



Independent auditor's report

To the Shareholders of

Fidelity Life Assurance of Zimbabwe Limited

Our adverse opinion

In our opinion, because of the significance of the matters discussed in the *Basis for adverse opinion* section of our report, the consolidated and separate financial statements do not present fairly the consolidated and separate financial position of Fidelity Life Assurance of Zimbabwe (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, and their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31).

What we have audited

Fidelity Life Assurance of Zimbabwe Limited's consolidated and separate financial statements set out on pages xx to xx comprise:

- the consolidated and separate statements of financial position as at 31 December 2021;
 - the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
 - the consolidated and separate statements of changes in equity for the year then ended;
 - the consolidated and separate statements of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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Basis for adverse opinion

An adverse opinion was issued on the consolidated and separate financial statements as at 31 December 2020, and for the year then ended, due to the use of foreign currency exchange rates that were not considered to be appropriate spot rates for translation of foreign denominated transactions and balances as required by International Accounting Standard ("IAS") 21, '*The Effects of Changes in Foreign Exchange Rates*' ("IAS 21"), the effects of the Group and Company's change in their functional currency on 22 February 2019 which is not in compliance with IAS 21 which would have required a functional currency change on 1 October 2018, the inappropriate application of IAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors*' ("IAS 8"), and its consequential effects on the hyperinflationary adjustments made in terms of IAS 29, '*Financial Reporting in Hyperinflationary Economies*' ("IAS 29"). The opinion was further modified due to the impact of using United States of America dollar ("US\$") valuation inputs rather than local currency valuation inputs, and then translating the value so derived to Zimbabwe dollar ("ZWL") using the interbank foreign exchange rate as per the Foreign Exchange Auction Trading System of the Reserve Bank of Zimbabwe at the reporting date, when valuing investment property and land and buildings. Notwithstanding the fact that the spot rate applied as at 31 December 2020 is considered to meet the spot rate definition as per IAS 21, the application of a conversion rate to US\$ valuation inputs and a US\$ based valuation to calculate ZWL investment properties and land and buildings values is not an accurate reflection of market dynamics as the risks associated with currency trading do not reflect the risks associated with property trading.

Furthermore, the Company's Investment in subsidiaries that are equity accounted in accordance with IAS 27 '*Separate Financial Statements*' ("IAS 27"), are misstated due to the inappropriate application of IAS 21 and IAS 29 as described above.

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Our opinion on the consolidated and separate financial statements as at 31 December 2021, and for the year then ended, is modified because of the possible effects that these matters have on the current year consolidated and separate financial statements and the comparability of the current year's figures to that of the comparative period. These possible effects are outlined below.

The misstatements described in the paragraph above with respect to the application of IAS 21 affect the historical amounts which are used in the calculation of the inflation adjusted amounts. Had the Group and Company changed their functional currency in accordance with the requirements of IAS 21 and amounts retrospectively restated in accordance with the requirements of IAS 8, and then inflation adjusted in accordance with IAS 29 as at 31 December 2021, property and equipment (excluding land and buildings), intangible assets, inventories, revaluation reserve, retained earnings and the investment in subsidiary (Company only) in the consolidated and separate statements of financial position as at 31 December 2021, the related depreciation (Group only) and equity accounted earnings (Company only) within the consolidated and separate profit or loss and other comprehensive income, and the related cash flows for the year then ended, would have been materially restated. It was not practicable to quantify the financial effects of this matter on the consolidated and separate financial statements as at 31 December 2021, and for the year then ended.

The opening land and buildings and investment property balances of the Group and Company as at 1 January 2021, respectively, recognised in the consolidated and separate statements of financial position, and the related fair value and revaluation gains recognised in the consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2021 are misstated as a result of the misstatement described above with respect to the valuation of land and buildings and investment property of the Group and Company, respectively, in the prior year. It was not practicable to quantify the financial impact of this misstatement on the consolidated and separate financial position and financial performance as at 31 December 2021, and for the year then ended. This has also had an impact on the comparability of the current year's figures to that of the comparative period.

Notwithstanding the fact that the ZWL properties valuations performed by independent valuers as at 31 December 2021 are an accurate reflection of market dynamics as the inputs reflect the risks associated with property trading, material misstatements were identified in the valuations performed of certain properties recognised as investment property in the Company's separate financial statements, and as land and buildings included in property and equipment in the Group's consolidated financial statements ("together the "properties"), as at 31 December 2021. Void rates, which is a significant input assumption when valuing properties using the income approach, was appropriately included in the valuations of the properties. However, an inappropriate void rate was used in the valuations. Furthermore, the lettable space for multi-tenanted commercial property included common areas, which rental per square meter has already been included in the rentals per square meter charged to the tenants. Sufficient appropriate evidence could not be provided by management to support the valuator's assumptions applied in this regard. These errors resulted in an overstatement of the annual rental income that was used in the valuations of the properties, which was not practicable for us to quantify due to management not being able to provide sufficient appropriate evidence to support the rental income that should have been used in the valuations. Consequently, the fair value of investment property in the Company's separate financial statements, land and buildings included in property and equipment in the Group's consolidated financial statements, the equity (revaluation reserve) balance of the Group and retained earnings balance of the Company as at 31 December 2021, as well as the related revaluation gains recognised in the Group's other comprehensive income for the year then ended, is overstated. It was not practicable to quantify the financial effects of this matter on the consolidated and separate financial statements as at 31 December 2021, and for the year then ended.

In addition, in respect of the years ended 31 December 2020 and 31 December 2021, balances and transactions of the Company's subsidiary, Fidelity Life Medical Services Company (Private) Limited ("FLIMESCO") have been inappropriately recognised in the Company's separate financial statements instead of accounting for it as an investment in subsidiary using the equity method, as required in accordance with the accounting policy adopted by the Company. This is not in compliance with IAS

27 and the Companies and Other Business Entities Act (Chapter 24:31), which require the Company to prepare and present separate financial statements in accordance with IFRS, i.e. excluding the financial results of a subsidiary. Had the Company retrospectively restated the separate financial statement in accordance with the requirements of IAS 8, the following line items in the accompanying separate financial statements as at 31 December 2021, and for the year then ended, would have materially reduced as at 31 December 2021, and for the year then ended, as follows:

- Retained earnings by ZWL 18 787 433 (2020: ZWL 7 203 027)
- Trade and other payables by ZWL 27,612,603 (2020: ZWL 10 999 281)
- Trade and other receivables by (ZWL 31 075 085 (2020: ZWL 9 589 189)
- Revenue by ZWL 90 049 179 (2020: ZWL 64 575 025)
- Operating expenses by ZWL 27 437 000 (2020: ZWL 24 944 314)
- Loss on net monetary position by ZWL 19 799 527 (2020: ZWL 16 310 925)
- Income tax expense by ZWL 14 678 652 (2020: ZWL 6 841 381)

These errors further resulted in a material misstatement of the related cash flows, as applicable, which was not practicable for us to quantify. The quantitative impact outlined in the paragraph above is solely in relation to the FLIMESCO matter and does not take the impact of any of the other described misstatements into account. This has also had an impact on the comparability of the current year's figures to that of the comparative period.

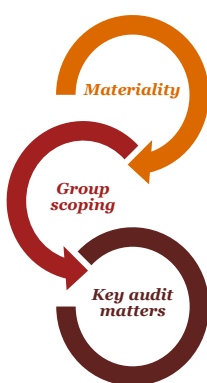
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Zimbabwe.

Our audit approach

Overview

	<p>Overall group materiality ZWL 18 883 086 which represents 5% of consolidated profit before income tax.</p>
	<p>Group audit scope We conducted a full scope audit on the Company due to its financial significance to the Group. We also conducted full scope audits on its seven subsidiaries as all of the subsidiaries were determined to be in scope based on significant risks identified at the Group, as well as due to these subsidiaries' statutory reporting requirements.</p>
	<p>Key audit matter</p> <ul style="list-style-type: none"> • Valuation of insurance contract liabilities and investment contract liabilities.



Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	ZWL 18 883 086.
<i>How we determined it</i>	5% of consolidated profit before income tax.
<i>Rationale for the materiality benchmark applied</i>	We chose consolidated profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply for listed profit-oriented companies.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The Group has operations in Zimbabwe and Malawi. We conducted a full scope audit on the Company due to its financial significance to the Group. Full scope audits were also performed on the Company's six subsidiaries that are incorporated, domiciled and operate in Zimbabwe; as well as the one subsidiary, Vanguard Assurance Company Limited that is incorporated, domiciled and operates in Malawi, all of these subsidiaries being in scope based on significant risks identified at the Group. The full scope audits on the subsidiaries were also performed due to the subsidiaries' respective statutory reporting requirements.

All audit work for operations in Zimbabwe was performed by us as group auditors and audit work for the only subsidiary in Malawi was performed by the component auditors. In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, and other the component auditors from the other audit firm, operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for adverse opinion* section, we determined the matters described below to be key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matter
<p>Valuation of insurance contract liabilities and investment contract liabilities</p> <p>As at 31 December 2021 insurance and investment contract liabilities are accounted for in accordance with the requirements of IFRS 4, 'Insurance Contracts'. Insurance and investment contract liabilities amounted to ZWL 7 811 037 544 for Group and ZWL 5 881 354 445 for Company, comprising insurance contract liabilities and investment contract liabilities with discretionary participation features amounting to ZWL 6 859 887 711 for the Group and 4 930 204 612 for the Company; and Investment contracts without discretionary participation features accounted for in accordance with the requirements of IFRS 9, 'Financial Instruments' amounted to ZWL 951 149 833 for the Group and Company.</p> <p>The methodology used to determine the values of the Group and Company's insurance contract liabilities and investment contract liabilities involves judgements about future events, both internal and external to the Group and Company. The key assumptions applied include mortality, morbidity and longevity rates, expenses, investment return and inflation, discount rates, lapse and surrender rates, previous experience in claim patterns, claim settlement patterns, and trends in claims frequency.</p> <p>We considered the valuation of insurance contract liabilities and investment contract liabilities to be a matter of most significance to our current year audit of the consolidated</p>	<p>We assessed the independence, experience and competence of the statutory actuaries used by management for the Company and Vanguard Assurance Company Limited. We inspected the actuaries' curricula vitae and held discussions with them and management and noted no matters requiring further consideration in respect of their independence, experience and competence.</p> <p>We utilised our actuarial expertise to evaluate the reasonableness of significant assumptions and estimates applied as well as the actuarial computations prepared by the management's experts.</p> <p>We also evaluated the actuarial valuation reports obtained from management for adequacy and reasonableness. In doing so, the following procedures were performed:</p> <ul style="list-style-type: none"> ● We compared the Group and Company's mortality tables against the standard actuarial mortality tables used in similar industries to assess the reasonableness of the assumption. We noted no matters requiring further consideration. ● We assessed whether the mortality, morbidity, longevity, lapse and surrender rate assumptions were based on the Group and Company's internal experience, by comparing these against rates used in similar markets and industry. We noted no matters requiring further consideration. ● We assessed the reasonableness of the expenses, investment return and inflation by comparing it to external sources such as external industry research reports. We noted no matters requiring further consideration. ● We assessed whether discount rates used reflected the nature of the assets backing the investment contract liabilities and also whether

<p>and separate financial statements due to the following:</p> <ul style="list-style-type: none"> • the valuation of the Group and Company's insurance and investment contract liabilities involves complex calculations, significant judgements, as well as comprising both long and short term estimates and assumptions; and • the value of the Group and Company's insurance and investment contract liabilities are significant to the consolidated and separate financial statements. <p>Refer to the following notes to the consolidated and separate financial statements for details:</p> <ul style="list-style-type: none"> • note 2.5.4 Life Insurance contract liabilities; • note 2.5.5 Investment contract liabilities; • note 2.5.6 Discretionary participation features; • note 3.2 Actuarial valuation of insurance liabilities; • note 14 Insurance and investment contract liabilities; and • note 31 Assurance risk management 	<p>they reflected the conditions of the market in which these assets are held, by comparing our independently obtained rates to that used in similar markets and industries. We noted no matters requiring further consideration.</p> <ul style="list-style-type: none"> • We compared the actual emerging claims for prior years against the provision for the same period to assess the reasonableness of management's previous provisions. We noted no matters requiring further consideration. • We tested data used in the valuation by agreeing a sample of that data to underlying documentation. We noted no material differences. • We assessed the valuation basis (including chain ladder methodology, run off analysis on historical loss experience) through discussion with the management's actuaries and also assessed its appropriateness, given the nature of the business as well as with reference to actuarial best practice. We noted no matters requiring further consideration. <p>We inspected the actuarial report for the year ended 31 December 2021 prepared by management's actuaries and compared it to the prior year signed actuarial report in order to identify any significant changes in assumptions and methodology. Based on our procedures performed, we noted no matters requiring further consideration in this regard.</p>
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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Fidelity Life Assurance of Zimbabwe Limited 2021 Annual Report". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for adverse opinion* section above, the consolidated and separate financial statements contain material misstatements with respect to the application of IAS 21, IAS 8, IAS 16, IAS 40, IFRS 13 and IAS 27 and the consequential effects on the hyperinflationary adjustments made in terms of IAS 29, as described in the *Basis for adverse opinion* section.



Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company'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 the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 and the Company'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 consolidated and separate 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 and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 entities or business activities within the Group to express an opinion on the consolidated 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 the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Clive.K. Mukundiwa
Registered Public Auditor
Institute of Chartered Accountants of Zimbabwe, Public Practice Certificate Number 0439
Public Accountants and Auditors Board, Public Auditor Certificate Number 253168
Partner for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

29/07/2022

Harare, Zimbabwe