ZIMRE HOLDINGS LIMITED

Security Growth and Profitability

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the ZimRe Holdings Limited ("ZHL") Group results for the year ended 31 December 2018. The results were achieved against the backdrop of a very challenging business environment, particularly in the domestic market.

Operating environment

The business environment in Zimbabwe remained largely constrained, characterised by increasing macro-economic volatility. The domestic macro-economic environment was characterized by foreign currency shortages, pricing distortions, rising inflation and low industry capacity utilisation. Adverse weather conditions that negatively affected agricultural output, and subdued aggregate demand due to low disposable incomes , also impacted negatively on economic performance. Re-engagement of the international community and restoration of investor confidence which are major focus areas for the Government, are still to yield the expected results.

The International Monetary Fund ("the IMF") reported in its April 2019 World Economic Outlook that the Zimbabwean economy grew by 4.7% in 2017, and 3.4 % in 2018. The economy was, however, expected to contract by 5.2% in 2019 before recovering to 3.3% in 2020. Whilst the Government is implementing fiscal and monetary policy measures aimed at economic stabilisation and recovery, the macro-economic environment will remain highly constrained in the short to medium term. Consequently, the insurance and property sectors' performance remain largely subdued for the foreseeable future as their fortunes are positively correlated to economic growth trends.

Macro-economic indicators in the Southern African Development Community ("SADC") region where the Group has operations remained largely stable. The Zambian economy grew by 3.5% in 2018 aided by rising global demand for copper, the continued infrastructure development drive, improving power output and recovery of the agricultural sector. At 3.2% in 2018, the Malawian economy continued on a growth trajectory spurred by increased agricultural output, growing infrastructure investment and return of development partners. The Mozambican economy continued on a recovery path growing by 3.3% in 2018 and is expected to grow by 4.0% in 2019, on the back of increased coal output, agricultural production and implementation of measures to re-establish investor confidence. The Botswana economy grew by 4.6% in 2018 driven by broad based expansion in non-mining activities and a rebound in the demand for and prices of diamonds.

Changes in functional currency and delays in the publication of results

Post year-end the Reserve Bank of Zimbabwe ("RBZ") announced the redenomination of RTGS and Bond Note balances to RTGS dollars ("RTGS$ or ZWL") which were added to the existing basket of multi- currencies and became the functional currency of the country. These financial statements have been presented on the basis of parity between the RTGS$ and the US$, and are consistent with prior year figures for comparative purposes as guided by the Public Accountants and Auditors Board ("PAAB") and Statutory Instrument ("SI") 33 of 2019. However, compliance with the SI resulted in the Group not complying with the requirements of International Accounting Standards ("IAS") 21, The effects of changes in foreign exchange rates, which among other things, requires that financial statements be presented at an exchange rate that approximates the market exchange rate. Consequently, the independent auditors, PricewaterhouseCoopers Chartered Accountants Zimbabwe ("PwC"), have issued an adverse opinion on the financial statements for the year ended 31 December 2018.

The financial statements for the year ended 31 December 2018 were not published by 31st March 2019 as required by statute mainly due to the general directive given by the Zimbabwe Stock Exchange ("ZSE") for listed companies to delay the publication of the results pending clarification by accounting professionals on the impact of the Monetary Policy Statement of 20 February 2019 which among other things, introduced the RTGS$ as the functional and presentation currency for the country and trading of that currency with other currencies on the interbank trading platform. Furthermore, ZHL was unable to take advantage of the reprieve granted by the ZSE to extend the reporting deadline for listed companies from 31 March 2019 to 30 April 2019, due to delays in the conclusion of the statutory audit of a material associate. The ZSE sanctioned, in terms of section 3.21 subsection (a) of the ZSE Listing requirements, the further extension of the reporting deadline.

Group performance summary

Despite the difficult operating environment prevailing in Zimbabwe, the Group's various operations continued to demonstrate resilience and recorded overall profitable performance with the local reinsurance operations continuing to record positive performance.

Statement of comprehensive income

Gross premium written

At $32.28 million, gross premium written increased by 17% from that achieved in the same period in 2017. Domestic reinsurance operations trading as Emeritus Reinsurance, achieved a 29.0% growth in premium income from $12.93 million in 2017 to $16.70 million in 2018. Credit Insurance Zimbabwe Limited ("Credsure") recorded a growth of 36.0% in gross premium written from $2.37 million achieved in 2017 to $3.23 million in 2018. This was mainly attributed to the strong off-take in the performance of the Underwriting Management Agencies ("UMAs") that were accredited to the business.

Recovery in the domestic insurance and reinsurance operations could have been more robust if the macroeconomic environment had been more conducive. The performance of the regional operations was constrained by the absence of optimal capital to support aggressive business acquisition.

Total income

At $33.55 million in 2018, total income growth slowed down by 8% when compared to that achieved in the previous year. This was mainly attributed to: -

- The low capital bases in the regional operations and limited business retention levels. This was more pronounced in the Zambian and Mozambican reinsurance subsidiaries which were not able to absorb the existing market insurance capacity. Additional capital amounting to US$1.5 million was injected into the subsidiaries in order to enhance capacity. The impact of the additional capital will be felt in 2019.
- Investment income growth was constrained mainly due to underperformance of the money and capital markets especially in Zimbabwe. Because of the short-term nature of the liabilities of the insurance and reinsurance subsidiaries, the profile of their investments is expected to mirror this and be skewed in favour of near liquid investments. The obtaining investment options can result in high concentration risk which your Board and Management has had to manage diligently.
- Property portfolio restructuring at ZimRe Property Investments Limited ("ZPI") which resulted in a temporary dip in rental incomes as the conversion, construction and refurbishment of properties with higher rental yields were taking place. Stand disposals were also suspended as a value preserving strategy pending improvement in economic fundamentals in Zimbabwe.

Profit for the year

The Group recorded profit for the year of $3.55 million in 2018. The reduction in the contribution from property and subdued investment income performance accounted for the 39.0% decline in profit for the year. The profit outturn in 2018 reflects a more sustainable outcome which should be maintained and improved on in the future. Non-recurring income and expense items declined from a net income of $3.31 million in 2017 to $1.46 million in 2018.

Statement of financial position

The Group statement of financial position remained strong with total assets increasing by 4.0% from $106.03 million in 2017 to $109.91 million mainly due to the 22.0% increase in investment properties arising from the construction of Sawanga Mall in Victoria Falls and refurbishment of Nicoz House in Bulawayo as part of property portfolio restructuring at ZPI.

At $55.39 million in 2018, shareholders equity increased by 11.5% compared to the position at 31 December 2017 due to the positive profit outturn and the acquisition of additional equity stakes in Emeritus Resegguros, SA and ZPI.

Cash and cash equivalents decreased from $24.42 million in 2017 to $9.8 million in 2018 mainly due to the property development activities at ZPI and deployment of other cash resources to the listed equities investment portfolio.

Significant matters affecting the Group and other investments

Further to our communication in the half year report, the Group has embarked on a transaction to raise capital at Emeritus International Reinsurance Company Limited incorporated and domiciled in Botswana, via a private placement to selected international investors with capacity to offer strategic, financial and technical support to the Group insurance and reinsurance operations. If successful, the capital raised will be deployed to the Group's regional reinsurance subsidiaries in order to transform their rating and financial performance and improve their competitiveness in the markets in which they conduct business. The units are expected to benefit from emerging regulations in the regional markets requiring the exhaustion of local capacity before externalising risks. Shareholders will be updated on further developments on this proposed transaction in due course.

CFI Holdings Limited ("CFI") is still suspended from trading on the Zimbabwe Stock Exchange due to breach of governance requirements that have not yet been addressed. ZHL continues to engage the board and management of CFI together with the various regulators with the aim of resolving the matter in a manner that is beneficial to all stakeholders. It is, however, pleasing to note that there has been a significant turnaround in the performance of CFI's Retail and farming operations and we are confident that there is significant value in the investment.

ZHL holds a 49% equity stake in the Zimbabwe United Passenger Company ("ZUPCO") and has been a dormant shareholder in that Company since 2004. The Board of ZHL is now seized with re-establishing active participation and its rights as a shareholder in the Company.

Directorate

During the year under review, Mr Belmont Ndebele resigned from the Board with effect from 24 August 2018. I would like to thank Mr Ndebele for his invaluable contribution to the ZHL Board. Mr. Ndebele was retained on the Board of Emeritus Reinsurance Company Zimbabwe.

Subsequent to year end, Mr. Aadil Adamjee resigned from the Board. I would like to thank him for his service to the Board and wish him success in his future endeavours.

Mr Mark Haken, a South African citizen and seasoned reinsurance expert, was appointed to the Board with effect from 20 October 2018. I would like to welcome Mr Haken to the Board and am confident that his long and illustrious experience in the insurance industry will be of immense benefit to the Board.

Dividend

In view of the need to preserve cash to meet working capital requirements in a difficult economic environment, the Board of Directors resolved not to declare a dividend.

Outlook and Strategy

We expect to continue facing challenges in the Zimbabwean business environment in the short to medium term. Declining disposable incomes and inflationary pressures are expected to pose an immediate threat to the viability of the insurance industry in Zimbabwe. Stable macro-economic conditions are expected to continue in the regional markets where the Group trades and has a presence. Weak capital positions in the regional reinsurance operations are anticipated to pose a challenge to the growth of those businesses. The Board and Management will continue to move the business forward premised on the following key strategic initiatives that are expected to enhance performance: -

Zimbabwe

Focus in the Zimbabwean operations will be mainly on: -

- value preservation and building foreign currency reserves. Post year end, there has been a significant depreciation of RTGS balances and management will maintain minimum cash balances going forward.
- new investments into businesses in the respective value chains to achieve vertical integration and create new revenue lines; and
- continuation of property portfolio restructuring and realignment to include property classes with higher yields and releasing additional space for renting.

Region

The Group will place more focus on the regional operations as a new growth frontier and uplift their performance through, among other initiatives: -

- the provision of adequate and competitive capital to enhance underwriting capacity and consolidate market positions;
- penetration and expansion into other markets on the African continent; and
- implementing innovative business acquisition models.

The above strategic initiatives are expected to drive business growth and preserve shareholder value. We are confident that in the medium to long term, the Group's regional operations will continue to increase their contribution to the Group's overall performance.

Appreciation

I would like to express my sincere gratitude to all the Boards, executives, management and staff throughout the Group for their efforts in delivering these results especially given the difficult business environment that prevailed in 2018. I would also want to thank the Group's various business partners and stakeholders for their continued support and trust.

B N Kumalo
CHAIRMAN

29 April 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

ASSETS	Notes	Group Audited 2018 US$	Group Audited 2017 US$
Property and equipment		5 279 987	4 077 382
Investment property	4	46 008 667	37 784 845
Intangible assets		139 387	123 681
Goodwill		325 803	325 803
Investment in associates		5 352 764	5 415 437
Deferred tax asset		2 764 128	1 902 755
Inventory		2 805 445	3 393 994
Trade and other receivables	5	16 603 024	14 583 142
Life reassurance contract asset		156 100	569 900
Current income tax receivable		1 022 781	721 503
Deferred acquisition costs		2 002 809	1 517 042
Financial assets:			
available for sale		-	7 556 385
held to maturity investments		-	2 661 550
at amortised cost		6 156 876	-
at fair value through other comprehensive income ("FVOCI")		5 181 669	-
at fair value through profit or loss ("FVPL")		6 314 770	975 534
Cash and cash equivalents		9 792 554	24 417 087
Total assets		**109 906 764**	**106 026 040**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		15 326 649	15 331 003
Share premium		11 427 034	11 427 034
Treasury shares		(8 886)	-
Revaluation reserve		14 017 038	13 920 328
Mark-to-market		-	650 181
Financial assets at fair value through other comprehensive income reserve		1 990 559	-
Foreign currency translation reserve		(8 165 707)	(7 512 006)
Retained earnings		20 803 807	15 882 487
Total equity attributable to equity holders of the parent		**55 390 494**	**49 699 027**
Non-controlling interest		18 714 474	21 828 246
Total equity		**74 104 968**	**71 527 273**
Liabilities			
Life reassurance contract liabilities		2 029 600	4 632 265
Deferred tax liability		1 697 790	1 330 614
Borrowings	6	3 962 351	1 799 361
Trade and other payables	7	15 181 434	13 626 357
Short term insurance contract liabilities	8	12 056 034	11 932 762
Other provisions		874 587	1 177 408
Total liabilities		**35 801 796**	**34 498 767**
TOTAL EQUITY AND LIABILITIES		**109 906 764**	**106 026 040**

BN Kumalo
Chairman

S Kudenga
Group Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

Continuing operations INCOME	Notes	Group Audited 2018 US$	Group Audited 2017 US$
Gross written premium		**32 280 406**	**27 688 451**
Retrocession premium		(8 796 191)	(6 671 379)
Net premium written		23 484 215	21 017 072
Change in unearned premium reserve		(1 261 066)	1 181 011
Net premium earned		**22 223 149**	**22 198 083**
Brokerage commission and fees		2 013 178	1 829 665
Total insurance income		**24 236 327**	**24 027 748**
Rental income from investment property		2 269 360	2 725 893
Fair value adjustments on investment property		(869 524)	(807 852)
Income from sale of inventory property		1 715 728	2 403 553
Property operating costs recoveries		582 831	843 308
Dividend income		472 709	342 337
Interest from financial assets at armotised cost		973 223	1 092 101
Other income		4 172 605	5 741 927
Total income		**33 553 259**	**36 369 015**
EXPENSES			
Insurance benefits and claims:			
Non-life insurance claims		(8 991 946)	(9 366 162)
Life reassurance benefits and claims		(648 228)	(2 274 593)
Movement in life assurance contract liabilities		2 188 865	-
Claims ceded to reinsurers		2 444 304	3 636 438
		(5 007 005)	(8 004 317)
Commission and acquisition expenses		(7 584 026)	(7 428 578)
Operating and administrative expenses		(14 977 315)	(14 891 485)
Net impairment losses on financial assets		(1 929 618)	(382 975)
Finance costs		(110 507)	(15 405)
Total expenses		**(29 608 471)**	**(30 722 760)**
Profit before share of profit of associate		**3 944 788**	**5 646 255**
Share of profit of associates		48 463	280 247
Profit before income tax		**3 993 251**	**5 926 502**
Income tax (expense)/credit		(443 607)	32 050
Profit for the year from continuing operations		**3 549 644**	**5 958 552**
Discontinued operations			
Loss for the year from discontinued operations		-	(134 962)
Profit for the year		**3 549 644**	**5 823 590**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Gains from property and equipment revaluations		116 922	67 711
Share of other comprehensive income of associates		5 330	(29 290)
Income tax relating to components of other comprehensive income		(25 477)	93 321
		96 775	131 742
Items that may be reclassified subsequently to profit or loss:			
Exchange (losses)/gain on translating foreign operations		(700 677)	509 177
Fair value gains on available for sale financial assets		-	232 803
Fair value gains on financial assets at FVOCI		459 350	-
Income tax (expense)/credit relating to components of other comprehensive income		(18 978)	(11 640)
		(260 305)	730 340
Other comprehensive (loss)/income for the year net of tax		**(163 530)**	**862 082**
Total comprehensive income for the year		**3 386 114**	**6 685 672**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018 (Continued)

	Notes	Group Audited 2018 US$	Group Audited 2017 US$
Profit/(loss) attributable to:			
Equity holders of Zimre Holdings Limited		4 424 810	4 877 957
Non-controlling interests		(875 166)	945 633
		3 549 644	5 823 590
Total comprehensive income/(loss) attributable to:			
Equity holders of Zimre Holdings Limited		4 308 191	5 516 833
Non-controlling interests		(922 077)	1 168 839
		3 386 114	6 685 672
Total comprehensive income/(loss) attributable to owners of Zimre Holdings Limited arising from:			
Continuing operations		4 308 191	5 651 795
Discontinued operations		-	(134 962)
		4 308 191	5 516 833
Earnings per share from profit of continuing operations attributable to owners of Zimre Holdings Limited			
Basic and diluted earnings per share (US cents):		0.28	0.37
Earnings per share from loss of discontinued operations attributable to owners of Zimre Holdings Limited			
Basic and diluted loss per share (US cents):		-	(0.01)
Earnings per share from profit attributable to owners of Zimre Holdings Limited			
Basic and diluted earnings per share (US cents):		0.28	0.36

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	Group 2018 US$	Group 2017 US$
Profit before income tax		**3 993 251**	**5 926 502**
Adjustments for non-cash items		(6 712 374)	(5 358 602)
Working capital changes		(270 098)	(1 756 871)
Cash flows from operations		**(2 989 221)**	**(1 188 971)**
Finance costs		(110 507)	(15 405)
Income tax paid		(410 407)	(487 186)
Net cash flows from operating activities		**(3 510 135)**	**(1 691 562)**
Cash (used in)/generated from investing activities		(10 324 679)	16 585 160
Cash (used in)/generated from financing activities		(362 127)	(1 812 441)
Net increase/(decrease) in cash and cash equivalents		**(14 196 941)**	**13 081 157**
Cash and cash equivalents at the beginning of the year		**24 417 087**	**11 077 397**
Effects of exchange rate changes on cash and cash equivalents		(427 592)	258 533
Cash and cash equivalents at the end of the year		**9 792 554**	**24 417 087**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital US$	Share premium US$	Treasury shares US$	Revaluation reserve US$	Mark to market reserve US$	Financial assets at fair value through other comprehensive income reserve US$	Foreign currency translation reserve US$	Retained earnings/ (accumulated losses) US$	Attributable to equity holders of parent US$	Non-controlling interest US$	Total equity US$
Balance as at 1 January 2017	**15 331 003**	**11 427 034**	**-**	**13 759 295**	**429 018**	**-**	**(7 768 687)**	**6 574 047**	**39 751 710**	**25 219 840**	**64 971 550**
Total comprehensive income for the year	-	-	-	161 033	221 163	-	256 681	4 877 957	5 516 834	1 357 285	6 874 119
Profit for the year	-	-	-	-	-	-	-	4 877 957	4 877 957	945 633	5 823 590
Other comprehensive income for the year net of tax	-	-	-	161 033	221 163	-	256 681	-	638 877	223 207	862 084
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	137 159	137 159
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	51 286	51 286
Transactions with owners in their capacity as owners :	-	-	-	-	-	-	-	4 430 483	4 430 483	(4 748 879)	(318 396)
Dividend declared and paid	-	-	-	-	-	-	-	-	-	(318 396)	(318 396)
Change in degree of control	-	-	-	-	-	-	-	4 430 483	4 430 483	(4 430 483)	-
Balance as at 31 December 2017	**15 331 003**	**11 427 034**	**-**	**13 920 328**	**650 181**	**-**	**(7 512 006)**	**15 882 487**	**49 699 027**	**21 828 246**	**71 527 273**
Balance as at 1 January 2018, as previously reported	**15 331 003**	**11 427 034**	**-**	**13 920 328**	**650 181**	**-**	**(7 512 006)**	**15 882 487**	**49 699 027**	**21 828 246**	**71 527 273**
Change in accounting policy due to adoption of IFRS 9	-	-	-	-	(650 181)	1 550 187	-	(282 516)	617 490	(105 985)	511 505
Balance as at 1 January 2018, as restated	**15 331 003**	**11 427 034**	**-**	**13 920 328**	**-**	**1 550 187**	**(7 512 006)**	**15 599 971**	**50 316 517**	**21 722 261**	**72 038 778**
Total comprehensive income for the year	**-**	**-**	**-**	**96 710**	**-**	**440 372**	**(653 701)**	**4 424 810**	**4 308 191**	**(922 077)**	**3 386 114**
Profit for the year	-	-	-	-	-	-	-	4 424 810	4 424 810	(875 166)	3 549 644
Other comprehensive income for the year net of tax	-	-	-	96 710	-	440 372	(653 701)	-	(116 619)	(46 911)	(163 530)
Transactions with owners in their capacity as owners :	**(4 354)**	**-**	**(8 886)**	**-**	**-**	**-**	**-**	**779 026**	**765 786**	**(2 085 710)**	**(1 319 924)**
Dividend declared and paid	-	-	-	-	-	-	-	(1 100 000)	(1 100 000)	(206 684)	(1 306 684)
Share buy-back	(4 354)	-	(8 886)	-	-	-	-	-	(13 240)	-	(13 240)
Change in degree of control	-	-	-	-	-	-	-	1 879 026	1 879 026	(1 879 026)	-
Balance as at 31 December 2018	**15 326 649**	**11 427 034**	**(8 886)**	**14 017 038**	**-**	**1 990 559**	**(8 165 707)**	**20 803 807**	**55 390 494**	**18 714 474**	**74 104 968**

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL RESULTS

1 CORPORATE INFORMATION

The principal activity of Zimre Holdings Limited (the "Company") and its subsidiaries and associates (together "the Group") is the provision of insurance, reinsurance and reassurance and property management and development services. The Group also has an associate that operates in the agro industrial sector.

Zimre Holdings Limited is a public company incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange ("ZSE").

The registered office is located at Block D, 2nd Floor, Smatsatsa Office Park, Stand Number 10667, Borrowdale, Harare, Zimbabwe.

The abridged financial statements of the Group for the year ended 31 December 2018 were authorised for issue by a resolution of the Board of Directors on 29 April 2019.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These abridged consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), except for International Accounting Standards ("IAS") 21, Effects of changes in foreign exhange rates International Financial Reporting Committee Interpretations ("IFRIC") as issued by the International Financial Reporting Interpretations Committee ("IFRS IC") and in a manner required by the Zimbabwe Companies Act (Chapter 24:03), .

The abridged financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2018, which has been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards and interpretations became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:
- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below.

2.2 Audit opinion

An adverse audit opinion was issued by the independent auditors, PricewaterhouseCoopers Charterd Accountants Zimbabwe, in respect of functional currency as requirements of IAS 21, The effects of changes in foreign exchange rates, were not met. The auditor's report includes a section on key audit matters as defined by ISA 701, 'Communicating key audit matters in the independent auditor's opinion'. This includes both the rationale for determining the key audit matters and how they were addressed during the audit. Below are the key audit matters:
- impairment of reinsurance and insurance receivables;
- valuation of investment property; and
- valuation of life reassurance contract liabilities.

The full audit opinion is available for inspection at the Group's registered office and has been uploaded on the Zimbabwe Stock Exchange website.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in the United States of America dollar ("US$"), as prescribed under Statutory Instrument 33 ("SI 33") of 2019, not withstanding requirements of IFRS.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Group companies

The results and financial positions of all the Group's entities that have a functional currency different from the US$ (none of which is a currency of a hyperinflationary economy) are translated into the US$ as follows:

(i) income and expenses for each statement of comprehensive income are translated at the average foreign currency exchange rate;
(ii) assets and liabilities for each statement of financial position are translated at the closing foreign currency exchange rate at the date of the statement of financial position; and
(iii) all resulting foreign currency exchange rate differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment repaid, the associated exchange differences are reclassified to statement of comprehensive income, as part of the gain or loss on sale.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of comprehensive income as part of the fair value gain or loss, under other income. Translation differences on non-monetary financial assets, such as equities classified as available for sale are included in other comprehensive income.

Transactions in currencies other than US$ are initially recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US$ are translated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising from settlement or translation of monetary items are taken to statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at date of the initial transaction and are not subsequently restated.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3 CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

3.1 Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in note 3(b) below, IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail on the next column.

Statement of financial position (extract)

	31 December 2017 As originally stated US$	IFRS 9 US$	1 January 2018 As restated US$
Trade and other receivables	14 583 142	(393 842)	14 189 300
Investment in associates	5 415 437	(116 466)	5 298 971
Financial assets:			
available for sale	7 556 385	(7 556 385)	-
held to maturity investments	2 661 550	(2 661 550)	-
at fair value through profit or loss ("FVPL")	975 534	37 943	1 013 477
at amortised cost	-	6 247 868	6 247 868
at fair value through other comprehensive income ("FVOCI")	-	4 879 499	4 879 499
Cash and cash equivalents	24 417 087	-	24 417 087
Total assets	**106 026 040**	**437 067**	**106 463 107**
Retained earnings	15 882 487	(282 516)	15 599 971
Mark to market	650 181	(650 181)	-
Financial assets at fair value through other comprehensive income reserve	-	1 550 187	1 550 187
Non-controlling interest	21 828 246	(105 985)	21 722 261
Deferred tax liability	1 330 614	(74 438)	1 256 176
Total equity and liabilities	**106 026 040**	**437 067**	**106 463 107**

3.2 Impact on classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets at 1 January 2018	Available for sale US$	Held-to -maturity US$	FVPL US$	FVOCI US$	Amortised cost US$
Closing balance as at 31 December 2017 - IAS 39	**7 556 385**	**2 661 550**	**975 534**	**-**	**-**
Reclassified quoted equities to FVPL	(37 943)	-	37 943	-	-
Reclassified unquoted equities to FVTOCI	(3 932 124)	-	-	3 932 124	-
Reclassified treasury bills and bonds to amortised cost	(3 586 318)	(2 661 550)	-	-	6 247 868
Balances at 1 January 2018 - IFRS 9	**-**	**-**	**1 013 477**	**3 932 124**	**6 247 868**

a) Reclassification from available for sale to FVPL

Listed equities amounting to US$37 943 were reclassified from available for sale financial assets to FVPL. These equities are held for strategic business reasons, however, the Group has not taken the election to present changes in the fair value in other comprehensive income for listed equities.

b) Reclassification from available for sale to FVOCI

The Group elected to present in OCI changes in the fair value of all unlisted equities previously classified as available for sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of US$3 932 124 were reclassified from available for sale to FVOCI with fair value gains amounting to US$650 181 reclassified from mark-to-market reserve to FVOCI reserve on 1 January 2018 and $900 006 recognised for unlisted equities previously held at cost.

c) Reclassification from available for sale to amortised cost

Certain investments in government issued treasury bills and bonds (US$3 586 318) were reclassified from available for sale to amortised cost. At the date of initial application the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of US$3 586 318 as at 1 January 2018 was equivalent to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2018.

The effective interest rates on these bills and bonds varied from 1% to 9.07% on 1 January 2018 and interest amounting to US$132 043.

d) Reclassification from held-to-maturity to amortised cost

Money market instruments, treasury bills and bonds with original maturity between 90 days and 1 year which were previously classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2018 to be recognised in opening retained earnings.

e) Listed equities

Equity securities – held for trading are required to be held as FVPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

3.3 Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:
- trade receivables, and
- debt investments at amortised cost.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table in note 3.1 above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

a) Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, thus reinsurance receivables and property receivables. The property receivables relate to rental receivables and receivables from sale of property.

On that basis, the credit loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 as follows:

	US$
As at 31 December 2017	3 316 990
Amounts restated through retained earnings	393 842
As at 1 January 2018	3 710 832

b) Debt investments at amortised cost

The debt investments impairment assessment was performed as at 31 December 2018, and they were considered to be of low credit risk, hence there was no IFRS 9 impairment charge raised for the financial assets. There was no objective evidence at 31 December 2018 to suggest that future cash flows on the investments could end up being less than anticipated at the point of initial recognition. Consequently, no impairment adjustment arose from the assessment.

IFRS 15 - Revenue from contracts with customers

The Group has adopted IFRS 15 Revenue from contracts with customers as issued in May 2014. In accordance with the transition provisions in IFRS 15 the new rules have been adopted with cumulative effect recognised in the retained earnings as at 1 January 2018 and comparatives for the 2017 financial year have not been restated as the changes did not have an impact on the Group's accounting for revenue.

The other amendments to IFRS did not have a material impact on the Group's accounting policies and did not require any adjustments

4 INVESTMENT PROPERTY

	Group 31 December 2018 US$	Group 31 December 2017 US$
Opening balance	37 784 845	44 924 623
Acquisition and development	10 893 181	3 542 041
Acquisition through business combinations	-	12 000
Disposals	(1 742 500)	(10 000 000)
Fairvalue loss recognised in profit or loss	(869 524)	(807 852)
Exchange rate movement on foreign operations	(57 335)	114 033
Closing balance	46 008 667	37 784 845

Investment properties, principally freehold office buildings, are held for long term rental yields and are not occupied by the Group. They are carried at fair value. Property revaluations were undertaken as at 31 December 2018.

5 TRADE AND OTHER RECEIVABLES

	Group 31 December 2018 US$	Group 31 December 2017 US$
Reinsurance receivables	11 965 665	8 507 189
Rental and stand sales receivables	2 441 807	3 425 903
Related party receivables	1 057 887	889 753
Prepayments and other	5 859 809	5 077 287
Less: allowance for credit losses	(4 722 144)	(3 316 990)
	16 603 024	14 583 142

A reconciliation of the allowance for credit losses is as follows:

	Group 31 December 2018 US$	Group 31 December 2017 US$
Opening balance	3 316 990	6 216 804
Charge through retained earnings - IFRS 9 changes	393 842	-
Charge for the year	1 929 618	590 153
Amounts written off	(918 306)	(3 489 967)
Closing balance	4 722 144	3 316 990

6 BORROWINGS

	Group 31 December 2018 US$	Group 31 December 2017 US$
Balance as at 1 January	1 799 361	1 376 091
New drawn downs	3 487 122	1 227 890
Interest for the year	973 223	15 405
Capital repayments	(1 403 950)	(804 620)
Interests payment	(973 223)	(15 405)
Foreign exchange movement	79 818	-
Balance as at 31 December	3 962 351	1 799 361

The borrowings are at an average interest rate of 13.95% and are encumbered against stand 16591 Harare Township, stand 353 Bulawayo Township and building 141/8 Marginal Avenue Maputo.

7 TRADE AND OTHER PAYABLES

	Group 31 December 2018 US$	Group 31 December 2017 US$
Due to retrocessionaires	9 671 350	8 093 041
Accruals and other	5 510 084	5 533 316
	15 181 434	13 626 357

8 SHORT TERM INSURANCE CONTRACT LIABILITIES

	Group 31 December 2018 US$	Group 31 December 2017 US$
Outstanding claims	3 625 427	4 715 779
Provision for incurred but not reported claims	1 916 201	1 859 433
Unearned premium provision	6 514 406	5 357 550
	12 056 034	11 932 762

9 SEGMENT RESULTS

	Total Income		Profit/(loss) before income tax	
	31 December 2018 US$	31 December 2017 US$	31 December 2018 US$	31 December 2017 US$
Reinsurance	20 962 891	24 896 271	214 509	4 081 289
Reassurance	4 043 833	3 822 174	3 428 631	295 678
Short term insurance	1 874 012	1 753 609	391 401	(71 265)
Property	5 043 886	6 774 248	(1 192 387)	2 099 625
Other and adjustments	1 628 637	(877 287)	1 151 097	(478 825)
	33 553 259	36 369 015	3 993 251	5 926 502

Geographical information

	Total Income		Profit/(loss) before income tax	
	31 December 2018 US$	31 December 2017 US$	31 December 2018 US$	31 December 2017 US$
Zimbabwe	23 536 674	30 727 401	4 770 468	10 084 853
Malawi	3 589 919	4 087 995	229 131	414 485
Zambia	2 573 839	2 666 639	(347 588)	304 405
Mozambique	2 972 465	3 475 189	(725 349)	(339 133)
Botswana	1 804 924	1 706 843	148 601	(10 163)
South Africa	6 795	243 049	(281 171)	(484 978)
Adjustments	(931 357)	(6 538 101)	199 159	(4 042 967)
	33 553 259	36 369 015	3 993 251	5 926 502

10 KEY RELATED PARTY TRANSACTIONS

During the year, the Group acquired an additional shareholding in Zimre Property Investments Limited as shown below:

Additional interest bought	3.37%
Interest after purchase	63.20%
Purchase price	1 125 375
Bargain on purchase	462 354

Zimre Property Investments Limited remains a subsidiary of the Group.
The bargain on purchase was recognised directly in equity.

11 EVENTS AFTER THE REPORTING DATE

11.1 Currency reforms

On 20 February 2019, the RBZ Governor announced a new Monetary Policy Statement ("MPS") whose highlights were:
- denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS dollars become part of the multi-currency system.
- RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions
- establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$2.5.

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 ("SI33") on 22 February 2019. SI33 gave effect to the introduction of the RTGS dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US$ and would become opening RTGS dollar values from the effective date.

The directors, based on their interpretation of IFRS had considered the MPS of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 ("IAS 10") "Events after the reporting period" as it was considered to be shaped by underlying conditions as at the reporting date of 31 December 2018. In particular the promulgation of RTGS dollar as currency, in the opinion of the directors, was a response to market perception which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However, given the accounting restrictions imposed by SI41, which gazzetted that in case of any inconsistency between a local pronouncement issued by the PAAB and any international standard, the local pronouncement shall take precedence, these post balance sheet events have not been adjusted for.

The impact on the 2018 balance sheet (which is based on the assumption of parity and interchangeability between the US$ and RTGS balances) of applying different exchange rates is shown on the table below.

Management performed a sensitivity analysis of the effect of using different exchange rates following the change in functional currency from US$ to RTGS$. The table below illustrates the different scenarios based on RTGS$ exchange rates to the US$ of 1:1, 1:2.5, 1:3 and 1:3.2 and are presented in RTGS$ for the 1:2.5, 1:3 and 1:3.2 scenarios.

ASSETS	2018 US$ Denominated in RTGS$	2018 US$ Denominated in US$/Nostro FCA	2018 US$ Total US$	2018 RTGS$ 1:2.5	2018 RTGS$ 1:3	2018 RTGS$ 1:3.2
Property and equipment	3 091 539	2 188 448	5 279 987	8 562 659	9 656 883	10 094 573
Investment property	44 970 887	1 037 780	46 008 667	47 565 337	48 084 227	48 291 783
Intangible assets	120 968	18 419	139 387	167 016	176 225	179 909
Goodwill	325 803	-	325 803	325 803	325 803	325 803
Investment in associates	4 311 351	1 041 413	5 352 764	6 914 884	7 435 590	7 643 873
Deferred income tax asset	2 492 289	271 839	2 764 128	3 171 887	3 307 806	3 362 174
Inventory	2 788 093	17 352	2 805 445	2 831 473	2 840 149	2 843 619
Trade and other receivables	5 442 153	11 160 871	16 603 024	33 344 331	38 924 766	41 156 940
Life reassurance contract asset	156 100	-	156 100	156 100	156 100	156 100
Current income tax receivable	118 262	904 519	1 022 781	2 379 560	2 831 819	3 012 723
Deferred acquisition costs	1 231 340	771 469	2 002 809	3 160 013	3 545 747	3 700 041
Financial assets :						
at fair value through profit or loss	5 560 229	754 541	6 314 770	7 446 582	7 823 852	7 974 760
at amortised cost	4 248 874	932 795	5 181 669	6 580 862	7 047 259	7 233 818
at fair value through other comprehensive income	2 550 982	3 605 894	6 156 876	11 565 717	13 368 664	14 089 843
Cash and cash equivalents	5 003 144	4 789 410	9 792 554	16 976 669	19 371 374	20 329 256
Total assets	**82 412 014**	**27 494 750**	**109 906 764**	**151 148 889**	**164 896 264**	**170 395 214**
LIABILITIES						
Life reassurance contract liabilities	2 029 600	-	2 029 600	2 029 600	2 029 600	2 029 600
Deferred income tax liability	1 480 805	216 985	1 697 790	2 023 268	2 131 760	2 175 157
Borrowings	3 375 146	587 205	3 962 351	4 843 159	5 136 761	5 254 202
Trade and other payables	4 438 135	10 743 299	15 181 434	31 296 383	36 668 032	38 816 692
Short term insurance contract liabilities	6 984 448	5 071 586	12 056 034	19 663 413	22 199 206	23 213 523
Other provisions	214 324	660 263	874 587	1 864 982	2 195 113	2 327 166
Total liabilities	**18 522 458**	**17 279 338**	**35 801 796**	**61 720 803**	**70 360 472**	**73 816 340**

Sensitivity assumptions

For the purposes of the sensitivity, the following rates were used:
- 1:2.5, US$ to RTGS rate being the official interbank exchange rate on 22 February 2019 when SI33 was issued.
- 1:3, US$ to RTGS rate being the rate proposed by the insurance industry to re-determine the sum-insured for motor vehicles.
- 1:3.2, US$ to RTGS rate being the prevailing interbank exchange rate as at 29 April 2019, date of authorisation of the financial statements.

The Group remains solvent and sufficiently capitalised at the different exchange rate sensitivities.
The balances indicated to not necessarily indicate opening values in RTGS.

pwc

Independent auditor's report

to the Shareholders of Zimre Holdings Limited

Our Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion* section of our report, the consolidated and separate financial statements do not present fairly, in all material respects, the consolidated and separate financial position of Zimre Holdings Limited as at 31 December 2018, and its consolidated and separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

We have been engaged to audit:

Zimre Holdings Limited's consolidated and separate financial statements, set out on pages XX to XX, comprise:

- the consolidated and separate statement of financial position as at 31 December 2018;
- the consolidated and separate statement of comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a monetary policy statement that directed a separation of Foreign Currency Bank Accounts ("FCAs") into two categories, Nostro FCAs and the RTGS FCA. The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy. The RTGS FCA would be held at the same value as the US dollar. Mobile money and Bond notes and coins would be treated in the same way as the RTGS FCA.

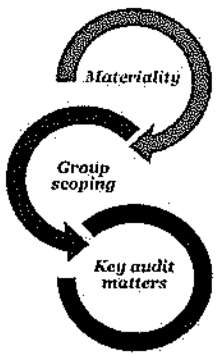
As described in note 38, during the year ended 31 December 2018, the Group and the Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money and Bond notes and coins. In terms of International Accounting Standard 21 *The Effects of Changes in Foreign Exchange Rates* (*IAS 21*), these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group and the Company at an appropriate exchange rate. However, due to the monetary policy statement, the consolidated and separate financial statements reflect these transactions and balances at parity. Had the consolidated and separate financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying consolidated and separate financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated and separate financial statements.

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 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B) (the "IESBA Code"). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

Our audit approach
Overview



Overall materiality

US$298,550 which represents 1% of revenue

Group audit scope

We conducted full scope for seven of the significant reporting units based on the financial significance and audit risk, as well as for the parent company, Zimre Holdings Limited.

Key audit matters
- Valuation of investment property;
- Allowance for credit losses on insurance and non insurance other receivables; and
- Valuation of life reassurance contract liabilities.

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 about 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the 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.

Overall materiality	US$298,550
How we determined it	1% of total revenue
Rationale for the materiality benchmark applied	We have selected total revenues as our materiality benchmark because, in our view, it is a benchmark against which the performance of the Group can be inconsistently measured in circumstances of volatile year on year earnings.This benchmark has remained a stable and key driver of the Group's business. We chose 1% based on our professional judgment and after consideration of the range of quantitative materiality thresholds that we typically apply when using total revenue to compute materiality.

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 consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping included operations in Zambia, Zimbabwe, Malawi, Mozambique and Botswana.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those operations to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis of our opinion on the consolidated financial statements as a whole. In the current year the group engagement team reviewed component auditors' working papers at the group's operations in Malawi and Zambia.

For all the regional operations we, as the Group engagement team, sent out group audit instructions to the component audit teams and received specific audit deliverables which included signed audited component financial statements. Full scope audits were performed at seven of the significant components which, when aggregated with the financial statements of the parent company, account for 100% of the consolidated revenue of the group.

- Emeritus Reinsurance (Private) Limited (formerly Baobab Reinsurance (Private) Limited), Zimre Property Investments Limited and Credit Insurance Zimbabwe Limited were audited by the Group engagement team. All of these entities are located in Zimbabwe.

- Regional operations include Emeritus Reinsurance Company Limited (formerly Malawi Reinsurance Company Limited), (Emeritus Reinsurance Zambia Limited (formerly Zambian Reinsurance Company Limited), Emeritus Resseguros S A Limited (formerly Mozambique Reinsurance Company Limited), First Reinsurance Company (Proprietary) Limited, incorporated and domiciled in Malawi, Zambia, Mozambique and Botswana respectively. Emeritus Resseguros S A Limited was audited by a PwC firm and all the other regional operations were audited by non-PwC audit firms.

- Zimre Holdings Limited, the parent company was audited by the group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property	
We considered valuation of investment property to be a matter of most significance to our audit of these financial statements, because the Group's investment property portfolio is material and the valuation process is inherently subjective due to the estimates and assumptions used in determining the property fair values. Management engaged professional valuers to perform the valuation and they used the income approach for developed commercial and industrial properties, and the market approach for residential properties and undeveloped land.	We gained an understanding of controls over the valuation of the investment property, including management's selection of the valuer ("management's expert"), and the assessment and approval of the valuation results. We evaluated the competence, capabilities, independence and objectivity of management's expert and obtained an understanding of their work. We inspected the company profile and *curricula vitae* of the individuals performing the valuation in order to assess their experience and competence. We obtained the valuation report from the professional valuers engaged by management as at 31 December 2018, and assessed the appropriateness of the valuation methods used by them and found that the

In determining a property's valuation in terms of the income approach, management and the professional valuers took into account property-specific information such as the current tenancy agreements and rental income. They applied assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The key unobservable inputs that require management to exercise judgement are average rental per square metre, prime yield, and space and vacancy rates for the income approach. Using the market approach, a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre ("US$ sqm"). Disclosure is provided in the following notes; note 2.7 - accounting policy note, note 3.2.3 – significant accounting judgments, estimate and assumptions; and note 8- investment property.	valuation methods used by them and found that the methods used are considered generally accepted valuation methodologies for investment properties. In order to consider the reasonableness of the valuation methods and assumptions used, we met with the professional valuers, to obtain an understanding of the assumptions used in applying the respective valuation methods. We considered the reasonableness of the assumptions used in both valuation methods with reference to prevailing market rentals; market yields and price per square metre. We agreed the key inputs in the valuation report to supporting evidence, on a sample basis, as follows: - Rental income to the underlying lease agreements; and - Occupancy levels to the audited tenancy schedule, prepared by management.
Allowance for credit losses for credit losses on insurance and non insurance other receivables	
The Group adopted IFRS 9: *Financial Instruments* for the first time in the 2018 reporting period (Previously IAS 39 - *Financial Instruments: Recognition and Measurement* was applied). This changed the manner in which management determined the estimate of impairment of receivables from an incurred loss model to an expected credit loss model. As a result, the accounting policies applicable to financial instruments have been amended accordingly. IFRS 9 requires the recognition of expected credit losses ("ECLs") on all financial assets within the scope of its impairment model. At reporting date the Group assessed the ECLs for the following financial assets using a simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the following receivables: • Reinsurance receivable; • Rental receivables; • Property sales receivables; and • Staff receivables The application of the new standard requires management to exercise significant judgment in the determination of expected credit losses.	Our audit addressed the expected credit losses on trade and other receivables by performing the following procedures: • We obtained an understanding of management's process for determining the expected credit losses on trade and other receivables; • We considered the appropriateness of accounting policies and evaluated the impairment methodologies applied by the Company in accordance with the requirements of IFRS 9. • We assessed whether the financial statement disclosures, appropriately reflected the Company's exposure to credit risk in accordance with the requirements of IFRS 9 and IFRS 7: *Financial Instruments: Disclosures*; • We assessed the design of management's models, including assessing the appropriateness of significant assumptions applied and the observable data used to derive model parameters; • We assessed the accuracy of historical data used as a basis in determining the probabilities of default, through data validation tests; and • We assessed the reasonableness of the macro – economic forecasts used in the model by challenging management and comparing their estimates against independently sourced inputs.

determination of probabilities of default and forward looking economic expectations. Given the significance of trade and other receivables and the judgments made by management, the impairment assessment of trade and other receivables was considered a key audit matter. Disclosure is provided in the following notes: • note 2.12, accounting policy note; • note 6, change in accounting policy; • note 3.2.5, significant accounting judgments, estimate and assumptions; • note 4.3, financial risk management; and, • note 14, trade and other receivables.	Our procedures performed indicated that management's impairment allowance was within a reasonable range from our independent assessment.
Valuation of life reassurance contract liabilities We considered the valuation of life reassurance contract liabilities to be a matter of most significance to our current year audit due to the following: • the value of the Group and Company life reassurance contract liabilities is material; and • the valuation of the Group and Company's life reassurance contract liabilities involves complex calculations, significant judgements, and long and short term estimates and assumptions. The Financial Soundness Valuation Methodology involves judgements about future events, both internal and external to the Group and Company. Valuation assumptions include mortality, longevity, lapses, surrender rates and expense assumptions. As at 31 December 2018 life reassurance contract liabilities amounted to US$2 029 600. Disclosure is provided in the following notes; • note 2.15.1 - accounting policy note, • note 3.2.2 - significant accounting judgements and estimates, • note 4.6 – financial risk management; and, • note 22, life reassurance contract assets and liabilities. The matter relates to the consolidated and separate financial statements.	We assessed the independence, experience and competence of the statutory actuary, through inquiry with the actuary and management. We inspected the actuary's *curriculum vitae* to assess his experience and competence. We made use of our actuarial expertise to evaluate the significant assumptions and estimates and the actuarial computations, and to evaluate the actuarial valuation report obtained from management for adequacy and reasonableness. We performed the following: - tested data used in the valuation by agreeing a sample of that data to the audited schedules and balances. We noted no exceptions in respect of our sample. - assessed the valuation basis (Financial Soundness Valuation Methodology) through discussion with the statutory actuary and assessing its appropriateness, given the nature of the business as well as actuarial good practice; - assessed the valuation methodology for compliance with Standard of Actuarial Practice 104; - assessed the valuation results by rerunning the models, on a sample basis, to consider accurate application of the selected methodology and assumptions; and, - inspected the actuarial report for 2018 prepared by the statutory actuary and compared it with the prior year signed actuarial report in order to identify any significant changes in assumptions and methodology.

Other information
The directors are responsible for the other information. The other information comprises the information included in the *Zimre Holdings Limited 2018 Annual Report.* Other information does not include the financial statements on pages ...... to ..... and our auditor's report thereon.

Our opinion on the 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 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 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, 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.

Responsibilities of the directors for the financial statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required the Zimbabwe Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing 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 Company or to cease operations, or has no realistic alternative but to do so.

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 judgment 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 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 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 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 Company to cease to continue as a going concern; and

- 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.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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.

Pricewaterhousecoopers

Clive K Mukondiwa
Registered Public Auditor
Public Accountants and Auditors Board, Public Auditor, Registration No. 0439
Institute of Chartered Accountants of Zimbabwe Public Practice Certificate No.253 168
Partner, for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

Date
Harare, Zimbabwe