



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way /
Kwame Nkrumah Avenue
P O Box 62 or 702
Harare
Zimbabwe

Tel: +263 24 2750905-14 or 2750979-83
Fax: +263 24 2750707 or 2773842
Email: admin@zw.ey.com
www.ey.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIFREIGHT AFRICA LIMITED

Report on the Audit of the Inflation Adjusted Consolidated Financial Statements

Adverse Opinion

We have audited the inflation adjusted consolidated financial statements of Unifreight Africa Limited and its subsidiaries (the Group), as set out on pages 8 to 44, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the inflation adjusted consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted consolidated financial statements do not present fairly the financial position of the Group as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards(IFRS): International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates and the inappropriate application of IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors

As explained in note 2.1.1 to the inflation adjusted consolidated financial statements, the Group applied the United States Dollar (US\$) as its functional currency for the period 1 January 2018 to 22 February 2019 and the Real Time Gross Settlement Dollar (RTGS\$)/Zimbabwe Dollar (ZWL) for the period 23 February 2019 to 31 December 2019. In order to comply with Statutory Instrument (SI) 33 of 2019, issued on 22 February 2019, the Group changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The inflation adjusted consolidated financial statements are presented in ZWL.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out RTGS Foreign Currency Accounts (FCAs) from the Nostro US\$ FCAs during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS\$ and the US\$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS\$ and the interbank foreign exchange market.

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Furthermore, SI 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (ZWL) (which comprises RTGS\$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group to assess whether there was a change in functional currency (from US\$ to RTGS\$/ZWL) and to determine an appropriate spot rate as required by IAS 21.

We believe that events in the market and subsequent promulgation of the RTGS\$/ZWL as formal currencies supports that there was a change in functional currency from US\$ to RTGS\$/ZWL and that transactions in the market indicated a different exchange rate between the two currencies despite the legal 1:1 RTGS\$/ZWL: US\$ exchange rate and this occurred effective 1 October 2018.

Accordingly, the inflation adjusted consolidated financial statements of the Group include balances and transactions denominated in US\$ that were not converted to RTGS\$/ZWL at a RTGS\$/ZWL: US\$ exchange rate that reflects the economic substance of its value as required by IFRS. The directors have provided more information on their approach in Note 2.1.1 to the inflation adjusted consolidated financial statements.

In respect of the above matter we issued an adverse opinion in the prior year as the effects of the departure from IFRS were pervasive to the financial statements but could not be quantified owing to the nature of the matter.

Management's approach in the current year, for reasons explained on Note 2.1.1, was to prospectively apply the change in functional currency from US\$ to RTGS\$/ZWL from 23 February 2019 which we disagree with. The correct approach would have been a retrospective restatement as a prior period error in terms of IFRS: IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.

As management has not restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period, the matter is therefore continuing.

Furthermore, notwithstanding that IAS 29 - *Financial Reporting in Hyperinflationary Economies* has been applied from 23 February 2019 to 31 December 2019, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21/ IAS 8 as described above. Had the correct base numbers and start date been used, most elements of the financial statements would have been materially different.

As a result of the incorrect application of IAS 8, on the 23rd of February 2019, management translated foreign denominated balances to RTGS\$/ZWL at the rate of 1US\$:3.5RTGS\$ and recognised a foreign currency translation reserve of RTGS\$/ZWL27,967,000 which is contrary to the requirements of IFRS.

As a result of these matters:

- All corresponding numbers remain misstated on the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows.
- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the consolidated statement of cash flows, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

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Our opinion on the current period's consolidated inflation adjusted financial statements is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

In addition to the impact on the corresponding numbers, current year performance and cash-flows the matter continues to impact the balances on the consolidated statement of financial position as many of these still comprise of amounts from opening balances. Whilst this matter might not affect all accounts in the statement of financial position the specific accounts and the portions affected by this matter have not been identified / quantified.

Exchange rates used in the current year (Non-compliance with IAS 21)

As outlined in Note 8 to the consolidated inflation adjusted financial statements, for the year ended 31 December 2019, the Group translated foreign denominated transactions at a rate of 1US\$: 3.5 RTGS\$ on date of translation and the interbank rates subsequent to that date. The exchange rates used for the translation do not meet the definition of a spot exchange rate as per IAS 21.

Furthermore, at 31 December 2019 the Group's properties were valued in US\$ and converted to ZWL using the interbank rates outlined in Note 7 to the consolidated inflation adjusted financial statements.

The exchange rates used for the translation of transactions and balances between the US\$ and the RTGS\$/ZWL do not meet the definition of a spot exchange rate as per IAS 21. Had the appropriate rates been used, the following significant accounts would have been affected in a material manner: property, plant & equipment, inventories, cash & cash equivalents, deferred tax liabilities, trade & other payables, revenue and other operating income & expenses.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated 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 Inflation Adjusted Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises of the Chairman's Statement, the Chief Executive Officer's Report, the Directors' Report, the Statement of Corporate Governance and the Directors' Responsibility for Financial Reporting but does not include the inflation adjusted consolidated 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. The Chief Executive Officer's Report, the Directors' Report and the Statement of Corporate Governance is expected to be made available to us after the date of this auditor's report.

**INDEPENDENT AUDITOR'S REPORT -continued
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Other information- continued

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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Group did not comply with the requirements of IAS 21 - *Effects of Changes in Foreign Exchange Rates*. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the reports noted above affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Inflation Adjusted Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated financial statements in accordance with IFRS and the requirements of the Companies Act (Chapter 24:03), and for such internal controls as the directors determine is necessary to enable the preparation of inflation adjusted consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Inflation Adjusted Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated 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 inflation adjusted consolidated 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 inflation adjusted consolidated 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- 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 inflation adjusted consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

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Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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 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.

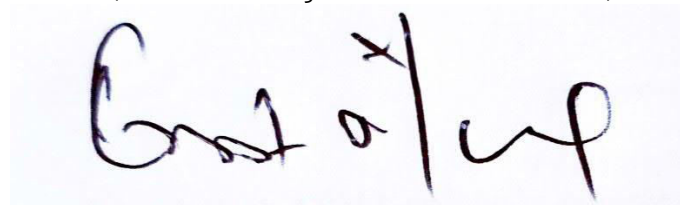
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted consolidated 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 Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Mr David Gwande (PAAB Practicing Certificate Number 132).



**ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS**

HARARE

12 June 2020