

## INDEPENDENT AUDITOR'S REPORT

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To the members of Zimre Holdings Limited

### Report on the Audit of the Inflation Adjusted Consolidated Financial Statements

#### Adverse Opinion

We have audited the inflation adjusted consolidated financial statements of Zimre Holdings Limited ("the Group") set out on pages 11 to 124, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant Group accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the inflation adjusted consolidated financial statements do not present fairly, in all material respects, the financial position of Zimre Holdings Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Adverse Opinion

*Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates in the prior financial years and International Accounting Standard (IAS) 8 - Accounting Policies, Changes in Accounting Estimates and Errors*

During the prior financial years, the foreign currency denominated transactions and balances of the Group were translated into ZWL using the interbank exchange rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not

been corrected in the inflation adjusted consolidated financial statements for the year ended 31 December 2022.

As the non-compliance with IAS 21 is from prior financial years and there have been no restatements to the prior year financial statements in accordance with IAS 8, some comparative numbers in the consolidated financial statements may be misstated. Our opinion on the current year consolidated financial statements is modified because of the possible effects of the above matters on the comparability of the current year's figures to corresponding figures of the comparative period.

The effects of the above non-compliance with the requirements of IAS 21 have been considered to be material but not pervasive to the inflation adjusted consolidated financial statements.

*Inclusion of the unaudited financial statements of Vanguard Life Assurance Limited in the consolidated financial statements of Fidelity Life Assurance of Zimbabwe Limited*

These consolidated financial statements include the financial position, financial results and cashflows of Fidelity Life Assurance of Zimbabwe, a significant component of Zimre Holdings Limited. The consolidated financial statements of Fidelity Life Assurance of Zimbabwe include unaudited financial statements of Vanguard Life Assurance Limited, a subsidiary of Fidelity Life Assurance of Zimbabwe. As a result, we were unable to satisfy ourselves that all necessary adjustments and disclosures have been made to the unaudited financial statements of Vanguard Life Assurance Limited, and consequently to the consolidated financial statements of Fidelity Life Assurance of Zimbabwe Limited for the year ended 31 December 2022. The opinion of Fidelity Life Assurance of Zimbabwe Limited for the year ended 31 December 2022 is modified in respect of this matter. Accordingly, we were unable to determine the effect this might have on the consolidated financial statements of Zimre Holdings Limited for the year ended 31 December 2022.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming the opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements:

Areas of focus	How our audit addressed the key audit matter
<p><b>Gross premiums recognition</b></p> <ul style="list-style-type: none"> <li>• There is a presumed fraud risk with regards revenue recognition as guided by International Standard on Auditing (ISA) 240 - <i>“The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements”</i> Revised. There is a risk that gross premiums are presented at amounts higher than what has been actually generated by the Group. This is a significant risk and accordingly a key audit matter.</li> </ul>	<p>Our audit procedures incorporated a combination of tests of the Group’s controls relating to gross premiums recognition and the appropriateness of premiums recognition policies as well as substantive procedures in respect of testing the occurrence assertion. Our substantive procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewed that gross premium recognition criteria is appropriate and in line with the requirements of IFRS 4.</li> <li>• Identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review.</li> <li>• Tested the design and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of premiums transactions.</li> <li>• The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation).</li> <li>• Performed cut-off tests on year end balances to ensure premiums are recognised in the correct period.</li> <li>• Analytical procedures and assessed the reasonableness of explanations provided by management.</li> </ul>

Areas of focus	How our audit addressed the key audit matter
	We satisfied ourselves that the recognition of gross premiums is appropriate.
<p><b>Adequacy of allowance for credit losses on trade and other receivables</b></p> <p>As at 31 December 2022, the Group had trade and other receivables amounting to <b>ZWL 17 160 094 820 (2021: ZWL 7 781 833 285)</b>.</p> <p>This was considered an area of focus as IFRS 9 requires management to exercise significant judgement using subjective assumptions when determining both timing and amounts of the impairment provision for trade and other receivables.</p> <p>Key areas of judgement included:</p> <ul style="list-style-type: none"> <li>• The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Group's expected credit loss model; and</li> <li>• Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. exchange rates, interest rates, gross domestic product growth, inflation).</li> </ul>	<p>Assessed management's allowance for credit losses, which included the following:</p> <p>We performed an assessment of the modelling techniques and methodology used against the requirements of IFRS 9;</p> <ul style="list-style-type: none"> <li>• We assessed and tested the modelling assumptions with a focus on the: <ul style="list-style-type: none"> <li>i. Key modelling assumptions adopted by the Group;</li> <li>ii. Reliability of the historical data collected; and</li> <li>iii. appropriateness of macroeconomic factors used.</li> </ul> </li> <li>• We examined a sample of exposures and performed procedures to evaluate the: <ul style="list-style-type: none"> <li>i. Timely identification of exposures with a significant deterioration in credit quality; and</li> <li>ii. Expected loss calculation for exposures assessed on an individual basis.</li> </ul> </li> <li>• We assessed the adequacy of the disclosures in the financial statements.</li> </ul> <p>Based on our audit work performed, the assumptions used by management were appropriate.</p>
<p><b>Valuation of insurance/reassurance contract liabilities</b></p> <ul style="list-style-type: none"> <li>• Data is a key input into the valuation process. The calculation of insurance contract liabilities has a number of inputs, which are reliant on various processes and systems for accurate and complete data. A breakdown of these processes and systems could result in a misstatement of the value of insurance contracts.</li> </ul>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"> <li>• Assessed the design and operating effectiveness of the key aspects of the control environment over data integrity, including an evaluation of the effectiveness of the information technology (IT) environment over the policy administration systems and the actuarial valuation systems, together with the data extraction and conversion processes.</li> <li>• Assessed the design and operating effectiveness of the key controls of the</li> </ul>

Areas of focus	How our audit addressed the key audit matter
<ul style="list-style-type: none"> <li>• The valuation of the Group insurance contract liabilities involves complex calculations, significant judgements, and long and short-term estimates and assumptions.</li> <li>• The methodology involves judgements about future events, both internal and external to the Group; and the value of the Group insurance contract liabilities is significant to the Consolidated financial statements.</li> <li>• The main valuation assumptions include mortality, expenses, expense inflation, discount rates and lapses, previous experience in claim patterns, claim settlement patterns, trends in claims frequency.</li> </ul>	<p>actuarial valuation process for the setting and updating of actuarial assumptions and the process for model and methodology changes.</p> <ul style="list-style-type: none"> <li>• Reviewed management’s key assumptions around mortality, longevity, disability, morbidity, persistency and expenses and assess the results of management’s experience analyses.</li> <li>• Compared the mortality tables against the standard actuarial mortality tables to assess the reasonableness of the assumptions.</li> <li>• Assessed whether discount rates used reflect the nature of the assets backing the insurance contract liabilities and also whether they reflect the conditions of the market in which these assets are held.</li> <li>• Compared the actual emerging claims for prior years against the provision for the same period to assess the reasonableness of management’s previous provisions.</li> </ul> <p>We satisfied ourselves that the valuation of insurance/reassurance contract liabilities is appropriate.</p>

### Other information

The Directors are responsible for the other information. The other information comprises the ‘Corporate information’, ‘Directors’ responsibility for financial reporting’, ‘historical cost information’ and ‘Company statements’, which we obtained prior to the date of this auditor’s report. The other information does not include the financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude

that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of Management and Those Charged with Governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and for such internal control as is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

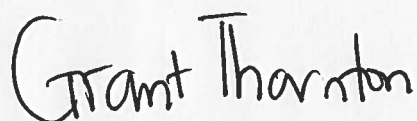
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, except for the effects of the matters described in the *Basis for Adverse Opinion*, the consolidated financial statements have been properly prepared, in all material respects in accordance with the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

The engagement partner on the audit resulting in this independent auditor's report is Edmore Chimhowa.



Edmore Chimhowa  
**Partner**

Registered Public Auditor (PAAB No: 0470)

**Grant Thornton**  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors

HARARE

31 March .....2023