

## ABRIDGED UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

### CHAIRMAN'S STATEMENT

#### Introduction

On behalf of the Zimre Holdings Limited ("ZHL") Board of Directors, I am pleased to present the unaudited results of ZHL and its subsidiaries and associates (together the "Group") for the half year ended 30 June 2018.

#### Business Environment

The period under review, which was the run-up to the 30 July 2018 Zimbabwe general elections, was characterised by general optimism about economic recovery arising from positive policy pronouncement centred around among other initiatives, re-engagement with the international community and positive amendments to the indigenization policy.

However, there were still some underlying structural and other challenges that constrained business growth including but not limited to inadequately funded nostro accounts, price distortions and increasing cost pressures.

Economic growth rates in regional economies of Mozambique, Malawi, Zambia and Botswana where the Group has operations, though below previously achieved averages in most cases, continued to recover steadily mainly due to the stronger and broader global economic growth momentum, firming commodity prices on the international market, rising domestic demand and improving investor sentiment.

#### Group Performance Summary

The Group recorded mixed performance with the domestic insurance and reinsurance operations continuing to show resilience and sustainable recovery following rebranding and rating upgrades. Notwithstanding the fact that the Group has over the years built solid bases from which the regional business units are operating from, their performance in the period under review was subdued due to a combination of factors including but not limited to: -

- The existence of soft insurance markets due to relatively low economic activity compared to previous trading periods.
- Weakening of regional currencies against the US\$ in some cases and
- Relatively low capital bases which curtailed them from absorbing the existing insurance capacity.

A deliberate and strategic decision was taken at Zimre Property Investments Limited ("ZPI") to restructure and realign its investment portfolio which was skewed in favour of office space situated in the central business districts ("CBD") of major cities, in order to diversify into property classes with higher rental yields. This entailed the disposal of a CBD property and conversion of another, necessitating construction and refurbishment respectively. The period under review coincided with the construction and refurbishment of the said property, which triggered a significant but temporary reduction of rental income from the investment property portfolio. This position is expected to be corrected in the first quarter of 2019 when the additional space is released for renting. For instance, the Sawanga Mall which is currently under construction in Victoria falls, will avail approximately 5 000 square meters in retail space on completion and is expected to correct the Group's investment property portfolio mix and contribute

annual net rentals that will be over 10% above those obtained from ZimRe Centre in Harare that was disposed in 2017. The mall, when complete will also contribute US\$20 million to Group investment properties compared to just over US\$10 million for ZimRe Centre. ZPI also slowed down on stand sales mainly due to currency uncertainties and increasing risk of losses on disposals, whilst a suitable pricing model is being implemented.

All the above factors resulted in a cumulative but temporary drop in Group total income. The situation is expected to improve in the first quarter of 2019 when space is released for renting and higher rental yields and occupancies are expected. The Group remains on a steady path to sustainable growth and profitability.

#### Statement of Comprehensive Income

As a result of the factors explained above, the Group recorded a profit for the period of US\$0.8 million compared to the US\$2.7 million achieved in the same period last year. The profit outturn was also adversely affected by: -

- The reduction in non-recurring revenue lines when compared to the same period last year.
- Low investment income mainly due to low money market rates and volatility of the stock market, and
- A high claims experience for the Mozambican operation arising from floods in that region.

Gross Premium Written ("GPW") at US\$15.8 million was in line with that achieved in the same period last year. Emeritus Reinsurance Zimbabwe continued on a recovery path with GPW increasing by 23% from US\$6.5 million in 2017 to US\$8.0 million in the period under review. Credit Insurance Zimbabwe Limited ("Credsure") recorded a 58% growth in GPW reflecting the positive impact of the restructuring of the business that started in 2017 when ZHL acquired a controlling stake in the Company. However, there was a decrease in business written in Mozambique, Malawi and Zambia in US\$ terms owing to among other things, the relatively lower economic activity in those markets and weakening domestic currencies, in the period under review.

Total income declined by 14% from US\$17.3 million to US\$14.9 million in the period under review. This was mainly due to the impact of property portfolio restructuring at ZPI explained above.

Measures being implemented to improve the Group performance:

- Strengthening and sustaining the upward business growth trajectory at Credsure through strengthening its capital base and accrediting more Underwriting Management Agencies ("UMAs") to increase and sustain the new business pipeline.
- Operationalizing Emeritus International Reinsurance Company which will raise capital required to strengthen competitive capital positions in the SADC region to support business growth.
- Continue with property portfolio restructuring and realignment to include property classes with high demand and yields and increasing lettable space. ZPI is placing increased focus on new projects in retail, commercial and student accommodation property classes.
- Leveraging on innovative digital technologies to develop new business models, innovative insurance

products and services that will position the operating companies for profitable growth.

- Continuously focusing on cost control and management across the board.

#### Statement of Financial Position

The Group's financial position remained strong with total assets increasing from US\$106 million in December 2017 to US\$108 million in June 2018 mainly due to the fair value gains on listed and unlisted equities, trading activities and increase in share of associates.

Shareholders' equity increased from US\$49.7 million in December 2017 to US\$51.1 million in June 2018 in line with the profit outturn and trend.

Cash and cash equivalents decreased from US\$24.4 million in December 2017 to US\$15.6 million in June 2018 mainly due to the deployment of cash resources to investment properties and quoted equities.

#### Significant Matters Affecting the Group

On 21 June 2018, the South African Reserve Bank approved the closure of Emeritus Reinsurance Company South Africa and the transfer of its short-term insurance business to Emeritus Reinsurance Botswana. The move is expected to expand Emeritus Reinsurance Botswana's reinsurance activities to encompass the South African market, and open business growth prospects and enhanced profitability for the Company.

The on-going consolidation of the regional reinsurance operations under Emeritus International Reinsurance Company based in Botswana and operationalizing of the Company has reached an advanced stage. Emeritus International is now in a position to raise offshore capital to initially support and strengthen the capital bases of the external reinsurance operations, and subsequently to embark on regional expansion.

The official launches of the Emeritus Reinsurance brand were undertaken in the period under review in Malawi, Zambia, Botswana and Zimbabwe. The monolithic rebranding of the

reinsurance operations in these markets has already started yielding positive results including improved brand visibility, economies of scale in marketing and other business activities, favourable credit ratings and the business units in the various countries moving towards gaining dominant market positions.

#### Dividend

The Board of ZHL has resolved not to declare an interim dividend in order to preserve cash required to fund growth initiatives being pursued.

#### Outlook and Strategy

Growth in the regional and domestic markets is expected to strengthen going forward buttressed by relative political stability, recovery of commodity prices on the international market and growth in agriculture. This anticipated economic growth, coupled with low insurance penetration rates, rapid urbanization and growing middle-class, is expected to spur the growth of the insurance markets thereby presenting immense growth opportunities for the Group.

The Board will continue to implement the strategy adopted in February 2018 premised on strengthening and realigning reinsurance, insurance and property operations for growth, profitability, value preservation, and cash generation as well as leveraging on the core business assets for business expansion and building a diversified and profitable investment portfolio.

#### Appreciation

I would like to thank my fellow Board members, Management and staff throughout the Group for their continued dedication and effort to deliver value to our stakeholders.



B. N. Kumalo  
CHAIRMAN

19th September 2018

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Group 30 June 2018 US\$	Group 30 June 2017 US\$
<b>Continuing operations</b>		
<b>INCOME</b>		
Gross written premium	15 818 012	15 795 377
Premium ceded	(4 171 223)	(4 191 746)
Net premium written	11 646 789	11 603 631
Unearned premium reserve	(902 921)	(752 885)
<b>Net premium earned</b>	<b>10 743 868</b>	<b>10 850 746</b>
Brokerage commission and fees	957 126	1 118 116
<b>Total insurance income</b>	<b>11 700 994</b>	<b>11 968 862</b>
Rental income	1 078 378	1 443 798
Revenue from sale of inventory property	414 980	1 107 231
Property operating cost recoveries	295 465	429 711
Investment income	662 140	802 658
Other income	729 210	1 551 958
<b>Total income</b>	<b>14 881 167</b>	<b>17 304 218</b>
<b>EXPENDITURE</b>		
<b>Insurance benefits and claims:</b>		
Non-life insurance contracts	(4 079 976)	(3 871 660)
Life insurance contracts	(237 453)	(1 053 244)
Claims ceded to retrocessionaires	1 331 750	1 556 578
	(2 985 679)	(3 368 326)
Commission and acquisition expenses	(3 828 552)	(3 985 861)
Operating and administrative expenses	(7 393 034)	(7 680 179)
Finance costs	(3 682)	(3 790)
<b>TOTAL EXPENDITURE</b>	<b>(14 210 947)</b>	<b>(15 038 156)</b>
<b>Profit before share of loss of associate</b>	<b>670 220</b>	<b>2 266 062</b>
Share of profit/(loss) of associates	372 747	(131 621)
<b>Profit before income tax</b>	<b>1 042 967</b>	<b>2 134 441</b>
Income tax expense	(276 135)	(189 437)
<b>Profit for the period from continuing operations</b>	<b>766 832</b>	<b>1 945 004</b>
<b>Discontinued operations</b>		
Profit from discontinued operations	-	783 658
<b>Profit for the period</b>	<b>766 832</b>	<b>2 728 662</b>
Other comprehensive income		
<b>Items that will not be reclassified to profit or loss:</b>		
Share of other comprehensive income of associates	(59.00)	-
Other comprehensive income arising from discontinued operations	-	(155 801)
	(59)	(155 801)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translating foreign operations	(92 203)	342 774
Fair value gains on financial assets at fair value through other comprehensive income	334 312	202 733
Income tax relating to components of other comprehensive income	(16 716)	(10 137)
	225 393	535 370
<b>Other comprehensive income for the period net of tax</b>	<b>225 334</b>	<b>379 569</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>992 166</b>	<b>3 108 231</b>
Profit for the period attributable to:		
Equity holders of the parent	875 092	2 570 847
Non-controlling interests	(108 260)	157 815
	766 832	2 728 662
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	1 114 161	2 858 394
Non-controlling interests	(121 995)	249 837
	992 166	3 108 231
<b>Total comprehensive income attributable to owners of Zimre Holdings Limited arising from</b>		
Continuing operations	1 114 161	2 230 537
Discontinued operations	-	627 857
	1 114 161	2 858 394
<b>Earnings per share from profit on continuing operations attributable to owners of Zimre Holdings Limited</b>		
Basis and diluted earnings per share (US cents):	0.07	0.15
<b>Earnings per share from loss on discontinued operations attributable to owners of Zimre Holdings Limited</b>		
Basis and diluted earnings per share (US cents):	-	0.04
<b>Earnings per share attributable to owners of Zimre Holdings Limited</b>		
Basis and diluted earnings per share (US cents):	0.07	0.19

The accompanying notes are an integral part of these condensed financial statements

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Group 30 June 2018 US\$	Audited Group 31 December 2017 US\$
<b>ASSETS</b>			
Property and equipment		5 035 204	4 077 382
Investment property	4	43 430 647	37 784 845
Intangible assets		123 973	123 681
Goodwill		325 803	325 803
Investment in associates		5 788 143	5 415 437
Deferred income tax asset		1 556 689	1 902 755
Inventory		3 428 908	3 393 994
Trade and other receivables	5	14 350 686	14 583 142
Life reinsurance contract asset		569 900	569 900
Current income tax receivable		1 063 546	721 503
Deferred acquisition costs		1 886 123	1 517 042
Financial assets:			
available for sale		-	7 556 385
held to maturity investments		-	2 661 550
at fair value through profit or loss		4 549 946	975 534
at amortised cost		5 979 630	-
at fair value through other comprehensive income		4 153 773	-
<b>Cash and cash equivalents</b>		<b>15 594 720</b>	<b>24 417 087</b>
<b>Total assets</b>		<b>107 837 691</b>	<b>106 026 040</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		15 326 649	15 331 003
Share premium		11 427 034	11 427 034
Treasury shares		(8 886)	-
Revaluation reserve		13 920 328	13 920 328
Mark-to-market reserve		967 778	650 181
Foreign currency translation reserve		(7 590 533)	(7 512 006)
Retained earnings		17 099 982	15 882 487
<b>Total equity attributable to equity holders of the parent</b>		<b>51 142 352</b>	<b>49 699 027</b>
Non-controlling interest		21 073 267	21 828 246
<b>Total equity</b>		<b>72 215 619</b>	<b>71 527 273</b>
<b>Liabilities</b>			
Life reinsurance contract liabilities		4 632 265	4 632 265
Deferred income tax liability		2 088 778	1 330 614
Borrowings		1 799 193	1 799 361
Trade and other payables	6	13 698 105	13 626 357
Short term insurance contract liabilities	7	12 433 484	11 932 762
Other provisions		970 247	1 177 408
<b>Total liabilities</b>		<b>35 622 072</b>	<b>34 498 767</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>107 837 691</b>	<b>106 026 040</b>

The accompanying notes are an integral part of these condensed financial statements.

