



# TA HOLDINGS LIMITED

STATEMENT TO SHAREHOLDERS ON THE UNAUDITED RESULTS FOR THE 6 MONTHS TO JUNE 2001

## GROUP PROFIT AND LOSS STATEMENT

	Historical Cost			Inflation Adjusted		
	6 months to 30/06/2001	6 months to 30/06/2000	12 months to 31/12/2000	6 months to 30/06/2001	6 months to 30/06/2000	12 months to 31/12/2000
	\$000	\$000	\$000	\$000	\$000	\$000
urnover						
Continuing operations	1,746,641	1,177,472	2,469,019	2,087,976	2,509,030	3,890,642
Discontinuing operations	69,700	1,765,030	3,523,944	83,332	3,066,592	5,804,515
	1,816,341	2,942,502	5,992,963	2,171,308	5,575,622	9,695,157
operating profit before finance charges						
Continuing operations	182,979	118,602	397,497	64,312	479,703	(49,210)
Discontinuing operations	10,469	166,431	(36,611)	7,268	(107,340)	(157,088)
	193,448	285,033	360,886	71,580	372,363	(206,298)
finance charges	(38,412)	(236,218)	(466,633)	(45,924)	(425,768)	(735,523)
Continuing operations	(36,220)	(116,190)	(207,526)	(43,304)	(209,276)	(318,833)
Discontinuing operations	(2,192)	(120,028)	(259,107)	(2,620)	(216,492)	(416,690)
Share of associated companies profits before tax	151,674	98,138	168,979	168,979	120,255	121,307
exceptional item	339,000	-	-	301,548	-	-
monetary adjustment	-	-	-	104,609	(34,524)	290,126
profit before tax	645,710	146,953	63,232	593,524	32,326	(530,388)
taxation	(114,559)	(102,818)	(39,743)	(140,016)	(138,279)	44,881
profit after tax	531,151	44,135	23,489	453,508	(105,953)	(485,507)
minority interests	(78,710)	(30,631)	23,676	(94,105)	-	(4,427)
profit/(loss) attributable to shareholders	452,441	13,504	47,165	359,403	(105,953)	(489,934)
reference dividend	(3,107)	(3,255)	(6,509)	(3,715)	(5,351)	(9,261)
profit/(loss) attributable to ordinary shareholders	449,334	10,249	40,656	355,688	(111,304)	(499,195)
dividend in specie	(100,150)	-	-	(119,738)	-	-
	349,184	10,249	40,656	235,950	(111,304)	(499,195)
headline earnings per share (cents)-basic	59.7	6.5	26.0	24.6	(47.0)	(228.0)
basic earnings per share	283	6.5	2.5	224	(47)	(228)
fully diluted earnings per share (cents)	276	6.3	24.9	219	(68.1)	(228.0)
interest cover (times)	5.0	1.2	0.8	1.6	0.9	(0.3)
inflation indices				2,565	1,574	1,844

## ABRIDGED BALANCE SHEET

	30/06/2001	30/06/2000	31/12/2000	30/06/2001	30/06/2000	31/12/2000
<b>EQUITY AND LIABILITIES</b>						
Shareholders' equity	1,824,091	915,071	1,089,518	2,510,722	2,501,430	2,096,926
Minority interests	1,060,254	362,278	383,695	1,106,695	891,381	510,828
Deferred tax	41,915	46,356	(36,636)	59,745	77,483	(20,200)
Interest bearing debt						
Long and medium term	33,798	9,560	5,839	33,798	15,716	8,123
Short term (net)	329,807	638,573	687,984	329,807	1,047,217	407,997
Current liabilities	1,199,657	1,148,303	803,210	1,255,612	2,184,854	1,110,940
Unearned insurance premiums	234,946	182,636	166,521	288,556	950,115	260,714
Life assurance fund	3,053,105	1,116,783	1,547,886	3,112,141	1,465,723	1,748,190
Total capital employed	7,777,573	4,419,560	4,648,017	8,697,076	9,133,919	6,123,518
<b>SSETS</b>						
Property, plant and equipment	1,677,140	1,194,992	1,005,258	2,203,818	3,627,717	1,874,093
Investments and loans	4,393,151	1,207,424	1,791,544	4,765,414	2,166,200	2,496,971
Current assets	1,707,282	2,017,144	1,851,215	1,727,844	3,340,002	1,752,454
	7,777,573	4,419,560	4,648,017	8,697,076	9,133,919	6,123,518

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Historical Cost	Share Capital \$000	Capital Reserves \$000	Retained Earnings \$000	Total \$000
Balance at 31 December 2000	98,713	564,935	425,871	1,089,519
Profit for the year			349,184	349,184
Shares Issued	857	2,712		3,569
Transfer to Capital Reserve		146,077	(146,077)	-
Effect of revaluation of investments		37,386		37,386
Exchange adjustment on translation of shareholders equity in foreign subsidiary		336,972		336,972
Effect of change of shareholding in subsidiary		(967)		(967)
Transfer from deferred tax		8,428		8,428
Balance at 30 June 2001	99,570	1,095,543	628,978	1,824,091

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Inflation Adjusted	Share Capital \$000	Capital Reserves \$000	Retained Earnings \$000	Total \$000
Balance at 31 December 2000	98,713	4,892,983	(2,894,770)	2,096,926
Profit for the year			235,950	235,950
Shares Issued	857	2,440		3,297
Transfer to Capital Reserve		121,243	(121,243)	-
Effect of revaluation of investments		(167,524)		(167,524)
Exchange adjustment on translation of shareholders equity in foreign subsidiary		336,972		336,972
Effect of change of shareholding in subsidiary		(967)		(967)
Transfer from deferred tax		6,068		6,068
Balance at 30 June 2001	99,570	5,191,215	(2,780,063)	2,510,722

## GROUP CASH FLOW STATEMENT

	Historical Cost			Inflation Adjusted		
	6 months to 30/06/2001	6 months to 30/06/2000	12 months to 31/12/2000	6 months to 30/06/2001	6 months to 30/06/2000	12 months to 31/12/2000
	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities						
Cash generated from operations and exceptional items	453,531	(21,062)	106,876	472,584	(34,626)	835,279
Net finance charges paid	(38,412)	(236,218)	(466,633)	(45,924)	(388,338)	(734,903)
Income tax paid	(51,552)	(48,215)	(92,313)	(69,665)	(79,265)	(281,123)
Net cash inflow/(outflow) from operating activities	363,567	(305,495)	452,070	356,995	(502,229)	(180,747)
Investing activities	(1,944,229)	(46,079)	495,522	(2,107,732)	(75,753)	1,277,318
Net cash received from financing activities	1,505,610	210,754	346,034	1,575,390	346,476	(305,971)
Net increase/(decrease) in cash and cash equivalents	(75,052)	(140,820)	389,486	(175,347)	(231,506)	790,600
Cash and cash equivalents at beginning of period	258,597	(189,830)	(189,830)	359,450	(513,078)	(513,078)
Effect of foreign currency translation	133,544	(5,856)	58,941	132,986	(9,627)	81,928
Cash and cash equivalents at end of period	317,089	(336,506)	258,597	317,089	(754,211)	359,450

## SUPPLEMENTARY INFORMATION

	30/06/01 \$millions	30/06/00 \$millions
1 Depreciation	100	55
2 Capital Expenditure	70	86
3 Capital Commitments	212	123
4 Contingent liabilities	-	92
Investments and loans		
Associated companies	379	262
Listed investments	1,538	345
Unlisted investments	2,458	581
Other non-current assets-loans	18	19
	4,393	1,707

## COMMENTARY

### HISTORICAL COST

Turnover of \$1,746 billion on continuing operations was achieved in the first six months, representing a growth of 48% on prior period, down on average inflation of 58%. The negative growth in real revenue presents a considerable challenge in an economy experiencing a collapse in exchange rates, high inflation and artificially low interest rates. The group has therefore made it a priority to explore regional opportunities for insurance businesses in order to widen and strengthen its revenue base in hard currency. Cresta Hospitality is already operational in Botswana, South Africa and Namibia.

The group retained a profit before tax of \$645.7 million which includes profits from the disposal of Zimnat Lion shares and T. Head Office property in Msasa (\$345 million). Share of associated profits rose by 54.5% on prior period reflecting mainly price adjustments in the fertiliser industries. The improvement in profit before tax resulted in attributable profit increasing tenfold compared to the twelve months to December 2000. Operating margin on continuing businesses was 10.5% compared to a prior period margin of 10.1% and 16.1% for twelve months to December 2000. Margins have been eroded since December 2000 by the high cost of inputs caused by inflation and the depreciating dollar.

Net interest payable was reduced significantly during the period. The group's short-term borrowings enabled management to move quickly and take advantage of the lower interest regime at the beginning of the period. In addition, the disposal of TA Head Office in Msasa and the listing of Zimnat Lion generated sufficient funds to repay in full TA Head Office local debt. Interest payable is now five times covered by operating income compared to one time cover in the corresponding period. The six months result of Zimnat Lion Insurance Company Ltd, the recently listed insurance subsidiary of TA, have been consolidated on a proportionate basis in recognition of the date of listing on 11 May 2001. As was reported in the group's 2000 year end report, Blue Ribbon Industries Ltd, consisting of Aroma Bakeries and Blue Ribbon Foods together with United Refineries Ltd have been accounted for in the results, as associates. The three companies were consolidated as subsidiaries prior to their change of control on 3 December 2000.

### SECTORAL PERFORMANCE

	Turnover \$millions	Operating Profit/(Loss) \$millions	Net Finance Charges \$million
Foods	13,090	(8,117)	-
Hotels	866,928	(35,744)	(3,913)
Insurance	855,243	238,864	-
Discontinuing operations	69,700	10,469	(2,193)
Holding company and other operations	11,380	(12,024)	(32,306)
	1,816,341	193,448	(38,412)

### Insurance

Gross written premiums of Zimnat Lion rose by only 15% to \$855.2 million reflecting a combination of high self-insurance by clients, under-insurance and a move to non-comprehensive insurance especially on motor. Profit before tax increased by 124% on prior period results reflecting substantial investment income from a buoyant stock market. The Zimnat Life Fund has witnessed significant growth in all lines of products and it grew by more than 200%, well above inflation. Efforts are underway to strengthen the revenue base by investigating viable growth prospects locally and regionally.

### Hotels

The hotel industry continues to suffer from the effects of the negative political publicity locally and regionally resulting in low tourist and business traveller arrivals. These negative effects combined with losses from the greenfield project in Ondangwa, Namibia has resulted in an overall loss of \$39.6 million for the six months. Cresta hotels in Zimbabwe accounted for \$13 million of the overall loss. Cresta Marakanelo (Pty) Ltd in Botswana posted positive results and contributed to Cresta Hospitality's overall performance. Management continues to seek opportunities to counter the effects of instability in the region.

### Foods

The food sector was sold or restructured at the end of the last financial year. The sector's results are now being incorporated into TA as associates. Overall, Blue Ribbon Industries Ltd is making profits, although Aroma Bakeries Ltd is still operating at a loss. The group continues to develop Hygrade Food Products (Pvt) Ltd, which owns Sammys, a greenfield project that is still trading at a loss. Sammys made a trading loss of \$8 million for the six months. The projections are that Sammys will break even by the end of the current financial year following the opening of a proposed second outlet. The Sammys product has the capability to generate United States dollar denominated revenues as a franchise and a number of regional enquiries have been received and are being processed.

### Associates

Associated companies profits rose by 54.6%. Sable Chemical Industries Ltd and Zimbabwe Fertiliser Company (ZFC) adjusted their prices during the period which had a positive effect on their profitability. Aon produced good results in line with the financial services sector. Blue Ribbon Industries Ltd results have been accounted for as an associate but its contribution was limited due to losses in Aroma.

### Discontinuing Operations

The food sector businesses were reported on as discontinuing in the last financial statements, and are now treated as associates. Sabata Holdings Ltd, which operates in the agricultural sector, was identified for disposal. Negotiations with a prospective purchaser are at an advanced stage.

### BALANCE SHEET

Shareholders equity increased by \$734.6 million during the year as a result of an increase in profits (\$349.2 million net of dividend of \$100.1 million) and retranslation of a foreign subsidiary resulting in exchange gains (\$336.9 million). It is recognised that the increase in shareholder equity is mainly from capital profits and not operating results.

### Borrowings

Group short term debt was reduced by \$595.6 million during the period following the disposal of TA's Head Office in Msasa and the listing of Zimnat Lion Insurance Company Ltd. This has reduced significantly the interest burden on the group, which will have a positive effect in the second half of 2001. The group has an external liability in United States dollars amounting to US\$1.8 million which it inherited from a subsidiary that has since been sold. The former subsidiary has accepted partial liability in the form of a \$118 million loan provided by TA and will service the interest thereon. The group has accounted for the full amount of the external liability in the amount of \$270 million in the balance sheet, and taken to the income statement the excess arising from the retranslation of the original US\$1.8 million over the \$118 million to be paid by the former subsidiary. The prior period balance sheet at December 2000 has been restated accordingly.

### Inflation Adjusted Accounts

Inflation adjusted accounts are being published to comply with IAS29 (Financial Reporting in Hyperinflationary Economies). In view of the current controversy surrounding the usefulness of the accounts to stakeholders, the directors do not see the value in producing a commentary on them.

### Outlook

The successful listing of Zimnat Lion and the disposal of TA's Msasa Head Office were major milestones. The proceeds were applied to reducing TA Head Office debt. This will auger well for the remainder of the year as interest payments will be negligible.

As reported in a circular to shareholders, the court case in Botswana brought about by our partners, in which they sought to liquidate Cresta Marakanelo (Pty) Ltd, was not successful. Cresta continues to manage the hotels in Botswana. TA's relationship with its partners is being discussed.

TA has businesses that are capable of being grown locally and developed regionally. A number of initiatives are already underway which, in the medium term, will result in revenue growth in hard currency. The instability of our currency and the difficulty in predicting the direction and magnitude of inflation makes it difficult to provide any meaningful forecast for future performance of the group. We are however confident that the reduction in debt will contribute to improved results.

### DIVIDENDS

#### Interim Preference Dividend

In terms of the rights of preference shareholders an interim dividend for six months to 31 May 2001 has been declared.

#### Declaration of Interim Dividend to Preference Shareholders

Notice is hereby given that a dividend for the six months period ended 31 May 2001 at the rate of 33% per annum on the nominal value of the cumulative convertible redeemable preference shares amounting to \$3 107 000.00 has been declared payable in Zimbabwe currency on or before 30 September 2001 to preference shareholders registered in the books of the company on 3 May 2001.

#### Dividend in Specie

The Directors declared an interim dividend in specie of 68.4 cents per ordinary share in issue in respect of the six months ended 30 June 2001, to shareholders registered in the books of the company at the close of business on 27 April 2001. The dividend in specie was paid in the form of 567 Zimnat shares at the issue price of \$1,1 for every 1000 TA shares held.

By order of the Board  
TA Management Services (Pvt) Ltd

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#### A R T MANZAI

For: Company Secretary 28 August 2001

Directors: S Mutasa (Chairman), H A G Bhadella, K J Bucknor, W H Turpin, P W T Chipudhla, F Daniels,