

Abridged Reviewed Financial Results For the half year ended 30 June 2020



Total Transport & Logistics Solutions



Corner Orme/Willow Road, Ardennie, Harare P.O. Box 772 Harare, Zimbabwe, Tel: (+263 8677) 000777, Website: www.unifreight.co.zw

Chairman’s Statement

Overview

Our half year results for 2020 were slightly disappointing versus our forecasted figures, but given the completely unexpected downturn created by Covid 19 shut downs in April and May, we are pleased to report an inflation adjusted profit before tax of ZW\$ 19 Million which is 18% above prior year.

Given the volatility of the reporting currency making the results very difficult to understand, a very good measure of performance is volume of which our tonnage was 22% down on prior as at half year. Given that some of our customers were shut down completely and many others were below 50% of normal trading volume, I think we can be very grateful that we came out relatively unscathed in comparison and were able to remain profitable.

Outlook

The third quarter which is 3 months after the reported period has shown a dramatic come-back with cumulative revenue on budget and 5% ahead of prior year, and net profit is 36% ahead of budget in real terms.

All of our KPIs are moving in the right direction, with improving yields, improving fuel consumption levels which can be attributed to new fleet, decreasing labour cost per tonne, and overall improvement in cost controls which gives us a great deal of faith that we are on the right track and will end the year on a high note ahead of budget.

That said, the reality of the economic outlook in the country is not good at all, and we are preparing ourselves for a very difficult time ahead.

We are focusing on what we can control, working hard to maintain a positive attitude, and keep searching for pockets of opportunity that have been created, while at the same time protecting shareholder value. We are very grateful that our robust, yet flexible model and diverse customer base has kept us going through very difficult times, without forgetting what a great team we have, who have really dug deep and gone the extra mile.

Dividend

The board did not declare an interim dividend for 2020 financial year.

Appreciation

On behalf of the Board, I would like to extend my sincere appreciation to our valued stakeholders. I am grateful to my fellow board members for their strategic insight, management and staff for their continued commitment and dedication.

P.J. Annesley  
Chairman  
27 October 2020

ABRIDGED REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2020

	June 2020 Reviewed Inflation Adjusted ZW\$ 000	Dec 2019 Audited Inflation Adjusted ZW\$ 000
<b>ASSETS</b>		
<b>Non current assets</b>	<b>939,751</b>	<b>961,083</b>
Property, vehicles and equipment	590,440	608,307
Investment property	303,555	305,313
Deferred Tax Asset	-	-
Right of use of asset	21,346	23,053
Intangible assets	24,410	24,410
<b>Current assets</b>	<b>247,778</b>	<b>213,674</b>
Inventories	121,797	118,920
Trade and other receivables	72,010	73,409
Cash and cash equivalents	53,971	21,345
<b>TOTAL ASSETS</b>	<b>1,187,529</b>	<b>1,174,757</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>855,423</b>	<b>850,391</b>
Share capital	17,331	17,331
Share premium	33,524	33,524
Non-distributable reserve	595,556	595,556
Equity component of shareholders loans	145,339	145,339
Retained Earnings	63,673	58,641
<b>Non current liabilities</b>	<b>242,031</b>	<b>229,355</b>
Loans and borrowings	2,810	7,780
Lease liability	27,626	5,716
Deferred tax liabilities	211,595	215,859
<b>Current liabilities</b>	<b>90,075</b>	<b>95,011</b>
Trade and other payables	50,567	59,868
Income tax payable	18,293	16,448
Deferred consideration	144	729
Lease liability	999	184
Loans and borrowings	20,072	17,782
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,174,757</b>	<b>1,174,756</b>

ABRIDGED REVIEWED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the half year ended 30 June 2020

	June 2020 Reviewed Inflation Adjusted ZW\$ 000	June 2019 UnAudited Inflation Adjusted ZW\$ 000
<b>Revenue from contracts with customers</b>	<b>383,772</b>	<b>343,523</b>
Other operating income	8,131	8,960
Operating expenses	(289,994)	(258,514)
Movement in expected credit losses	(7,158)	(6,015)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>94,751</b>	<b>87,954</b>
Finance costs	(4,439)	(7,714)
Depreciation	(8,403)	(33,883)
Loss on net monetary position	(62,846)	(30,199)
<b>Profit before taxation</b>	<b>19,063</b>	<b>16,158</b>
Income tax expense	(14,031)	(8,456)
<b>Profit for the half year</b>	<b>5,032</b>	<b>7,702</b>
<b>Other comprehensive income for the half year, net of tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the half year, net of tax</b>	<b>5,032</b>	<b>7,702</b>
<b>Earnings per share</b>		
- Basic earnings for the year attributable to ordinary equity holders of the parent (cents)	4.73	7.23
- Diluted earnings for the year attributable to ordinary equity holders of the parent (cents)	4.73	7.23
- Headline earnings for the year attributable to ordinary equity holders of the parent (cents)	4.73	7.23

ABRIDGED REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS for the half year ended 30 June 2020

	June 2020 Reviewed Inflation Adjusted ZW\$ 000	June 2019 UnAudited Inflation Adjusted ZW\$ 000
<b>Net cash generated from operating activities</b>	<b>63,330</b>	<b>3,248</b>
Cash generated from operations	67,769	12,175
Dividend Paid	-	(1,048)
Interest paid	(4,439)	(7,714)
Taxation paid	-	(165)
<b>Net cash utilised in investing activities</b>	<b>-</b>	<b>(12,657)</b>
Purchase of property, vehicles and equipment to increase operations	-	(12,657)
Extension of investment properties	-	-
Proceeds from sale of property, vehicles and equipment	-	-
<b>Net cash (utilised) / generated from financing activities</b>	<b>(9,846)</b>	<b>4,864</b>
Proceeds from borrowings	-	10,506
Principal payment of lease liabilities	(2,700)	(475)
Repayments of borrowings	(7,146)	(5,167)
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>53,484</b>	<b>(4,545)</b>
Cash and cash equivalents at beginning of year	21,345	(2,840)
Net foreign exchange differences	3,523	1,438
Monetary loss	(24,381)	-
<b>Cash and cash equivalents at end of half year</b>	<b>53,971</b>	<b>(5,947)</b>

ABRIDGED REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2020

	Share capital Inflation Adjusted ZW\$ 000	Share premium Inflation Adjusted ZW\$ 000	Non-distributable reserves Inflation Adjusted ZW\$ 000	Equity Portion Of Shareholders loans Inflation Adjusted ZW\$ 000	Retained Earnings Inflation Adjusted ZW\$ 000	Total equity ZW\$ 000
<b>Audited Balance as at 1 January 2019</b>	<b>17,331</b>	<b>33,524</b>	<b>-</b>	<b>145,339</b>	<b>55,395</b>	<b>251,589</b>
Profit for the half year	-	-	-	-	7,702	7,702
Dividend	-	-	-	-	(1,048)	(1,048)
Reclassification of reserves to retained earnings	-	-	(118)	-	118	-
Change of functional currency	-	-	595,674	-	-	595,674
<b>UnAudited Balance as at 30 June 2019</b>	<b>17,331</b>	<b>33,524</b>	<b>595,556</b>	<b>145,339</b>	<b>62,167</b>	<b>853,917</b>
<b>Audited Balance as at 1 January 2020</b>	<b>17,331</b>	<b>33,524</b>	<b>595,556</b>	<b>145,339</b>	<b>58,641</b>	<b>850,391</b>
Profit for the half year	-	-	-	-	5,032	5,032
<b>Reviewed Balance as at 30 June 2020</b>	<b>17,331</b>	<b>33,524</b>	<b>595,556</b>	<b>145,339</b>	<b>63,673</b>	<b>855,423</b>

NOTES TO THE ABRIDGED REVIEWED CONSOLIDATED FINANCIAL STATEMENTS for the half year ended 30 June 2020

General Information

Unifreight Africa Limited (formerly Pioneer Corporation Africa Limited) was incorporated in Zimbabwe in 1970. It is the holding company of a Group of companies primarily involved in the road transport industry whose main activities include inter-city freight consolidations, the distribution of general goods, and a courier service. Swift the Group's principle revenue generating brand turned 70 years in 2016. The Company is incorporated in Zimbabwe. Other entities in the Group are incorporated in Botswana. The company is listed on the Zimbabwe Stock Exchange

These Group consolidated financial statements are presented in Zimbabwean Dollars and were authorised for issue by the Board of Directors on 27 October 2020.

Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board (IASB) with the exception to IAS 21 Effects of Changes in Exchange Rates on accounting for change in functional currency. The accounting policies are applied consistently throughout the Group. The interim condensed consolidated financial statements are presented in Zimbabwean dollars (ZW\$) and all values are rounded to the nearest 1 000 dollars except where otherwise stated.

The interim condensed consolidated financial statements are prepared on current cost conversion taking account of the effects of inflation in accordance with IAS 29, Financial Reporting in Hyper-inflationary Economies. Accordingly, the inflation adjusted interim condensed consolidated financial statements represent the primary financial statements of the Group.

The Public Accountants and Auditors Board (PAAB) in their circular 01/19 communicated that the factors and characteristics to apply IAS 29, Financial Reporting in Hyper-Inflationary Economies had been met in Zimbabwe. The pronouncement requires that entities reporting in Zimbabwe apply the requirements of IAS 29 with effect from 1 July 2019.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for the previous period be stated in the same terms. The restatement has been calculated by means of conversion factors derived from the consumer price index.

The following conversion factors were applied;

Period / Month	Factor
Jan-19	14.4521
Feb-19	14.4521
Mar-19	13.8456
Apr-19	13.1213
May-19	11.6595
Jun-19	8.3726
Jul-19	6.9174
Aug-19	5.8587
Sep-19	4.9768
Oct-19	3.5869
Nov-19	3.0536
Dec-19	2.6199
Jan-20	2.5629
Feb-20	2.2576
Mar-20	1.7833
Apr-20	1.5159
May-20	1.3166
Jun-20	1.0000

Accounting policies

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The policies applied are consistent with those applied in previous years.

Trade and other receivables

	June 2020 Reviewed Inflation Adjusted ZW\$ 000	Dec 2019 Audited Inflation Adjusted ZW\$ 000
<b>Current</b>		
Trade receivables	68,803	58,749
Receivables due from related parties	4,192	1,900
Less: provision for impairment	(9,767)	(6,738)
Trade receivables - net	63,228	53,911
Prepayments	-	5,275
Staff debtors	-	86
VAT receivable	50	129
Other debtors	8,732	14,008
	72,010	73,409

	2020 Reviewed Inflation Adjusted ZW\$ 000	2019 Audited Inflation Adjusted ZW\$ 000
<b>Trade and other payables</b>		
<b>Current</b>		
Trade payables	9,775	25,478
Trade payables due to related parties	-	2,277
Other payables	21,096	19,906
Social security and other statutory liabilities	19,696	12,207
	50,567	59,868
<b>Borrowings</b>		
<b>Borrowings classified as equity</b>		
Shareholders' loans at beginning of year	23,398	23,398
Transfer from shareholders' loans	-	-
	23,398	23,398
<b>Other Borrowings</b>		
<b>Non-current</b>		
Loans and borrowings	2,810	7,780
<b>Current</b>		
Loans and Borrowings	20,072	17,782
<b>Total borrowings</b>	<b>22,882</b>	<b>25,562</b>
<b>Loans and borrowings</b>		
Loans and borrowing relate to relate to financing arrangements entered into to procure revenue generating vehicles. The interest rates are 65% and the borrowings will be repaid in full by June 2022.		
<b>Finance cost</b>		
Finance cost comprises the following:		
Bank borrowings	4,141	6,594
Remeasurement of consideration liability	58	621
Finance leases	240	499
	4,439	7,714
<b>Capital expenditure</b>		
Acquisition of property, vehicles and equipment	-	12,657
The Group had no approved capital commitments at the date of approval of financial results for both 2020 and 2019		
<b>Contingent liabilities</b>		
The group is a defendant in various labour disputes with former employees. The cases are at various stages. The total being claimed in all these cases is ZW\$ 895,800.		
<b>Subsequent events</b>		
There are no adjusting or non-adjusting events after the reporting date which have an effect on the financial position of the group as at the reporting date nor require disclosure in the financial statements.		
<b>Effects of the Proposed Transaction on Unifreight</b>		
- The proposed Transaction shall not have an effect on the share capital and shareholding structure of Unifreight.		
- Birmingham Investments and Birmingham Property will cease to be subsidiaries of Unifreight as they will be 100% owned by Zimplot;		
- Tredcor will also cease being a subsidiary of Unifreight as it will become a 100% owned subsidiary of Zimplot;		
- Unifreight will have 4.58% direct shareholding in Zimplot;		
- Clan Services (Private) Limited will have 5.34% shareholding in Zimplot;		
- Unifreight's interest in Birmingham Investments and Tredcor will be held indirectly through the resultant Unifreight and Clan Services (Private) Limited's shareholdings in Zimplot.		
<b>Auditors' Opinion</b>		
These abridged condensed consolidated interim financial statements for the six months ended 30 June 2020 have been reviewed by Messrs Ernst & Young Chartered Accountants (Zimbabwe) and a modified review conclusion issued thereon. This review conclusion is adverse with respect to non-compliance with IAS 21: The Effects of Changes in Foreign Exchange Rates, inappropriate application of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors); and IAS 29 (Financial Reporting in Hyperinflationary Economies. The review conclusion has been made available to management and those charged with the governance of the Group. The Independent Review Report on the condensed consolidated interim financial statements is available for inspection at the registered office of the Group. The engagement partner responsible for this review is Mr. Walter Mupanguri (PAAB Number 367)		



*To the Shareholders of Unifreight Africa Limited*

**Introduction**

We have reviewed the accompanying inflation adjusted interim condensed consolidated financial statements of Unifreight Africa Limited and its subsidiaries ( "the Group" ), as set out on pages 4 to 21, which comprise the inflation adjusted interim condensed consolidated Statement of Financial Position as at 30 June 2020 and the related inflation adjusted interim condensed consolidated Statement of Profit or Loss and other Comprehensive Income, the inflation adjusted interim condensed Statement of Changes in Equity and the inflation adjusted interim condensed inflation adjusted Statement of Cash Flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of inflation adjusted interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards; International Accounting Standard 34-*Interim Financial Reporting* and the Zimbabwe Stock Exchange listing rules. Our responsibility is to express a review conclusion on this inflation adjusted interim condensed consolidated financial statements based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Statement Performed by the Independent Auditor of the Entity*". A review of interim financial statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for adverse review conclusion**

The basis for Adverse conclusion is as follows:

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

As explained in note 3 to the inflation adjusted interim condensed 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 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 United States Dollar (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 RTG\$ and the US\$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (which comprises RTG\$, 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 RTG\$/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 RTG\$/ZWL as a formal currency supports that there was a change in functional currency from US\$ to RTG\$/ZWL and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTG\$/ZWL: US\$ exchange rate and this occurred effective 1 October 2018.

Management however applied the 22<sup>nd</sup> of February 2019 as the date of change in functional currency and continued to use exchange rates which were not compliant with IAS21, consequently resulting in non-compliance with IAS29 as well. We therefore issued an adverse opinion in 2019.

Management has not restated the opening balances to resolve these matters which resulted in the adverse audit report in the prior period in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. Further, some of the matters are continuing as discussed below. In addition, there was a consequential impact of the application of IAS 29 in the prior period. Had the correct base numbers and start date been used the outcome would have been materially different. Consequently:

- All corresponding numbers are misstated on the inflation adjusted interim condensed consolidated Group Statements of Financial Position, Cash Flows, Profit or Loss and Comprehensive Income and Changes in Equity and our conclusion is therefore modified in respect of comparability of those amounts with the current year amounts.
- As opening balances enter into the determination of cash flows and performance, our conclusion is further modified in respect of the impact of this matter on the interim condensed consolidated inflation adjusted Statement of Cash Flows, Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity.

In addition to the impact on the corresponding numbers, half year performance and cash-flows; the matter continues to impact the balances on the Statement of Financial Position as some of these still comprise of amounts from opening balances. As a result of these matters impacting the opening balances (and for which we modified our previous opinion), the following closing balances ; Inventories of ZWL 121 797 000, Property, Plant and Equipment of ZWL 590 440 000 , Retained Earnings - ZWL 63 673 000, and Deferred Tax Liabilities - ZWL 211 595 000, Investment Properties - ZWL 303 555 000, Intangible assets- ZWL 24 410 000, Non-distributable reserve - ZWL 585 556 000 as stated on the Statement of Financial Position remain misstated and the quantum of misstatement and/or portion cannot be quantified for each of these owing to the lack of restatement and determination of the amounts by management.

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

As in prior year, management continued to use the interbank exchange rate to translate foreign denominated transactions and balances to ZWL functional and reporting currency. The auction exchange rate was applied from 23 June 2020 to period end. These rates do not meet the IAS 21 definition of a spot rate. In addition, the following accounts on the inflation adjusted interim condensed consolidated statement of financial position are misstated either due to items having been translated during the period or the closing balances comprising of foreign currency components:

ZWL 30 468 490 in Cash and cash equivalents included out of a total of ZWL 53 970 821, ZWL 12 242 295,59 included in Trade and Other Payables out of a total of ZWL 50 566 710, ZWL 22 177 156 included in loans and borrowings out of a total of 22 882 018, ZWL 44 096 484 included in Revenue out of a total of ZWL 343 522 516, ZWL 5 868 907,66 included in operating expenses out of a total of ZWL 258 514 276 , ZWL 12 242 295,59 included in trade and other receivables out of a total of ZWL 67 817 346, and ZWL 1 458 148,12 included in Inventory out of a total of ZWL 45 391 075.

Those for which the portion of foreign currency could not be identified owing to the nature of the accounting records are retained earnings of ZWL 63 673 000, Deferred tax liabilities of ZWL 211 595 000



### **IAS29 - Financial Reporting in Hyperinflationary Economies**

The application of IAS 29 - from 1 Jan 2018 to 30 June 2020 was based on prior and current periods' financial information which has been misstated as a result of matters described above.

Furthermore, the Standard requires that all items in the statement of cash flows and statement of profit or loss and other comprehensive income be expressed in terms of the measuring unit current at the end of the reporting period. To comply with this requirement, the entity would need to apply the relevant conversion factors to the amounts on the historical statement of cash flows and statement of profit or loss and other comprehensive income based on the timing of the cash flows. One conversion factor was applied on the 30 June 2019 amounts, resulting in the incorrect application of the standard. Consequently, the corresponding inflation adjusted Statements of Cashflows, Profit or Loss and Other Comprehensive income are misstated.

Had the correct base numbers, exchange rates compliant with IAS 21, where applicable, and start date been used, virtually all elements of the financial statements would have been materially different.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted interim condensed consolidated financial statements.

### **Adverse review conclusion**

Our review indicates that, because of the matters described in the preceding paragraphs, the consolidated interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2020, and of its financial performance and its cash flows for the six months period then ended in accordance with International Financial Reporting Standards.

The engagement partner on the audit resulting in this independent auditor's report is Walter Mupanguri (PAAB Number 367)



Ernst & Young  
Chartered Accountants (Zimbabwe)  
Registered Public Audit  
Harare

6 November 2020