<b>Net decrease in cash and cash equivalents</b>	<b>73,158</b>	<b>-219,804</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>404,512</b>	<b>624,316</b>
<b>Cash and cash equivalents at end of year</b>	<b>477,670</b>	<b>404,512</b>

**Notes to the financial statements**

for the year ended 31 December 2015

**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 Securities and Exchange Commission of Zimbabwe (SECZ). The Registered address of the Company is Mutual Gardens, 100 The Chase West, Emerald Hill, Harare.

**2 Accounting Policies**
**2.1 Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs), Asset Management Act (Chapter 24:26), the Securities Act (Chapter 24:25) of Zimbabwe and in accordance with the requirements of the Zimbabwe Companies Act (Chapter 24:03). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC).

**2.2 Basis of preparation**

The Company's functional and presentation currency is the United States Dollar (USD).

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 with the exception of investments which are included at valuation as described below. The accounting policies have been consistently applied to all periods presented.

The financial statements have been prepared on the going concern basis which the Directors believe to be appropriate having taken into consideration the points set out in the Directors' report.

**2.3 Consolidated annual financial statements**

Consolidated annual financial statements are not prepared on the basis that the Company is a wholly owned subsidiary of Old Mutual plc which produces consolidated financial statements available for public

**2.3 Revenue**

Revenue comprises fees for investment management services rendered and investment income generated from

Revenue is accounted for in accordance with the particular accounting policies as set out below.

**3 Property, Plant and Equipment**

	Motor Vehicles	Office Equipment	Computer Equipment	Total 2015
<b>Cost</b>				
At 1 January 2015	358,332	23,954	91,064	473,350
Additions	150,065	-	9,633	159,698
Prior year adjustment		220	-2,857	-2,637
Disposals	-37,000	-	-	-37,000
<b>At 31 December 2015</b>	<b>471,397</b>	<b>24,174</b>	<b>97,840</b>	<b>593,411</b>
<b>Accumulated depreciation</b>				
At 1 January 2015	202,123	16,841	60,053	279,017
Charge for the year	55,085	2,486	9,931	67,502
Prior year	-3	220	-1,353	-1,136
Disposals	-37,000	-	-	-37,000
<b>At 31 December 2015</b>	<b>220,205</b>	<b>19,547</b>	<b>68,631</b>	<b>308,383</b>
<b>Carrying amount at end of year</b>	<b>251,192</b>	<b>4,627</b>	<b>29,209</b>	<b>285,028</b>
	Motor Vehicles	Office Equipment	Computer Equipment	Total 2014 US\$
<b>Cost</b>				
At 1 January 2014	277,832	22,187	81,294	381,313
Additions	117,800	1,987	11,630	
Disposals	-37,300	-220	-1,860	-39,380
<b>At 31 December 2014</b>	<b>358,332</b>	<b>23,954</b>	<b>91,064</b>	<b>473,350</b>
<b>Accumulated depreciation</b>				
At 1 January 2014	194,588	13,384	49,099	257,071
Charge for the year	44,835	3,677	11,175	59,687
Disposals	-37,300	-220	-221	-37,741
<b>At 31 December 2014</b>	<b>202,123</b>	<b>16,841</b>	<b>60,053</b>	<b>279,017</b>
<b>Carrying amount at end of year</b>	<b>156,209</b>	<b>7,113</b>	<b>31,011</b>	<b>194,333</b>

**4 Share Capital**

	31-Dec-15	31-Dec-14
		US\$
Authorised share capital 20 000 ordinary shares of US\$1.00 each	20,000	20,000
Issued share capital 100 ordinary shares of US\$1.00 each	100	100
Share premium	100	100

**Notes to the financial statements**
*for the year ended 31 December 2015*
**5 Funds under management**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Total Funds Under Management is represented by:</b>		
Cash and cash equivalents	21,979,533	22,735,615
Interest Bearing investments	603,004,843	466,758,255
Listed equity investments	386,797,400	538,801,917
Alternative investments	49,138,502	43,354,935
<b>Total Funds Under Management</b>	<b>1,060,920,278</b>	<b>1,071,650,722</b>

**6 Financial risk management**
**6.1 Credit risk**

The risk that counterparties to financial instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Company deals with counterparties considered to be of good credit standing, and when appropriate, obtains collateral.

The Company's primary exposure to credit risk arises through its financial instruments held for trading and loans and receivables. The amount of credit exposure in this regard is represented by the carrying amounts of the assets.

**6.2 Market risk**

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity. Investment risk arises from changes in the fair value of investments and includes private equity, property and strategic investments.

All trading instruments are subject to market risk, that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value, and all changes in market conditions directly affect net trading income.

**6.3 Interest rate risk**

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

The Company has due regard to the nature of the liabilities and guarantees given to clients. The interest rate risk of such liabilities is managed by investing in assets of similar duration. Derivative instruments are not used to any material extent to manage the interest rate risk of these long term assets and liabilities.

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

**6.4 Equity price risk**

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The primary exposure to equity prices arises from trading activities.

**6.5 Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Company continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Company strategy.