

UNAUDITED STATEMENT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 30 JUNE 2012

1. OVERVIEW

The Group's operating profit before investment income increased by 460% to \$2.8 million up from \$0.5 million achieved for the same period last year. This growth in operating profit was mainly driven by excellent underwriting performance by all insurance companies, especially those operating in Zimbabwe. For the first time since 2003, all insurance companies achieved underwriting profits.

However, losses incurred by the agrochemicals associate companies amounting to \$2.4 million (up from \$1.1 million for the same period last year) and the decline in investment income, from \$2.8 million last year to \$0.8 million, resulted in Group profit before tax for the half year ended 30 June 2012 decreasing to \$1.4 million versus \$2.2 million achieved for the corresponding period last year.

Cash generated by Zimbabwe operations increased by \$2.5million, whilst that generated by outside Zimbabwe operations increased by \$2.3million resulting in total Group cash generated of \$8.1million up from \$3.3million achieved for the same period last year.

2. PERFORMANCE BY SECTOR

2.1 Geographical

	ZIMBABWE		OUTSIDE ZIMBABWE		GROUP	
	2012 30 JUNE \$000	2011 30 JUNE \$000	2012 30 JUNE \$000	2011 30 JUNE \$000	2012 30 JUNE \$000	2011 30 JUNE \$000
Operating profit/(loss)	770	(933)	2,040	1,410	2,810	477
Realised investment income	722	433	501	787	1,223	1,220
Unrealised fair value adjustments	(1)	1,622	(443)	15	(444)	1,637
Finance costs	(469)	(206)	-	-	(469)	(206)
Share of associations (losses)/profit	(1,974)	(1,023)	286	87	(1,689)	(936)
(Loss)/profits before tax	(953)	(108)	2,384	2,299	1,431	2,191
Income tax	77	212	(513)	(742)	(436)	(530)
(Loss)/profit after tax	(875)	103	1,871	1,557	995	1,660
	-	-	-	-	-	-
Attributable to:						
Equity holders of the parent	(875)	103	1,016	1,124	140	1,228
Non controlling interests	-	-	855	433	855	433
	(875)	103	1,871	1,557	995	1,660

2.2 Business sector- Profit before tax analysis

	JUNE 2012 \$000	JUNE 2011 \$000
Insurance	4,529	4,292
Hotels	592	787
Agrochemicals	(2,482)	(1,265)
Other investments	(341)	(195)
Corporate	(867)	(1,429)
Profit before tax	1,431	2,191

2.3 Investment income split

	2012 \$000	2011 \$000
Realised investment income		
Interest received	595	543
Dividends received	415	421
Realised losses on disposal of investments	(174)	(24)
Rental income	387	280
	1,223	1,220
Unrealised fair value adjustments		
Fair value gains on investment properties	30	1,670
Fair value losses on financial instruments	(474)	(33)
	(444)	1637

2.4 Individual company performance

2.4.1 Insurance

a) Zimnat Lion (100% effective interest)

	JUNE 2012 \$000	JUNE 2011 \$000
Gross written premium	8,634	8,162
Net written premium	3,521	2,602
Underwriting result	799	132
Investment income	22	158
Profit before tax	821	290
Ratios		
Reinsurance ratio	59%	68%
Claims ratio	32%	38%
Expense ratio	41%	56%
Combined ratio	73%	94%

The improved underwriting result was largely due to:

- Increase in retention levels.
- Reduced expense ratio as a result of a decrease in overheads following a cost reduction exercise implemented in December 2011.
- Lower claims ratio during the period under review. The lower claims ratio was achieved after accounting for two major fires which occurred during the second quarter of the year.

b) Zimnat Life (100% effective interest)

	JUNE 2012 \$000	JUNE 2011 \$000
Gross written premium	2,735	1,666
Net written premium	2,472	1,476
Underwriting result	650	64
Investment income	164	964
Profit before tax	814	1,028
Ratios		
Reinsurance ratio	11%	13%
Claims ratio	40%	46%
Expense ratio	48%	50%
Combined ratio	88%	96%

- The underwriting profit increased during the period under review mainly due:
 - o 65% increase in gross written premium arising from organic growth of existing business and acquisition of new clients, mainly group life.
 - o increased retention levels and a lower claims ratio.
- Investment income declined to \$0.2 million versus \$1 million during the same period last year. During the six months ended 30 June 2011, investment income was boosted by unrealized fair value gains arising from the revaluation of a commercial building.

c) Grand Reinsurance (100% effective interest)

	JUNE 2012 \$000	JUNE 2011 \$000
Gross written premium	4,653	2,561
Net written premium	3,824	1,728
Underwriting result	75	38
Investment income	(15)	10
Profit before tax	60	48
Ratios		
Reinsurance ratio	18%	33%
Claims ratio	51%	36%
Expense ratio	47%	60%
Combined ratio	98%	96%

The company's underwriting profits increased by 97% mainly driven by an 82% increase in gross written premiums coupled by a decrease in reinsurance ratio (which was 18% for the half year under review versus 33% last year). This was largely a result of the company's focus on small to medium sized clients which has seen the company acquiring significant business which is within its net retention limits.

The rise in claims ratio from 36% last year to 51% during the period was largely as a result of increased fire and farming claims during the second quarter of the year.

d) Botswana Insurance Company (62.5% effective interest)

	JUNE 2012 \$000	JUNE 2011 \$000
Gross written premiums	19,819	19,833
Net written premiums	8,726	10,103
Underwriting result	1,517	1,472
Investment income	1,294	(745)
Profit before tax	2,811	727
Ratios		
Reinsurance ratio	56%	49%
Claims ratio	45%	45%
Expense ratio	38%	39%
Combined ratio	83%	84%

- The company's underwriting performance was the same as last year's except for the reinsurance ratio which increased from 49% last year to 56% during the half year under review, the result of a change in business mix, which this year was skewed towards products that require higher levels of reinsurance. However, a corresponding increase in commissions received managed to cushion the increase in retention costs resulting in a 3% increase in the overall underwriting result.
- Investment income improved during the year mainly due to unrealised fair value gains on its portfolio investments.

e) Lion Assurance Uganda (54% effective interest)

	JUNE 2012 \$000	JUNE 2011 \$000
Gross written premiums	4,324	2,992
Net written premiums	2,663	1,672
Underwriting result	154	(203)
Investment income	238	(303)
Profit/(loss) before tax	392	(506)
Ratios		
Reinsurance ratio	38%	44%
Claims ratio	35%	44%
Expense ratio	57%	71%
Combined ratio	92%	115%

- The company achieved an underwriting profit for the period under review compared to an underwriting loss incurred for the same period last year largely due to:
 - o Growth in business, which falls within the company's net retention limits. This had the impact of increasing gross written premiums and reducing the reinsurance ratio.
 - o Decline in claims ratio as a result of a better claims experience during the period under review.
- Investment income performance was better than that for the same period last year largely due to fair value gains on its portfolio investments.

2.4.2 Hotels

a) Cresta Zimbabwe (100% effective interest)

	JUNE 2012 \$000	JUNE 2011 \$000
Revenue	5,833	5,542
Profit before tax	89	101
Occupancy	60%	60%
Average room rate (ARR)	79	66
RevPar	47	40

Revenue per available room (RevPar) increased by 17% driven mainly by better yield management which resulted in increased average room rates. However, food and beverage revenues, were below those achieved last year resulting in total revenues only increasing by 5% from \$5.5 million last year to \$5.8 million during the period under review. Costs increased by 5% compared to same period last year. The increase in costs was largely due to a 35% increase in NEC wages which was effected in September 2011.

b) Cresta Marakanelo (35% effective interest)

	JUNE 2012 \$000	JUNE 2011 \$000
Revenue	13,024	11,833
Profit before tax	684	948
Occupancy	56%	61%
ARR	107	95
RevPar	60	58

Revenues increased by 10% on the back of increased average room rates (ARR) and consequently RevPar. However, this increase in revenue did not translate to an increase in profit before tax largely due to:

- Set up costs incurred for Cresta Golfview, Zambia.
- Decline in Revpars at Mowana mainly due to reduced arrivals, a function of ongoing refurbishments at this hotel.
- Increase in depreciation charges following completion of refurbishments at Mowana.

2.4.3 Agrochemicals

a) Sable Chemicals (51% effective interest)

	JUNE 2012 \$000	JUNE 2011 \$000
Share of loss after tax (\$000)	(1,924)	(502)
Ammonia produced (te)	6,636	13,819
Ammonia imported (te)	2,556	7,180
AN produced (te)	20,071	43,847
Capacity utilization	17%	37%

The company experienced a decline in ammonium nitrate fertilizer (AN) production of 55% due to:

- In late January 2012, electricity supply was suspended pending clarification over tariff between ZESA and the Government of Zimbabwe. Following agreement between the Government and ZESA in late March 2012, full power was returned. However, because of the length of the shutdown, start-up procedures and mechanical breakdowns resulted in plant only becoming operational in early May 2012. However, since that date, production at the company has been on target.
- Liquidity constraints in the agricultural sector meant that there was inadequate working capital to finance ammonia imports.

b) ZFC Limited (22.5% effective interest)

	JUNE 2012 \$000	JUNE 2011 \$000
Share of loss after tax (\$000)	(482)	(624)
Fertilizer sales (tonnes)	30,375	36,000

Seasonal demand for fertilizer declined slightly ahead of financing constraints for farmers for the 2012 winter crop.

2.4.4 Other investments

	JUNE 2012 \$000	JUNE 2011 \$000
Aon	283	242
PG	(624)	(437)
	(341)	(195)

a) AON (30.3% effective interest)

The company achieved an after tax profit of \$0.9 million during the period under review compared to \$0.8 million for the corresponding period last year. The increase in earnings was largely due to a 12% rise in revenues, which was offset by a corresponding increase in costs.

b) PG (Effective interest held through Quest Ventures Botswana- 13%)

Following the termination of the Joint Venture Agreement with BancABC with effect from 1 September 2011, the investment is now accounted for as a trade investment. The \$624,000 loss incurred during the period under review represents unrealized fair value loss of the investment arising from the decline in the share price of PG (as quoted on the Zimbabwe Stock Exchange (ZSE) from US2 cents at 31 December 2011 to US1 cent as at 30 June 2012. This is included in fair value adjustments.



UNAUDITED STATEMENT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 30 JUNE 2012

3. STATEMENT OF FINANCIAL POSITION

Shareholders' equity increased from \$51,2 million as at 31 December 2011 to \$51,3 as at 30 June 2011, after accounting for profits for the period under review of \$0.1 million.

4. STATEMENT OF CASH FLOWS

Cash generated from operations during the period under review amounted to \$8 million up from \$3 million generated in the corresponding period last year. Of this amount, \$5.6 million was generated at BIC. After accounting for tax payments (\$1,2 million) and cash utilized in investing activities (\$0.2 million), Group cash holdings as at 30 June 2012 were \$20.8 million up from \$13 million as at 31 December 2011.

5. OUTLOOK

- The Directors of TA Holdings are confident that the momentum achieved so far in operating profits is expected to continue.
- Given current economic conditions, we expect the recovery of the insurance businesses in Zimbabwe to continue for the remainder of the year.
- Growth in the regional insurance businesses should continue to follow the trend established during the first half of 2012.
- Work on the Cresta lodge refurbishment has begun. The conference center is scheduled to be complete by the beginning of the fourth quarter of the year whilst the rooms' refurbishment is planned to be complete by the end of the second half of 2013. This is expected to significantly increase revenue for this unit.
- Production of ammonium nitrate since May has been consistent and it is expected that the company should recover the losses experienced in the first half of the year, during the second half of 2012. In the meantime, focus will be on ensuring that Sable Chemicals is in a position to switch off the electrolysis plant and rely entirely on imported ammonia to produce AN by 1 January 2013.
- Shareholders will recall the Group's stated intention to disinvest from ZFC. The process is ongoing.

6. GROUP FINANCIAL STATEMENTS

6.1 Basis of preparation

The Group financial statements have been prepared in accordance with International Financial reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Group financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings, financial instruments and available-for-sale financial assets that have been measured at fair value.

6.2 Accounting policies

The principal accounting policies of the Group have been consistently applied in all material respects and are consistent with those of previous periods.

6.3 Supplementary information

	30 June 2012	30 June 2011
Contingent liabilities (\$)	50,000	50,000
Depreciation (\$)	643,207	419,501
Capital commitments (\$)	6,353,437	1,289,682
Capital expenditure (\$)	1,614,655	552,610
Basic earnings per share	0.09 cents	0.74 cents
Diluted earnings per share	0.07 cents	0.64 cents
Average number of ordinary shares	164,845,910	164,845,910
Average number of preference shares	27,005,771	27,005,771
Total	191,851,681	191,851,681

6.4 GROUP INCOME STATEMENT FOR THE PERIOD 30 JUNE 2012

	30 June 2012	30 June 2011
REVENUE	\$	\$
Net earned premium	19,602,564	16,432,898
Investment Income	1,222,606	1,219,886
Fair value adjustments	(443,787)	1,636,740
Hotel revenues	5,841,390	5,441,695
Fees, commission and other income	6,081,557	6,046,983
Total revenues	32,304,330	30,778,202
Expenses		
Net claims	(8,447,967)	(7,233,809)
Hotel cost of sales	(2,151,538)	(2,815,722)
Operating and administrative expenses	(18,116,058)	(17,395,417)
Total expenses	(28,715,563)	(27,444,948)
Profit before interest and tax	3,588,767	3,333,254
Finance costs	(468,797)	(206,372)
Share of associated companies losses	(1,688,987)	(936,143)
Profit before tax	1,430,983	2,190,739
Income tax	(435,922)	(530,441)
Profit for the period	995,062	1,660,298
Profit for the period attributable to:		
Equity holders of parent company	140,140	1,227,735
Non-controlling interests	854,922	432,563
	995,062	1,660,298

6.5 GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 30 JUNE 2012

	30 June 2012	30 June 2011
Profit for the period	995,062	1,660,298
Other comprehensive income		
Exchange losses on translating foreign operations	(73,202)	(586,843)
Net gain on available -for- sale assets	82,072	(22,726)
Revaluation of property plant and equipment	-	30,000
Share of associated companies	-	-
Income tax relating to other comprehensive income	(29,963)	(10,300)
	(21,093)	(589,869)
Other Comprehensive income attributable to:		
Equity holders of the parent	12,615	(525,489)
Non-controlling interest	(33,708)	(64,380)
Other comprehensive income for the period	(21,093)	(589,869)
Total comprehensive income for the period	973,969	1,070,429
Equity holders of the parent	152,755	(1,148,975)
Non- controlling interest	821,214	2,219,404
Total comprehensive income attributable to:	973,969	1,070,429

6.6 GROUP STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	30 June 2012	31 Dec 2011
EQUITY AND LIABILITIES	\$	\$
Shareholders Equity	51,350,397	51,197,641
Non Controlling interest	12,063,997	11,447,212
Deferred tax	2,944,056	3,155,240
Borrowings	4,211,234	2,833,451
Current Liabilities	66,819,165	51,391,301
Life fund Liabilities	20,684,584	19,701,115
	158,073,434	139,725,960
ASSETS		
Property, plant and equipment	18,250,495	17,806,999
Investment properties	9,317,356	9,337,268
Financial instruments	13,569,767	13,710,156
Other investments	26,989,026	28,308,649
Current assets	69,262,206	50,861,773
Life fund assets	20,684,584	19,701,115
	158,073,434	139,725,960

6.7 GROUP STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	\$	\$
Cash generated from operations	8,087,022	3,264,501
Net finance charge	(468 797)	(206 372)
Income tax paid	(1,176,538)	(1,018,156)
Net cash flow from operating activities	6,441,687	2,039,973
Net cash utilised in investing activities	(214,606)	(1,437,615)
Net cash received from/ (used in) financing activities	949,698	(1,555,688)
Net increase/(decrease) in cash balances	7,176,778	(953,330)
Cash and Cash equivalents at the beginning	11,281,021	14,617,246
Effects of foreign currency translation	(200,519)	(114,346)
Cash and Cash equivalents at end of period	18,257,280	13,549,570

6.8 GROUP STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2012

	Issued Share Capital	Non Distributable Reserve	Retained Earnings	Available -for- Sale financial assets	Foreign Currency Translation Reserve	Revaluation surplus	Treasury Shares	Total Ordinary Shareholders' Equity	Non-controlling Interest	Grand Total
Balance at 1 January 2011	1,918,517	22,045,996	(28,199)	26,298	985,694	23,126,225	(16,366)	48,058,165	10,133,673	58,191,838
Profit for the period	-	-	1,227,735	-	-	-	-	1,227,735	432,563	1,660,298
Other comprehensive income	-	-	-	(33,679)	(515,638)	23,828	-	(525,489)	(64,380)	(589,869)
Total Comprehensive income	-	-	1,227,735	(33,679)	(515,638)	23,828	(16,366)	702,246	368,183	1,070,429
Transfer to reserves	-	245,095	(245,095)	-	-	-	-	-	-	-
Dividends paid during the year	-	-	-	-	-	-	-	-	(800,784)	(800,784)
Balance as at 30 June 2011	1,918,517	22,291,091	954,441	(7,381)	470,056	23,150,053	(16,366)	48,760,411	9,701,072	58,461,483
Balance as at 1 January 2012	1,918,517	22,580,754	4,072,303	(28,995)	(2,642,960)	25,316,220	(18,198)	51,197,641	11,447,212	62,644,853
Profit for the period	-	-	140,140	-	-	-	-	140,140	854,922	995,062
Other comprehensive income	-	-	-	43,275	(30,660)	-	-	12,615	(33,708)	(21,093)
Total Comprehensive income	-	-	140,140	43,275	(30,660)	-	-	152,756	821,214	973,969
Transfer to reserves	-	609,911	(609,911)	-	-	-	-	-	-	-
Recycling of revaluation on disposal of property	-	(248,151)	432,538	-	-	(184,387)	-	-	-	-
Dividends paid during the year	-	-	-	-	-	-	-	-	(204,429)	(204,429)
Balance as at 30 June 2012	1,918,517	22,942,514	4,035,070	14,280	(2,673,620)	25,131,833	(18,198)	51,350,397	12,063,997	63,414,393

By order of the Board
TA Management Services
Secretaries
21 August 2012

17th Floor
Joina City
Julius Nyerere Way
Harare, Zimbabwe

Tel: +263 4 777348-62
Fax: +263 4 777318
Website: www.ta-holdings.com
Email: admin@ta.co.zw