



# Security • Care • Integrity

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# DIRECTORATE AND ADMINISTRATION

## DIRECTORATE

### Chairman (Non-Executive)

Shingai Mutasa

### Group Chief Executive Officer

Mustafa Sachak

### Managing Director

Elisha K Moyo

### Non - Executive Directors

Wayne Abraham

Innocent Chagonda

Francis Daniels

Don McDevitt

Bothwell Nyajeka

Pindie Nyandoro

Maheschandram Shah

### Company Secretary

Antony Makonese

## BOARD COMMITTEES

### Audit & Risk Committee

Innocent Chagonda (Chairman)

Wayne Abraham

Don McDevitt

Bothwell Nyajeka

Pindie Nyandoro

### Remuneration & Management Development Committee

Innocent Chagonda (Chairman)

Bothwell Nyajeka

Pindie Nyandoro

### Investments Committee

Francis Daniels (Chairman)

Bothwell Nyajeka

Pindie Nyandoro

### Reinsurance, Security & Counterparty Committee

Maheschandram Shah (Chairman)

Wayne Abraham

Francis Daniels

## SENIOR MANAGEMENT

Mustafa Sachak      Group Chief Executive Officer

Elisha K Moyo      Managing Director

Antony Makonese      Chief Finance Officer & Company Secretary

Precious Chasara      Head – Claims

Stanley Mazorodze      Head – Underwriting & Business Development

Jabulani Mbiba      Chief Information Officer

## Registered Office

Zimnat House  
3rd Street/Nelson Mandela Avenue  
Harare

## Zimnat Lion Branches

Zimnat House  
104 Jason Moyo Avenue  
Bulawayo

Zimnat House  
108 Herbert Chitepo Street  
Mutare

Zimnat House  
6th Street  
Gweru

## Auditors

Ernst & Young Chartered Accountants  
Angwa City  
Angwa Street  
Harare

## Bankers

Stanbic Bank Zimbabwe  
Samora Machel Branch  
Harare

## Lawyers

Atherstone & Cook  
Mercury House  
George Silundika Avenue  
Harare



## FIVE YEAR FINANCIAL REVIEW (Historical)

	2006 \$'000	2005 \$'000	2004 \$'000	2003 \$'000	2002 \$'000	
<b>Gross written premium</b>	4 619 480	414 905	92 721	30 303	5 793	
Reinsurance premium	(2 053 085)	(197 278)	(36 642)	(15 323)	(2 682)	
Net written premium	2 566 395	217 627	56 079	14 980	3 111	
Unearned premium reserve	(870 212)	(65 357)	(19 019)	(2 803)	(480)	
<b>Net earned premium</b>	<b>1 696 183</b>	<b>152 270</b>	<b>37 060</b>	<b>12 177</b>	<b>2 631</b>	
Claims	(773 923)	(88 521)	(27 577)	(6 736)	(1 567)	
Commission	48 351	7 695	193	(974)	(268)	
Expenses	(860 738)	(93 096)	(16 625)	(2 560)	(689)	
<b>Underwriting profit/(loss)</b>	<b>13 171</b>	<b>(21 652)</b>	<b>(6 949)</b>	<b>1 907</b>	<b>107</b>	
Non underwriting expenses	(28 658)	(4 685)	24	9	1	
<b>(Loss)/profit from operations</b>	<b>(15 487)</b>	<b>(26 336)</b>	<b>(6 925)</b>	<b>1 916</b>	<b>108</b>	
Investment income	10 799 598	405 428	16 437	3 545	628	
Exchange (loss)/gain	(118 856)	27 496	1 847	-	-	
Income before taxation	10 665 225	406 588	11 359	5 461	736	
Taxation	(2 355 715)	(88 431)	(2 669)	(1 420)	(106)	
<b>Income attributable to shareholders</b>	<b>8 309 540</b>	<b>318 157</b>	<b>8 690</b>	<b>4 041</b>	<b>630</b>	
<b>KEY BALANCE SHEET ITEMS</b>						
Equipment and vehicles	211 921	15 261	3 369	2 449	380	
Other investments	11 316 549	421 074	20 770	8 646	1 676	
Debtors	1 113 142	149 875	24 581	6 756	1 452	
Cash resources	119 773	93 097	2 398	308	195	
Total assets	14 391 566	819 008	91 050	20 427	3 758	
Shareholders funds	8 421 403	351 106	14 575	5 861	1 130	
Unearned premium reserve	963 281	92 775	23 853	4 037	1 108	
Claims outstanding	405 144	43 030	8 665	2 959	565	
<b>KEY RATIOS</b>						
	<b>Notes</b>					
Basic earnings per share (cents)		338.8	13.02	0.67	0.31	0.05
Number of shares in issue (m)		2453	2453	1310	1307	1283
Weighted number of shares in issue (m)		2453	2444	1308	1307	1282
Claims ratio (%)	(1)	46	58	66	55	60
Reinsurance ratio (%)	(2)	44	48	40	51	46
Solvency ratio (%)	(3)	171	84	26	39	31
U/W Surplus to earned premium		1	(14)	(17)	16	4
Expense ratio -gross		19	24	18	8	12
Expense ratio-net		34	56	40	21	26
Commission paid ratio %		11	10	14		
Commission received ratio %	(4)	23	24	23	8	10
Combined ratio		99	117	117	84	96
Effective return on shareholders' equity		189	174	85	116	65

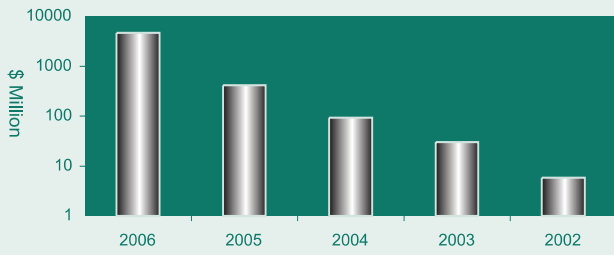
### Notes

- (1) Net incurred claims as a percentage of net earned premium
- (2) Reinsurance premium as percentage of gross written premium
- (3) Weighted shareholders funds as percentage of twelve months written premium
- (4) Net commission ratio shown for 2003 and 2002

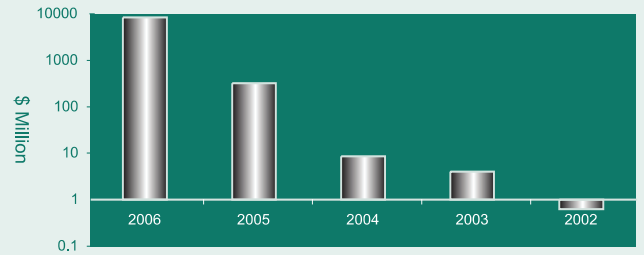


Five Year Financial Review (Historical)

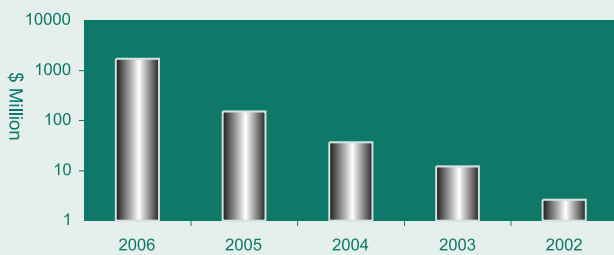
Gross Written Premium



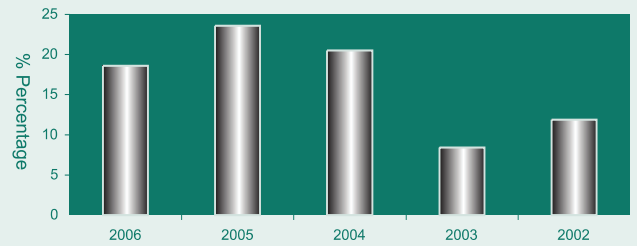
Income Attributable to shareholders



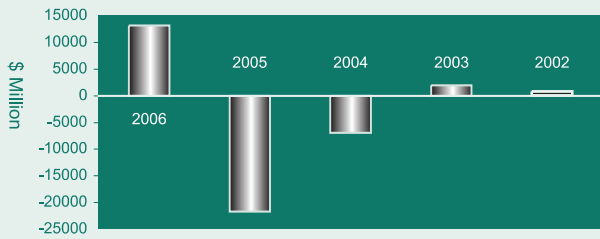
Net Earned Premium



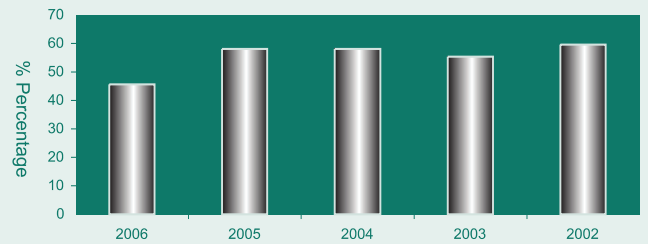
Expense ratio Gross



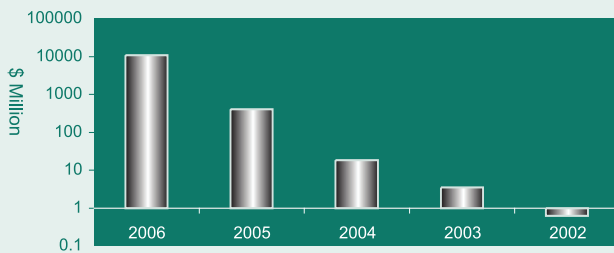
Underwriting result



Claims Ratio



Investment Income





Dear Partners

### Business Overview

The demand for insurance products continues to fall due to cost containment imperatives in the corporate sector and the erosion of real spending power for personal lines clients. Consequently the company's book did not record a real growth during the year under review.

However the benefits of the merger of Zimnat Lion and AIG Zimbabwe are beginning to show as the company now has a strong technical and financial capacity. In the 2005 annual report, it was reported that greater discipline was needed in 2006 for the company to underwrite profitably. I am happy to report that indeed the company implemented the required discipline by focusing on selective underwriting and initiatives to manage the reinsurance ratio. The implementation of these initiatives resulted in an underwriting profit in the second half of the year.

Zimnat Lion also benefited from maintaining a quality equity and properties investment portfolio resulting in a real growth of the earnings for the year to 31 December 2006.

### Results- inflation adjusted accounts

Gross written premium decreased by 14% as management pursued profitable underwriting as opposed to wholesale market growth.

The underwriting profit increased by 26% to \$2.5 billion due to improvement in claims and expense ratios. Consequently, the combined ratio to net earned premium improved from 78% in prior year to 63%.

Investment income increased by 4% to \$9.7 billion mainly due to the increase in listed equities, the majority of which are high quality equities.

Earnings per share increased by 48% to \$1.05 during the year.

### Capital and solvency

Zimnat Lion's total shareholders equity increased by 28% to \$7.4 billion. On a share basis, the net asset value grew to \$3.02 compared to \$2.36 in 2005.

The solvency ratio (being weighted shareholders equity to twelve months written premium) increased to 79%, which was above the minimum statutory ratio of 25%. This indicates that the company's balance sheet is very strong.

### Board of Directors

There were no changes to the Board of Directors during the year under review.

### Outlook

The insurance market (the cake) is getting smaller while the number of players has remained constant. This implies that in order to grow the business, the company will have to fight for a bigger share of existing profitable portfolios while at the same

The underwriting profit increased by 26% to \$2.5 billion due to improvement in claims and expenses ratio.

time retaining the business already in its books. In this respect, the company will focus its efforts on superior service delivery. In addition, the company will continue to direct its resources and efforts to the initiatives that have resulted in underwriting profit. This approach will distinguish the company from our competitors. The

prospects for achieving underwriting profit appear favourable in 2007.

The company will, through its investment managers also pursue an investment strategy that ensures that its investment portfolio achieves real growth. This strategy is expected to result in further strengthening of the company's balance sheet.

### Appreciation

On behalf of the Board of Directors, I would like to thank Management and Staff for their commitment during this past challenging year. I also like to extend my appreciation to our shareholders, customers, brokers, and business partners for their contribution during the year under review.

Yours sincerely

Shingai Mutasa  
Chairman

21 February 2007



## REVIEW OF FINANCIAL PERFORMANCE (Inflation Adjusted)

Key Ratios	2006	2005
Reinsurance ratio - %	43%	45%
Commission received ratio - %	28%	44%
Commission paid ratio - %	15%	20%
Claims ratio - NEP %	18%	38%
Expense ratio - NEP %	39%	40%
Combined expense ratio %	63%	78%
Solvency ratio	79%	41%

**Gross Written Premium**

Gross written premium was down 14% due to a shrinking market as well as the company's continuing focus on selective underwriting.

The reinsurance ratio improved to 43% from 45% in prior year due to increased capacity post the company's merger with AIG.

**Underwriting profit**

The underwriting profit increased by 26% to \$2.5 billion over prior year. This was mainly attributable to improvement in claims and expense ratios which moved from 38% to 18% and 40% to 39% respectively.

**Investment income**

Investment income increased marginally by 4% to \$9.7 billion. Included in investment income are fair value adjustments of equity and investment properties of \$4.6 billion and \$1.9 billion respectively.

**Monetary loss**

In order to reduce the impact of inflation on the company's balance sheet, the company took a deliberate strategy to reduce monetary assets and invest in equities and maintaining its investment in properties. The values of both equities and properties increased at above inflation rates resulting in monetary loss reducing by 21% from \$9.5 billion last year to \$7.5 billion in the period under review.

**Attributable income**

Profit attributable to equity holders increased by 48% to \$2.5 billion due to improved underwriting profit.

**Shareholders equity**

Shareholders equity increased by 28%. This real growth in balance sheet size was underpinned by the increases in values of equities and properties.

The solvency ratio of 79% was above the minimum statutory level of 25%.

Profit attributable to equity holders increased by 48% to \$2.5 billion due to improved underwriting profit.



## CORPORATE GOVERNANCE

The Board is committed to a culture of openness, transparency, integrity, accountability and fair dealing in its stewardship of the Company's affairs. The Company's operations, policies and procedures are regularly assessed for compliance with the law and emerging generally accepted corporate governance practices.

### Board of Directors

The Board of Directors consists of two executive and eight non-executive directors who were chosen for their wide range of professional and commercial competencies. The Chairman of the Board is a non-executive director. The Board meets at least four times a year.

The Board is responsible for leading the direction of the Company through the setting of the overall strategy, key policies and risk parameters. It is also responsible for approving strategic and operational budgets, significant acquisitions and disposals, and interim and annual results. The implementation of the overall strategy, policies and the management of risk are monitored using key performance indicators and best practice benchmarks. Executive management present structured reports to allow the Board to monitor performance.

All directors have access to the advice and services of the Company Secretary and are entitled to obtain independent professional advice at the company's expense. The Board has constituted Audit & Risk, Remuneration & Management Development, Investment and Reinsurance, Security & Counterparty Committees to assist the Board in the discharge of its responsibilities.

An Executive Committee, comprising executive directors, senior managers and team leaders meets regularly to deliberate on Company operational and strategic issues.

### Audit & Risk Committee

The committee consists of five non-executive directors, with the Group Chief Executive Officer, Managing Director and Chief Finance Officer attending ex-officio. The internal and external auditors attend these meetings, and have unrestricted access to the Chairman of the committee. The committee meets at least four times in a year.

The function of the committee is to advise the Board on all matters relating to corporate governance, business risk and regulatory issues. In particular it monitors financial controls, accounting systems and assesses the processes for identifying,

monitoring and managing business risks. It reviews the company's budget, interim and annual financial statements, and external audit fees. The Committee reviews the internal audit charter and annual plans and reports. The committee also recommends the appointment of external auditors.

### Remuneration & Management Development Committee

The committee consists of three non-executive directors with the Group Chief Executive Officer and Managing Director attending ex-officio. The function of the committee is to assist the Board in determining the Remuneration Policy for executive directors and senior management. The objective of the policy is to ensure that the right caliber of management is recruited and retained. To achieve this it ensures that directors and senior management is appropriately rewarded for their contributions to the Company's performance, with specific focus on incentive payments and long-term remuneration structures.

An Executive Committee meets regularly to deliberate on Company operational and strategic issues

The committee also considers, at an overall level, remuneration levels and conditions of service of staff to ensure that these are fair, appropriate and in line with the company's remuneration philosophy.

### Investment Committee

Professional asset managers manage the Company's investments. An investment committee monitors the asset managers. This committee consists of three non-executive directors. The professional asset managers, Executive directors and the Chief Finance Officer attend the committee meetings. The committee meets at least four times a year. The committee's role is to determine and monitor the Company's overall investment strategy, policies and compliance issues.

### Reinsurance, Security & Counterparty Committee

The committee consists of three non-executive directors. The function of the committee is to advise the Board on all matters relating to reinsurance. In particular it is responsible for recommending to the Board all the reinsurers with whom the company seeks to have a relationship and giving guidelines for ensuring appropriate diversification of the company's exposure to any particular reinsurer or group of financially related reinsurers.



## REPORT OF THE DIRECTORS

The directors have pleasure in presenting to shareholders for consideration and approval the audited financial statements of the Company for the year ended 31 December 2006 and the accompanying annual Chairman's report.

### Share Capital

The share capital of the company did not change during the financial year under review:

### Authorised

3,000,000,000 (three billion) ordinary shares of one cent each

### Issued

2,452,869,013 (two billion, four hundred and fifty two million, eight hundred and sixty nine thousand and thirteen) ordinary shares of 0.001 cents each.

The unissued shares are controlled as follows:

	2006 000's	2005 000's
Executive Share Option Scheme	51,641	51,766
Under the Control of the Members	495,490	495,490
Unissued at 31 December	<b>547,131</b>	<b>547,256</b>

### Principal Activities

The company's principal activity is underwriting of short-term insurance policies.

### Dividends

On February 21, 2007, the Board of Directors resolved to declare a final dividend of \$0.94 per share. This is in addition to an interim dividend of \$0.03 per share paid in August 2006.

### Auditors

The Company's auditors, Ernst & Young, have indicated their willingness to be re-appointed.

By Order of the Board  
A Makonese **Company Secretary**

**21 February 2007**

### Directors Interest in Shares

At 31 December 2006, the directors held directly and indirectly the following number of shares:

	2006	2005
D McDevitt	3 672 194	-
M Sachak	3 001 986	-
B Nyajeka	150 000	-
F Daniels	28 143	34 467
P Nyandoro	259 820	259 820
	<b>7 112 143</b>	<b>294 287</b>

Except for Mr. D McDevitt's shareholding that changed to 5,380,907 on 19 March 2007, there has been no change in directors' interest subsequent to 31 December 2006.

### Results

The financial statements for the year ending 31 December 2006 are set on pages 17 to 44 and are reviewed in the Chairman's report and Management's review of financial results.

### Corporate Governance

The directors have complied with the company's code on corporate practices and conduct in all material respects.

### Litigation

The directors are not aware of any pending material litigation which may have a significant effect on the Company's financial position.

### Directors

The full names of the directors of the company as at 31 December 2006 appear on page 2.

## Directors' Responsibility for the Annual Financial Statements

The financial statements have been prepared in line with International Financial Reporting Standards and in accordance with the provisions of the Companies Act (Chapter 24:03) and Insurance Act (Chapter 24:07). The preparation of these financial statements is the responsibility of the directors. The auditors are responsible for reporting on these financial statements. The directors are of the opinion that these financial statements fairly present the financial position of the group and Company as at 31 December 2006 and of the results of their operations and the cash flows for the year then ended.

The directors further acknowledge that internal financial and management controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements were in place and operated efficiently and effectively during the year ended 31 December 2006. Nothing has come to the attention of the directors to indicate that the group and Company will not remain a going concern for the ensuing year.

The financial statements have been audited by the company's external auditors, Ernst & Young, who have been given unrestricted access to all records and related data including minutes of meetings of the Board and Committees of the Board. The directors confirm that all representations made to the independent auditors were valid and appropriate.

The group and Company's annual financial statements for the year ended 31 December 2006, which are set out on pages 17 to 44 were approved by the Board of Directors on 21 February 2007 and are signed on its behalf by:

M Sachak **Group CEO**

I Chagonda **Board Audit Committee - Chairman**

**21 February 2006**



## STATEMENT OF VALUE CREATED - (Historical)

	2006		2005	
	\$'000		\$'000	
<b>Value Created</b>				
Gross written premium	4,619,480		414,905	
Costs of reinsurance claims and suppliers of goods and services	(4,387,260)		(415,163)	
Investment income	10,799,598		432,923	
<b>Total Value Created</b>	<b>11,031,818</b>		<b>432,665</b>	
<b>Distribution of Value Created</b>				
To employees				
Payroll costs	366,563	3%	26,078	6%
To government				
Taxes on income	2,355,715	21%	88,431	20%
To providers of permanent capital				
Dividends to shareholders	175,504	2%	3,955	1%
<b>Total Value Distributed</b>	<b>2,897,783</b>	<b>26%</b>	<b>118,464</b>	<b>27%</b>
<b>Retained to Maintain and Expand The Business</b>				
Depreciation	4,154	0%	451	0%
Retained profits	8,129,881	74%	313,750	73%
<b>Total Value Retained</b>	<b>8,134,035</b>	<b>74%</b>	<b>314,201</b>	<b>73%</b>
<b>Total Value Distributed and Retained</b>	<b>11,031,818</b>	<b>100%</b>	<b>432,665</b>	<b>100%</b>



# REPORT OF THE INDEPENDENT AUDITORS



**Chartered Accountants  
(Zimbabwe)**

Angwa City  
Corner Julius Nyerere Way  
Kwame Nkruma Avenue  
Harare

P.O Box 62 or 702 • Harare  
Telephone 263 04 750905 • 750979  
Fax 263 04 750707  
263 04 773842  
Email admin@ey.co.zw

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS ZIMNAT LION INSURANCE COMPANY (LIMITED).

### Report on the Financial Statements

We audited the financial statements of Zimnat Lion Insurance (Limited) and its subsidiaries as set out on pages 11 to 33.

### Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

The historical cost financial statements are presented for information purposes only.

### Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2006 and of the Group's financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act (Chapter 24:03).

**Chartered Accountants (Zimbabwe)  
Harare**

**2 April 2007**



# GROUP INCOME STATEMENT

For the year ended 31 December 2006

	Notes	INFLATION ADJUSTED		HISTORICAL	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Technical account</b>					
Insurance premium revenue	2.1	12 212 811	16 145 550	3 088 951	295 373
Insurance premium ceded to reinsurers	2.2	(5 472 847)	(7 243 287)	(1 392 768)	(143 102)
<b>Net insurance premium revenue</b>		<b>6 739 964</b>	<b>8 902 263</b>	<b>1 696 183</b>	<b>152 271</b>
<b>Commission income</b>					
-Insurance contracts	2.3	<b>1 795 347</b>	<b>3 373 281</b>	<b>477 950</b>	<b>47 530</b>
<b>Net Claims</b>		<b>(1 191 326)</b>	<b>(3 410 834)</b>	<b>(773 923)</b>	<b>(88 521)</b>
Insurance claims	2.4	(7 009 579)	(4 777 605)	(3 774 227)	(149 350)
Insurance claims recovered from reinsurers	2.5	5 818 253	1 366 771	3 000 304	60 829
<b>Net income</b>		<b>7 343 985</b>	<b>8 864 710</b>	<b>1 400 210</b>	<b>111 280</b>
Expenses for acquisition of insurance contracts	2.6	(2 224 993)	(3 377 246)	(526 301)	(39 835)
Other operating expenses		(2 653 555)	(3 537 699)	(860 738)	(93 096)
<b>Technical Result</b>	<b>2</b>	<b>2 465 437</b>	<b>1 949 765</b>	<b>13 171</b>	<b>(21 651)</b>
Non underwriting expenses		(79 039)	(235 036)	(28 658)	(4 685)
<b>Profit/(loss) from operations</b>		<b>2 386 398</b>	<b>1 714 729</b>	<b>(15 487)</b>	<b>(26 336)</b>
Investment income	3	9 706 671	9 307 440	10 799 598	405 428
Exchange (loss)/gain		(107 731)	598 217	(118 856)	27 496
Monetary loss		(7 538 346)	(9 458 518)	-	-
<b>Profit before taxation</b>		<b>4 446 992</b>	<b>2 161 868</b>	<b>10 665 255</b>	<b>406 588</b>
Taxation	4	(1 874 260)	(429 130)	(2 355 715)	(88 431)
<b>Profit attributable to shareholders</b>		<b>2 572 732</b>	<b>1 732 738</b>	<b>8 309 540</b>	<b>318 157</b>
Basic earnings per share(cents)	6	105	71	339	13
Fully diluted earnings per share(cents)	6	103	69	332	12.7



# GROUP BALANCE SHEETS

31 December 2006

	Notes	INFLATION ADJUSTED		HISTORICAL	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>14 192 500</b>	<b>8 497 278</b>	<b>11 533 436</b>	<b>441 301</b>
Equipment and vehicles	7	2 805 444	2 611 258	211 921	15 261
Investments	8	8 006 549	4 397 109	8 006 549	318 374
Investment property	9	3 310 000	1 418 404	3 310 000	102 700
Goodwill	10	70 507	70 507	4 966	4 966
<b>Technical assets</b>		<b>3 443 091</b>	<b>3 796 342</b>	<b>1 558 363</b>	<b>130 696</b>
Reinsurance receivables	11	2 963 300	3 379 344	1 401 901	119 301
Deferred acquisition costs		479 791	416 998	156 462	11 395
<b>Current assets</b>		<b>1 365 709</b>	<b>3 424 281</b>	<b>1 299 767</b>	<b>247 011</b>
Inventories		132 794	68 573	66 852	4 039
Receivables and prepayments	12	1 113 142	2 069 937	1 113 142	149 875
Bank and cash balances		119 773	1 285 771	119 773	93 097
<b>TOTAL ASSETS</b>		<b>19 001 300</b>	<b>15 717 901</b>	<b>14 391 566</b>	<b>819 008</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>		<b>7 428 267</b>	<b>5 807 601</b>	<b>8 421 403</b>	<b>351 106</b>
Share capital	13	25	25	25	25
Share premium		22 618	22 618	22 618	22 618
Adjustment to share capital		7 249 008	7 329 323	-	-
Treasury shares		(63 739)	-	(63 739)	-
Capital reserve		-	-	883	883
Retained earnings/(accumulated loss)		220 355	(1 544 365)	8 461 616	327 580
<b>Deferred taxation</b>	<b>16</b>	<b>2 281 450</b>	<b>655 838</b>	<b>2 181 366</b>	<b>74 325</b>
<b>Technical liabilities</b>		<b>8 571 912</b>	<b>8 310 993</b>	<b>3 069 126</b>	<b>325 265</b>
Reinsurance payables	17	298 800	964 902	298 800	69 864
Gross outstanding claims	19	1 065 508	1 172 881	1 065 508	84 923
Provision for unexpired risks		-	4 070	-	295
Gross provision for unearned premiums	20	7 207 604	6 169 140	1 704 818	170 183
<b>Current liabilities</b>		<b>719 671</b>	<b>943 469</b>	<b>719 671</b>	<b>68 312</b>
Payables	21	496 667	752 806	496 667	54 507
Provision for taxation		223 004	190 663	223 004	13 805
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19 001 300</b>	<b>15 717 901</b>	<b>14 391 566</b>	<b>819 008</b>

M SACHAK - GROUP CEO

I CHAGONDA - BOARD AUDIT COMMITTEE CHAIRMAN

21 February 2007



# GROUP STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Share Capital	Share Premium	Share Capital Adjustments	Capital Reserve	Treasury Shares	Accumulated Profit	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INFLATION ADJUSTED</b>							
<b>Balance as at 31 December 2004</b>	<b>13</b>	<b>302</b>	<b>5,113 193</b>	-	-	<b>(3 162 349)</b>	<b>1 951 159</b>
Shares issued	12	22 316	2 216 130	-	-	-	2 238 458
Income attributable to shareholders	-	-	-	-	-	1 732 738	1 732 738
Dividend paid	-	-	-	-	-	(114 754)	(114 754)
<b>Balance as at 31 December 2005</b>	<b>25</b>	<b>22 618</b>	<b>7 329 323</b>	-	-	<b>(1 544 365)</b>	<b>5 807 601</b>
Shares purchased	-	-	(80 315)	-	(63 739)	-	(144 054)
Income attributable to shareholders	-	-	-	-	-	2 572 732	2 572 732
Dividend paid	-	-	-	-	-	(808 012)	(808 012)
<b>Balance as at 31 December 2006</b>	<b>25</b>	<b>22 618</b>	<b>7 249 008</b>	-	<b>(63 739)</b>	<b>220 355</b>	<b>7 428 267</b>
<b>HISTORICAL</b>							
<b>Balance as at 31 December 2004</b>	<b>13</b>	<b>302</b>		<b>881</b>	-	<b>13 378</b>	<b>14 575</b>
Shares issued	12	22 316					22 328
Income attributable to shareholders	-	-		-	-	318 157	318 157
Dividend paid	-	-				(3 955)	(3 955)
Revaluation surplus realised	-	-		2	-		2
<b>Balance as at 31 December 2005</b>	<b>25</b>	<b>22 618</b>		<b>883</b>		<b>327 580</b>	<b>351 106</b>
Shares purchased	-	-		-	(63 739)	-	(63 739)
Income attributable to shareholders	-	-		-	-	8 309 540	8 309 540
Dividend paid	-	-				(175 504)	(175 504)
<b>Balance as at 31 December 2006</b>	<b>25</b>	<b>22 618</b>		<b>883</b>	<b>(63 739)</b>	<b>8 461 616</b>	<b>8 421 403</b>



# GROUP CASH FLOW STATEMENTS

For the year ended 31 December 2006

	Notes	INFLATION ADJUSTED		HISTORICAL	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash utilised in operations	14	(5 339 458)	(7 926 738)	(859 385)	(15 603)
Released from working capital	15	1 353 723	1 838 369	1 367 763	51 513
Cash (utilised in)/generated from operating activities		(3 985 735)	(6 088 369)	(508 377)	35 910
Taxation paid		(216 333)	(209 728)	(39 475)	(1 630)
Net cash (utilised in)/generated from operating activities		(4 202 068)	(6 298 097)	468 902	34 280
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds on sale of plant equipment and vehicles		143 892	73 149	42 255	557
Proceeds on sale of investments		5 832 869	21 135 690	5 033 297	258 544
Purchase of plant equipment and vehicles		(442 996)	(652 940)	(201 016)	(11 299)
Purchase of investments		(2 948 375)	(16 796 641)	(5 455 245)	(246 445)
Purchase of treasury shares		(144 051)	-	(63 739)	-
Cash inflow on acquisition of subsidiary		-	2 008 584	-	17 516
Money market Interest income		1 272 987	2 094 460	303 097	47 621
Dividend received		129 757	47 754	74 630	952
Net cash generated from/(utilised in) investing activities		3 844 082	7 910 057	(266 722)	67 447
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds of ordinary share issue		-	8	-	-
Dividends paid		(808 012)	(553 309)	(175 504)	(11 028)
Net cash outflow from financing activities		(808 012)	(553 302)	(175 504)	(11 028)
Net cash (outflow)/inflow for the year		(1 165 998)	1 058 658	(26 676)	90 699
Cash and cash equivalents - 31 December 2005		1 285 771	227 113	93 097	2 398
<b>Cash and cash equivalents - 31 December 2006</b>		<b>119 773</b>	<b>1 285 771</b>	<b>119 773</b>	<b>93 097</b>

## COMPANY BALANCE SHEETS

31 December 2006



	Notes	INFLATION ADJUSTED		HISTORICAL	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>12,016 886</b>	<b>8 528 580</b>	<b>7 372 092</b>	<b>324 521</b>
Equipment and vehicles	7	2 523 301	2 261 560	211 552	14 157
Investments	8	9 493 585	6 267 020	7 160 540	310 364
<b>Technical assets</b>		<b>3 440 972</b>	<b>1 902 136</b>	<b>1 552 314</b>	<b>101 298</b>
Reinsurance receivables	11	2 957 251	1 539 361	1 395 852	89 903
Deferred acquisition costs		483 721	362 775	156 462	11 395
<b>Current assets</b>		<b>1 207 317</b>	<b>1 766 713</b>	<b>1 195 662</b>	<b>127 921</b>
Inventories		52 946	40 750	41 291	2 952
Receivables and prepayments	12	1 112 400	1 477 732	1 112 400	106 996
Bank and cash balances		41 971	248 231	41 971	17 973
<b>TOTAL ASSETS</b>		<b>16 665 175</b>	<b>12 197 429</b>	<b>10 120 068</b>	<b>553 740</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>		<b>7 787 966</b>	<b>7 591 572</b>	<b>5 052 184</b>	<b>235 248</b>
Share capital	13	25	25	25	25
Share premium		22 618	22 618	22 618	22 618
Adjustment to share capital		7 249 008	7 329 323	-	-
Treasury shares		(63 739)	-	(63 739)	-
Capital reserve		-	-	883	883
Retained earnings		580 054	239 606	5 092 397	211 722
<b>Deferred taxation</b>	16	<b>1 476 925</b>	<b>403 260</b>	<b>1 355 749</b>	<b>50 627</b>
<b>Technical liabilities</b>		<b>6 705 688</b>	<b>3 670 695</b>	<b>3 017 538</b>	<b>229 352</b>
Reinsurance payables	17	257 009	405 572	257 009	29 366
Gross outstanding claims	19	1 055 711	792 678	1 055 711	57 394
Provision for unexpired risks		-	4 070	-	295
Gross provision for unearned premiums	20	5 392 968	2 468 375	1 704 818	142 297
<b>Current liabilities</b>		<b>694 596</b>	<b>531 902</b>	<b>694 597</b>	<b>38 513</b>
Payables	21	476 647	508 934	476 647	36 850
Provision for taxation		217 949	22 968	217 950	1 663
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16 665 175</b>	<b>12 197 429</b>	<b>10 120 068</b>	<b>553 740</b>

M SACHAK - GROUP CEO

I CHAGONDA - BOARD AUDIT COMMITTEE CHAIRMAN

21 February 2007



# NOTES TO THE FINANCIAL STATEMENTS

## Corporate Information

Zimnat Lion Insurance Company Limited is a public company listed on the Zimbabwe Stock Exchange. Its principal business is underwriting of short-term insurance policies.

The consolidated financial statements of Zimnat Lion Insurance Company Limited for the year ended 31 December 2006 were authorized for issue in accordance with a resolution of the directors on 21 February 2007. The principal accounting policies of the Group adopted in the preparation of the financial statements are set out below and have been consistently followed in all material respects.

## 1 PRINCIPAL ACCOUNTING POLICIES

### 1.1 Basis of Preparation

The financial statements are expressed in Zimbabwe Dollars rounded off to the nearest thousand. The Zimbabwe Dollar is the Group's functional and reporting currency. In terms of Statutory Instrument 199 of 2006 the Zimbabwe Dollar was revalued effective from 1 August 2006. The comparative financial statements have been restated to capture the effects of the currency revaluation. The financial statements are based on accounting records maintained under the historical cost convention. Appropriate adjustments and reclassifications including restatement for changes in the general purchasing power of the Zimbabwe dollar for the purposes of fair presentation in accordance with International Accounting Standard 29, have been made to the historical cost financial information. International Accounting Standard 29: "Financial Reporting in Hyperinflationary Economies" requires that the financial statements be prepared in terms of a measuring unit current at the balance sheet date with the comparative information being restated in the same manner. The restatement of the historical cost information was based on the conversion factors derived from the consumer price index (CPI) issued by the Central Statistical Office. The indices and conversion factors used to restate the financial statements at 31 December are shown below:

Dates	Indices	Conversion Factors
31 December 2006	665,774.10	1.000
31 December 2005	48,205.60	13.811

The key procedures applied in the restatement process are as follows:

Monetary assets and liabilities at the balance sheet date are not restated since they are already stated in terms of the measuring unit current at the balance sheet date.

Non-monetary assets and liabilities and components of shareholders equity are restated by applying the relevant monthly conversion factors.

Comparative financial information is restated using the inflation indices in terms of the measuring unit, current at the latest balance sheet date.

Most items in the income statement are restated by applying the relevant monthly, yearly average or year end conversion factors.

The net effect of the inflation adjustments on the net monetary position of the group is included in the income statement as a monetary gain or loss.

### 1.2 Statement of compliance

The consolidated financial statements of Zimnat Lion Insurance Company Limited and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS's)

### 1.3 Basis of consolidation

The consolidated financial statements consist of Zimnat Lion Insurance Company Limited and its subsidiaries. The results and reserves of the subsidiaries are included from the effective date of acquisition up to the date of disposal. Provision is made for any diminution below carrying value of net assets of subsidiaries.

Intra-group balances, transactions and any related unreleased gains or losses are eliminated on consolidation.

All subsidiaries in the group have the same year end and consistent accounting policies have been applied across the group.

### 1.4 Insurance Contracts

The company issues contracts that transfer insurance risk. Insurance contracts are those that transfer significant insurance risk, defined as the risk of the company paying benefits on the occurrence of an insured uncertain event.

Insurance contracts are classified as short term and include property, fire, motor, general, marine and personal accident.

### 1.5 Reinsurance Contracts

Contracts entered into by the company with reinsurers whereby the company recovers losses on insurance contracts issued are classified as reinsurance contracts held.

The benefits to which the company is entitled under its reinsurance contracts are recognized as reinsurance assets. The assets consist of short term balances due from reinsurers (classified as reinsurance receivables) the amounts recoverable are measured



consistently in accordance with the terms of the reinsurance contracts.

Reinsurance payables are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The company assesses its reinsurance asset for impairment on an annual basis. If there is objective evidence that the asset is impaired, the carrying amount is reduced to the recoverable amount and the impairment loss recognized in the income statement.

### 1.6 Basis of Accounting for Underwriting Activities

Underwriting results are determined on the annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums.

### 1.7 Premiums

#### Gross Premium

Gross premiums relate to business incepted during the year and adjustment premiums on policies already in force net of cancellations and lapses.

Gross written premium is recognized as revenue and accounted for as and when a policy on the related risks is prepared and premiums agreed.

#### Reinsurance Premium

Reinsurance premium is recognized and accounted for as and when the risk is transferred to reinsurers.

#### Earned Premium

Earned premium is recognized as revenue to the extent that the net written premium relates to risks expired in the accounting period.

#### Unearned Premium

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date generally estimated on the 1/365 basis.

### 1.8 Acquisition Costs

Acquisition costs, which represent commission and other related expenses, are amortized over the period in which the related premiums are earned.

The carrying amount of the deferred acquisition costs is reviewed at each balance sheet date for any indication of impairment. Any impairment loss is recognized in the income statement when the carrying amount exceeds the recoverable amount.

### 1.9 Commission Income

Commission income is amortized over the period in which the related reinsurance cost is incurred.

### 1.10 Claims

Claims represent the ultimate cost (net of salvage and subrogation recoveries) of settling arising from events that have occurred up to the balance sheet date as well as changes in the provision for claims incurred but not reported by the balance sheet date.

### 1.11 Unexpired Risk Provision

An unexpired risks provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses likely to arise after the end of the financial year from contracts concluded before that date. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date. Unexpired risks, surpluses and deficits, are aggregated where business classes are managed together.

### 1.12 Liability Adequacy Test

At each balance sheet date the liability adequacy test is performed to ensure the adequacy of the contract liabilities net of Deferred Acquisition Costs (DAC). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration costs are used. Any deficiency is immediately charged to the profit and loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test is not reinstated.

### 1.13 Equipment and vehicles

Equipment and vehicles are stated at cost less applicable depreciation and impairment losses.

Depreciation is calculated on the straight line method to amortize the depreciable amount of each asset over its estimated useful life.

The company determines the residual value for the following assets to be nil:

Fixtures and fittings

Office furniture and equipment

Leasehold improvements



The following assets are reviewed annually at each balance sheet date to determine the residual value:

Motor vehicles  
Computer equipment  
Computer software

Where the residual values exceed the carrying amounts of the assets depreciation will cease to be charged.

The annual rates applied are:

Motor vehicles	20%
Office furniture and equipment	10%
Fixtures and fittings	10%
Computer equipment	25%
Leasehold improvements	10%
Computer software	20%

#### 1.14 Goodwill

Goodwill acquired is initially measured at cost being the excess of cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually. Where the recoverable amount is assessed to less than the carrying amount, an impairment loss is recognized.

#### 1.15 Deferred Taxation

Deferred taxation is provided for all temporary differences arising between the tax bases of all assets and liabilities and their carrying amounts in the financial statements, using the balance sheet liability method. Deferred tax assets relating to unused losses carried forward are recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized.

#### 1.16 Investments

Management determines the classification of its investments at the initial recognition and re-evaluates this at every reporting date. All investments are initially recognized at cost, being the fair value of the consideration given and include acquisition charges associated with the investment.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the company establishes fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Income on investments is accounted for on an accrual basis except for dividends which are brought into account when they become receivable.

Depending on the purpose for which investments are acquired, the company classifies its investments into four categories:

##### Financial assets at fair value through income

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into the category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

These are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market other than those the company intends to sell in the short term or that it has designated as 'at fair value through income statement or available-for-sale' and excluding receivables arising from insurance contracts classified under trade debtors.

These are carried at amortized cost using the effective interest method.

##### Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the company's management has the positive intention and ability to hold to maturity.

These are carried at amortized cost using the effective interest method.



#### Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

These are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as 'available for sale financial assets' are recognized in equity. When securities under this category are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realized gains / losses on financial assets.

#### 1.17 Investment Properties

Property held for long term rental yields or capital appreciation that is not occupied by the company is classified as investment property.

Investment property comprises freehold land and buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Fair value is determined annually by an independent valuation expert or by directors of the company. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value after initial recognition.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statement.

#### 1.18 Impairment of Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognized for the difference between the recoverable amount and the carrying amount.

#### 1.19 Cash and Cash Equivalents

Cash on hand and in banks is carried at cost. Cash and cash equivalents comprise cash on hand and demand deposits. For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks net of outstanding bank overdrafts.

#### 1.20 Receivables

The carrying amount of trade receivables, technical assets and loans due to the company is stated at the net amount receivable after recognizing loss for non-performing receivables.

#### 1.21 Payables and technical Liabilities

The carrying amount of trade liabilities, technical liabilities and other amounts payable including loans are stated at cost which is at least equal to the fair value of the amount to be settled for these liabilities in the foreseeable future.

#### 1.22 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### 1.23 Foreign Currency

Transactions denominated in foreign currency are converted to Zimbabwe Dollars at the official rates on the transaction dates.

Assets denominated in foreign currency are expressed in Zimbabwe dollars at the official rates ruling at the balance sheet date.

Liabilities denominated in foreign currency are expressed in Zimbabwe Dollars at the official rates ruling at the balance sheet date.

Profit or losses arising from the conversion of transactions denominated in foreign currency are taken to the income statement in the year in which they arise.

#### 1.24 Retirement Benefits

Retirement benefits are provided for the employees through independently administered defined contribution scheme including the National Social Security Authority. The cost of retirement benefits applicable to the National Social Security Authority is determined by the systematic recognition of legislated contributions.



### 1.25 Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets or the lease term. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Leasehold improvements relate to improvements on property leased under an operating Lease Agreement.

### 1.26 Significant Accounting Estimates and Judgments

#### Unearned Premium Reserve (UPR)

UPR is determined on the basis of 1/365 applied to recorded premium for the policies in force at the year end.

#### Unearned Risk Reserve (URR)

URR is determined by reference to product line pure risk margins on net earned premium less allocated expenses. Future claims trend is estimated from assessing product line profitability for the current year net of cash inflows attributable to policies in force. If the net result is a loss URR is provided for fully.

#### Deferred Acquisition costs (DAC)

The level of commissions and other selling expenses is assessed in relation to the premium income generated and amortized in the same proportion with UPR.

#### Provision for Incurred But not Reported Claims (IBNR)

The level of IBNR is determined by reference to the actual claims experience in current and prior year, average claims registration lag and the level of risk exposure.

#### Reinsurance asset impairment assessment

The Company assesses reinsurance assets for impairment by reviewing the rate at which reinsurers are settling reinsurance recoverable amounts. Reference is also made to the financial performance of counterparty reinsurers and the official credit ratings for all professionally rated insurers.

#### Residual values for property plant and equipment

The residual values of property, plant and equipment are determined by comparison with prices quoted for assets of a similar nature, age and condition that the assets would be expected to be in at the end of their useful lives.

### 1.27 Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial results, the following Standards and Interpretations were in issue but not yet effective during Group's financial reporting period under review:

IFRIC 7	Applying the restatement approach under IAS 29: "Financial Reporting in Hyperinflationary Economies"
IFRIC 11	IFRS 2-Group and Treasury Share Transactions
IFRS 7	Financial Instruments disclosure
IFRS 8	Operating Segments
IAS 1	IAS 1 Ammendment-Capital Disclosures

The adoption of these standards and interpretations will not have a material impact on the Group's financial statements



	Group		Group	
	INFLATION ADJUSTED		HISTORICAL	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>2 TECHNICAL RESULT</b>				
Technical result is stated after charging/(crediting) the following :				
<b>2.1 Insurance premium revenue</b>				
Insurance premium received	14 752 265	17 204 237	4 619 480	414 905
Change in unearned premium provision	(2 539 454)	(1 058 687)	(1 530 529)	(119 532)
	<b>12 212 811</b>	<b>16 145 550</b>	<b>3 088 951</b>	<b>295 373</b>
<b>2.2 Insurance premium ceded to reinsurers</b>				
Insurance premium paid	6 413 056	7 723 110	2 053 085	197 278
Change in unearned premium ceded	( 940 209)	( 479 823)	( 660 317)	( 54 176)
	<b>5 472 847</b>	<b>7 243 287</b>	<b>1 392 768</b>	<b>143 102</b>
<b>2.3 Commission income - insurance contracts</b>				
- Reinsurance commission received	1 795 347	3 373 281	477 950	47 530
<b>2.4 Insurance Claims include :</b>				
Claims paid	7 108 835	5 242 268	2 793 075	90 041
Change in claims provisions	( 99 256)	(464 663)	981 152	59 309
	<b>7 009 579</b>	<b>4 777 605</b>	<b>3 774 227</b>	<b>149 350</b>
<b>2.5 Insurance claims recovered from reinsurer</b>				
Claims recovered	5 736 480	1 778 066	2 381 855	32 326
Change in claims provision - reinsurance	81 773	(411 295)	618 449	28 503
	<b>5 818 253</b>	<b>1 366 771</b>	<b>3 000 304</b>	<b>60 829</b>
<b>2.6 Expenses for acquisition of insurance contracts</b>				
Commission paid	2 513 080	3 723 132	667 442	52 593
Change in deferred acquisition costs	(288 087)	(345 886)	(141 141)	(12 758)
	<b>2 224 993</b>	<b>3 377 246</b>	<b>526 301</b>	<b>39 835</b>
<b>2.7 Auditors' remuneration</b>				
- current year	69 089	64 555	69 089	4 674
<b>2.8 Depreciation</b>				
- Leasehold Improvements	1	-	1	1
- furniture and fittings	121 102	42 033	435	116
- motor vehicles	24 180	69 367	27	237
- equipment & other	91 079	15 322	3 692	56
	<b>236 362</b>	<b>126 722</b>	<b>4 155</b>	<b>410</b>
<b>2.9 Directors' emoluments</b>				
- for services as directors	34 012	6 345	2 463	178
- remuneration (refer to note 18)	-	53 863	-	1 514
	<b>34 012</b>	<b>60 208</b>	<b>2 463</b>	<b>1 692</b>
<b>2.10 Staff Costs</b>				
- wages and salaries	961 297	923 515	349 797	25 948
- pension costs	225 831	4 669	16 766	131
	<b>1 187 128</b>	<b>928 184</b>	<b>366 563</b>	<b>26 079</b>
<b>2.11 Other charges</b>				
Write-off of goodwill	-	78 853	-	20
(Profit)/loss on sale of fixed assets	(131 443)	26 270	(42 054)	399
Operating lease payments	324 878	61 422	38 222	2 285



Notes To The Financial Statements

	Group		Group	
	INFLATION ADJUSTED		HISTORICAL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>3 INVESTMENT INCOME</b>				
Money market Interest income	1,272 987	2 094 460	303 097	47 621
Profit on sale of investments	1 903 132	464 604	834 787	18 545
Unrealised income on listed investments	4 608 427	6 758 253	6 576 813	239 124
Fair value adjustment - Investment Property	1 891 610	82 232	3 207 300	89 120
Dividend income	129 757	47 753	74 630	910
Other	(99 242)	(139 862)	(197 029)	10 108
	<b>9 706 671</b>	<b>9 307 440</b>	<b>10 799 598</b>	<b>405 428</b>
<b>4 TAXATION</b>				
<b>4.1 Analysis of tax charge</b>				
Current				
Normal tax	146 432	181 213	146 432	13 121
Capital gains tax	102 242	41 736	102 242	1 663
Deferred tax	1 625 586	206 181	2 107 041	73 647
	<b>1 874 260</b>	<b>429 130</b>	<b>2 355 715</b>	<b>88 431</b>
<b>4.2 Reconciliation of tax charge</b>				
Notional tax charge based on profit for the year	1 374 120	668 017	3 295 564	125 635
Exempt income	(131 443)	(6 297)	(42 054)	(303)
Non deductible expenses	439 599	19 458	204 256	505
Income taxed at special rates and other reconciling items	191 984	(252 048)	(1 102 051)	(37 406)
	<b>1 874 260</b>	<b>429 130</b>	<b>2 355 715</b>	<b>88 431</b>
<b>5 DIVIDENDS</b>				
Declared and paid during the year	<b>808 012</b>	<b>114 754</b>	<b>175 504</b>	<b>3 955</b>
<b>6 EARNINGS PER SHARE</b>				
<b>Income/(loss) attributable to shareholders</b>	2 572 732	1 732 738	8 309 540	318 157
Weighted average shares in issue-basic earnings per share	2 452 869	2 443 542	2 452 869	2 443 542
Weighted average shares in issue-fully diluted earnings per share				
earnings per share:				
Weighted average shares in issue-basic earnings	2 452 869	2 443 542	2 452 869	2 443 542
Share Options	51 641	51 766	51 641	51 766
Weighted average shares in issue-fully diluted earnings	2 504 510	2 495 308	2 504 510	2 495 308
<b>Earnings Per Share</b>				
Earnings per share is calculated by dividing the income attributable to shareholders by the weighted average shares in issue				



	Leasehold Improvements \$'000	Furniture & Fittings \$'000	Motor Vehicles \$'000	Equipment & Other \$'000	Total \$'000
<b>7 EQUIPMENT AND VEHICLES</b>					
<b>7.1 Group</b>					
<b>7.1.1 Inflation adjusted</b>					
<b>Movement During the Year Ended 31 December 2006</b>					
Carrying amount at 31 December 2005	19 978	213 188	918 356	1 459 736	2 611 258
Additions	100	30 224	260 421	152 252	442 997
Disposals	-	-	(12 449)	-	(12 449)
Depreciation charge	(1)	(121 102)	(24 180)	(91 079)	(236 362)
<b>Carrying amount at 31 December 2006</b>	<b>20 077</b>	<b>122 310</b>	<b>1 142 148</b>	<b>1 520 909</b>	<b>2 805 444</b>
<b>Analysis of balance</b>					
<b>At 31 December 2006</b>					
Gross carrying amount	23 629	579 262	1 824 978	3 407 373	5 835 242
Accumulated depreciation	(3 552)	(456 952)	(682 830)	(1 886 464)	(3 029 798)
<b>Net carrying amounts</b>	<b>20 077</b>	<b>122 310</b>	<b>1 142 148</b>	<b>1 520 909</b>	<b>2 805 444</b>
<b>At 31 December 2005</b>					
Gross carrying amount	23 529	549 038	1 564 557	3 255 095	5 392 219
Accumulated depreciation	(3 551)	(335 850)	(646 201)	(1 795 359)	(2 780 961)
<b>Net carrying amounts</b>	<b>19 978</b>	<b>213 188</b>	<b>918 356</b>	<b>1 459 736</b>	<b>2 611 258</b>
<b>7.1.2 Historical</b>					
<b>Movement During the Year Ended 31 December 2006</b>					
Carrying amount at 31 December 2005	2	744	10 953	3 562	15 261
Additions	36	14 959	118 327	67 694	201 016
Disposals	-	-	(201)	-	(201)
Depreciation charge	(1)	(435)	(27)	(3 692)	(4 155)
<b>Carrying amount at 31 December 2006</b>	<b>37</b>	<b>15 268</b>	<b>129 052</b>	<b>67 564</b>	<b>211 921</b>
<b>Analysis of balance</b>					
<b>At 31 December 2006</b>					
Gross carrying amount	40	15 859	129 813	68 924	214 636
Accumulated depreciation	(3)	(591)	(761)	(1 360)	(2 715)
<b>Net carrying amounts</b>	<b>37</b>	<b>15 268</b>	<b>129 052</b>	<b>67 564</b>	<b>211 921</b>
<b>At 31 December 2005</b>					
Gross carrying amount	4	900	11 687	3 917	16 508
Accumulated depreciation	(2)	(156)	(734)	(355)	(1 247)
<b>Net carrying amounts</b>	<b>2</b>	<b>744</b>	<b>10 953</b>	<b>3 562</b>	<b>15 261</b>



Notes To The Financial Statements

**7.2 Company**

**7.2.1 Inflation adjusted**

**Movement During the Year Ended 31 December 2006**

	Furniture & Fittings \$'000	Motor Vehicles \$'000	Equipment & Other \$'000	Total \$'000
Carrying amount at 31 December 2005	209 944	755 089	1 296 527	2 261 560
Additions	30 224	257 250	147 258	434 732
Disposals	-	-	-	-
Depreciation charge	(118 199)	-	(54 792)	(172 991)
<b>Carrying amount at 31 December 2006</b>	<b>121 969</b>	<b>1 012 339</b>	<b>1 388 993</b>	<b>2 523 301</b>

**Analysis of balance**

**At 31 December 2006**

Gross carrying amount	528 995	1 466 033	2 828 671	4 823 699
Accumulated depreciation	(407 026)	(453 694)	(1 439 678)	(2 300 398)
<b>Net carrying amounts</b>	<b>121 969</b>	<b>1 012 339</b>	<b>1 388 993</b>	<b>2 523 301</b>

**At 31 December 2005**

Gross carrying amount	498 772	1 208 784	2 681 413	4 388 969
Accumulated depreciation	(288 828)	(453 695)	(1 384 886)	(2 127 409)
<b>Net carrying amounts</b>	<b>209 944</b>	<b>755 089</b>	<b>1 296 527</b>	<b>2 261 560</b>

**7.2.2 Historical**

**Movement During the Year Ended 31 December 2006**

Carrying amount at 31 December 2005	728	10 150	3 279	14 157
Additions	13 767	117 176	67 076	198 019
Disposals	-	-	-	-
Depreciation charge	(426)	-	(198)	(624)
<b>Carrying amount at 31 December 2006</b>	<b>14 069</b>	<b>127 326</b>	<b>70 157</b>	<b>211 552</b>

**Analysis of balance**

**At 31 December 2006**

Gross carrying amount	14 646	127 602	70 616	212 864
Accumulated depreciation	(577)	(276)	(459)	(1 312)
<b>Net carrying amounts</b>	<b>14 069</b>	<b>127 326</b>	<b>70 157</b>	<b>211 552</b>

**At 31 December 2005**

Gross carrying amount	879	10 447	3 540	14 866
Accumulated depreciation	(151)	(297)	(261)	(709)
<b>Net carrying amounts</b>	<b>728</b>	<b>10 150</b>	<b>3 279</b>	<b>14 157</b>



	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>8 INVESTMENTS</b>				
<b>8.1 Inflation adjusted</b>				
Investment in subsidiary companies				
AIG Zimbabwe Limited. (100%)			2 229 693	2 229 693
Renew -It Automotive (Pvt) Ltd.(100%)			130 867	130 867
	-	-	<b>2 360 560</b>	<b>2 360 560</b>
<b>Quoted</b>				
Equities	7 834 951	4 018 408	6 962 751	3 678 305
Government municipal stocks & bonds	14 421	68 547	14 121	56 117
	7 849 372	4 086 955	6 976 872	3 734 422
<b>Unquoted</b>				
Equities	2	23	2	23
Money market - held to maturity	157 175	310 131	156 151	172 015
	157 177	310 154	156 153	172 038
	<b>8 006 549</b>	<b>4 397 109</b>	<b>9 493 585</b>	<b>6 267 020</b>
<b>8.2 Historical</b>				
<b>Investment in subsidiary companies</b>				
AIG Zimbabwe Limited. (100%)			23 539	23 539
Renew-IT Automotive (Pvt) Ltd 100%	-	-	3 976	3 976
	-	-	<b>27 515</b>	<b>27 515</b>
<b>Quoted</b>				
Equities	7 834 951	290 957	6 962 751	266 332
Government municipal stocks & bonds	14 421	4 963	14 121	4 063
	7 849 372	295 920	6 976 872	270 395
<b>Unquoted</b>				
Equities	2	2	2	2
Money market - held to maturity	157 175	22 452	156 151	12 452
	157 177	22 454	156 153	12 454
	<b>8 006 549</b>	<b>318 374</b>	<b>7 160 540</b>	<b>310 364</b>
<b>8.3 Quoted and unquoted investments are accounted for at market and directors valuations respectively.</b>				
<b>9 INVESTMENT PROPERTY</b>				
<b>Inflation adjusted</b>				
Opening balance as at 1 January	1 418 404	-	-	-
Additions on acquisition of subsidiary	-	187 553	-	-
Monetary adjustment	(14)	1 148 619	-	-
Fair value adjustment gain	1 891 610	82 232	-	-
<b>Closing balance as at 31 December</b>	<b>3 310 000</b>	<b>1 418 404</b>		
<b>Historical</b>				
Opening balance as at 1 January	102 700	-	-	-
Additions on acquisition of subsidiary	-	13 580	-	-
Fair value adjustment gain	3 207 300	89 120	-	-
<b>Closing balance as at 31 December</b>	<b>3 310 000</b>	<b>102 700</b>		

Investment properties are stated at fair value which has been determined based on valuations performed by an independent professional firm of valuers as at 31 December 2006



Notes To The Financial Statements

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>10 GOODWILL</b>				
<b>10.1 Inflation adjusted</b>				
<b>10.1.1 Analysis of Movement During the Year</b>				
Opening net book amount	70 507	78 854		
Acquisition of subsidiary	-	70 506		
Impairment	-	(78 853)		
<b>Closing net book amount</b>	<b>70 507</b>	<b>70 507</b>		
<b>10.2 Historical</b>				
<b>10.2.1 Analysis of Movement During the Year</b>				
Opening net book amount	4 966	20	-	-
Acquisition of subsidiary	-	4 966		
Impairment	-	(20)		
<b>Closing net book amount</b>	<b>4 966</b>	<b>4 966</b>		
<b>11 REINSURANCE RECEIVABLES</b>				
<b>11.1 Inflation adjusted</b>				
Reinsurers share of insurance liabilities				
- Unearned premium reserve	2 302 936	2 800 725	2 302 936	1 130 852
- Outstanding claims	660 364	578 619	654 315	408 509
<b>2 963 300</b>	<b>3 379 344</b>	<b>2 957 251</b>	<b>1 539 361</b>	
<b>11.2 Historical</b>				
Reinsurers share of insurance liabilities				
- Unearned premium reserve	741 537	77 408	741 537	60 326
- Outstanding claims	660 364	41 893	654 315	29 577
<b>1 401 901</b>	<b>119 301</b>	<b>1 395 852</b>	<b>89 903</b>	
<b>12 Accounts Receivable</b>				
<b>12.1 Inflation adjusted</b>				
Trade debtors	768 633	1 400 623	741 769	892 456
Other debtors	259 887	651 006	193 352	522 753
	1 028 520	2 051 629	935 121	1 415 209
Intercompany balances	84 622	18 308	177 279	62 523
<b>1 113 142</b>	<b>2 069 937</b>	<b>1 112 400</b>	<b>1 477 732</b>	
<b>12.2 Historical</b>				
Trade debtors	768 633	101 414	741 769	64 619
Other debtors	259 887	14 049	193 352	4 764
	1 028 520	115 463	935 121	69 383
Intercompany balances	84 622	34 412	177 279	37 613
<b>1 113 142</b>	<b>149 875</b>	<b>1 112 400</b>	<b>106 996</b>	
<b>13 SHARE CAPITAL</b>				
<b>13.1 Authorised</b>				
Ordinary shares of \$0.00001 each (in 000s)	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>13.2 Issued and fully paid</b>				
Ordinary shares of \$0.00001 each	24.53	13.10	24.53	13.10
Shares issued during the year	1.25	11.43	1.25	11.43
Ordinary shares of \$0.00001 each	<b>25.78</b>	<b>24.53</b>	<b>25.78</b>	<b>24.53</b>
<b>13.3 Unissued</b>				
Executive share option scheme	0.52	0.52	0.52	0.52
Under the control of directors	3.70	4.95	3.70	4.95
	<b>4.22</b>	<b>5.47</b>	<b>4.22</b>	<b>5.47</b>
<b>13.4 Shares under options (number of shares)</b>				
Options granted but not exercised (in 000s)				
Options granted in previous years	43 363	43 363	43 363	43 363
Options granted during the year	-	-	-	-
	<b>43 363</b>	<b>43 363</b>	<b>43 363</b>	<b>43 363</b>
Options exercised	(38 086)	(37 961)	(38 086)	(37 961)
Options granted but not exercised	<b>5 277</b>	<b>5 402</b>	<b>5 277</b>	<b>5 402</b>
Options authorised by the company (in 000s)				
Options not granted	46 364	46 364	46 364	46 364
Options granted but not exercised	5 277	5 402	5 277	5 402
Options exercised	38 086	37 961	38 086	37 961
Options authorised by the company	<b>89 727</b>	<b>89 727</b>	<b>89 727</b>	<b>89 727</b>



GROUP	Inflation adjusted		Historical	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>14 CASH (UTILISED IN)/GENERATED BY OPERATIONS</b>				
Income before taxation	4 446 992	2 161 868	10 665 255	406 588
Adjustment for items not involving movement of funds:				
(Decrease)/Increase in claim provisions (net)	(193 187)	(222,392)	(608 968)	(1 292)
Profit on disposal of equipment and vehicles	(131 443)	(26 270)	(42 054)	(399)
Profit on disposal of investments	(1 903 132)	(464 604)	(834 787)	(18 545)
Unrealised gain in equity investments	(4 608 427)	(6 758 253)	(6 576 813)	(239 124)
Money market interest income	(1 272 987)	(2 094 460)	(303 097)	(47 621)
Dividend income	(129 757)	(47 753)	(74 630)	(910)
Investment properties fair value adjustment	(1891 610)	(82 232)	(3 207 300)	(89 120)
Depreciation	236 362	126 722	4 155	410
Unrealised foreign exchange loss/(gain)	107 731	(598 217)	118 854	(25 610)
Goodwill Impairment	-	78 853	-	20
	<b>(5 339 458)</b>	<b>(7 926 738)</b>	<b>(859 385)</b>	<b>(15 603)</b>
<b>15 NET EFFECT OF WORKING CAPITAL CHANGES</b>				
(Increase)/decrease in inventories	(64 221)	27 960	(62 814)	(3 194)
Decrease/(increase) in accounts receivable and DAC	803 931	1 200 835	(111 027)	(124 723)
Increase/(decrease) in unearned premium reserve (net)	1 536 254	205 032	870 508	68 923
Decrease/(increase) in accounts payable	(256 139)	118 286	442 160	47 808
Increase/(decrease) in reinsurance payables	666 102	286 256	228 936	62 699
	<b>1 353 723</b>	<b>1 838 369</b>	<b>1 367 763</b>	<b>51 513</b>



Notes To The Financial Statements

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>16 DEFERRED TAXATION</b>				
<b>16.1 Inflation Adjusted</b>				
<b>16.1.1 Analysis of Movement During the Year</b>				
Balance at 1 January	655 864	449 657	403 260	449 715
Deferred tax relating to temporary differences charged to the income statement	1,625 586	206 181	1 073 665	(46 455)
Balance at 31 December	<b>2 281 450</b>	<b>655 838</b>	<b>1 476 925</b>	<b>403 260</b>
<b>16.1.2 Analysis of Balance at 31 December 2006</b>				
Plant equipment and vehicles	211 172	443 710	211 172	443 710
Other	2 070 278	212 128	1 265 753	(40 450)
	<b>2 281 450</b>	<b>655 838</b>	<b>1 476 925</b>	<b>403 260</b>
<b>16.2 Historical</b>				
<b>16.2.1 Analysis of Movement During the Year</b>				
Balance at 1 January	74 325	678	50 627	678
Deferred tax relating to temporary differences charged to the income statement	2 107 041	73 647	1 305 122	49 949
Balance at 31 December	<b>2 181 366</b>	<b>74 325</b>	<b>1 355 749</b>	<b>50 627</b>
<b>16.2.2 Analysis of Balance at 31 December 2006</b>				
Plant equipment and vehicles	91 546	3 662	91 546	3 662
Revaluation	372	372	372	372
Other	2 089 448	70 291	1 263 831	46 593
	<b>2 181 366</b>	<b>74 325</b>	<b>1 355 749</b>	<b>50 627</b>
<b>17 REINSURANCE PAYABLES</b>				
<b>17.1 Inflation Adjusted</b>				
- Due to reinsurers	298 800	964 902	257 009	405 572
	<b>298 800</b>	<b>964 902</b>	<b>257 009</b>	<b>405 572</b>
<b>17.2 Historical</b>				
- Due to reinsurers	298 800	69 864	257 009	29 366
	<b>298 800</b>	<b>69 864</b>	<b>257 009</b>	<b>29 366</b>

**18 RELATED PARTY TRANSACTIONS**

The consolidated financial statements include the financial statements of Zimnat Lion Insurance Company Limited and the subsidiaries listed in the table below.

	Country of incorporation	% equity interest	
		2006	2005
Renew-It Automotive (Pvt) Ltd	Zimbabwe	100%	100%
AIG ZIMBABWE Ltd	Zimbabwe	100%	100%

TA Holdings is the ultimate parent company of Zimnat Lion Insurance Company.



## 18.1 Balances owing to/ (owed by) related parties - inflation adjusted

Related party	Relationship	Opening Balance	Advances	Repayments	Monetary	Closing Balance
		1 January 2006				31 December 2006
		\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Freecor Holdings Limited	Holding company	(373)	(725)	-	346	(751)
TA Holdings Limited	Parent company	5 154	6 855	-	(4 781)	7 228
Botswana Insurance Company	Fellow subsidiary	2 913	4	-	(2 702)	215
Zimnat Life Assurance Company Limited	Fellow subsidiary	5 504	(429)	-	(5 106)	(30)
Zimnat Asset Management Company	Fellow subsidiary	160 171	128 147	-	(148 573)	139 744
Cresta Hospitality (Pvt) Limited	Fellow subsidiary	(2 346)	-	170	2 176	-
Grand Reinsurance Company	Fellow subsidiary	(9 257)	(13 988)	-	8 587	(14 658)
LAC Uganda	Fellow subsidiary	(6 333)	-	459	5 874	-

The balances are unsecured and bear no interest

## 18.2 Balances owing to related parties - historical

Related party	Relationship	Opening Balance	Advances	Repayments	Monetary	Closing Balance
		1 January 2006				31 December 2006
		\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Freecor Holdings Limited	Holding company	(27)	(725)	-	-	(751)
TA Holdings Limited	Parent company	373	6 855	-	-	7 228
Botswana Insurance Company	Fellow subsidiary	211	4	-	-	215
Zimnat Life Assurance Company Limited	Fellow subsidiary	399	(429)	-	-	(30)
Zimnat Asset Management Company	Fellow subsidiary	11 597	128 147	-	-	139 744
Cresta Hospitality (Pvt) Limited	Fellow subsidiary	(170)	-	170	-	-
Grand Reinsurance Company	Fellow subsidiary	(670)	(13 988)	-	-	(14 658)
LAC Uganda	Fellow subsidiary	(459)	-	459	-	-

The balances are unsecured and bear no interest

## 18.3 Compensation of key management personnel of the group

	Group		Group	
	Inflation Adjusted		Historical	
	2006	2005	2006	2005
	\$ 000	\$ 000	\$ 000	\$ 000
Short term employee benefits	78 977	183 235	26 790	4 749

## 18.4 Loans to officers

Balance at beginning of the year	6 036	6 900	437	73
Loans Advanced	59 004	7 456	59 004	540
Loan payments	(5 756)	(2 426)	(5 756)	(176)
Monetary adjustment	(5 599)	(5 894)	-	-
Balance at end of the year	53 685	6 036	53 685	437

## 18.5 Transactions with related parties

TA Holdings Limited- management fees	110 283	159 376	37 409	5 217
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Management fees include recoveries for executive directors remuneration



Notes To The Financial Statements

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>19 GROSS OUTSTANDING CLAIMS</b>				
<b>19.1 Inflation Adjusted</b>				
<b>Comprise</b>				
Claims reported by PolicyHolders				
Balance at 1 January	628 492	1 287 520	453 505	1 287 520
Movement during the year	(10 762)	(695 028)	1 157 959	(834 015)
Balance at 31 December	617 766	628 492	611 464	453 505
Claims incurred but not reported				
Balance at 1 January	544 389	743 665	339 173	743 665
Movement during the year	(96 647)	(199 277)	105 074	(404 492)
Balance at 31 December	447 742	544 389	444 247	339 173
<b>TOTAL GROSS OUTSTANDING CLAIMS</b>	<b>1 065 508</b>	<b>1 172 881</b>	<b>1 055 711</b>	<b>792 678</b>
<b>19.2 Historical</b>				
<b>Comprise</b>				
Claims reported by PolicyHolders				
Balance at 1 January	45 507	13 593	32 837	13 593
Movement during the year	572 260	31 914	578 627	19 244
Balance at 31 December	617 766	45 507	611 464	32 837
Claims incurred but not reported				
Balance at 1 January	39 416	7 851	24 558	7 851
Movement during the year	408 326	31 565	419 689	16 707
Balance at 31 December	447 742	39 416	444 247	24 558
<b>TOTAL GROSS OUTSTANDING CLAIMS</b>	<b>1 065 508</b>	<b>84 923</b>	<b>1 055 711</b>	<b>57 394</b>
<b>20 GROSS PROVISION FOR UNEARNED PREMIUM</b>				
<b>20.1 Inflation Adjusted</b>				
<b>Comprise</b>				
Balance at 1 January	6 169 140	5 062 727	2 468 375	5 062 727
Change during the year	1 038 464	1 106 413	2 924 593	(2 594 352)
<b>Balance at 31 December</b>	<b>7 207 604</b>	<b>6 169 140</b>	<b>5 392 968</b>	<b>2 468 375</b>
<b>20.2 Historical</b>				
<b>Comprise</b>				
Balance at 1 January	170 183	38 176	142 297	38 176
Change during the year	1 534 635	132 007	1 562 521	104 121
<b>Balance at 31 December</b>	<b>1 704 818</b>	<b>170 183</b>	<b>1 704 818</b>	<b>142 297</b>



	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>21 Accounts Payable</b>				
<b>21.1 Inflation Adjusted</b>				
Inter group balances	166 199	169 132	244 813	169 132
Other creditors	330 468	583 674	231 835	339 802
	<u>496 667</u>	<u>752 806</u>	<u>476 647</u>	<u>508 934</u>
<b>21.2 Historical</b>				
Inter group balances	166 199	12 246	244 813	12 246
Other creditors	330 468	42 261	231 835	24 603
	<u>496 667</u>	<u>54 507</u>	<u>476 647</u>	<u>36 850</u>

## 22 FINANCIAL INSTRUMENTS

### 22.1 Credit Risk Management

Financial assets which potentially subject the group to concentration of credit risk consists principally of debtors, cash and short term investments. The group's cash equivalents and short term deposits are placed with high credit quality financial institutions. Trade debtors are presented net of the allowances for doubtful debts.

### 22.2 Treasury Risk Management

The company's senior executives analyse, on regular basis, currency exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with with exposure limits is reviewed at management committee meetings

### 22.3 Liquidity Risk Management

The directors consider the group to have adequate liquidity as shown by cash resources of \$119.8 million.

### 22.4 Risk of Fraudulent Claims

Zimnat Lion Limited employs various checks and balances to reduce the incidence of fraudulent claims this includes the use of loss controllers and assessors who verify the occurrence of the risk insured against.

Other control measures include the use of the Central Vehicle Registry and the police, which confirm ownership and any accidents respectively, when claims are made.

### 22.5 Fair values

The estimated net fair value of all financial instruments approximate the carrying amounts shown in the financial statements.

## 23 PENSION ARRANGEMENTS

### TA Group Pension Fund

All eligible employees are members of the TA Holdings Limited Pension Fund, which is a defined contribution fund administered by Zimnat Life Assurance Company Limited. The fund is financed by the company and employee contributions as well as investment income.

### National Social Security Scheme

All employees are members of the National Social Security Authority Scheme, The company's contributions for the year amounted to \$ 1 737 000 (2005-\$55 527). All company contributions to the National Social Security Authority Scheme are expensed.



**24 Segment Information**

Business segment

	COMMERCIAL & MEGA		MOTOR	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>24.1 Inflation adjusted</b>				
Gross written premium	7 054 182	6 996 320	6 464 511	9 024 914
Technical result	663 111	536 003	1 564 966	1 373 462
Non underwriting operations				
Investment income				
Exchange (loss)/gain				
Net monetary (loss)				
Income before taxation	663 111	536 003	1 564 966	1 373 462
Taxation				
Income after taxation				
<b>Geographical Segment</b>				
Turnover				
Zimbabwe	7 054 182	6 996 320	6 464 511	9 024 914
	7 054 182	6 996 320	6 464 511	9 024 914
<b>24.2 Historical</b>				
Gross written premium	2 208 925	168 728	2 024 277	217 650
Technical result	(36 746)	(4 656)	114 929	(11 931)
Non underwriting operations				
Investment income	-	-	-	-
Exchange (loss)/gain				
Income before taxation	(36 746)	(4 656)	114 929	(11 931)
Taxation				
Income after taxation				
<b>Geographical Segment</b>				
Turnover				
Zimbabwe	2 208 925	168 728	2 024 277	217 650
	2 208 925	168 728	2 024 277	217 650

**24.3** All assets are centrally held and accounted for at head office.



FARMING		PERSONAL LINES		GROUP	
2006	2005	2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
776 296	924 008	457 276	258 995	14 752 265	17 204 237
129 093	35 168	108 268	5 13	2 465 437	1 949 765
				(79 039)	(235 036)
			-	9 706 671	9 307 440
				(107 731)	598 217
				(7 538 346)	(9 458 518)
129 093	35 168	108 265	5 131	4 446 992	2 161 868
				(1 874 260)	(429 130)
				2 572 732	1 732 738
776 296	924 008	457 276	258 995	14 752 265	17 204 237
1776 296	924 008	457 276	258 995	14 752 265	17 204 237
243 087	22 284	143 191	6 243	4 619 480	414 905
(47 639)	(306)	(17 373)	(4 758)	13 171	(21 651)
				(28 658)	(4 685)
				10 799 598	405 428
				(118 856)	27 496
(47 639)	(306)	(17 373)	(4 758)	10 665 255	406 588
				(2 355 715)	(88 431)
				8 309 540	318 157
243 087	22 284	143 190	6 243	4 619 480	414 905
243 087	22 284	143 190	6 243	4 619 480	414 905



## SHAREHOLDERS ANALYSIS

As at 31 December 2006

### Shareholding distribution

	Shares	%	Holders	%
1-1000	1,833 533	0.23%	2 558	44.10%
1001 - 5000	4 803 312	0.61%	1 697	29.26%
5001- 10000	4 121 348	0.52%	530	9.14%
10001 - 20000	4 861 025	0.61%	333	5.74%
20001 - 50000	11 679 875	1.48%	332	5.72%
50001 - 100000	10 728 210	1.36%	143	2.47%
100001 - 500000	30 569 841	3.87%	130	2.24%
>500000	722 099 481	91.32%	77	1.33%
<b>TOTALS</b>	<b>2 452 869 013</b>	<b>100.00%</b>	<b>5 800</b>	<b>100.00%</b>

### Analysis By Industry

	Shares	%	Holders	%
Investments & Trusts	1 872 578 415	76.34%	141	2.43%
Nominees Local	335 300 188	13.67%	65	1.12%
Local Companies	103 455 705	4.22%	138	2.38%
Local Individual Res	86 591 314	3.53%	5 241	90.35%
Pension Funds	33 523 475	1.37%	18	0.31%
Fund Managers	10 597 184	0.43%	14	0.24%
Other Organisations	6 206 270	0.25%	72	1.24%
Banks	3 136 917	0.13%	8	0.14%
Non Residents	955 931	0.04%	85	1.47%
Employee Share Trust	351 813	0.01%	5	0.09%
New Non Resident	114 899	0.00%	2	0.03%
Deceased Estates	26 812	0.00%	7	0.12%
Insurance Companies	17 023	0.00%	2	0.03%
Exec. Share Trust	7 300	0.00%	1	0.02%
Nominees Foreign	5 767	0.00%	2	0.03%
<b>Total</b>	<b>2 452 869 013</b>	<b>100.00%</b>	<b>5 800</b>	<b>100.00%</b>

### Ten Major Shareholders

	Total Shares	%
Freecor Limited	1 662 172 388.00	67.76%
Barnfords Securities Nominees (Pvt) Ltd	226 098 203.00	9.22%
Bude Holdings	171 049 400.00	6.97%
Edwards Nominees (Private) Limited NNR	58 154 374.00	2.37%
Staff Trust Fund	31 742 700.00	1.29%
Stanbic Nominees (Pvt) Ltd	20 031 456.00	0.82%
Zwm Nominees (Pvt) Ltd	18 718 257.00	0.76%
Weiptron Investments(Pvt)Ltd	16 923 200.00	0.69%
Mast Nominees (Pvt) Ltd	16 670 674.00	0.68%
Remo Nominees [Pvt] Ltd	12 972 764.00	0.53%
	<b>2 234 533 416.00</b>	<b>91.1%</b>



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of Shareholders of Zimnat Lion Insurance Company Ltd will be held in the Zambezi Room, Cresta Jameson Hotel, Samora Machel Avenue, Harare at 1430 hours on Thursday, 26 April 2007 for the purpose of transacting the following business:

## ORDINARY BUSINESS

- 1 To receive and consider the audited financial statements of the company, the reports of the directors and of the auditors for the year ended 31 December 2006.
- 2 To confirm the final dividend of \$0.94 per share for the year ended 31 December 2006.
- 3 To elect directors in place of those retiring in accordance with the provisions of the company's Articles of Association. Messrs S Mutasa, M Sachak and B P Nyajeka retire by rotation and being eligible offer themselves for re-election.
- 4 To approve the remuneration of the directors for the past financial year being in respect of their services as directors.
- 5 To fix the remuneration for the auditors for the year ended 31 December 2006 and to re-appoint Messrs Ernst & Young as auditors for the ensuing year.

## SPECIAL BUSINESS

### Purchase of Own Shares

To consider and if deemed fit, to resolve with or without amendment, that the directors be authorized in terms of Article 52 of the Company's Articles of Association to purchase the company's own shares subject to the following terms and conditions:

- The purchase price shall not be lower than the nominal value of the Company's shares and not higher than a price equivalent to 5% (five percent) above the weighted average of the market value of the share for the 5 (five) trading days immediately preceding the date of purchase of such shares by the company.
- The shares to be purchased under this resolution shall not exceed 10% (ten percent) of the ordinary shares of the Company in issue prior to the date of this resolution and will be for treasury.
- This authority shall expire on the Company's next annual general meeting.

## GENERAL BUSINESS

To transact such other business as may be transacted at an annual general meeting.

## NOTE

- a) A member entitled to attend and vote at this meeting may appoint a proxy to attend, speak and vote in his stead. The person appointed need not be a member.
- b) Proxy forms should be lodged at the registered office of the Company by no later than 48 hours before the time of the holding of the meeting.

## BY ORDER OF THE BOARD

A Makonese  
Company Secretary

5 April 2007  
HARARE

Registered Office  
Zimnat House  
Cnr 3rd Street/Nelson Mandela Avenue  
Harare

Share Transfer Secretaries  
Corpserve (Private) Ltd  
4th Floor, Intermarket Centre  
Cnr 1st Street/Kwame Nkrumah  
Harare

