UNIFREIGHT AFRICA LTD

Total Transport & Logistics Solutions

Audited Financial Results for the year ended 31 December 2014

CHAIRMAN'S STATEMENT

Overview

The strategy to acquire the Unifreight operating assets and their subsequent incorporation into the Group in 2014 has started to have a positive impact in spite of the challenging economic environment. Liquidity challenges coupled with a deflationary economy continue to exert pressure on the business to explore strategies to overcome these challenges.

In December 2014 the Board of Directors resolved to restructure the Group with a view to repositioning itself for future growth and profitability. These decisions resulted in the closure of Pioneer Clan (Botswana) (Pty) Limited as of 31 December 2014, the sale of Pioneer Transport (Pvt) Limited to the employees of that company with effect from 1 January 2015 subject to regulatory approvals and the separation of Pioneer Coaches into its own company pending potential sale of the business in 2015. This has therefore required that the results of the Group be split between Continuing Operations and Discontinued Operations on the Statement of Comprehensive Income in 2014 and restatement of the 2013 figures. In addition, the year 2014 saw the Group obtaining a controlling interest in Tredcor Zimbabwe (Pvt) Limited trading as Trentyre, with the purchase of an additional 10% shareholding in that business as at 1 October for a nominal USD 400.

Financial Performance

In 2014 the Group recorded an operating profit of USD 1,735 million from continuing operations compared to USD 599,000 in 2013. However the Group reported a net loss after taxation of USD 233,000 in 2014. The net loss is mainly attributable to the impairment of goodwill of USD 2,505 million which arose on the acquisition of Tredcor Zimbabwe (Pvt) Limited. The Board made a decision to fully impair the goodwill as the fair value of the liabilities of that business exceeded the fair value of the assets on acquisition date and the business has negative projected cash flows. The net profit after taxation in 2013 of USD 2,329,000 was due to a gain on the purchase of the business of Unifreight Limited of USD 2,456 million. Shareholders wrote off discontinued operations' loans amounting to a total of USD 5 million, reported under other income. This resulted in the said operations recording an after taxation profit of USD 1,507 million in 2014, compared to a loss after taxation of USD 3,601 million in 2013.

The overall effect of the above was a Profit for the year attributable to shareholders of USD 1,372 million compared to a Loss of USD 1,272 million recorded in 2013 and a positive basic earnings per share in 2014 of 1.70 United States cents.

Outlook

The Group has continued to streamline and align costs throughout its remaining operations and the on-going re-capitalization of the business will result in improved operational efficiencies and increasingly strong brands for our customers.

As a result of our continued investment into our brands, improvement in our service delivery and the addition of new and more efficient assets, the Group is optimistic, despite the economic difficulties, that there will be growth in 2015 and a return to sustainable profitability.

Dividend

The Board has not declared a dividend for 2014 in line with the Group's strategy of debt reduction and re-investing into the business.

Late Publication

Management and the Board acknowledges the delay in publishing the Group's results for 2014 with the main reason being the restructuring of the Group as highlighted earlier and the extra work and time required to ensure full disclosure thereof.

Appreciation

On behalf of the Board, I would like to thank management, staff and other stakeholders for their continued support and commitment during this challenging but exciting time.

P C Chingoka
22 April 2014

Auditor's Statement

The financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2014. These Group financial statements have been audited by Group auditors Ernst & Young Chartered Accountants (Zimbabwe) who have expressed an unqualified opinion on them with an emphasis of matter paragraph on the Group's ability to continue as a going concern and the Group's borrowing powers exceeding the authorised limit.

The signed auditor's report on the Group financial statements which form the basis of these financial results is available for inspection at the Company's registered office.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	2014 USD 000	2013 USD 000
ASSETS		
Non current assets	**22,266**	**27,696**
Property, vehicles and equipment	14,219	21,405
Investment property	6,547	4,791
Intangible assets	1,500	1,500
Current assets	**11,386**	**7,609**
Inventories	2,898	1,060
Trade and other receivables	8,012	6,195
Current income tax asset	11	-
Cash and bank balances	465	354
Assets held for sale	6,810	-
TOTAL ASSETS	**40,462**	**35,305**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent	**6,146**	**7,414**
Share capital	1,064	549
Share premium	2,060	-
Non distributable reserve	5,782	8,357
Revaluation reserve	1,232	1,232
Foreign currency translation reserve	(778)	(693)
Shareholders loans	320	2,875
Accumulated loss	(3,534)	(4,906)
Non controlling interest	(2,505)	-
Total equity	**3,641**	**7,414**
Non current liabilities	**17,320**	**14,433**
Borrowings	6,442	7,615
Other payables	8,028	3,657
Purchase of business	1,437	1,115
Deferred income tax liabilities	1,413	2,046
Current liabilities	**11,098**	**13,458**
Trade and other payables	6,582	9,266
Purchase of business	-	537
Current income tax liabilities	-	200
Borrowings	4,516	3,455
Liabilities directly associated with the assets held for sale	8,403	-
TOTAL EQUITY AND LIABILITIES	**40,462**	**35,305**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	2014 USD 000	2013 USD 000
Continuing operations		
Revenue	**29,271**	**3,677**
Cost of sales	(11,387)	(1,650)
Gross profit	**17,884**	**2,027**
Other operating income	760	1,339
Distribution expenses	(654)	(78)
Administrative expenses	(13,242)	(2,320)
Other operating expenses	(2,975)	(364)
Write-off of vehicles and equipment	(38)	(5)
Operating profit	**1,735**	**599**
Finance costs	(340)	(2)
Gain on business purchase	-	2,456
Impairment of goodwill	(2,505)	-
(Loss)/profit before taxation from continuing operations	**(1,110)**	**3,053**
Income tax credit/(expense)	877	(724)
(Loss)/profit for the year from continuing operations	**(233)**	**2,329**
Discontinued operations		
Profit/(loss) after tax for the year from discontinued operations	1,507	(3,601)
Profit/loss for the year	**1,274**	**(1,272)**
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(85)	(281)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation surplus on property, vehicles and equipment, net of tax	-	23
Other comprehensive loss for the year, net of tax	**(85)**	**(258)**
Total comprehensive income/(loss) for the year, net of tax	**1,189**	**(1,530)**
Profit/(loss) for the year attributable to:		
Owners of the parent	1,372	(1,272)
Non-controlling interest	(98)	-
	1,274	**(1,272)**
Total comprehensive income/(loss) attributable to:		
Owners of the parent	1,287	(1,530)
Non-controlling interest	(98)	-
	1,189	**(1,530)**
Earnings per share		
- Basic, profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	1.70	(2.31)
- Diluted, profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	1.70	(2.31)
Earnings per share for continuing operations		
- Basic, (loss)/profit for the year attributable to ordinary equity holders of the parent (cents)	(0.16)	4.24
- Diluted, (loss)/profit for the year attributable to ordinary equity holders of the parent (cents)	(0.16)	4.24

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Attributable to equity shareholders of the parent								
	Share capital USD 000	Share premium USD 000	Non-distributable reserves USD 000	Revaluation reserve USD 000	Foreign currency translation reserve USD 000	Shareholders loans USD 000	Accumulated loss USD 000	Non controlling interest USD 000	Total equity USD 000
Year ended 31 December 2013									
Balance as at 1 January 2013	**549**	**-**	**4,762**	**1,209**	**(412)**	**2,875**	**(3,634)**	**1,020**	**6,369**
Comprehensive (loss)/income									
(Loss) for the year	-	-	-	-	-	-	(1,272)	-	(1,272)
Purchase of business	-	-	2,575	-	-	-	-	-	2,575
Buy-out of non-controlling interest	-	-	1,020	-	-	-	-	(1,020)	-
Other comprehensive income									
Currency translation differences	-	-	-	-	(281)	-	-	-	(281)
Revaluation of property, vehicles and equipment (net of tax)	-	-	-	23	-	-	-	-	23
Total comprehensive income	**-**	**-**	**3,595**	**23**	**(281)**	**-**	**(1,272)**	**(1,020)**	**1,045**
Balance as at 31 December 2013	**549**	**-**	**8,357**	**1,232**	**(693)**	**2,875**	**(4,906)**	**-**	**7,414**
Year ended 31 December 2014									
Balance as at 1 January 2014	**549**	**-**	**8,357**	**1,232**	**(693)**	**2,875**	**(4,906)**	**-**	**7,414**
Transaction with shareholders									
Shareholder loans transferred to equity	-	-	-	-	-	2,445	-	-	2,445
Shareholder loans forgiven and transferred to profit or loss	-	-	-	-	-	(5,000)	-	-	(5,000)
Comprehensive income/(loss)									
Profit/(loss) for the year	-	-	-	-	-	-	1,372	(98)	1,274
Acquisition of subsidiary	-	-	-	-	-	-	-	(2,407)	(2,407)
Transfer on issue of shares	515	2,060	(2,575)	-	-	-	-	-	-
Other comprehensive income									
Currency translation differences	-	-	-	-	(85)	-	-	-	(85)
Total comprehensive income	**515**	**2,060**	**(2,575)**	**-**	**(85)**	**(2,555)**	**1,372**	**(2,505)**	**(3,773)**
Balance as at 31 December 2014	**1,064**	**2,060**	**5,782**	**1,232**	**(778)**	**320**	**(3,534)**	**(2,505)**	**3,641**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	2014 USD 000	2013 USD 000
Net cash generated from operating activities	**3,159**	**1,224**
Cash generated from operations	3,616	1,268
Interest paid	(416)	(41)
Taxation paid	(41)	(3)
Net cash utilised in investing activities	**(4,174)**	**(2,663)**
Purchase of property, vehicles and equipment to increase operations	(5,785)	(3,193)
Proceeds from sale of property, vehicles and equipment	1,438	455
Acquisition of a business (net of cash acquired)	173	75
Net cash utilised in financing activities	**658**	**1,557**
Proceeds from borrowings	10,381	2,390
Repayments of borrowings	(9,723)	(833)
Net (decrease)/increase in cash and cash equivalents	**(357)**	**118**
Cash and cash equivalents at beginning of year	**354**	**196**
Net foreign exchange differences	7	40
Cash and cash equivalents at end of year	**4**	**354**

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

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, an internal courier service, passenger services and tyre retreading and new tyre sales.

The Company is incorporated in Zimbabwe. Other entities in the Group are incorporated in South Africa, Botswana and Mauritius. The company is listed on the Zimbabwe Stock Exchange

The Group consolidated financial statements from which these abridged consolidated financial results have been extracted, have been prepared in United States Dollars and were authorized for issue by the Board of Directors on 9 April 2015.

Accounting policies

The 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.

Turnover and costs

The significant year on year increase in turnover and costs is a direct impact of the inclusion in 2014 of ex-Unifreight Limited businesses and the acquisition and consolidation of Tredcor Zimbabwe (Pvt) Limited's results with effect from 1 October 2014.

Investment property

Increase on prior year represents re-classification of remaining properties from PPE. All properties held by the Group as at the reporting date are classified as Investment properties.

Trade and other receivables

The increase in Trade and other receivables is attributable to improved sales generation notably from ex-Unifreight Limited operations. The debt is within credit terms and doubtful debts are fully provided for.

Share capital and Share premium

51 497 587 ordinary shares were issued in June 2014 to partially cover the purchase of the operating businesses of Unifreight Limited. Share premium arose being the difference between the new shares issued at a fair value of 5c per share and the nominal value.

Borrowings

Borrowings represent facilities for capital expenditure with an average interest rate of 12.9%. The facilities are secured by assets purchased.

	2014 USD 000	2013 USD 000
Shareholders loans	8,751	10,409
Finance lease liabilities	1,853	2,696
Bank overdraft	674	576
Other	-	264
	11,278	13,945

Shareholders' loans are disclosed after loans of USD 5 million were forgiven by the shareholder and transferred to profit and loss in a subsidiary as at 31 December 2014.

Finance lease commitments

Finance lease commitments amounting to USD 1,853m (2013:USD 2,696m) relate to finance arrangements for capital expenditure with an average interest rate of 15%. The loan facilities are secured by liens over assets purchased and the rights to leased assets will revert to financiers in the event of default.

Other payables

The increase in Other payables as disclosed under Non current liabilities, is attributable to Tredcor Zimbabwe (Pvt) Limited, and its pre-acquisition creditors due to its previous majority shareholder for supply of tyres of USD 5,736 million. This amount will not be repaid within 12 months of the reporting date.

Capital expenditure	2014 USD 000	2013 USD 000
Acquisition of property, vehicles and equipment	5,785	3,193
Approved capital commitments at date of approval of financial results	6,253	5,040

Contingent liabilities

The Group has no material contingent liabilities as at the reporting date.

Subsequent events

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. However, the agreement to sell the subsidiary Pioneer Transport (Private) Limited to the management and workers was only finalized in April 2015.

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