





Independent Auditor's Report

**To the members of CFI Holdings Limited**

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

### **Qualified Opinion**

We have audited the inflation adjusted consolidated financial statements of CFI Holdings Limited which comprise the consolidated statement of financial position as at 30 September 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the Group financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the matters described in the Basis for Qualified Opinion section of our report, the inflation adjusted consolidated financial statements present fairly, the financial position of CFI Holdings Limited as at 30 September 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

### **Basis for Qualified Opinion**

**Impact of prior year Non-Compliance with International Accounting Standard (IAS) 21– The Effects of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 8 – Accounting Policies, Changes in Accounting Estimates and Errors**

The basis for qualification is due to misstatements contained in the opening balances from prior years. The misstatements were due to non-compliance with IAS 21– The effects of changes in Foreign exchange rates. CFI Holdings Limited elected to comply with the requirements of Statutory Instrument 33 of 2019 (SI 33/19) which was issued on 20 February 2019. The 1:1 exchange rate between ZWL and USD prescribed by Statutory Instrument 33 of 2019 (SI 33/19) is not in accordance with the

requirements of IAS 21. The entity was guided by Statutory Instrument 41 of 2019 (SI 41/19) which stated that in the case of inconsistency between local pronouncement and any international standard, the local pronouncement shall take precedence.

The effects of misstatements due to non-compliance with IAS 21 on the prior year financial statements and opening balances have not been quantified.

As the prior year financial statements have not been restated in accordance with International accounting standards 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (IAS 8), the misstatements on the prior years’ income statement is still carried forward in the current retained earnings balance.

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 financial statements section of our report. We are independent of CFI Holdings Limited in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independent requirements applicable to performing audits of financial statements in Zimbabwe. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the inflation adjusted consolidated financial statements of the current year. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. In addition to the matters described in the Basis for Qualified Opinion section of our report, we have determined the matters described below to be the key audit matters. These matters were addressed in the context of our audit of the financial statements as a whole. Our opinion on the consolidated inflation adjusted financial statements is not modified with respect to any of the key audit matters described below, and we do not provide a separate opinion on these matters.

	<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
1.	<b>Hyperinflation Accounting (High risk area and significant judgement)</b>	
	<p>Following the Public Accountants and Auditors Board (PAAB) designation of Zimbabwe as hyperinflationary economy, management also evaluated and determined the economy of Zimbabwe to be hyperinflationary. CFI Holdings Limited applied the requirements of IAS 29 – Financial reporting in Hyperinflationary Economies.</p> <p>Hyperinflationary accounting was determined to be a matter of most significance to the audit due to high risk and the significance of the balances</p>	<p>We obtained an understanding of the CFI Holdings Limited process for identifying hyperinflationary economies and evaluated the policy in relation to hyperinflation accounting. Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• We assessed and tested the indicators of hyperinflation on the Zimbabwean economy by corroborating these with industry report and our own understanding of the economy;</li> </ul>

<p>and transactions, and the complexity and subjectivity relating to the application of the Standard.</p> <p>IAS 29 requires significant judgments to be made by management considering the guidelines provided in IAS 29 are limited.</p> <p>The adoption of the Standard makes this a high risk area, the accounting is prone to errors in calculations and application of the Standard.</p>	<ul style="list-style-type: none"> <li>● We recomputed and tested the hyperinflation workings prepared by management by evaluating the rationale for the economic indicators included (such as the inflation rate, cumulative inflation rate, consumer price indices from various sources).</li> <li>● We tested the source data used by agreeing it to supporting schedules.</li> <li>● We assessed the reasonability of the assumptions used by comparing these to externally available industry, financial and economic data; and;</li> <li>● We tested restatement of statement financial position and income statement items for compliance to the requirements of IAS 29.</li> <li>● We assessed whether disclosures in the financial statements appropriately reflected the effects of the adoption of IAS 29.</li> </ul> <p>We found that the inflation adjusted consolidated financial statements have been properly restated in terms of IAS 29.</p>
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**Other Information**

The directors are responsible for the other information. The other information comprises the Directors Report. Other information does not include the inflation adjusted financial statements and our auditor’s report thereon.

Our opinion on the inflation adjusted consolidated 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 inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted financial statements or our knowledge obtained during 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 on this other information, we are required to report that fact. We have nothing to report in this regard.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

The objectives of our audit 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 International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of 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 entity'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'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 the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted consolidated 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 inflation adjusted consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for the 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 complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be brought to bear on our independence, and where applicable related safeguards.

From the matters communicated with the Directors, we determine those matters that were significant in the audit of the inflation adjusted financial statements of the current period and therefore the key audit matters. We describe those matters in our auditors' 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.

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


### **Zimbabwe Stock Exchange (“ZSE”) Listing Requirements**

On 11 October 2021, an indefinite suspension on the ZSE due to non-compliance with listing requirements was lifted with a five-year moratorium to allow the entity to address the free float requirements. Notwithstanding the lifting of the suspension by the ZSE, CFI Holdings Limited remains non-compliant with regards listing requirements around free float threshold, appointment of a substantive Chief Executive Officer and Financial Director.

### **Companies and Other Business Entities Act (Chapter 24:31)**

In our opinion, because of the significance of the matters discussed in the Basis for Qualified Opinion section of our report, the accompanying inflation adjusted financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

The engagement partner on the audit resulting in the Independent Auditor’s report is Courage Matsa.



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**Date 31 January 2022**