

AXIA CORPORATION LIMITED

Unaudited Financial Results

FOR THE 6 MONTHS ENDED 31 DECEMBER 2017

Salient Features

for the 6 months ended 31 December 2017

	6 Months Ended 31 Dec 2017 USD	Restated 6 Months Ended 31 Dec 2016 USD	
Revenue	134 328 438	101 339 790	▲ 33%
Operating profit	13 333 085	8 640 836	▲ 54%
Profit before tax	13 772 975	8 920 934	▲ 54%
Basic earnings per share (cents)	1.19	0.74	▲ 59%
Headline earnings per share (cents)	1.19	0.74	▲ 60%

CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

FINANCIAL OVERVIEW

The Group delivered a good set of results during the six months under review despite experiencing some challenges in making foreign payments to suppliers, difficulties in securing import permits and constraints in supply of some local products. Increased sales volumes and cost containment enabled the Group to perform well in the difficult operating environment.

During the period, the Group reported revenue of US\$134.328 million to achieve a 33% growth on the comparative period. An operating profit of US\$13.333 million and a profit before tax of US\$13.773 million were recorded for the six months ended 31 December 2017. Both Basic and Headline earnings per share for the period amounted to 1.19 US cents. Headline earnings were 60% above the comparative period and when adjusted for income earned on the derivative option, were 29% above prior year at 0.96 US cents.

The Group took proactive action to secure additional inventory and to settle foreign creditors as rapidly as possible. This has resulted in a significantly changed working capital profile.

The Group's capital expenditure for the six months totaled US\$2.134 million. Net borrowings have increased by US\$3.528 million to support working capital investment in inventory.

The Group reassessed its position of control of Transerv, where it has an effective 26.01% share. The Board decided to equity account the results of Transerv with effect from 1 July 2017 and only to consolidate the business when an effective holding above 50% is achieved.

Following this reassessment, the comparative Statement of Profit or Loss and Other Comprehensive Income has been restated, together with the Statements of Financial Position, Statement of Changes in Equity and Statement of Cashflows to show the effect of equity-accounting for Transerv.

In addition, through a scheme of reconstruction, the Group has consolidated the results of Hat On Investments (Pvt) Ltd ('Hat On') and Baobab Africa (Pvt) Ltd ('Baobab') through its subsidiary Distribution Group Africa (Pvt) Ltd ('DGA'), with effect from 1 July 2017. The change in accounting treatment is notwithstanding the fact that there has been no change in the Group's effective shareholding in Baobab whilst the effective shareholding in Hat On increased by 0.02%. This change will improve efficiency in reporting, monitoring and control and other administrative work in the distribution business. The acquisition of Hat On and Baobab by DGA Zimbabwe resulted in goodwill of US\$0.02 million on consolidation of DGA. Management has taken a decision to immediately impair the US\$0.02 million goodwill.

SUSTAINABILITY REPORTING

The Group strives to operate its businesses in a sustainable manner that recognises environmental and social impacts. As part of this commitment, the Group applies the Global Reporting Initiative's (GRI)'s Sustainability Reporting Guidelines and will uphold practices and values that ensure long-term business success is achieved in a sustainable manner.

OPERATIONS

The main operating business units in the Axia Corporation Limited Group are TV Sales & Home (TVSH), Distribution Group Africa (DGA) and Transerv. TVSH is a leading furniture and electronic appliance retailer with sites located countrywide. DGA's core areas of expertise lie in inbound clearing and bonded warehousing, ambient and chilled warehousing, logistics, marketing, sales and merchandising services. Transerv retails automotive spares, by utilising multiple channels to service the needs of its customers.

TV Sales & Home

Another set of strong results was recorded at TV Sales & Home during the six months. Demand continued to be firm and sales volumes were 51% up on the comparative period resulting in a 33% revenue growth. Turnover growth was driven by cash sales and enhanced by a lay-bye scheme available to customers owing to improved product offering, competitive pricing, improved marketing, increased number of stores in the network and a shift towards formal trade channels. Credit sales have significantly slowed in the period due to shorter terms on offer and tighter credit offering in a price sensitive environment. The instalment debtors' book decreased by 24% over the comparative period. The quality of the book remained good throughout the period.

Inventory levels remain good, as management continues to source stock from both local and foreign suppliers at relatively competitive pricing. Local manufacturers have continued to improve their production levels and supply, leading to improved locally manufactured stock availability. This has helped ease pressure on imports and continues to be an area of focus to support the local manufacturing sector.

An additional three stores were opened, two in Harare and one in Kadoma, during the period under review. All shops have made positive contributions during the period and showed potential to further improve the performance of the business in the second half of the financial year. Management will continue to look for growth opportunities and already have plans to open more outlets in strategic locations as well as upgrade existing stores where necessary.

Distribution Group Africa Zimbabwe

The Zimbabwean operations performed well despite issues of some local supply stock outs, import permits and settling foreign suppliers. The business recorded volume growth of 22% resulting in a 35% revenue growth over the comparative period. The current year gross margin percentage was 1% lower than that achieved in the comparative period as the group has increased local business. Operating profit was 41% up from prior year. Management's drive to grow volumes and efforts to ensure visibility of their principals' products has led to the business winning several awards. Again, DGA (Zimbabwe and Region) was named as the 2017 'Johnson & Johnson - Distributor of the year in Africa', the 2017 'Colgate Palmolive Best Modern Trade Distributor in Africa' as well as a couple of awards from other principals like Pioneer Foods and Varun Beverages (Pepsi). The business will continuously look for other opportunities to reduce foreign currency requirements for imports.

The introduction of 10% VAT Withholding tax has resulted in a negative cashflow impact on this business as significant amounts have become tied up in VAT claims from the Revenue Authority. Management will continuously engage the Ministry of Finance, through the appropriate channels to address this challenge.

Distribution Group Africa Region

The regional operations fared well for the six months with both turnover and operating profit increasing by 19% and 2% respectively from prior year. This was mainly attributed to increased volumes as a result of reconciliation with some customers who were on stop supply in Malawi as well as cost containment initiatives taken by management. The management changes in both countries are yielding positive results. The business operating performance however was dampened by the depreciation of the Zambian Kwacha over the six months resulting in foreign exchange losses. Management believes the region will post an improved result in the second half of the financial year as measures have been taken to hedge against foreign exchange losses. The regional business, as a stand-alone, won the '2017 Kellogg's Distributor of the year' award in Zambia.

Transerv

Transerv recorded an overall revenue growth of 34% against prior year. The business has managed to maintain its current network of outlets, across the country, as at previous financial year end.



An additional fitment center in Harare was opened in the first quarter of the financial year whilst an underperforming fitment center in Harare was closed. Management will continuously focus on cost reduction and procuring the right stock mix at the right price in order to protect margins and profitability.

PROSPECTS

The Group will actively manage inventory levels and foreign exposures in accordance with environmental changes. As such, the Group will continue to be proactive in settling high risk foreign creditors and maintaining good relationships with suppliers and financial service providers.

In light of the improved business confidence in the country, the Group should continue to operate profitably despite challenges being faced and should thus deliver good returns to its shareholders. Focus will be on securing inventory to ensure superior offerings to customers, revenue generation, increasing vigilance on trade receivables and managing costs to enhance profitability. The Group will also explore opportunities to grow its existing businesses as well as seek sound, complimentary investment opportunities.

DIVIDEND

The Board has declared an interim dividend of 0.40 US cents per share in respect of all ordinary shares of the Company.

The dividend is in respect of the interim period ended 31 December 2017 and will be payable in full to all shareholders of the Company registered at close of business on the 6th of April 2018. The payment of this dividend will take place on or about the 19th of April 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 3rd of April and ex-dividend as from the 4th of April 2018.

The Board has also declared a dividend totaling US\$109,000 to the Axia Employee Share Trust (Private) Limited.

APPRECIATION

I wish to record my appreciation to the Board of Directors, executives, management and staff for their efforts, attitude and discipline they maintained during the period under review which allowed the Group to achieve these results. I also take this opportunity to thank the Group's valued customers, suppliers and other stakeholders for their continued support and loyalty.

Ngwerume

L E M NGWERUME
Chairman
26 February 2018

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 31 December 2017

	6 Months Ended 31 Dec 2017 unaudited USD	Restated 6 months Ended 31 Dec 2016 unaudited USD
Revenue	134 328 438	101 339 790
Operating profit before impairment, depreciation, amortisation and fair value adjustments	13 333 085	8 640 836
financial income	1 522 012	513 374
Impairment of goodwill on conversion of associates to subsidiaries	(20 479)	—
depreciation and amortisation	(864 138)	(691 355)
Operating profit before interest, equity accounted earnings and fair value adjustments	13 970 480	8 462 855
fair value adjustments on listed equities	72 443	52 979
Profit before interest and tax	14 042 923	8 515 834
net interest expense	(695 847)	(46 748)
equity accounted earnings	425 899	451 848
Profit before tax	13 772 975	8 920 934
tax expense	(3 684 546)	(2 289 856)
Profit for the period	10 088 429	6 631 078
Other comprehensive (loss)/income - to be recycled to profit or loss		
exchange differences arising on the translation of foreign operations	(388 334)	71 210
Other comprehensive (loss)/income for the period, net of tax	(388 334)	71 210
Total comprehensive income for the period	9 700 095	6 702 288
Profit for the period attributable to:		
equity holders of the parent	6 429 572	4 033 608
non-controlling interests	3 658 857	2 597 470
	10 088 429	6 631 078
Total comprehensive income for the period attributable to:		
equity holders of the parent	6 235 405	4 069 213
non-controlling interests	3 464 690	2 633 075
	9 700 095	6 702 288
Earnings per share (cents)		
Basic earnings per share	1.19	0.74
Headline earnings per share	1.19	0.74
Diluted basic earnings per share	1.18	0.74
Diluted headline earnings per share	1.18	0.74

AXIA CORPORATION LIMITED

Unaudited Financial Results

FOR THE 6 MONTHS ENDED 31 DECEMBER 2017



ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	At 31 Dec 2017 unaudited USD	Restated At 30 June 2017 audited USD	Restated At 30 June 2016 audited USD
ASSETS			
Non-current assets			
property, plant and equipment	8 319 609	6 737 412	6 554 486
intangible assets	35 083	35 083	153 087
investments in associates	5 144 811	4 718 913	4 791 265
loan receivable from associate	—	1 321 478	1 219 624
deferred tax assets	1 455 529	1 631 648	788 135
	14 955 032	14 444 534	13 506 597
Current assets			
financial assets	1 445 917	920 926	116 964
inventories	45 673 531	30 948 151	25 979 411
trade and other receivables	50 703 225	47 387 606	42 777 497
cash and cash equivalents	11 107 054	10 738 475	13 211 289
	108 929 727	89 995 158	82 085 161
Total assets	123 884 759	104 439 692	95 591 758
EQUITY AND LIABILITIES			
Capital and reserves			
ordinary share capital	54 159	54 159	54 159
share based payment reserve	51 526	13 694	—
non-distributable reserves	(2 729 383)	(2 535 216)	(2 726 935)
distributable reserves	41 529 007	37 047 992	31 168 659
Attributable to equity holders of parent	38 905 309	34 580 629	28 495 883
non-controlling interests	25 793 613	23 172 824	20 638 958
Total shareholders' equity	64 698 922	57 753 453	49 134 841
Non-current liabilities			
deferred tax liabilities	1 705 605	1 753 307	1 734 862
interest-bearing borrowings	675 786	1 375 214	2 905 012
	2 381 391	3 128 521	4 639 874
Current liabilities			
interest-bearing borrowings	22 159 165	17 563 259	9 938 434
trade and other payables	32 207 632	24 445 205	29 884 121
provisions and other liabilities	871 939	634 008	836 509
current tax liabilities	1 565 710	915 246	1 157 979
	56 804 446	43 557 718	41 817 043
Total liabilities	59 185 837	46 686 239	46 456 917
Total equity and liabilities	123 884 759	104 439 692	95 591 758

ABRIDGED GROUP STATEMENT OF CASH FLOWS

for the half year ended 31 December 2017

	6 Months Ended 31 Dec 2017 unaudited USD	Restated 6 Months Ended 31 Dec 2016 unaudited USD
Cash generated from operating activities	4 268 944	5 882 534
net interest paid	(695 847)	(46 748)
tax paid	(2 491 974)	(1 702 970)
Net cash generated from operating activities	1 081 123	4 132 816
Investing activities	(3 632 041)	(2 858 341)
Net cash (outflow)/inflow before financing activities	(2 550 918)	1 274 475
Financing activities	2 919 497	779 890
Increase in cash and cash equivalents	368 579	2 054 365
Cash and cash equivalents at the beginning of the period	10 738 475	13 211 289
Cash and cash equivalents at the end of the period	11 107 054	15 265 654

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2017

	Attributable to equity holders of the parent				Total USD	Non- Controlling Interests USD	Total USD
	Ordinary Share Capital USD	Share Based Payments Reserve USD	Non- Distributable Reserves USD	Distributable Reserves USD			
Balance on 1 July 2016	54 159	—	(2 726 935)	31 168 659	28 495 883	21 204 211	49 700 094
Effect of restatement	—	—	—	—	—	(565 253)	(565 253)
Balance on 1 July 2016 (Restated)	54 159	—	(2 726 935)	31 168 659	28 495 883	20 638 958	49 134 841
Profit for the year	—	—	—	7 415 322	7 415 322	5 470 990	12 886 312
Other comprehensive income	—	—	191 719	—	191 719	191 719	383 438
Share based payments expense	—	13 694	—	—	13 694	—	13 694
Dividends paid	—	—	—	(1 649 390)	(1 649 390)	(2 990 165)	(4 639 555)
Transactions with owners in their capacity as owners	—	—	—	113 401	113 401	(138 678)	(25 277)
Balance on 30 June 2017 (Restated)	54 159	13 694	(2 535 216)	37 047 992	34 580 629	23 172 824	57 753 453
Profit for the period	—	—	—	6 429 572	6 429 572	3 658 857	10 088 429
Other comprehensive income	—	—	(194 167)	—	(194 167)	(194 167)	(388 334)
Share based payments expense	—	37 832	—	—	37 832	—	37 832
Dividends paid	—	—	—	(1 705 980)	(1 705 980)	(300 000)	(2 005 980)
Transactions with owners in their capacity as owners	—	—	—	(242 577)	(242 577)	(543 901)	(786 478)
Balance at 31 Dec 2017	54 159	51 526	(2 729 383)	41 529 007	39 905 309	25 793 613	64 698 922

NOTES AND SUPPLEMENTARY INFORMATION

for the half year ended 31 December 2017

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Operating Segments

The following table represents the summarised financial information of the Group's operating segments for the half year ended 31 December 2017:

	Zimbabwe USD	Region USD	Intersegment adjustments USD	Total USD
Revenue				
31 December 2017	119 000 992	15 327 446	—	134 328 438
31 December 2016 (Restated)	88 416 880	12 922 910	—	101 339 790
Operating profit before impairment, depreciation and amortisation				
31 December 2017	12 953 844	379 241	—	13 333 085
31 December 2016 (Restated)	8 269 277	371 559	—	8 640 836
Depreciation and amortisation				
31 December 2017	(787 782)	(76 356)	—	(864 138)
31 December 2016 (Restated)	(611 617)	(79 738)	—	(691 355)
Equity accounted earnings				
31 December 2017	425 899	—	—	425 899
31 December 2016 (Restated)	451 848	—	—	451 848
Profit / (loss) before tax				
31 December 2017	13 829 521	(56 546)	—	13 772 975
31 December 2016 (Restated)	8 655 734	265 200	—	8 920 934
Segment assets				
31 December 2017	109 502 270	15 504 527	(1 122 038)	123 884 759
30 June 2017 (Restated)	89 101 682	15 444 890	(106 880)	104 439 692
Segment liabilities				
31 December 2017	52 101 091	8 206 784	(1 122 038)	59 185 837
30 June 2017 (Restated)	36 488 794	10 304 325	(106 880)	46 686 239
Capital expenditure				
31 December 2017	2 104 518	29 740	—	2 134 258
30 June 2017 (Restated)	1 586 071	53 518	—	1 639 589

3 Future lease commitments

Payable within one year	2 206 200	2 301 131
Payable two to five years	6 096 776	5 615 389
Payable after five years	978 760	154 508
	9 281 736	8 071 028

4 Commitments for capital expenditure

Contracts and orders placed	464 216	—
Authorised by Directors but not contracted	2 401 366	3 686 398
	2 865 582	3 686 398

The capital expenditure is to be financed out of the Group's own resources and existing borrowing facilities.

5 Borrowings & Security

Net book value of motor vehicles pledged as security for interest-bearing borrowings	167 105	220 694
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Interest - bearing borrowings constitute bank loans from various financial institutions. The average cost of borrowings for the Axia Group operations in Zimbabwe is 6.7% per annum, with borrowings for operations in the region incurring interest rates between 9% and 20% on respective local currency bank loans. The facilities expire at different dates and will be reviewed and renewed as they mature.

6 Earnings per share

Basic earnings basis

The calculation is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue for the period.

Fully diluted earnings basis

The calculation is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue after adjusting for the conversion of share options. Share options are considered for dilution if the average market price of ordinary shares during the period exceeds the exercise price of such options.

Headline earnings basis

Headline earnings comprise of basic earnings attributable to equity holders of the parent adjusted for profits, losses and items of a capital nature that do not form part of the ordinary activities of the Group, net of their related tax effects and share of non-controlling interests as applicable.

	6 Months Ended 31 Dec 2017 unaudited	Restated 6 Months Ended 31 Dec 2016 unaudited
Reconciliation of basic earnings to headline earnings		
Profit for the period attributable to equity holders of the parent	6 429 572	4 033 608
Adjustment for capital items (gross of tax):		
Impairment of goodwill on conversion of associates to subsidiary	20 479	—
Profit on disposal of motor vehicles	(6 000)	(9 530)
Tax effect on adjustments	1 545	2 454
Non-controlling interests' share of adjustments	1 485	4 152
Headline earnings attributable to ordinary shareholders	6 447 081	4 030 684
Number of shares in issue		
Weighted average number of ordinary shares used for Basic Earnings Per Share	541 593 440	541 593 440
Effect of share options	3 559 868	—
Weighted average number of ordinary shares used for Diluted Earnings Per Share	545 153 308	541 593 440
Basic earnings per share (cents)	1.19	0.74
Headline earnings per share (cents)	1.19	0.74
Diluted basic earnings per share (cents)	1.18	0.74
Diluted headline earnings per share (cents)	1.18	0.74

7 Events after the reporting date

There have been no significant events after reporting date at the time of issuing this press release.

8 Contingent liabilities

Bank guarantees	3 121 200	1 502 041
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Contingent liabilities relate to bank guarantees provided to associate company, Transerv, as at 31 December 2017.