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CONSOLIDATED TRADING UPDATE – Q1 2024

OPERATING ENVIRONMENT

During Q1 2024, the operating environment remained volatile due to and a depreciating currency and high inflation. The Reserve Bank of Zimbabwe reduced the Bank Policy rate by 20 percentage points midway through Q1 2023 to 130%. The ZWL continued to lose value against the USD as evidenced by the surge in the price of goods and services in local currency. On 5 April 2024, the Reserve Bank of Zimbabwe (RBZ) introduced a new currency, the Zimbabwe Gold (ZiG) which replaced the ZWL. The El-Nino induced drought has turned out to be more severe than initially anticipated and is expected to impact negatively on the domestic economy's growth trajectory. The dry spell and high temperatures experienced since the beginning of February 2024 have greatly affected the 2023/24 summer crop which hitherto had been generally fair. The subdued growth of the economy will further be exacerbated by the pass-through effects of the big global funding squeeze which has seen global interest rates remaining elevated amid lingering inflationary pressures.

According to the Total Consumption Poverty Line (TCPL), the ZWL year-on-year inflation peaked in March 2024 when it registered 2,976% compared to fourth quarter inflation in 2023 of 380%. According to the latest RBZ Monetary Policy Statement, 85% of total money supply is in foreign currency indicating the significance of foreign currency transactions in the economy.

The Zimbabwe Stock Exchange's (ZSE) rallied by 314% in the first quarter of 2024, ahead of both official and alternative market exchange rate movements. This resulted in a recovery, in real terms of previously depressed listed equity fund holdings. The Victoria Falls Stock Exchange on the other hand saw a 2.5% increase in market capitalisation to US\$1.2 billion. Liquidity has been low on the market, despite the All-Share Index gaining 2.51% during the month of March 2024.

The sharp depreciation of the ZWL in the quarter accelerated the migration by our clients to USD business to provide adequate cover on the occurrence of the insured risk. The retention ratio continued to gradually rise as the business units increased their net USD assets. While overall investment returns were positive, they were lower than the comparative period mainly because of the relatively quicker depreciation of the ZWL.

The Botswana economy continues to be stable despite the BWP weakening against the USD. An improved diamond mine proceeds agreement between De Beers Group and the Botswana Government is expected to underpin more growth in the future.

In Mozambique, the economy has maintained signs of growth as evidenced by a stable exchange rate and declining inflation.

BASIS OF PREPARATION

To address the distortions arising from the migration from ZWL to USD presentation currency, this trading update was prepared based on principles that faithfully represent the substance of the Group's financial performance and position. Pure USD transactions and balances were segregated (including all transactions denominated in other foreign currencies) from the pure ZWL transactions and balances. The Statement of Financial Position, non-monetary items were translated on the date of acquisition or disposal and for monetary items the closing rate was used with resultant foreign exchange gain or losses arising from non-USD currencies. For the Statement of profit or loss the historical ZWL transactions were translated using an average rate and then combined with the pure USD transactions to determine at the USD equivalent amounts.

Comprehensive Income highlights

	31-Mar-24	31-Mar-23	Growth
	USD000	USD000	%
Insurance contract revenue	35,451	33,223	7%
Insurance Service result	4,613	4,484	3%
Rental Income	1,950	1,559	25%
Profit after tax	3,702	2,033	82%

Financial position highlights

	31-Mar-24	31-Dec-23	Growth
	USD000	USD000	%
Total assets	229,090	221,696	3%
Total equity	102,972	99,383	4%
Total liabilities	126,118	122,313	3%

OPERATIONS REVIEW

Insurance contract revenue

For the quarter ended 31 March 2024, the consolidated Insurance Contract Revenue ("ICR") amounted to \$35.5 million which was 8% above the prior year. The positive outturn on the revenue mainly driven by an increased uptake of USD insurance products by the Group's clients. As of the reporting date pure USD ICR for the local business units constituted 82% of the total ICR compared to 34% in the prior year.

Insurance service result

The insurance service result grew by 3% to \$4.6 million from prior year on the back of increased ICR from the Group's Insurance Business Units. The insurance service result growth was lower than ICR due higher claims in the period that were partially offset by reinsurance recoveries.

Rental income

Rental income totalled \$2 million, 25% ahead of prior year. The growth compared to the prior year arose from increased uptake of USD leases by tenants. As at 31 March 2024 pure USD rentals totalled USD1.4 million, contributing 72% of total rental income, representing a 43% increase from prior year. Occupancy levels stood at 88.78%, being below the target of 89.63%.

Profit for the period.

The business generated a profit after tax for the quarter ended 31 March 2024 amounting to USD3.7 million representing an increase of 82% from the previous year.

Total assets and equity

Total assets increased by 3% to \$229.1 million from \$221.7 million in December 2023. The increase was driven by increases in the following lines: ZSE listed equities, insurance and reinsurance contract assets, debt securities at amortised (mostly consisting of foreign denominated bonds/money markets above 90 days). In line with the profit for the period, the Group recorded a growth in shareholder equity of 3% to USD 68.9 million.

BY ORDER OF THE BOARD

S Lorimer

S F Lorimer
Group Company Secretary