

CHAIRMAN'S STATEMENT FOR THE HALF YEAR ENDED 30TH JUNE 2011

OPERATING ENVIRONMENT

The Zimbabwean economy continued to register positive growth in the period under review, with mining and agriculture remaining the key drivers of the economic recovery. The continued stabilization of the economy has sustained single digit inflation, with year on year inflation closing at 2,9% as at 30 June 2011.

The economy's long term growth prospects continue to be hampered by power shortages, deteriorating infrastructure, low aggregate demand, access to foreign capital, high cost of capital, high unemployment, and competition from cheap imports. The market is also experiencing liquidity challenges which are affecting interest and customer default rate.

The country remains under pressure from both internal and external debt.

PERFORMANCE REVIEW

The Group continued to show improved results when compared to the same period last year. Gross Premium Written in the first half was \$28,4 million representing a growth of 27% over the same period last year. Foreign operations contributed 63% of the GPW whilst the domestic operations contributed 37%. The improved performance was attributed to the increased uptake of insurance products in both the foreign and domestic markets.

The Group achieved a net profit from continuing operations of \$1,1 million against a loss of \$0,3 million registered in the corresponding period last year. Total Comprehensive Income of \$3,2 million compared to a loss of \$1,8 million in the same period last year, was achieved. This was a result of a favourable claims experience in the majority of the insurance operations and fair value adjustment in long term equity investments. The Group's cost cutting measures being implemented are beginning to bear fruit.

Shareholder's equity increased by 6% from \$46,3 million as at 31 December 2010 to \$49 million as at 30 June 2011 as a result of the profits recorded during the period. Total assets stood at \$113,3 million compared to \$109 million as at 31st December 2010.

SECTOR REVIEW

Reinsurance

The Group's core business is reinsurance. During the period under review, the Sector achieved Gross Premium Written of \$20,5 million from the \$14,8 million achieved in the same period last year. The Sector contributed 72% of the total Gross Premium Written in the period under review compared to 66% in the same period last year.

The Sector achieved a profit before tax of \$2,4 million against \$0,4 million achieved in the same period last year. The increase in profitability was attributed to the favourable claims experience. The tight liquidity in the market resulted in low investment returns due to lack of surplus funds to invest and thus negatively impacted on the Sector profitability.

General Insurance

The sector reported Gross Premium Written for the half year of \$7,8 million compared to \$7,6 million in the same period last year.

Debtors remained a major challenge for the Sector. An exercise was undertaken on the debtor's book resulting in passing of significant provisions during the period under review.

Property

The Sector achieved Total Revenue of \$1,9 million and a profit before tax of \$0,7 million. This compares to \$1,9 million and \$0,4 million prior year respectively.

DISCONTINUED OPERATIONS

The Group is in the process of disposing its entire equity stake in Genesis Investment Bank to a consortium of local and foreign investors who are expected to inject capital into the Bank. The closure of the disposal transaction is still awaiting regulatory approvals. The disposal is part of the on-going Group strategic intent of disposing non-core/ non profitable operations in order to focus on and strengthen the core reinsurance operations.

OTHER DEVELOPMENTS

We remain hopeful that Southern Union Reinsurance Company (SURE) will soon obtain the necessary judicial and regulatory approvals to enable the Company to resume trading in the South African Market.

INTERIM DIVIDEND

In view of the need to raise capital for the Group for capacity enhancement and competitiveness, the Board has considered it prudent not to declare an interim dividend.

DIRECTORATE

On a sad note, I would like to note the passing on of Dr Mavis Chidzonga on 26th June 2011. Her invaluable contribution and guidance during her period of service to the Group will be sadly missed.

OUTLOOK

The success of the Group strategy to rejuvenate operations and launch the Group into a new growth path will largely depend on the continued existence of political and economic stability in the country and removal of economic sanctions. We will continue to monitor the situation in Malawi where the Group has significant operations. Liquidity constraints in the domestic market are expected to continue impacting negatively on the performance of the insurance sector.

The board is confident that the business growth strategies being implemented will continue to deliver improved performance in the second half.

APPRECIATION

I would like to thank my fellow ZHL Directors for their support during the period under review. I would also like to commend the directors at our various subsidiary companies, management and staff throughout the Group, for their efforts, dedication and commitment to achieving the improved performance recorded in the period under review. My special thanks go to shareholders and other stakeholders.



BN Kumalo
CHAIRMAN

21st September 2011

Consolidated Statement of Comprehensive Income for the 6 months ended 30 June

| | 2011 US\$ | 2010 US\$ |
|---|-------------------|--------------------|
| Continuing operations | | |
| Revenue | | |
| Gross premium | 28,362,324 | 22,439,152 |
| Premium ceded | (7,380,975) | (4,875,622) |
| Net premium written | 20,981,349 | 17,563,529 |
| Unearned premium provision | (2,570,120) | (2,276,012) |
| Earned premium | 18,411,229 | 15,287,517 |
| Brokerage commission and fees | 2,663,037 | 1,787,685 |
| Rental revenue | 1,352,505 | 1,565,204 |
| Non-insurance fee income and other investment revenue | 817,309 | 753,783 |
| Total revenue | 23,244,080 | 19,394,190 |
| Total claims and expenses | (20,005,180) | (18,297,700) |
| Net benefits and claims | (6,156,868) | (6,498,080) |
| Commission and acquisition expenses | (5,743,087) | (4,316,890) |
| Operating and administrative expenses | (8,105,225) | (7,482,730) |
| Operating profit | 3,238,901 | 1,096,490 |
| Other losses | (424,537) | (516,251) |
| Finance cost | (233,750) | (5,690) |
| Profit before share of loss of associate | 2,580,614 | 574,548 |
| Share of associates' net loss | (226,669) | (575,192) |
| Profit/(loss) before tax | 2,353,945 | (644) |
| Income tax expense | (890,104) | (168,895) |
| Profit/(loss) for the period | 1,463,841 | (169,539) |
| Less transfer to policyholders | (346,911) | (152,499) |
| Profit/(loss) for the period from continuing operations | 1,116,930 | (322,038) |
| Discontinued operations | | |
| Loss from discontinued operations | (501,409) | (1,081,601) |
| Profit/(loss) for the period | 615,521 | (1,403,639) |
| Profit/(Loss) attributable to owners of the parent | 720,432 | (1,445,735) |
| Profit/(Loss) from continuing operations | 1,091,474 | (645,350) |
| Loss from discontinued operations | (371,042) | (800,385) |
| (Loss)/ Profit attributable to non-controlling interests | (104,911) | 42,096 |
| Profit from continuing operations | 25,455 | 323,312 |
| Loss from discontinued operations | (130,366) | (281,216) |
| Other comprehensive income | | |
| Exchange differences on translating foreign operations | (6,355) | (67,851) |
| Gains/(losses) on available-for-sale financial assets | 2,499,640 | (430,654) |
| Gains on property, plant and equipment revaluations | 218,750 | 5,475 |
| Income tax relating to components of other comprehensive income | (160,500) | 26,923 |
| Other comprehensive income for the period net of tax | 2,551,535 | (466,107) |
| Total comprehensive income for the period | 3,167,056 | (1,869,745) |
| Basic earnings per share (in cents): | 0.09 | (0.19) |
| Number of shares | 767,431,491 | 767,431,491 |

Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2011

| | Share capital US\$ | Share premium US\$ | Other Reserves US\$ | Foreign currency translation reserve | Mark-to-market reserve | Revaluation surplus | Retained earnings | Total US\$ | Non-controlling interests US\$ | Total equity US\$ |
|---------------------------------------|-----------------------|-----------------------|------------------------|--------------------------------------|------------------------|---------------------|-------------------|---------------|-----------------------------------|----------------------|
| Balance at 01 January 2011 | 7,674,315 | 5,162,842 | 29,451,931 | (205,077) | 716,738 | 847,859 | 2,605,949 | 46,254,557 | 22,844,201 | 69,098,758 |
| Profit after tax for the period | | | | | | | 720,432 | 720,432 | (104,911) | 615,521 |
| Dividend paid | | | | | | | | | (126,690) | (126,690) |
| Other comprehensive income net of tax | | | | (6,355) | 2,339,140 | 218,750 | | 2,551,535 | - | 2,551,535 |
| Discontinued operations | | | (189,598) | | | | | (189,598) | (66,615) | (256,213) |
| Balance at 30 June 2011 | 7,674,315 | 5,162,842 | 29,262,333 | (211,432) | 3,055,878 | 1,066,609 | 3,326,381 | 49,336,926 | 22,545,985 | 71,882,911 |

Consolidated Statement of Changes in Equity for the six months ended 30 June 2010

| | Share capital US\$ | Share premium US\$ | Other Reserves US\$ | Foreign currency translation reserve | Mark-to-market reserve | Revaluation surplus | Retained earnings | Total US\$ | Non-controlling interests US\$ | Total equity US\$ |
|---------------------------------------|-----------------------|-----------------------|------------------------|--------------------------------------|------------------------|---------------------|-------------------|---------------|-----------------------------------|----------------------|
| Balance at 01 January 2010 | - | - | 41,374,813 | (119,175) | 721,557 | 718,641 | 4,513,113 | 47,208,949 | 21,072,793 | 68,281,742 |
| Profit after tax for the period | | | | | | | (1,445,735) | (1,445,735) | 42,096 | (1,403,639) |
| Other comprehensive income net of tax | | | | (67,851) | (403,731) | 5,475 | | (466,107) | - | (466,107) |
| Change in degree of control | 7,674,315 | 5,162,842 | (12,837,156) | | | | | - | - | - |
| Balance at 30 June 2010 | 7,674,315 | 5,162,842 | 28,537,657 | (187,026) | 317,826 | 724,116 | 3,067,378 | 45,297,107 | 21,114,889 | 66,411,996 |

Notes

1. Corporate information

Zimre Holdings Limited is a holding company of financial services companies in general insurance, reinsurance, and insurance and reinsurance broking. The company is domiciled in Zimbabwe.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

3. Currency

The financial statements are presented in United States Dollars which is the functional and reporting currency of the company.

4. Accounting policies

The Group accounting policies have been applied consistently for the period and are the same as those used in the audited financial statements at 31 December 2010.

5. Discontinued operations

The Group is finalizing the process of disposing of all its shareholding in Genesis Investment Bank Limited, a banking division. This transaction is classified as a discontinued operation in accordance with IFRS 5. The financial statements for the six months ended 30 June 2010 have been re-presented to reflect the same.

Consolidated Statement of Financial Position As at 30 June 2011

| | 30 June 2011 US\$ | 31 Dec 2010 US\$ |
|--|----------------------|---------------------|
| ASSETS | | |
| Non-current assets | 64,050,238 | 62,325,096 |
| Property, plant and equipment | 4,568,401 | 4,890,967 |
| Investment properties | 36,141,148 | 36,081,510 |
| Intangible assets | 31,604 | 137,931 |
| Deferred tax asset | 1,224,210 | 1,397,537 |
| Investment in associates | 17,069,350 | 17,296,019 |
| Available for sale financial assets | 5,015,525 | 2,521,132 |
| Current assets | 49,576,397 | 45,750,264 |
| Trade and other receivables | 24,834,558 | 24,538,365 |
| Inventory | 3,377,445 | 2,030,997 |
| Deferred acquisition costs | 3,213,783 | 2,069,850 |
| Short-term investments | 10,927,088 | 5,547,048 |
| Cash and cash equivalents | 7,223,523 | 11,564,004 |
| TOTAL ASSETS | 113,626,635 | 108,075,360 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | 49,336,926 | 46,254,557 |
| Share capital | 7,674,315 | 7,674,315 |
| Share premium | 5,162,842 | 5,162,842 |
| Revaluation reserve | 1,066,609 | 847,859 |
| Foreign currency translation reserve | (211,432) | (205,077) |
| Mark-to-market reserve | 3,055,878 | 716,738 |
| Retained earnings | 3,326,381 | 2,605,949 |
| Other reserves | 29,262,333 | 29,451,931 |
| Non-controlling interest | 22,545,985 | 22,844,201 |
| Total equity | 71,882,911 | 69,098,758 |
| Non-current liabilities | 3,101,021 | 1,248,813 |
| Deferred Tax | 1,505,297 | - |
| Life fund | 1,595,724 | 1,248,813 |
| Current liabilities | 38,642,703 | 37,727,789 |
| Trade and other payables | 13,962,921 | 17,138,047 |
| Short-term borrowings | 2,286,614 | 1,773,199 |
| Insurance & other provisions | 22,393,168 | 18,816,543 |
| TOTAL EQUITY AND LIABILITIES | 113,626,635 | 108,075,360 |

Consolidated Statement of Cash Flows for the 6 months ended 30 June

| | 2011 US\$ | 2010 US\$ |
|---|--------------------|------------------|
| Cash flows from operating activities | | |
| Cash generated from operations | 667,053 | 1,154,370 |
| Interest paid | (65,572) | - |
| Income taxes paid | (196,338) | (282,223) |
| Net cash generated from operating activities | 405,143 | 872,146 |
| Cash flows from investing activities | | |
| Net cash outflow to investing activities | (4,769,957) | (3,965,080) |
| Cash flows from financing activities | | |
| Net cash inflow from financing activities | 24,333 | 3,041,735 |
| Net decrease in cash and cash equivalents | (4,340,481) | (51,199) |
| Cash and cash equivalents at beginning of year | 11,564,004 | 6,178,302 |
| Cash and cash equivalents at end of period | 7,223,523 | 6,127,103 |