



# TA HOLDINGS LIMITED

STATEMENT TO SHAREHOLDERS ON THE UNAUDITED HISTORICAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2006 (REVALUED CURRENCY)

## HIGHLIGHTS

• Revenue	▲	1 025%
• Investment income	▲	1 919%
• Net profit before tax	▲	2 181%
• Attributable profit	▲	2 058%

• Diluted earnings per share	▲	2 376%
• Total assets	▲	1 154%
• Shareholders' equity	▲	1 675%
• Year on year inflation	▲	1 185%

## GROUP FINANCIAL STATEMENTS

### 1. GROUP PROFIT AND LOSS STATEMENT

(REVALUED CURRENCY)	30 Jun 2006 \$000	30 Jun 2005 \$000	% inc	31 Dec 2005 \$000
Revenue	2,577,854	229,168	1 025	1,138,555
Less: Operating costs	(2,632,114)	(226,326)	1 063	(1,100,533)
Trading profit/(loss)	(54,260)	2,842	(2 009)	38,022
Realised investment income	499,770	13,870	3 503	188,272
Unrealised investment income	786,289	49,823	1 478	1,104,337
- Equities	786,289	49,823		538,974
- Properties & other	-	-		565,363
Operating profit before interest	1,231,799	66,535	1 751	1,330,631
Net interest income/(charges)	8,523	(9,830)	187	(27,232)
Share of associates profits	187,690	5,909	3 076	48,758
Profit before tax	1,428,012	62,614	2 181	1,352,157
Taxation	(375,712)	(13,861)	2 611	(313,895)
Current Income tax	(198,342)	(13,481)		(71,155)
Deferred tax	(177,370)	(380)		(242,740)
Profit attributable to shareholders	1,052,300	48,753	2 058	1,038,262
Attributable to:				
Equity holders of parent company	945,346	32,759		976,892
Minority interests	106,954	15,994		61,370
	1,052,300	48,753	2 058	1,038,262
Basic earnings per share (\$)	5.84	0.20	2792	6.04
Fully diluted earnings per share (\$)	5.00	0.20	2376	5.17
Interest charge cover (times)	-	7		49

### 2. ABRIDGED BALANCE SHEET

(REVALUED CURRENCY)	30 Jun 2006 \$000	30 Jun 2005 \$000	31 Dec 2005 \$000
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	2,758,188	132,437	1,707,116
Minority interests	517,543	52,061	502,177
Deferred tax	442,930	11,662	326,095
Interest bearing debt			
Long to medium term	426,460	58,556	453,493
Short term loans and overdrafts	131,007	18,282	80,891
Current liabilities	1,971,711	190,627	3,328,474
Unearned insurance premiums	1,057,779	89,608	974,981
Life assurance fund	1,200,873	125,229	599,768
	8,506,491	678,462	7,972,995
<b>ASSETS</b>			
Property, plant and equipment	878,554	50,813	759,071
Investments	5,055,036	398,691	3,133,452
Cash and bank balances	1,129,022	56,839	1,140,430
Current assets	1,443,879	172,119	2,940,042
	8,506,491	678,462	7,972,995

### 3. GROUP STATEMENT OF CHANGES IN EQUITY

(REVALUED CURRENCY)	Ordinary Share capital	Capital and other Reserves	Retained Earnings	Total attributable to equity holders of the parent	Minority Interests	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2006	114	749,694	957,315	1,707,123	502,176	2,209,299
Issued during the year	(19)	(1)	-	(20)	34,322	34,302
Profit for the year	-	-	945,346	945,346	106,954	1,052,300
Transfer from statutory reserves	-	57,136	(57,136)	-	(7,411)	(7,411)
Translation reserve arising during the year	-	155,785	-	155,785	(47,628)	108,157
Dividend paid: Ordinary	-	-	(50,046)	(50,046)	(70,871)	(120,917)
Balance at 30 June 2006	95	962,614	1,795,479	2,758,188	517,542	3,275,730

### 4. GROUP CASH FLOW STATEMENT

(REVALUED CURRENCY)	30 June 2006 \$000	30 June 2005 \$000	31 Dec 2005 \$000
Cash flows from operating activities			
Cash (used)/generated from operations	(175,378)	(13,300)	367,849
Net finance income/(charge)	8,523	(9,830)	(27,232)
Income tax paid	3,894	(4,904)	(66,546)
Net cash (outflow)/inflow from operating activities	(162,961)	(28,034)	274,071
Net cash (paid)/received from investing activities	(356,347)	5,272	(294,791)
Net cash received from financing activities	453,538	49,182	452,292
Net (decrease)/increase in cash and cash equivalents	(65,770)	26,420	431,572
Cash and cash equivalents at beginning of period	1,059,539	3,848	3,848
Effect of foreign currency translation	4,246	8,289	624,119
Cash and cash equivalents at end of period	998,015	38,557	1,059,539
Made up of:			
Short term loans and overdrafts	(131,007)	(18,282)	(80,891)
Cash and bank balances	1,129,022	56,839	1,140,430
	998,015	38,557	1,059,539

### 5. SUPPLEMENTARY INFORMATION

(REVALUED CURRENCY)	30 June 2006 \$000	30 June 2005 \$000	31 Dec 2005 \$000
Depreciation	32,931	3,521	40,316
Capital expenditure	148,656	10,355	39,284
Contingent liabilities	99,435	10,465	93,457
Investments			
Associated companies	470,576	50,847	371,375
Listed investments	3,177,791	199,054	2,145,437
Unlisted investments	298,113	116,789	225,714
Other non current assets	1,108,556	32,001	390,926
	5,055,036	398,691	3,133,452
Other non current investments			
- Equities	41,234	650	34,865
- Debenture notes, fixed deposits and others	614,513	19,072	190,854
- Properties	452,809	12,279	165,207
	1,108,556	32,001	390,926
Exchange rates used	Average June 2006	Closing June 2006	Average June 2005
USD	99,105	101,196	6,818
BWP	16,761	17,919	1,437
ZAR	14,205	15,723	1,096

## COMMENTARY

### GROUP PERFORMANCE OVERVIEW

The first half of the year saw a continuation of the Group's dependence on investment income, underpinned by a focus on effective use of capital in all subsidiary companies. The net asset value per share increased by 1 682% from \$0.82 last year to \$14.61 as at 30 June 2006.

The insurance operations have been focusing on improving underwriting disciplines and reinsurance treaty structures during the first half of the year. The initiatives being undertaken at the insurance subsidiaries should result in the Group posting positive underwriting results commencing in the second half of the year.

Increased revenue per available room, resulted in a 3 126% increase in profits at local hotel operations during the period under review. The refurbishment programme for the hotels in Botswana is now in full swing and benefits should start to flow during the last quarter of the year.

Associate companies had a satisfactory first half. The fertiliser industry was awarded reasonable price increases. However, given the hyperinflationary conditions in the country, the industry is working with the government to establish a more economically viable pricing formula. The focus is to ensure a correct safety environment while initiating overdue repairs and maintenance programmes.

### Inflation adjusted results (IAS 29)

The directors recognize the need to comply with all International Financial Reporting Standards and will present inflation-adjusted statements with the annual report as was done in the previous year.

The comments below are in respect of historical cost financial information (at revalued currency).

### FINANCIAL REVIEW

Group turnover increased by 1 025% to \$2.56 billion over the prior year.

Total investment income for the first half increased by 1 919% to \$1.29 billion.

Profit before tax from associated companies amounted to \$188 million, representing a 3 076% growth over last year. The increase in associates profit was largely due to increased contributions by AON and ZFC. Sable Chemicals broke even while United Refineries incurred a loss.

Profit attributable to ordinary shareholders for the half year increased by 2 058% to \$1.05 billion over the same period last year.

### SECTORAL & GEOGRAPHICAL PERFORMANCE

	Revenue \$000	Trading Profit/(loss) \$000	Investment Income \$000	Net Finance (charges)/ income \$000	Profit/(loss) Before Tax \$000
Insurance - local	718,388	(104,904)	927,158	-	822,254
Insurance - foreign	1,490,972	(23,794)	268,323	-	244,529
Total insurance	2,209,360	(128,698)	1,195,481	-	1,066,783
Hotels - local	368,494	73,462	-	(6,639)	66,823
Total Hotels	368,494	73,462	-	(6,639)	66,823
Corporate & other - local	-	20,645	90,578	24,697	135,920
Corporate & other - foreign	-	(19,669)	-	(9,536)	(29,205)
Corporate Totals	-	976	90,578	15,161	106,715
Associated - local					189,809
Associated - foreign					(2,119)
Associated total					187,690
Group Total	2,577,854	(54,260)	1,286,059	8,522	1,428,011

### Insurance

Botswana Insurance Company Limited (BICL) broke even in respect of underwriting result compared to an underwriting loss of Pula 2.1 million incurred last year. This was mainly due to an improvement in reinsurance and expense ratios from 42% to 34% and from 30% to 24% respectively. The claims ratio however, worsened from 60% in 2005 to 64% due to increased claims from the motor class. BICL's combined ratio improved slightly from 104% in 2005 to 100% in 2006.

Zimnat Lion incurred an underwriting loss of \$108 million that included a non-recurring voluntary retrenchment expenditure of \$70 million. The high severity of claims in property and fire classes and increased frequency of personal lines claims also affected the results. The benefit of an enhanced balance sheet after the merger with AIG resulted in an overall decrease in reinsurance costs. The expense ratio was down to 25% from 38% in prior year. The combined ratio worsened from 94% in 2005 to 127% in 2006.

Lion Assurance of Uganda's performance continues to be below expectation though the loss was reduced by 55% to US\$121 000 from that incurred in prior year. The claims ratio improved from 70% to 42%. The combined ratio improved from 500% in 2005 to 233% in 2006.

Grand Reinsurance Company recorded an underwriting loss of \$6.4 million. The combined ratio was 128%.

Profit before tax of \$137 million from investments held in shareholders funds at Zimnat Life has been included for the first time in the Group results.

### Hotels

Cresta Zimbabwe made a profit before tax of \$50.6 million up 3 126% from \$1.6 million achieved last year. Room occupancies were unchanged at 40% despite the ongoing refurbishment at Jameson Hotel. Increased demand on working capital to fund the refurbishments in the second quarter resulted in the company going into an overdrawn position. Consequently, a net interest charge of \$6.6 million was incurred.

### Associated companies

	2006 \$000	2005 \$000	% change
Group's share of Profit before tax			
Sable	-	(5,777)	5 677
AON	96,614	3,981	2 327
ZFC	116,983	4,679	2 400
URL	(23,788)	43	(55 421)
Cresta Marakanelo	(2,119)	2,983	(171)
	187,690	5,909	3 076

Zimbabwe Fertiliser Company (ZFC) and AON both posted exceptional performance during the period under review.

While Sable Chemicals achieved a profit after tax of \$131 million, provisions were increased in line with repairs and maintenance programmes. This adjustment was made at the Group consolidation level resulting in the company showing a breakeven position in the reported figures.

URL's results for the half-year were disappointing. The company incurred a trading loss and the position was exacerbated by a high interest charge of \$96 million.

### BALANCE SHEET

Shareholders' Equity  
Total shareholders' equity increased to \$2.76 billion mainly due to net profit retained during the period.

Deferred tax  
Deferred tax increased to \$443 billion due to increase in tax on unrealised investment income.

### Borrowings and Life Assurance Fund

Total external borrowings increased by \$23 million due to exchange rate movement. Loan repayments of Pula 5.6 million were made during the period under review.

The life assurance fund increased by \$600 million due to unrealised gains from listed equities.

### Investments, Property, Plant and Equipment

Group investments increased to \$5.1 billion from \$3.1 billion at 31 December 2005 due to the appreciation of the listed equities investment portfolio.

Property, plant and equipment increased to \$878 million due to additional capital expenditure. No property revaluations, either freehold or investment, were done in the first half as it is Group policy to do these for only the full year accounts.

### CASHFLOW

The Group's cash and cash equivalents were \$998 million as at 30 June 2006.

### OUTLOOK

Short term insurance companies have implemented initiatives that will improve service delivery to customers and at the same time implement strict cost control measures, and price risks profitably.

The embedded value of the life insurance company will be included in the full year accounts which will impact positively on the Group results.

The local asset management company will be capitalised to the required levels by the due date.

The refurbishment of foreign hotels is on schedule and will be completed in the last quarter of 2006. First phase of the refurbishment programme for local hotels commenced in the second quarter.

The agro-chemical associates continue to engage the Government to establish a sustainable pricing formula.

### DIVIDEND

In line with company policy, no interim dividend is being proposed.

By order of the Board  
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