

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Abridged Circular is neither a prospectus nor an invitation to the public to subscribe for shares in First Mutual Holdings Limited ("FMHL" or "the Company"), but is a document issued, in compliance with the Zimbabwe Stock Exchange ("ZSE") Listing Requirements, to inform FMHL Shareholders of proposed transactions whose bases, rationale and terms and conditions are more fully set out in the full Circular available on the Company's website.

Action required:

- Shareholders are invited to attend the Extraordinary General Meeting ("EGM") convened by the EGM Notice contained herein;
- Shareholders who are unable to attend the EGM, but wish to be represented thereat should complete and sign the Proxy Form included on the last page of this Abridged Circular and return to the Company Secretary by 1000 hours on Tuesday, 29 August 2017;
- Shareholders may attend the EGM in person, notwithstanding the completion and return of the Proxy Form;
- If you are in any doubt as to the action you should take, please consult your stockbroker, banker, accountant or other professional advisor immediately; and
- If you no longer hold any shares in FMHL, you should send this Abridged Circular, as soon as possible, to the stockbroker, bank or other agent through whom the sale of your shareholding in FMHL was executed for onward delivery to the purchaser or transferee of your shares.

FIRST MUTUAL

H O L D I N G S L I M I T E D

Go Beyond

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

(A public company incorporated in the Republic of Zimbabwe under company registration number 9837/2003)

ABRIDGED CIRCULAR TO SHAREHOLDERS

REGARDING:

- FMHL's proposed acquisition of up to the entire issued share capital of NicosDiamond Insurance Limited ("the Proposed NDIL Acquisition");
- the proposed renounceable rights offer of 210,371,395 new FMHL shares to registered Shareholders to raise US\$17.25 million; and
- subsequent to the Proposed NDIL Acquisition, FMHL proposes to merge the operations of NDIL and Tristar Insurance Company Limited ("Tristar").

INCORPORATING:-

a Notice to convene an EGM of the Members of FMHL, to be held at Royal Harare Golf Club, Harare on Thursday, 31 August 2017 at 1000 hours, which notice was published on 10 August 2017 in accordance with the requisite provisions of the ZSE Listing Requirements and the Companies Act [Chapter 24:03], and is set out at the end of this Abridged Circular. Shareholders are asked to complete and return the attached Form of Proxy in accordance with the instructions printed thereon, as soon as possible, but not later than 10 00 hours on Tuesday, 29 August 2017.

<p>Financial Advisors</p> 	<p>Independent Financial Advisors</p> 	<p>Legal Advisors</p>  <p>Atherstone & Cook Legal Practitioners</p>	<p>Sponsoring Brokers</p> 
<p>Independent Auditors and Reporting Accountants</p> 	<p>Lead-underwriters</p> 	<p>Co-underwriters</p> <p>LHG Malta Holding Ltd.</p>	<p>Transfer Secretaries</p> 

Date of issue: 10 August 2017

The Circular, EGM Notice and Proxy Form, which are only available in English, can be downloaded from the Company's website.

1. BACKGROUND INFORMATION

In line with the thrust to create and preserve shareholder value, the Group is on the lookout for growth opportunities. Against the foregoing and in view of the challenging economic environment, the Board continues to pursue strategies to consolidate FMHL's position in the market, enhance process efficiencies in order to remain competitive and profitable continuously innovate internal capacity, product and delivery channels and scale-up the Group's businesses through organic growth and strategic acquisitions.

The Proposed Transactions outlined herein seek to achieve the above and further enhance the Group's ability to create and preserve value for all its stakeholders.

2. THE PROPOSED TRANSACTIONS

The Board is seeking approvals from all FMHL Shareholders, unless expressly stated, with regard to the following Proposed Transactions.

2.1. Proposed NDIL Acquisition

The Board has identified an opportunity to grow its short-term insurance business through the acquisition of up to 80.92% of the issued share capital of NDIL.

The Proposed NDIL Acquisition is a related party transaction given that NSSA is the majority and controlling shareholder of both FMHL and NDIL. Therefore, related parties namely, NSSA and Capital Bank Corporation Limited, will not be eligible to vote on the transaction resolution.

2.1.1. Proposed NDIL Acquisition

NDIL is mainly involved in the short-term insurance sector. Set out below is an overview of the NDIL operations:

- NDIL is listed on the ZSE;
- has interests in short-term insurance through NDIL in Zimbabwe and its 46% owned subsidiary, United General Insurance Company Limited of Malawi;
- also has interests in the short-term insurance industry in Mozambique and Zambia through associate companies in which NDIL has management contracts; and
- has interests in property investments through its 100% owned subsidiary companies, namely Thirty Samora Machel (Private) Limited and Marabou Investments (Private) Limited;

Major shareholders as at 31 July 2017:

Name of shareholder	% shareholding
National Social Security Authority	50.89%
Zimre Holdings Limited ("ZHL")	30.03%
Others	19.08%
Total	100.00%

- market capitalisation of US\$17.7 million as at 31 July 2017;
- price-to-book value of 0.98x as at 31 July 2017;
- total assets of US\$41.2 million as at 31 December 2016;
- shareholders' equity of US\$18 million as at 31 December 2016; and
- approximately 13.58% and 14.22% market share of short-term business in Zimbabwe in terms of gross premium written ("GPW") and net premium written ("NPW") as at 31 December 2016 respectively.

2.1.2. Transaction structure

Subject to FMHL shareholder approval of the Proposed NDIL Acquisition, FMHL will acquire up to 80.92% of the issued share capital of NDIL as follows:

- FMHL to initially acquire 300,263,184 (three hundred million two hundred and sixty three thousand one hundred and eighty four) NDIL shares (constituting 50.89 % of the entire issued shares of NDIL) currently held by NSSA;
- NSSA has made an irrevocable undertaking to procure and deliver to FMHL an additional 177,161,256 (one hundred and seventy seven million one hundred and sixty one thousand two hundred and fifty six) NDIL shares, representing 30.03% shareholding in NDIL, in return for a further 35,291,087 (thirty five million two hundred and ninety one thousand and eighty seven) new FMHL shares; and

- subsequent to the acquisition of up to 80.92% shareholding in NDIL, FMHL will then be required to make a mandatory offer to the remaining 19.08% NDIL shareholders in terms of the ZSE Listing Requirements.

2.1.3. Pricing of the Proposed NDIL Acquisition

a) Pricing for the NDIL shares held by NSSA

FMHL proposes to acquire up to 477,424,440 (four hundred and seventy seven million four hundred and twenty four thousand four hundred and forty) NDIL shares from NSSA through the issuance of up to 95,104,470 (ninety five million one hundred and four thousand four hundred and seventy) new FMHL shares at a share swap ratio of 1 new FMHL share for every 5.02 NDIL shares held by NSSA.

The pricing of the Proposed NDIL Acquisition has been adjudged to be fair and reasonable by the Independent Advisors, Imara, whose abridged opinion is set out in paragraph 14 below.

b) Pricing for the mandatory offer to the remaining 19.08% NDIL shareholders

FMHL proposes to make the mandatory offer to the remaining 19.08% shareholders of NDIL at terms and conditions to be advised at the time of the offer in line with prevailing market conditions.

2.2. The Proposed Capital Raise

2.2.1. Terms and conditions

FMHL proposes to raise US\$17.25 million by way of a renounceable rights offer of 210,371,395 (two hundred and ten million three hundred and seventy one thousand three hundred and ninety five) new FMHL shares with a nominal value of US\$0.001 at a ratio 44 new FMHL ordinary shares with a nominal value of US\$0.001 per share for every 100 FMHL ordinary shares with a nominal value of US\$0.001 per share held as of the FMHL Rights Offer Record date at a price of US 8.20 cents per FMHL ordinary share.

2.2.2. Underwriting of the FMHL Rights Offer

The FMHL Rights Offer is underwritten 90% by NSSA and 10% by LHG in terms of their Underwriting Agreements dated 31 July 2017 and 1 August 2017 respectively. NSSA and LHG have committed to follow their respective rights and will therefore underwrite the portion outside their combined portions.

2.3. Merger of NDIL and Tristar

Subsequent to the acquisition of NDIL, the Board proposes to merge NDIL and Tristar operations into a single short-term insurance entity. The mechanism of the proposed merger will depend on FMHL's ultimate shareholding in NDIL and the process is expected to take up to 24 months to complete.

3. RATIONALE FOR THE TRANSACTIONS

3.1. Rationale for the Proposed NDIL Acquisition and the Merger

The Proposed Acquisition has been influenced by the following factors:

3.1.1. Common largest shareholder

NSSA is the majority and controlling shareholder of both FMHL and NDIL. The Proposed NDIL Acquisitions will result in the merged entity enjoying all the benefits of having NSSA as an investor. NSSA will in turn benefit from consolidation of its investments in the short-term insurance sector through portfolio optimisation amongst other benefits.

3.1.2. Macroeconomic environmental factors

Economies of scale backed by a large capital base, technology and a wide delivery channel have become critical to operate sustainably in view of the low and deteriorating capacity utilisation in all economic sectors and increased cash outflows in the form of insurance claims whilst there is limited new business.

3.1.3. Synergistic factors

- economies of scale build up - this will be achieved in the non-life insurance sector through the merger of NDIL and Tristar as well as Group shared services;

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

- b) Increased market share
c) revenue and earnings boost - immediate significant positive impact on revenue and earnings through capital optimisation for the merging businesses and elimination of duplicate functions such as:
- corporate governance structures;
 - compliance costs (listing, regulatory, audits etc.); and
 - overhead structures.
- d) balance sheet growth - The merged entity would have had total assets of US\$283.4 million and shareholders' equity of US\$52.4 million had it been implemented on 31 December 2016.

3.2. Rationale for the FMHL Rights Offer

The Proposed NDIL Acquisition may have a cash component which requires long-term equity funding, hence the capital call. Furthermore, the Group has other long term capital requirements. The following table shows the utilisation plan for the the Rights Offer proceeds:

Brief description	Amount (US\$)
Estimated cash component of the Proposed NDI Acquisition	3,096,233
NDIL funding requirements	3,500,000
Group funding requirements	7,988,000
Post transaction restructuring costs	1,535,000
ZSE transactions cost for acquisition of NDIL	289,221
Underwriting fees	168,398
Transaction costs	673,602
Total Proceeds	17,250,454

4. EFFECTS OF THE PROPOSED TRANSACTIONS

4.1. Effects on share capital structure

The Proposed Transactions will result in the following changes in the Company's share capital structure.

	Before	Increase	After
Increase in authorised share capital			
Authorised Ordinary shares	1,000,000,000	-	1,000,000,000
Nominal value per share (US\$)	0.001	-	0.001
Nominal value	1,000,000	-	1,000,000
Effects of the NDIL acquisition			
Issued share capital			
Total number of Ordinary Shares	383,012,336	95,104,470	478,116,806
Nominal value per share (US\$)	0.001	0.001	0.001
Nominal value	383,012	95,104	478,117
Effects of the rights offer			
Issued share capital			
Total number of Ordinary Share	478,116,806	210,371,395	688,488,201
Nominal value per share (US\$)	0.001	0.001	0.001
Nominal value	478,117	210,371	688,488
Authorised but unissued shares			
Ordinary shares	616,987,664	(305,475,865)	311,511,799

4.2. Effects on the FMHL shareholding structure

4.2.1. Current top 20 shareholders

As at 31 July 2017, being the last practicable date prior to the publication of this Circular, FMHL had 383,012,336 (three hundred and eighty three million twelve thousand three hundred and thirty six) issued ordinary shares and its top 20 Shareholders were as follows:

Rank	Account Name	Shares	%
1	National Social Security Authority	195,154,770	50.95
2	Capital Bank Corporation Limited	76,343,373	19.93
3	LHG Malta Holdings Limited	19,639,259	5.13
4	Stanbic Nominees (Private) Limited	5,476,676	1.43
5	Zisco	4,220,237	1.10
6	Zimbabwe Association Of Church Related Hospitals	3,329,940	0.87
7	Renaissance Securities Nominees (Two) (Private) Limited	3,092,406	0.81
8	First Mutual Life Staff Pension Scheme	2,629,900	0.69
9	Colossus Investments (Private) Limited	2,349,629	0.61
10	Rufaro	2,172,199	0.57
11	Kabelo Family Trust	1,860,792	0.49
12	Colnest Zimbabwe Pension Plan	1,281,135	0.33
13	Autumn Gold Group Pension Plan	1,136,497	0.30
14	TFS Nominees (Private) Limited	804,474	0.21
15	Old Mutual Life Ass Co Zim Ltd	760,282	0.20
16	Preservation Fund	709,189	0.19
17	Communication Zimbabwe Group Pension Plan	679,410	0.18
18	Zimtile Pension Scheme	585,545	0.15
19	Mimosa Mining Comp P/F-Invesci	553,710	0.14
20	Stanbic Nominees (Private Limited. NRR)	500,000	0.13
	Total	323,279,423	84.41
	Other Shareholders	59,732,913	15.59
	Total Number of Shares	383,012,336	100.00

4.2.2. Effects of the Transactions

The following table shows the effect, on the FMHL shareholding structure, assuming all NDIL shareholders accept FMHL shares in return for their NDIL shares:

Shareholder	Post the NDI Acquisition			Post the Rights Offer		
	New shares	Shares held	% held	New shares	Shares held	% held
National Social Security Authority	95,104,470	290,259,240	60.71%	127,714,066	417,973,306	60.71%
Capital Bank Corporation Limited	-	76,343,373	15.97%	33,591,084	109,934,457	15.97%
LHG Malta Holdings Limited	-	19,639,259	4.11%	8,641,274	28,280,533	4.11%
Stanbic Nominees (Private) Limited	-	5,476,676	1.15%	2,409,737	7,886,413	1.15%
Zisco	-	4,220,237	0.88%	1,856,904	6,077,141	0.88%
Zimbabwe Association Of Church Related Hospitals	-	3,329,940	0.70%	1,465,174	4,795,114	0.70%
Renaissance Securities Nominees (Two) (Private) Limited	-	3,092,406	0.65%	1,360,659	4,453,065	0.65%
First Mutual Life Staff Pension Scheme	-	2,629,900	0.55%	1,157,156	3,787,056	0.55%
Colossus Investments (Private) Limited	-	2,349,629	0.49%	1,033,837	3,383,466	0.49%
Rufaro	-	2,172,199	0.45%	955,768	3,127,967	0.45%
Kabelo Family Trust	-	1,860,792	0.39%	818,748	2,679,540	0.39%
Colnest Zimbabwe Pension Plan	-	1,281,135	0.27%	563,699	1,844,834	0.27%
Autumn Gold Group Pension Plan	-	1,136,497	0.24%	500,059	1,636,556	0.24%
TFS Nominees (Private) Limited	-	804,474	0.17%	353,969	1,158,443	0.17%
Old Mutual Life Ass Co Zim Ltd	-	760,282	0.16%	334,524	1,094,806	0.16%
Preservation Fund	-	709,189	0.15%	312,043	1,021,232	0.15%
Communication Zimbabwe Group Pension Plan	-	679,410	0.14%	298,940	978,350	0.14%
Zimtile Pension Scheme	-	585,545	0.12%	257,640	843,185	0.12%
Mimosa Mining Comp P/F-Invesci	-	553,710	0.12%	243,632	797,342	0.12%
Stanbic Nominees (Private Limited. NRR)	-	500,000	0.10%	220,000	720,000	0.10%
Sub-total	95,104,470	418,383,893	87.52%	184,088,913	602,472,806	87.52%
Others	-	59,732,913	12.48%	26,282,482	86,015,395	12.48%
Total	95,104,470	478,116,806	100.00%	210,371,395	688,488,201	100.00%

The dilutive effect of the rights offer is 31%. However, should all shareholders follow their rights their proportionate shareholding in the Company post the FMHL-NSSA share swap will not change.

Proforma Statement of Financial Position for the year ended 31 December 2016

	Share Swap				Rights Issue			Mandatory Offer		Post merger rationalisation costs	Proforma after rights issues, share swap and mandatory offer assuming share option on Mandatory offer	Proforma after rights issues, share swap and mandatory offer assuming cash option on Mandatory offer
	FMHL Before	NDIL Before	Consolidation adjustments- Elimination of NDIL Equity through issue of new shares 2.1 (debit entry) 2.2 (credit entry)		Capital raise	Transaction costs	Repayment of shareholder loan	Consolidation adjustments	Share option			
	1	2	2.1	2.2	3	4	5	6	7	7	8	9
ASSETS												
Property, plant and equipment	9,250,984	1,575,589	-	-	-	-	-	-	-	-	-	10,826,573
Investment property	124,302,000	14,325,706	-	-	-	-	-	-	-	-	-	138,627,706
Intangible assets	59,152	738,357	-	-	-	-	-	-	-	-	-	797,509
Investment in associate	-	622,030	-	-	-	-	-	-	-	-	-	622,030
Financial assets:												
Equity securities at fair Value through profit or loss	19,863,340	1,612,286	-	-	-	-	-	-	-	-	-	21,475,626
Debt securities held to maturity investments	20,291,754	2,708,182	-	-	-	-	-	-	-	-	-	22,999,936
Financial instruments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-
Deferred acquisition costs	1,085,801	1,194,529	-	-	-	-	-	-	-	-	-	2,280,330
Deferred tax assets	-	957,994	-	-	-	-	-	-	-	-	-	957,994
Income tax assets	86,982	-	-	-	-	-	-	-	-	-	-	86,982
Inventory	283,208	30,513	-	-	-	-	-	-	-	-	-	313,721
Loans and receivables including insurance receivables	12,456,702	12,585,629	-	-	-	-	(410,480)	-	-	-	-	24,631,851
Non-current assets classified as held for sale	4,370,013	-	-	-	-	-	-	-	-	-	-	4,370,013
Cash and balances with banks	37,657,295	4,853,800	-	-	17,250,454	(1,131,221)	(2,208,237)	-	-	(3,096,233)	(1,535,000)	54,887,091
TOTAL ASSETS	229,707,231	41,204,615	-	-	17,250,454	(1,131,221)	(2,208,237)	(410,480)	-	(3,096,233)	(1,535,000)	282,877,362
Shareholders' equity												
Share capital	380,201	2,833,525	(2,833,525)	59,813	210,371	-	-	-	35,291	-	-	685,676
Share premium	7,957,918	3,291,039	(3,291,039)	6,519,659	17,040,083	(915,384)	-	-	3,846,728	-	-	34,449,004
Non distributable reserves	2,074,493	(637,725)	637,725	-	-	-	-	-	-	-	-	2,074,493
Change in degree of control	-	-	-	-	-	-	-	-	1,751,535	483,128	-	1,751,535
Retained profits	13,812,556	12,514,434	(12,514,434)	2,967,367	-	(215,837)	-	-	-	-	(1,535,000)	15,029,086
Equity attributable to ordinary shareholders	24,225,168	18,001,273	(18,001,273)	9,546,839	17,250,454	(1,131,221)	-	-	5,633,554	483,128	(1,535,000)	53,989,794
Non-controlling interest	51,650,738	758,482	(758,482)	9,212,916	-	-	-	-	(5,633,554)	(3,579,361)	-	55,230,100
Total equity	75,875,906	18,759,755	(18,759,755)	18,759,755	17,250,454	(1,131,221)	-	-	-	(3,096,233)	(1,535,000)	109,219,894
Liabilities												
Life insurance contract liabilities with DPF	15,573,045	-	-	-	-	-	-	-	-	-	-	15,573,045
Life insurance contract liabilities without DPF	19,314,029	-	-	-	-	-	-	-	-	-	-	19,314,029
Investment contract liabilities with DPF	66,807,844	-	-	-	-	-	-	-	-	-	-	66,807,844
Investment contract liabilities without DPF	8,532,451	15,038,648	-	-	-	-	-	-	-	-	-	23,571,099
Borrowings	4,309,240	-	-	-	-	(2,208,237)	-	-	-	-	-	2,101,003
Insurance contract liabilities-short term	20,920,598	3,715,811	-	-	-	-	(410,480)	-	-	-	-	24,225,929
Insurance contract liabilities-life assurance	2,068,560	-	-	-	-	-	-	-	-	-	-	2,068,560
Other payables	5,514,755	3,151,548	-	-	-	-	-	-	-	-	-	8,666,303
Deferred income tax	10,786,966	431,964	-	-	-	-	-	-	-	-	-	11,218,930
Current income tax liabilities	3,837	106,889	-	-	-	-	-	-	-	-	-	110,726
Total liabilities	153,831,325	22,444,860	-	-	-	-	(2,208,237)	(410,480)	-	-	-	173,657,468
TOTAL LIABILITIES AND EQUITY	229,707,231	41,204,615	(18,759,755)	18,759,755	17,250,454	(1,131,221)	(2,208,237)	(410,480)	-	(3,096,233)	(1,535,000)	282,877,362

Notes and assumptions to the pro-forma statement of financial position

- Represents the unadjusted consolidated statement of financial position of the Group for the year ended 31 December 2016 as extracted from the audited Group financial statements, set out in Annexure III (c) of the full circular. PwC issued an unqualified audit opinion on the Group results for the year ended 31 December 2016, the text of which is contained in Annexure III(c) of the full circular.
- Represents the unadjusted consolidated statement of financial position of the NDIL Group for the year ended 31 December 2016 as extracted from the audited NDIL financial statements in the 2016 Annual Report.
- Represents the elimination of NDIL equity on acquisition of 300,263,184 NDIL shares to be transferred by NSSA in return for 59,813,383 new FMHL shares. This will result in NDIL being a subsidiary of FMHL whose results are eliminated on consolidation.
- Represents the issuance 59,813,383 new FMHL shares on acquisition of 300,263,184 NDIL shares to be transferred by NSSA to FMHL. This will result in NDIL being a subsidiary of FMHL whose results are eliminated on consolidation.
- Represents the rights issue offer of 210,371,395 FMHL ordinary shares with a nominal value of US\$0.001 per share at a price of US\$20 cents to raise approximately US\$17.25 million. Of this amount, US\$3,096,233 is the estimated cash component of the Proposed NDIL Minorities acquisition, the effect is illustrated in note 7 of this proforma financial information. US\$3.5 million will be utilised for NDIL funding requirements in line with the new IPEC reserve requirements. US\$5,029,763 will be utilised to settle legacy loans due to First Mutual Life Policyholders. This amount is eliminated at consolidation. US\$750,000 will be used to settle a legacy loan due to First Mutual Properties Limited. This amount is also eliminated at consolidation. US\$2,208,237 will be used to repay loan borrowed from NSSA. This is illustrated in note 5 of this proforma financial information.
- Represents the estimated total transaction costs.
- Represents repayment of loan borrowed from NSSA to recapitalise Tristar.
- Represents the consolidation journal entry passed on the consolidation of NDIL into the Group as at 31 December 2016. The US\$410,480 represents the debtors resulting from Gross Premium Written ceded by NDIL to First Mutual Reinsurance Company Limited which is eliminated at consolidation.
- Represents the mandatory offer to the remaining 49.11% NDIL Minority shareholders at a consideration of either 1 new FMHL ordinary share for every 5.02 NDIL ordinary shares held or a cash consideration of 2.75 US cents per every NDIL share held as at the NDIL Mandatory Offer record date.
- Represents post transaction restructuring costs.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

5. FINANCIAL HIGHLIGHTS

The audited abridged financial information for the FMHL Group for the years ended 31 December 2014-2016 are as follows:

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31-Dec-16	31-Dec-15	31-Dec-14
Gross Premium Written	116,479,783	116,095,335	115,328,655
Net Premium Earned	107,556,446	106,604,107	104,673,936
Other Income	19,835,300	1,178,533	10,065,151
Total income	127,391,746	107,782,640	114,739,087
Total Expenses	(116,534,843)	(111,499,727)	(118,472,282)
Profit/(Loss) Before Tax	10,856,903	(3,717,235)	(3,733,195)
Taxation	(1,553,353)	3,848,027	(1,333,995)
Profit/(Loss) After Tax	9,303,550	130,940	(5,067,190)

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31-Dec-16	31-Dec-15	31-Dec-14
Total assets	229,707,231	209,019,683	213,338,599
Equity			
Share Capital	380,201	380,201	380,201
Share Premium	7,957,918	7,957,918	7,957,918
Non Distributable Reserves	2,074,493	2,094,601	2,107,863
Retained Profits	13,812,556	3,515,562	3,291,153
Non-Controlling Interests	51,650,738	53,411,033	53,919,384
Total Equity	75,875,906	67,359,315	67,656,519
Total Liabilities	153,831,325	141,660,368	145,682,080
Total Equity & Liabilities	229,707,231	209,019,683	213,338,599

6. FUTURE PROSPECTS OF FMHL

In view of the prevailing difficult operating environment, the Board is determined to preserve and create value for stakeholders through the following initiatives:

- engaging an international strategic partner as and when conditions permit;
- local mergers and acquisitions that will result in strengthening & proper capitalisation of the FMHL Group;
- undertaking new property investment projects;
- financial inclusion through the extension of financial products to uninsured market complimented micro-finance (lending); funeral services; and low cost housing;
- strengthen FMHL in terms of market share and brand visibility through signature events; and
- leverage on ICTs for process efficiency & additional distribution channels.

7. FUTURE PROSPECTS OF NDIL

NDIL is implementing the following strategies to grow its businesses and enhance profitability:

- retaining and procurement of large corporate customers that are more concerned about security;
- more active investment strategy in light of the poor performance of investments in associates and in properties in order to maximise returns and reduce profit payback periods;
- recapitalisation of regional operations to ensure returns investments made to date; and
- rationalising operating costs to improve profitability.

8. REGULATORY ISSUES

The Listings Committee of the ZSE has approved the proposed acquisitions and granted approval for the publication of the Abridged Circular, EGM Notice and the distribution to Shareholders of the full Circular in respect of the Proposed Transactions.

9. LITIGATION STATEMENT

As at the date of this Circular, the Directors confirm that neither FMHL nor any of its subsidiaries is involved in any other material litigation, dispute or arbitration proceedings which may, or which have had, during the 12 (twelve) months preceding the date of this Circular, a significant effect on the financial position of the Group, nor is FMHL aware that any such material litigation, dispute or arbitration proceedings are pending or threatened.

10. Conditions precedent

The Proposed NDIL Acquisition is subject to the following conditions precedent:

- approval by the members of FMHL at the EGM to be held on 31 August 2017 in terms of the EGM Notice in Appendix III;
- approval of the Proposed NDIL Acquisition and the Proposed Merger by the CTC;
- approval of the Proposed NDIL Acquisition by the IPEC;
- approval of the Proposed FMHL Rights Offer by the Members at the EGM; and
- the underwriting agreements entered into between NSSA and FMHL and between FMHL and LHG remaining in full force and not being terminated.

11. DETAILS OF UNDERWRITERS

The National Social Security Authority ("NSSA", constituted and established in terms of the NSSA Act of 1989 [Chapter 17: 04], is the statutory corporate body tasked by the Government of the Republic of Zimbabwe to provide social security. In pursuit of its mandate, NSSA is an active capital markets player with a view to protect and grow social security contributions. More details on the mandate and activities of NSSA can be found on its website, <http://www.nssa.org.zw>.

LHG Malta Holdings Ltd ("LHG"), is an investment holding company duly incorporated according to the laws of Malta. LHG owns a broad portfolio of investments in the United Kingdom and sub-Saharan Africa: focused primarily on Malawi, Botswana, Zambia and Zimbabwe. It is a long-term investment vehicle that particularly invests in basic brands and financial services. The company has several investments in the equities of listed companies on the ZSE.

The underwriting fees, payable to the underwriters, of 2% of the amount underwritten are in line with market rates for similar transactions. The underwriting fees charged by NSSA, a related party, were established at arms-length.

12. SIGNIFICANT CONTRACTS

The following significant contracts have been entered into by FMHL or its subsidiaries, not being contracts in the ordinary course of business, during the 2 (two) years immediately preceding the date of this Circular:

- FMHL disposed its entire shareholding in AAC, a wholly owned subsidiary on 1 January 2016 to Frankmarsh Enterprises (Private) Limited of which there were no contingent benefits or liabilities arising from the disposal;
- FMHL borrowed US\$2 million from National Social Security Authority ("NSSA") to capitalise TristarInsurance Company Limited; and
- Pearl Properties 2006 Limited ("Pearl"), now First Mutual Properties Limited, borrowed \$5.5 million from Barclays Bank of Zimbabwe to finance the acquisition of land in Mount Pleasant.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or certified copies thereof, will be made available for inspection at the registered offices of FMHL, at First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, during normal business hours, on week days until the date of the EGM.

- the Memorandum and Articles of Association for FMHL;
- the Memorandum and Articles of Association for NDIL;
- the audited financial statements of FMHL as at 31 December 2016;
- the audited financial statements of NDIL as at 31 December 2016;
- the original signed copy of this Circular to Shareholders;
- the ZSE approval letter for the distribution of the Transactions' Circular;
- the detailed Accountant's Report on the historical and pro forma financial information of FMHL;
- the Independent Financial Advisors' Fair and Reasonable Opinion on the proposed acquisition of NDIL;
- the underwriting agreements; and
- the experts' consents.

14. INDEPENDENT FAIR AND REASONABLE OPINION



Corporate Finance

The Board of Directors
First Mutual Holdings Limited
First Mutual Park, 100 Borrowdale Road
Borrowdale, Harare
Zimbabwe

4 August 2017

FAIR AND REASONABLE OPINION ON THE RELATED PARTY ACQUISITION OF 477,424,440 SHARES IN NICOZ DIAMOND INSURANCE LIMITED ("NDIL") BY FIRST MUTUAL HOLDINGS LIMITED ("FMHL") FROM THE NATIONAL SOCIAL SECURITY AUTHORITY ("NSSA")

Introduction

FMHL is seeking to undertake a series of transactions that will result in FMHL acquiring a controlling stake in NDIL. As part of the Proposed Transaction, FMHL will seek to acquire a tranche of 300,263,184 NDIL shares from NSSA and there after a second tranche of 177,161,256 NDIL shares from NSSA. The acquisition of shares from NSSA will be settled through the issue of 95,104,470 FMHL shares split into 59,813,383 for the first tranche of NDIL shares and 35,291,087 FMHL shares for the second tranche of NDIL shares. The number of shares to be issued as consideration was determined using a swap ratio of 1 FMHL shares for every 5.02 NDIL shares. FMHL will then undertake a rights offer to raise new equity capital from its shareholders. FMHL will be required to make a mandatory offer to the remaining minority shareholders of NDIL in terms of the ZSE Listing Requirements.

Scope

The board of directors of FMHL has appointed Imara Corporate Finance Zimbabwe to act as the Independent Financial Advisor as required by the Zimbabwe Stock Exchange Listing Requirement Section 10, to provide their opinion on whether the terms and conditions of the related party transaction are fair and reasonable to the shareholders of FMHL.

For the purposes of our opinion our assessment of fairness is primarily based on quantitative issues, whilst the assessment of reasonableness is based primarily on qualitative factors.

A transaction may be said to be fair if the benefits received by the shareholders as a result of the transaction, are equal to or greater than the value ceded by the shareholders as determined in accordance with an accepted valuation approach, or unfair if the opposite would hold true. Hence the Proposed Transaction would be considered fair to shareholders of FMHL if the number of consideration shares to be issued to NSSA by FMHL is within the range implied by the fair value of NDIL shares. A transaction maybe considered reasonable even though the consideration may be lower than fair value after considering other qualitative factors related to the Proposed Transaction.

Information considered

In arriving at our opinion we have considered the following information which has been provided by our data providers (Capital IQ, ZFN, and Bloomberg), management of FMHL and NDIL, or obtained from publicly available sources:

- information on NDIL and its subsidiaries, including the history, nature of business, products, key customers and competitor activity;
- audited financial information for NDIL for the financial years ended 31 December 2013 to 2016;
- projected financial information for NDIL for the financial years ending 31 December 2017 to 2021, including supporting assumptions and schedules, as prepared by NDIL management;
- the financial due diligence report on NDIL dated 20 July 2017;
- recent share prices and other publicly available financial information on listed companies with operations similar to those of NDIL;
- valuation reports on NDIL and FMHL prepared by KPMG Chartered Accountants(Zimbabwe);
- publicly available information regarding the pricing of recent transactions in equity interests in companies with operations similar to those of NDIL;
- industry reports on the life and non life insurance sector as prepared the Insurance and Pension Commission; and
- other publicly available information relevant to the industry in which NDIL operates.

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, including publicly available information, whether in writing or obtained in discussion with management of NDIL.

Imara has also considered and reviewed the circular to FMHL shareholders dated 10 August 2017 of which this report forms a part and the execution version agreement between NSSA and FMHL dated 31 July 2017.

Opinion

Based upon and subject to the foregoing, we are of the opinion that the terms and conditions of the NDIL acquisition are fair and reasonable to the shareholders of FMHL. Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

Limiting conditions

The financial forecasts used in the income approach relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual results of NDIL and FMHL and its subsidiaries will correspond to the financial projections provided to us.

Independence

We confirm that we have no financial interest in FMHL and NDIL and in the outcome of the Proposed Transaction. Furthermore, we confirm that our professional fees are not contingent upon the successful conclusion of the Proposed Transaction.

Consent

We hereby consent to this letter being included in the circular to FMHL shareholders to be issued on or about 10 August 2017.

Yours faithfully

(Signed on original)

Imara Corporate Finance Zimbabwe (Private) Limited

Imara Corporate Finance Zimbabwe (Private) Limited

Block 2, First Floor, Tendeseka Office Park, Samora Machel Avenue East, Eastlea, Harare, Zimbabwe
P.O. Box 1475, Harare, Zimbabwe

Phone:+263 4 701318, Fax +263 4 701319
www.imara.com

Directors: MJS Tunmer, S Gammon, P Jones, B Ndebele

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

15. DIRECTORS' RECOMMENDATIONS

The Directors of FMHL have considered the terms of the Proposed Transactions and are unanimously of the opinion that they are in the best interests of shareholders. Accordingly, the Directors recommend that shareholders vote in favour of the resolutions giving effect to the Transactions. The Independent Directors of FMHL will collectively vote in favour of the resolutions to approve the Transactions at the EGM in respect of their own shareholdings.

16. DIRECTORS RESPONSIBILITY STATEMENT

The Directors of FMHL, whose names are set out in section 18 - Notice of Extraordinary General Meeting ("EGM"), collectively and individually accept full responsibility for the accuracy of the information provided in this Abridged Circular and certify that, to the best of their knowledge and belief, there are no other facts the omission of which make any statement in this Abridged Circular false or misleading, that they have made all reasonable inquiries to ascertain such facts (where applicable), and that this Abridged Circular contains all information required by law.

17. IMPORTANT DATES

Event	Date
FMHL Abridged Circular published and EGM Notice published	Thursday, August 10, 2017
Last day of lodging Forms of Proxy for the EGM (at 1000 hours)	Tuesday, August 29, 2017
FMHL EGM (at 1000 hours)	Thursday, August 31, 2017
Publication of EGM resolution results	Monday, September 04, 2017
Last day to register for participation in the FMHL Rights Offer	Friday, September 08, 2017
FMHL Rights Offer Record Date (at 1600 hours)	Friday, September 08, 2017
Securities listed ex-rights, dealing in LA commences	Monday, September 11, 2017
LAs published	Monday, September 11, 2017
FMHL Rights Offers' Opening Date (at 1000 hours)	Friday, September 15, 2017
Last day of dealing in LAs (at 1600 hours)	Wednesday, October 04, 2017
Last day of splitting LAs (at 1600 hours)	Wednesday, October 04, 2017
FMHL Rights Offers' Closing Date – Last day for payment (at 1600 hours)	Friday, October 06, 2017
Results of the Rights Offers' Published	Wednesday, October 11, 2017
FMHL Rights Offers' shares issued and listed	Friday, October 13, 2017

Note: The dates stated above are subject to change at the discretion of the Directors and any such change will be communicated through the Zimbabwean press.

18. NOTICE OF EXTRAORDINARY GENERAL MEETING 'EGM'

FIRST MUTUAL

H O L D I N G S L I M I T E D

Go Beyond

L I F E | H E A L T H | I N S U R A N C E | R E I N S U R A N C E | S A V I N G S | P R O P E R T Y

(Incorporated in Zimbabwe under company registration number 9837/2003)

Directors: Mr. O. Mtasa (Chairman), Mr. D. Hoto (Group Chief Executive Officer)*, Mr. G. Baines, Mr. R.T. Vela, Mr. W. M. Marere (Group Finance Director)*, Mr. E. Moyo, Ms. E. Mkondo, Mrs. M. Mukondomi, Mr. S.V. Rushwaya, Mr. J. Sekeso, *Executive

Address: First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare. P O Box BW 178, Borrowdale, Harare.

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting of members of First Mutual Holdings Limited ("the Company") will be held at Royal Harare Golf Club, Harare, on Thursday, 31 August 2017, at 1000 hours. Members will be asked to consider, and if deemed fit, to pass with or without modification, the resolutions set out below:-

AS ORDINARY RESOLUTIONS:

1. The Proposed NDIL Acquisition

*That, the Company be and is hereby authorised, to acquire up to the entire issued share capital of NicozDiamond Insurance Limited ("NDIL") as follows:

- the Company will acquire from the National Social Security Authority ("NSSA"), up to 477,424,440 NDIL shares, representing up to 80.92% of the NDIL share capital at a consideration of 1 new FMHL ordinary share for every 5.02 NDIL ordinary shares held by NSSA and to issue and allot up to 95,104,470 new FMHL ordinary shares to NSSA in exchange for NSSA's NDIL shares; and
- subsequent to the acquisition of up to 80.92% of NDIL, the Company is further authorised to make a mandatory offer to the remaining 19.08% NDIL shareholders on terms and conditions to be determined by the Directors in line with prevailing market conditions*.

2. FMHL renounceable Rights Offer

*That, the Directors of the Company be and are hereby authorised to raise up to US\$17.25 million by way of a renounceable rights offer of 210,371,395 (two hundred and ten million three hundred and seventy one thousand three hundred and ninety five) new FMHL shares at a ratio of 44 new FMHL ordinary shares of a nominal value of US\$0.001 per share for every 100 FMHL ordinary shares of a nominal value of US\$0.001 per share held as of the FMHL Rights Offer record date at a price of US 8.20 cents and to issue and allot such shares as may be subscribed to pursuant to the Rights Offer to such Shareholders, their renounees, or the Underwriters."

3. Proposed Merger of NDIL and Tristar

That, subject to the passing of Resolution 1 (above), the Company be and is hereby authorised, to merge, subject to regulatory and any other necessary approvals, the operations of NDIL and Tristar Insurance Company Limited ("Tristar") through the acquisition of Tristar by NDIL or any other appropriate mechanism.

4. Directors' Authority to give effect to the above Resolution

*That, the Directors of the Company be and are hereby authorised to do any and all such things as may generally be required or necessary to give effect to the above Resolutions."

Any Other Business

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

Note:

- 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.
- 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.
- The registration of members attending the meeting will commence at 0800hours, at the meeting venue.

BY ORDER OF THE BOARD

10 August 2017

Sheila F. Lorimer (Mrs.)
Group Company Secretary

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

FORM OF PROXY

A form of proxy, in which are set out the relevant instructions for its completion, is attached hereto, for use by such shareholder of the Company who is unable to attend the EGM but who wishes to be represented thereat. Completion of a form of proxy will not preclude such shareholder of the Company from attending and voting (in preference to the appointed proxy) at the EGM.

The instrument appointing a proxy and the authority (if any) under which it is signed must be received by the Company's transfer secretaries or at the Company's Registered Offices (Attention the Company Secretary) no later than 48 (Forty-eight) hours before the time appointed for the holding of the EGM.

FORM OF PROXY

FIRST MUTUAL

H O L D I N G S L I M I T E D

Go Beyond

L I F E | H E A L T H | I N S U R A N C E | R E I N S U R A N C E | S A V I N G S | P R O P E R T Y

(Incorporated in Zimbabwe under company registration number 9837/2003)

Directors: Mr. O. Mtasa (Chairman), Mr. D. Hoto (Group Chief Executive Officer)*, Mr. G. Baines, Mr. R.T. Vela, Mr. W. M. Marere (Group Finance Director)*, Mr. E. Moyo, Ms. E. Mkondo, Mrs. M. Mukondomi, Mr. S.V. Rushwaya, Mr. J. Sekeso, *Executive

Address: First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare. P O Box BW 178, Borrowdale, Harare.

For use by Shareholders at the Company's EGM to be held on Thursday, 31 August 2017 at 1000 hours.

Each member entitled to attend and vote at the EGM is entitled to appoint one person as his proxy, who need not be a member of the Company, to attend, speak and vote in his/her stead at the EGM.

I/We _____
(Name in block letters)
Of _____

Being the holder of _____ shares in the Company hereby appoint

1. _____ of _____ or failing him/her

2. _____ of _____ or failing him/her

3. The Chairman of the EGM

As my/our proxy to act for me/us at the EGM for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name (see note 2) in accordance with the following instructions:

ORDINARY RESOLUTIONS

	Number of Votes		
	For	Against	Abstain
1 The Proposed NDIL Acquisition *That, the Company be and is hereby authorised, to acquire up to the entire issued share capital of NicozDiamond Insurance Limited ("NDIL") as follows: • the Company will acquire from the National Social Security Authority ("NSSA"), up to 477,424,440 NDIL shares, representing 80.92% of the NDIL share capital at a consideration of 1 new FMHL ordinary share for every 5.02 NDIL ordinary shares held by NSSA and to issue and allot up to 95,104,470 new FMHL ordinary shares to NSSA with respect to the NDIL shares; and • subsequent to the acquisition of up to 80.92% of NDIL, the Company is further authorised to make a mandatory offer to the remaining 19.08% NDIL shareholders at terms and conditions acceptable to the Directors in line with prevailing market conditions*.			
2 FMHL renounceable Rights Offer *That, the Directors of the Company be and are hereby authorised to raise up to US\$17.25 million by way of a renounceable rights offer of 210,371,395 (two hundred and ten million three hundred and seventy one thousand three hundred and ninety five) new FMHL shares at a ratio of 44 new FMHL ordinary shares of a nominal value of US\$0.001 per share for every 100 FMHL ordinary shares of a nominal value of US\$0.001 per share held as of the FMHL Rights Offer Record date at a price of US 8.20 cents and to issue and allot such shares as may be subscribed to pursuant to the Rights Offer to such Shareholders, their renounees, or the Underwriters."			
3 Proposed Merger of NDIL and Tristar *That, subject to the passing of Resolution 1 (above), the Company be and is hereby authorised, to merge, subject to regulatory and any other necessary approvals, the operations of NDIL and Tristar Insurance Company Limited ("Tristar") through the acquisition of Tristar by NDIL*.			
4 Directors' Authority to give effect to the above Resolutions *That, the Directors of the Company be and are hereby authorised to do any and all such things as may generally be required or necessary to give effect to the above Resolutions."			

Every person present and entitled to vote at the EGM shall, on a show of hands, have one vote only, but in the event of a poll, every share shall have one vote.

Signed at _____ on _____ 2017

Signature(s) _____

Assisted by me _____

Full name(s) of signatory/ies if signing in a representative capacity (see note 2) (please use block letters).

NOTES TO THE FORM OF PROXY

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

- 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.
- Unless otherwise instructed, the proxy will vote as he/she thinks fit.
- 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.
- The proxy form must be signed and dated for it to be valid. Any alterations or corrections to this form must be initialed.
- 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.
- 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.

