



Chairman's Statement

FINANCIAL HIGHLIGHTS

PCA Group		Inflation adjusted		Historical	
		2006	2005	2006	2005
Turnover	\$Mill	16,102	15,345	7,032	465
Operating profit	\$Mill	859	384	454	30
Finance (charges)/income	\$Mill	(1,274)	97	(461)	(8)
Net income	\$Mill	3,152	69	265	25
FOREIGN SUBSIDIARIES					
	Zw \$000			R000	
Turnover	1,871,940	-	53,484	-	-
Operating profit	224,245	-	6,407	-	-
Finance income	1,155	-	33	-	-
Net income	225,400	-	6,440	-	-

Overview

Pioneer Corporation Africa faced a number of challenges in the 2006 year. The operating environment was characterised by high interest rates, input costs rising faster than Consumer Price Index growth, and an exchange rate which affected the viability of cross border trucking and coaches divisions operating in Zimbabwe. Intense local competition for transport contracts also affected margins.

However the group succeeded in maintaining volumes and growing the business in certain key areas.

The Pioneer Corporation Africa group rationalised into four operating divisions namely; Passenger, Trucking & Logistics, Consolidation & Courier and Engineering. While simplifying the business model this has also highlighted the overstaffing across the group as more and more synergies are exploited and as such a major programme of employee right sizing took place during the second half of 2006.

Financial Overview

All figures from foreign subsidiaries have been reported in local currency using the official exchange rate of 1 (one) South African Rand to 35 Zimbabwean dollars. This has had the net effect of weakening the groups overall financial performance for the period under review.

Cash Flow

The group generated \$4.7Bn cash from operations, this was utilised in the repayment of long term borrowing 5.9Bn, net interest charges 1.1Bn and fleet expansion 0.2Bn. Short term borrowings financed the working capital requirements.

Working Capital

Debtors decreased from \$1.93Bn to \$ 1.56Bn, as result of management implementing measures that have seen a major improvement in the debtors days in the last half of 2006.

Profit and Loss Account

The growth in revenues is largely due to the volumes that increased considerably during the second half of the year. However input costs grew at faster rate, reflecting the growth in labour, fuel, spare parts costs and the parallel exchange rate pricing model, resulting in small increase in Gross Margins from 27% to 31%.

Depreciation charges were zero due to residual asset values being greater than carrying amounts in terms of IAS 16 (revised). A revaluation exercise was carried out in December 2006. A further revaluation will be implemented in due course. Negative goodwill at acquisition of foreign subsidiaries was written off to income statement in accordance with IFRS 3.

Divisional Performance

Passenger

This division continued to operate profitably and safely, whilst constrained by fixed pricing on the local routes particularly in the second and third quarters. The future is promising for this division with the focus being put on local and cross border bus hires, bringing customer focus and significant opportunity in the prepaid market, including cross border coaches.

Trucking and Logistics

Trucking has seen a serious erosion of margins, particularly as a result of the fixed exchange rate and delays at the border. Intense local competition for transport contracts also affected margins. Local Revenues in this division fell well below the inflation rate, However foreign entities revenues continued to grow earning the group significant foreign currency servicing the offshore line of credit.

Consolidation & Courier (Clan)

The division continued to grow volumes and generated strong operating profits. Management has continued to introduce innovative cash products and services while at the same time fine tuning the Navision IT system to enhance customer orientation.

Associated Companies

Negotiations were completed in 2006 between Pioneer Corporation Africa and its key associated company resulting in Pioneer

Corporation Africa acquiring majority stake in an international courier company. The tyre division continued to operate profitably during the year.

Outlook

The group's strategy is to provide a total transport solution, which delivers quality and efficiency across the region.

The business plan for 2007 includes the formation of a regional alliance in the distribution and warehousing sector. Plans are at an advanced stage, the group has moved into new regional and local enlargement phase and is looking forward to strong growth.

There is a very strong management team in place, and business plans which are being executed to produce exceptional results in the first half of 2007.

Directorate

There were changes in the board resulting from the resignation of the Chief Executive Officer during the second half and the Finance Director in the first quarter of 2007.

Dividend

As stated in previous communications, the Board does not intend to pay a dividend at this time, in line with the strategy of growth and foreign debt reduction. This policy will be reviewed annually based on the financial performance of the company.

Appreciation

I would also like to take this opportunity to thank my fellow directors, our Acting CEO Hamish Rudland and his executive committee, management and staff who have achieved commendable results in an extremely challenging operating environment.

P C Chingoka,



10th May 2007

Consolidated Income Statement

	INFLATION ADJUSTED		HISTORICAL	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Revenue	16,102,202	15,344,850	7,031,596	464,936
Cost of sales	10,976,282	11,082,388	4,822,046	335,787
Gross profit	5,125,920	4,262,462	2,209,550	129,149
Other operating income	133,504	658,349	49,793	19,947
	5,259,425	4,920,811	2,259,345	149,096
Distribution expenses	246,410	156,480	154,752	4,741
Administration expenses	2,330,767	1,310,290	981,325	39,700
Other operating expenses	1,874,021	2,451,753	719,368	74,286
Depreciation and goodwill	(50,343)	618,449	(50,343)	-
Profit from operations	858,571	383,839	454,243	30,369
Net financing (cost)/income	(1,273,698)	96,637	(461,093)	(8,499)
Income from associates	173,055	(382,375)	173,055	7,294
Net monetary (loss)/gain	3,339,513	100,738	-	-
Profit before taxation	3,097,441	198,839	166,206	29,164
Taxation	54,223	493,720	98,832	(3,963)
Profit after taxation	3,151,663	692,559	265,038	25,201
Basic earnings per share (dollars)	5.66	1.31	0.48	0.05

Statement of changes in equity

	INFLATION ADJUSTED		Share Capital	Share Premium	Capital Reserves	Minority interest	Retained Earnings	Total
	\$000	\$000						
Balance as at 31 December 2004	3,210,827	6,693,029	2,555	-	5,072,471	14,978,882	14,978,882	
Prior year adjustment	-	-	-	-	(597,207)	(597,207)	(597,207)	
Issue of shares	28	1,906	-	-	-	1,934	1,934	
Net profit for the period	-	-	-	-	692,559	692,559	692,559	
Balance as at 31 December 2005	3,210,855	6,694,935	2,555	-	5,167,823	15,076,168	15,076,168	
Issue of shares	85	26,010	-	-	-	26,095	26,095	
Revaluation of property plant and equipment	-	-	12,476,494	-	-	12,476,494	12,476,494	
Net profit for the period	-	-	-	-	3,151,663	3,151,663	3,151,663	
Minority share of profit	-	-	-	-	151,206	(151,206)	-	
Balance as at 31 December 2006	3,210,940	6,720,945	12,479,049	151,206	8,168,280	30,730,420	30,730,420	
HISTORICAL COST								
	Share Capital	Share Premium	Capital Reserves	Minority interest	Retained Earnings	Total		
	\$000	\$000	\$000	\$000	\$000	\$000		
Balance as at 31 December 2004	130	10,119	35,110	-	749	46,108	46,108	
Issue of shares	2	138	-	-	-	140	140	
Transfer of capital reserves on opening balances	-	-	(1,117)	-	1,062	(55)	(55)	
Net profit for the period	-	-	-	-	25,201	25,201	25,201	
Balance as at 31 December 2005	132	10,257	33,993	-	27,012	71,394	71,394	
Issue of shares	7	2,234	-	-	-	2,241	2,241	
Revaluation of property plant and equipment	-	-	23,284,018	-	-	23,284,018	23,284,018	
Net profit for the period	-	-	-	-	265,038	265,038	265,038	
Minority share of profit	-	-	-	151,206	(151,206)	-	-	
Balance as at 31 December 2006	139	12,491	23,318,011	151,206	140,843	23,622,691	23,622,691	

Consolidated Balance Sheets

	INFLATION ADJUSTED		HISTORICAL	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
ASSETS				
Non current assets				
Property, plant and equipment	41,131,973	24,544,448	35,247,468	524,397
Goodwill	34,336,485	15,953,617	34,336,485	313,205
Other loans	5,352,660	5,308,559	50,322	6,221
Investments	672,848	2,689,898	672,848	194,763
	769,979	592,374	187,813	10,208
Current assets	2,537,730	3,475,766	2,393,363	243,479
Inventories	542,513	457,853	398,146	24,966
Other loans	126,589	896,633	126,589	64,921
Receivables	1,556,549	1,934,388	1,556,549	140,060
Cash and bank balances	312,079	186,892	312,079	13,532
TOTAL ASSETS	43,669,703	28,020,214	37,640,831	767,876
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital	3,210,940	3,210,855	139	132
Share premium	6,720,945	6,694,935	12,491	10,257
Capital reserves	12,479,049	2,555	23,318,011	33,993
Minority interest	151,206	-	151,206	-
Revenue reserves	8,168,280	5,167,823	140,843	27,012
Total capital and reserves	30,730,420	15,076,168	23,622,690	71,394
Non current liabilities	10,134,537	9,018,258	11,213,395	412,234
Interest bearing loans/borrowings	876,729	5,395,790	876,729	390,684
Deferred tax liabilities	9,257,808	3,622,468	10,336,666	21,550
Current liabilities				
Payables	1,534,576	1,313,301	1,534,576	95,090
Taxation	779	6,629	779	480
Other provisions	360,495	318,982	360,495	23,096
Interest bearing loans/borrowings	562,451	2,023,760	562,451	146,531
Bank overdrafts and acceptances	346,445	263,116	346,445	19,051
Total current liabilities	2,804,746	3,925,788	2,804,746	284,248
TOTAL EQUITY AND LIABILITIES	43,669,703	28,020,214	37,640,831	767,876

Consolidated Cashflow Statement

	INFLATION ADJUSTED		HISTORICAL COST	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Cash generated from operating activities	4,042,396	1,050,820	337,889	24,534
Increase/(decrease) in working capital	675,196	1,211,803	44,778	(26,043)
Cash generated from operating activities	4,717,591	2,262,623	382,667	(1,509)
Net interest (paid)/received	(1,103,454)	368,026	(461,092)	11,151
Cash utilised in operations	3,614,137	2,630,649	(78,426)	9,642
Investing activities				
Proceeds on disposal of assets	70,310	220,246	70,310	10,008
Investments	(4,617)	(1,243)	(2,800)	(90)
Purchase of assets	(259,162)	(3,502,242)	(259,162)	(251,565)
Net cash flow before financing activities	3,420,669	(652,590)	(270,077)	(232,005)
Net cashflows from financing activities	(3,378,811)	784,334	241,231	228,681
Net cash generated/(utilised)	41,858	131,744	(28,847)	(3,324)

