

# UNAUDITED RESULTS

## FOR THE HALF YEAR

### ENDED 30 JUNE 2007

**FIRST MUTUAL LIMITED**  
Creating Wealth For Life

#### HISTORICAL FINANCIAL HIGHLIGHTS

	Half year 30/06/07	Half Year 30/06/06	Change June 2006 to June 2007	Twelve Months 31/12/06
	\$ million	\$ million		\$ million
▲ Premium Income	99,319	1,237	7,927%	4 313
▲ Investment Income	8,509,148	18,182	46,700%	185 388
▲ Total Income	8,622,894	19,561	43,982%	192 076
▲ Total Outgo	95,890	970	9,786%	8 032
▲ Transfers to policyholders	5,921,689	11,756	50,272%	127 233
▲ Surplus attributable to shareholders	1,703,206	3,594	47,290%	33 956
▲ Basic Earnings per share	\$ 398.88	\$ 0.85	46,827%	\$ 7.99
▲ Headline Earnings per share	\$ 400.50	\$ 0.99	40,331%	\$ 8.29

#### CHAIRMAN STATEMENT

##### Business Environment

The Group continued to operate in a challenging business environment with hyperinflation, foreign currency shortages and high interest rates remaining some of the major threats to the economy.

The macroeconomic environment adversely affected the insurance industry with a decline in the demand for the industry products as both disposable incomes for clients and corporate performances were under severe strain.

##### Performance of the Group

The Group recorded commendable results despite the harsh economic environment. In inflation adjusted terms, the Group recorded total profit attributable to shareholders amounting to \$1.9 trillion.

##### Historical

##### 1. Group

Total income increased by 43982% from \$19.6 billion in June 2006 to \$8.6 trillion. Premium income grew by 7,927% from \$1.2 billion to \$99.3 billion. Investment income grew by 46,700% from \$18.2 billion to \$8.5 trillion on the back of appreciation in the value of properties and equity investments.

The Group recorded headline earnings per share of \$400.50 and basic earnings per share of \$398.88.

##### 2. Holding Company

The holding Company contributed \$312 billion to shareholder profits after elimination of gains on investments in property and subsidiaries. The contribution is primarily investment income from equity investments.

##### 3. Life and Pensions Business

The life and pension business contributed \$523 billion to shareholder profits after elimination of the life shareholder portion of unrealized property gains shown separately under property results.

Total premiums grew by 7,412% from June 2006 and Employee benefit premiums went up by 8644% due to increases in pension contributions and acquisition of new business, with an annual premium income of \$66 billion. The new products introduced during 2006 have continued to be well received and are contributing positively to the profits.

Individual life premiums lagged behind inflation due to the decline in disposable income of clients. The expense ratio of the company was within budgeted target.

##### 4. Reinsurance Business

During the period under review, a total amount of \$2 billion was injected into this business to cater for increased underwriting capacity of the property and casualty division and to launch the Life and Health division.

The property and casualty division contributed \$164 billion to Group profits against \$152 million at June 2006, representing an increase of 107,795%. This business' aggressive investment strategy and sound underwriting have continued to pay off. The company also recorded a positive underwriting result for the period under review.

Subsequent to 30 June 2007, the reinsurance company has been split into two companies. The intention on launching the Life and Health section was to keep it as a division within the reinsurance business, however in order to comply with the regulators' new licensing requirements, it is now operating on a stand alone basis. We do not believe, given the new structure, that

the Life and Health reinsurance business will contribute to the segment's profit in the short to medium term.

##### 5. Tristar Insurance Company

The Holding Company acquired an additional 32.5% in Tristar Insurance during the period under review. Consequently Tristar became a subsidiary of the Group, at 65% shareholding. The Group results include contribution of \$26 billion from Tristar Insurance Company. The company recorded an underwriting profit of \$3.1 billion as a result of increase in retention levels and prudent underwriting.

##### 6. Actuarial Business

The Company contributed \$17 billion to shareholders' profits up from \$27 million in June 2006. The company has continued to source and acquire new business, both locally and in the region. Included in the actuarial fee income is \$845 million from external business.

##### 7. Property Business

The property business contributed \$657 billion to shareholders' profits. Total rental for the Group amounted to \$4.7 billion up from \$79 million in June 2006. Rental escalations have not gone up in line with inflation due to the different lease renewal dates for tenants. The rental growth in the last half of the year is expected to be minimal, in compliance with the current government directive on rent freeze.

The Group's properties were revalued by independent valuers resulting in a total return of 3645.6% for the half year to 30 June 2006. The rental yield averaged 2.5% for the period under review.

##### 8. Trust Holdings Limited

First Mutual Limited has formally notified the Trust Holdings Limited board of its intention to terminate the strategic partnership agreement. This is expected to unlock value for both sets of shareholders and we believe this is in the long term interests of both companies. Members will be apprised of developments as they arise.

##### 9. Balance Sheet

The Group total assets including the policyholder fund ended the period with total assets of \$9,466 billion, representing a growth of 4,479% from December 2006.

##### 10. Outlook and strategy

Despite the challenging economic environment, the Group has put in place strategies that will preserve shareholder value. The listing of Pearl Properties on 22 August 2007 will bring the much needed liquidity in the Group to meet its working capital and projects requirements for both policyholders and shareholders.

##### 11. Dividends

In light of the need to preserve value and to facilitate the pursuance of the Group's growth strategies, the board has deemed it prudent not to declare an interim dividend.



MR P.F. TIMBA (EXECUTIVE CHAIRMAN)  
29 August 2007

#### GROUP INCOME STATEMENT

	Inflation adjusted 30 June 2007 \$m	30 June 2006 \$m	Historical 30 June 2007 \$m	30 June 2006 \$m
<b>INCOME</b>				
Premium income	235,079	114,753	99 319	1,237
Investment income	6,655,953	791,086	8 509 148	18,182
Rental Income	15,600	9,561	4 742	79
Actuarial fee income	10,164	7,358	1 880	54
Other income	55,766	1,061	7 805	9
Total Income	6,972,562	923,819	8,622,894	19,561
<b>EXPENDITURE</b>				
Claims	142,270	47,093	39,515	532
Commission	18,509	11,211	4,062	99
Expenses of management	117,069	40,136	52,313	339
	277,848	98,440	95,890	970
<b>Surplus before taxation</b>	6,694,714	825,379	8,527,004	18,591
Tax release/(charge)	2,138	(182,432)	(735,756)	(3,154)
<b>Surplus after Taxation</b>	6,696,852	642,947	7,791,248	15,437
Monetary adjustment	1,223,202	(244,152)	-	-
Share of Associate Company surplus	-	419	-	43
Transfer to minority interest	(32,124)	(4,768)	(166,353)	(130)
Transfer to policyholders	(5,974,013)	(278,515)	(5,921,689)	(11,756)
<b>Surplus attributable to shareholders</b>	1,913,917	115,931	1,703,206	3,594
Basic earnings per share (\$)	448.22	27.28	398.88	0.85
Headline earnings per share (\$)	450.44	32.54	400.50	0.99
Number of shares in issue ( millions )	4,270	4,250	4,270	4,250
Weighted number of shares in issue ( millions )	4,270	4,250	4,270	4,250

#### GROUP BALANCE SHEET

Notes	Inflation adjusted 30 June 2007 \$m	31 Dec 2006 \$m	30 June 2006 \$m	Historical 30 June 2007 \$m	31 Dec 2006 \$m	30 June 2006 \$m
<b>ASSETS</b>						
Cash and bank	35,374	12,096	3,993	35,374	690	54
Accrued investment income	681	2,051	4,252	681	127	58
Premium debtors	77,703	10,150	23,675	77,703	579	322
Other debtors	90,204	18,407	9,375	90,204	1,050	127
Consumable stocks	1,726	47,158	5,701	1,726	92	15
Investments	8,744,639	3,321,600	1,661,146	8,744,639	189,481	22,594
Investment in associate companies	6	14,971	1,349	6	639	56
Property and Equipment	908,893	287,282	182,021	908,893	14,076	1,841
<b>TOTAL ASSETS</b>	<b>9,859,226</b>	<b>3,713,713</b>	<b>1,891,512</b>	<b>9,466,055</b>	<b>206,734</b>	<b>25,067</b>
<b>LIABILITIES</b>						
Outstanding claims	9,149	9,712	5,219	9,149	553	71
Unearned Premium Reserve	31,371	13,691	14,711	31,371	781	200
Other creditors	263,155	65,983	15,692	263,155	3,764	213
Taxation	2,942	6,276	6,967	2,942	119	95
Deferred tax liabilities	537,274	399,368	292,242	537,274	22,169	3,646
Policyholders' liabilities	6,314,924	2,464,314	1,066,662	6,314,924	140,577	15,012
	7,158,815	2,959,343	1,401,493	7,158,815	167,963	19,237
<b>EQUITY</b>						
Share capital	1	1	1	1	1	1
Share premium	19,914	19,914	6,881	19,914	85	85
Adjustment to share capital	463,441	463,441	478,293	463,441	-	-
Accumulated Surplus	2,120,228	206,311	(100,301)	2,120,228	34,620	4,203
Capital reserves	47,453	47,453	95,697	47,453	2,764	1,309
Total Shareholders' funds	2,651,037	737,120	480,571	2,651,037	37,470	5,598
Minority Interest	49,374	17,250	9,448	49,374	1,301	232
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,859,226</b>	<b>3,713,713</b>	<b>1,891,512</b>	<b>9,466,055</b>	<b>206,734</b>	<b>25,067</b>

#### ABRIDGED GROUP CASHFLOW STATEMENT

	Inflation adjusted 30 June 2007 \$m	31 Dec 2006 \$m	30 June 2006 \$m	Historical 30 June 2007 \$m	31 Dec 2006 \$m	30 June 2006 \$m
Net cash generated from operating activities	861,436	191,322	82,185	861,436	5,096	686
Net cash flow from investing activities	(866,272)	(183,707)	(83,411)	(866,272)	(4,569)	(606)
Net cash flow from financing activities	28,331	3,524	(4,051)	28,331	625	(62)
Net movement in cash and cash equivalents	23,495	11,139	(5,277)	23,495	1,152	18
<b>At beginning of year</b>	12,096	9,810	9,810	12,096	43	43
Net increase for the period	23,495	11,139	(5,277)	23,495	1,152	18
<b>At 30 June 2007</b>	<b>35,591</b>	<b>20,949</b>	<b>4,533</b>	<b>35,591</b>	<b>1,195</b>	<b>61</b>
Represented by:						
Cash at bank	35,374	12,096	3,993	35,374	690	54
Deposits at interest	217	8,853	540	217	505	7
	35,591	20,949	4,533	35,591	1,195	61

#### GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital \$ 'm	Share Premium \$ 'm	Adjustment to share capital \$ 'm	Accumulated Deficit \$ 'm	Dividend \$ 'm	Capital Reserve \$ 'm	Total \$ 'm
<b>INFLATION ADJUSTED</b>							
<b>Group</b>							
Balance at 1 January 2006	1	19 861	463 160	( 216 040)	15 251	2 139	284 372
Net Surplus for the year	-	-	-	421 352	-	-	421 352
Revaluation surplus	-	-	-	-	45 892	-	45 892
Transfer to income statement	-	-	-	999	( 999)	-	-
Dividend paid	-	-	-	-	( 15 251)	-	( 15 251)
Share options exercised	-	53	281	-	-	-	334
Share Options Awarded	-	-	-	-	-	421	421
Balance at 31 December 2006	1	19 914	463 441	206 311	-	47 453	737 120
Net surplus for the period	-	-	-	1 913 917	-	-	1 913 917
Balance at 30 June 2007	1	19 914	463 441	2 120 228	-	47 453	2 651 037
<b>HISTORICAL COST</b>							
<b>Group</b>							
Balance at 1 January 2007	1	85	34 620	-	2 764	37 470	76 154
Revaluation of properties	-	-	-	1 703 206	-	-	1 703 206
Net surplus for the period	-	-	-	-	-	-	-
Balance at 30 June 2007	1	85	1,737,826	-	78 918	1 816 830	

#### NOTES TO THE FINANCIAL STATEMENTS

##### 1. Reporting Period

The reporting period is 1 January 2007 to 30 June 2007

##### 2. Accounting policies

The principal policies adopted in the preparation of these accounts are consistent in all material respects with those of the previous year except where stated in the accounts.

##### 3. IAS 29 (Inflation) Conversion rates

The rates used for IAS 29 Conversion are as follows:

30 June 2007	1.00
31 December 2006	17.53
30 June 2006	73.52

##### 4. SUPPLEMENTARY INFORMATION

##### 4.1 INVESTMENTS

	Inflation adjusted 30 June 2007 \$m	31 Dec 2006 \$m	30 June 2006 \$m	Historical Cost 30 June 2007 \$m	31 Dec 2006 \$m	30 June 2006 \$m
Equity-listed	4,336,769	1,583,695	443,331	4,336,769	90,342	6,030
- unlisted	261,996	10,816	15,776	261,996	617	215
Fixed income securities	204	421	8,283	204	24	113
Investments -at fair value through profit and loss	4,598,969	1,594,932	467,390	4,598,969	90,983	6,358
Loans and receivables	3,003	3,979	4,811	3,003	227	65
Deposits	217	8,853	540	217	505	7
Investment properties	4,142,450	1,713,838	1,188,407	4,142,450	97,766	16,164
<b>Total investments</b>	<b>8,744,639</b>	<b>3,321,602</b>	<b>1,661,148</b>	<b>8,744,639</b>	<b>189,481</b>	<b>22,594</b>

##### 4.2 CAPITAL EXPENDITURE AND COMMITMENTS

	Inflation adjusted 30 June 2007 \$m	31 Dec 2006 \$m	30 June 2006 \$m	Historical Cost 30 June 2007 \$m	31 Dec 2006 \$m	30 June 2006 \$m
<b>CAPITAL EXPENDITURE FOR THE PERIOD</b>	<b>631,056</b>	<b>18,932</b>	<b>5,939</b>	<b>631,056</b>	<b>796</b>	<b>62</b>
<b>CAPITAL COMMITMENTS</b>						
Authorised and contracted for	99,700	1,657	-	99,700	120	-
Authorised but not contracted for	33,71					