AXIA CORPORATION LIMITED

Reviewed Financial Results

FOR THE PERIOD ENDED 30 JUNE 2016

SALIENT FEATURES

	3 Months Ended 30 June 2016 USD	Year Ended 30 June 2016 USD	Year Ended 30 June 2015 USD	
Revenue	49 557 300	197 505 911	154 854 577	▲ 28%
Operating profit	2 861 907	18 511 203	14 374 462	▲ 29%
Profit before tax	3 097 985	19 560 625	14 658 160	▲ 34%
Basic earnings per share (cents)	0.15	1.21	1.14	▲ 6%
Headline earnings per share (cents)	0.15	1.09	1.13	▼ 4%
Cash generated from operating activities	4 638 761	11 522 762	11 749 051	▼ 2%
Total dividend declared per share (cents)	0.05	0.37	—	

CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

INTRODUCTION

Axia Corporation Limited ("Axia") was incorporated on the 24th of February 2016 and on 1 April 2016 acquired, through a scheme of reconstruction, the net assets of Innscor Africa Limited's Speciality Retail and Distribution business, in exchange for 541,593,440 shares in Axia. A new head office structure for Axia was established with effect from 1 April 2016 to monitor and support the operations of Axia's subsidiary companies. Axia listed on the Zimbabwe Stock Exchange on 17 May 2016.

Following its unbundling from Innscor Africa Limited, Axia adopted 30 June as its financial reporting year end. This inaugural press statement presents Axia's financial information for the 3 months from 1 April 2016 to 30 June 2016 as the results for the period from 1 July 2015 to 31 March 2016 have been reported on by Innscor Africa Limited. However, the Directors have chosen to comment on the full year proforma results as this was considered useful for all stakeholders.

DIRECTORS' RESPONSIBILITY

The Directors of Axia Corporation Limited are responsible for the preparation and fair presentation of the Group's consolidated financial statements, of which this press release represents an extract. These financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies' Act (Chapter 24:03). The principal accounting policies of the Group's subsidiaries have been consistently applied throughout the financial year and conform with those applied in the prior year.

AUDIT STATEMENT

The Group's external auditors, Ernst & Young, have issued an unmodified review conclusion on the financial statements of the Group for the three months ended 30 June 2016. The audit of the Group financial statements is complete pending the finalization of the annual report; no changes are expected on the reviewed numbers. The unmodified review report is available for inspection at the Company's registered office.

FINANCIAL OVERVIEW

The Group has faced a difficult trading environment in Zimbabwe, characterised by declining disposable income, constrained market liquidity and changes to import regulations and payments to varying degrees, for the periods under review. The regional operations in Zambia and Malawi were not spared as they were adversely affected by currency devaluations.

The Group reported revenue of US$49.557 million and profit before tax of US$3.1 million for the 3 months ended 30 June 2016 notwithstanding additional overheads incurred by the new head office structure. Expenses incurred as part of the scheme of reconstruction and subsequent listing of Axia (pre-incorporation expenses) amounting to US$0.215 million were recognised in the statement of changes in equity.

During the year under review, the Group achieved significant growth in turnover and profitability through the coming on board of Transerv. Revenue recorded of US$ 197.506 million grew by 28% on the comparative period. Operating profit for the Group increased by 29% whilst profit before tax of US$19.561 million also increased by 33% on the comparative period. Basic earnings per share for the year amounted to 1.21 US cents whilst headline earnings per share declined 4% to 1.09 US cents mainly caused by adjusting for the profit on sale of Breathaway Food Caterers (Private) Limited early in the financial year (pre-unbundling from Innscor Africa Limited).

Owing to the delays in foreign payments, there has been a need to take pre-emptive action to secure additional inventory which had the effect of materially changing the working capital profile of the Group. The increased working capital is also a result of the coming on board of Transerv. Trade receivable balances grew markedly in the Distribution business in line with increased sales and decreased in the furniture retail operations where the contribution of cash sales has grown year on year.

The Group's capital expenditure increased from US$1.700 million in FY2015 to US$2.479 million during the financial year.

Net borrowings have increased by US$6.785 million to support capital expenditure and working capital investment in inventory.

SUSTAINABILITY REPORTING

The Group strives to operate its business in a sustainable manner that recognises environmental and social impacts. The Group believes that by identifying, measuring and being accountable to its stakeholders through sustainability reporting (Economic, Environmental, Social and Governance), this enhances potential for long-term, sustainable business success. To this end, the Group has set a vision to achieve, in the coming years, international best practices in sustainability reporting by adopting the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines as a framework.

OPERATIONS

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

TV Sales & Home

Despite the slow start to the year, TV Sales & Home delivered good results in the 3 months to 30 June 2016 recording 13% revenue growth over the comparative period which was driven mainly by a 24% increase in cash sales as demand for extended credit continued to wane. The decrease in credit sales together with high maintenance expenditure resulted in a small 2% increase in operating profits.

Despite good revenues in the last quarter, TV Sales & Home full year revenues dropped by 10%, with units sold reducing 5% and average prices coming down by 6%. Given the environmental uncertainty, the level of extended credit sales remained depressed resulting in their contribution to revenue decreasing from 34% to 29% over the comparative period which translated into a 15% reduction in the debtors' book. The quality of the instalment debtors' book remained good throughout the year. The business expanded the store network with an additional five stores opening during the course of the year, one each in Chegutu, Chipinge, Zvishavane, and two in Harare that included a new bedding format "Bedtime" in Msasa. All these openings occurred in the first six months of the financial year and contributed positively to the company's profitability. The business has increased focus on locally manufactured products in an environment where external outflows have become a challenge.

Transerv

Transerv faced a difficult 3 months to June 2016 with revenue dropping by 15% on the comparative period. The effects of cash shortages were most felt in April and May but the situation improved in June as the market adjusted to alternative payment methods. During this quarter, the company added 2 retail outlets in Harare to its network and closed an under-performing retail outlet in Bulawayo and a fitment center in Harare.

Transerv was acquired with effect from 2 July 2015. The company reported an 11% drop in annual revenue over the comparative period. Notwithstanding the improved buying efficiencies, increased overheads from additional stores opened during the year resulted in a drop in operating profit of 12% on the comparative period. Since joining the Group, Transerv increased its footprint by opening 5 fitment centers, one each in Masvingo, Kwekwe and Bulawayo and two in Harare, ADCO Southerton as well as a retail outlet in Kwekwe. An under-performing retail outlet in Bulawayo and a fitment center in Harare were closed during the year and the business now has a network of 24 trading outlets, 15 Fitment Centers, a diesel pump room (ADCO) and Clutch and Brake Specialists (CBS). Management will continuously focus on improving efficiencies in the retailing of automotive spares and accessories whilst tightly controlling overheads.

Distribution Group Africa Zimbabwe

Focusing on the 3 months ended 30 June 2016, the operations achieved a turnover growth of 28% over the comparative period. The depressed margins, together with increased provision for doubtful debts, resulted in a decline of 3% in profit before tax over the comparative period.

Over the year, Distribution Group Africa Zimbabwe delivered a strong set of results, recording volume growth of 30% resulting in a 17% revenue growth and 29% growth in operating profit over the comparative period. The growth in both revenue and profits was largely attributable to the acquisition of new agencies during the period under review.

Whilst margins in the business were lower than those achieved in the comparative period in response to highly price sensitive consumers, profit growth was driven by cost restructuring initiatives and increased revenue on a nearly fixed overhead base. A once-off profit was realised on the disposal of a non-core business operation, Breathaway Food Caterers (Private) Limited.

Distribution Group Africa Region

Regional operations did not fare well for the three months ended 30 June 2016 with both turnover and operating profit declining by 29% and over 50% respectively over the comparative period.

The Regional Distribution business continued to operate in challenging local environments. The 12% decline in revenue over prior year was mainly contributed by Zambia operations where the business lost a distributorship agency coupled with the declining consumer buying power. The lower margins, increased overheads through provision for doubtful debts, together with the local currency depreciation in both Zambia and Malawi, resulted in a depressed operating profit which was 40% below that of the comparative period.

PROSPECTS

Notwithstanding the tough trading environment, the Group remains confident and will continue to look for and invest in opportunities that grow stakeholder value. With a clear strategic framework, management will ensure that the appropriate shareholder returns are extracted from the Group's operations. The focus in the new financial year is to maintain close relationships with suppliers of goods and financial services with regards to efficient sourcing of, and payment for, inventories. The complexities of the current environment have created and will continue to create opportunities for Axia.

Initiatives to increase Axia's involvement in local manufacturing, whether by taking stakes therein or supporting working capital and equipment requirements, are already in play and the Group will actively seek and promote further such involvement.

DIVIDEND

The Board has declared a final dividend of 0.05 US cents per share in respect of all ordinary shares of the Company. The dividend is in respect of the financial period ended 30 June 2016 and will be payable in full to all shareholders of the Company registered at close of business on the 14th of October 2016. This dividend represents a cash dividend cover of 3 times. The payment of this dividend will take place on or about the 27th of October 2016. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 7th of October and ex-dividend as from the 10th of October 2016.

The Board has also declared a dividend totalling US$13,500 to the Axia Corporation Employee Share Trust (Private) Limited.

APPRECIATION

I wish to record my appreciation to the Board of Directors, Executives, Management and Staff for their efforts during the period under review. I also wish to thank the Group's customers, suppliers and other stakeholders for their continued support and loyalty.

L. E. M. NGWERUME
Chairman
22 September 2016

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended 30 June 2016

	3 Months Ended 30 Jun 2016 reviewed USD	Proforma Year Ended 30 Jun 2016 reviewed USD	Proforma Year Ended 30 Jun 2015 audited USD
Revenue	**49 557 300**	**197 505 911**	**154 854 577**
Operating profit before depreciation, amortisation and fair value adjustments	**2 861 907**	**18 511 203**	**14 374 462**
financial income	843 532	2 949 971	1 543 944
depreciation and amortisation	(337 994)	(1 468 924)	(951 242)
Operating profit before interest, equity accounted earnings and fair value adjustments	**3 367 445**	**19 992 250**	**14 967 164**
fair value adjustments on listed equities	3 731	(34 892)	(654)
Profit before interest and tax	**3 371 176**	**19 957 358**	**14 966 510**
net interest	(135 208)	(285 203)	(181 410)
equity accounted loss	(137 983)	(111 530)	(126 940)
Profit before tax	**3 097 985**	**19 560 625**	**14 658 160**
tax expense	(827 190)	(5 101 321)	(4 048 778)
Profit for the period	**2 270 795**	**14 459 304**	**10 609 382**
Other comprehensive income - to be recycled to profit or loss			
exchange differences arising on the translation of foreign operations	316 078	(1 341 261)	(918 922)
Other comprehensive income for the year, net of tax	**316 078**	**(1 341 261)**	**(918 922)**
Total comprehensive income for the period	**2 586 873**	**13 118 043**	**9 690 460**
Profit for the period attributable to:			
equity holders of the parent	798 066	6 534 639	6 169 720
non-controlling interests	1 472 729	7 924 665	4 439 662
	2 270 795	**14 459 304**	**10 609 382**
Total comprehensive income for the period attributable to:			
equity holders of the parent	956 105	5 864 008	5 710 259
non-controlling interests	1 630 768	7 254 035	3 980 201
	2 586 873	**13 118 043**	**9 690 460**
Earnings per share (cents)			
Basic earnings per share	**0.15**	**1.21**	**1.14**
Headline earnings per share	**0.15**	**1.09**	**1.13**
Diluted earnings per share	**0.15**	**1.21**	**1.14**
Diluted headline earnings per share	**0.15**	**1.09**	**1.13**

AXIA CORPORATION LIMITED

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	At 30 June 2016 reviewed USD	Proforma At 30 June 2015 audited USD
ASSETS		
Non-current assets		
property, plant and equipment	8 721 952	6 939 207
intangible assets	4 223 310	101 635
investments in associates	1 300 560	2 364 379
deferred tax assets	872 857	501 406
	15 118 679	**9 906 627**
Current assets		
financial assets	116 964	253 820
inventories	32 419 610	25 091 469
trade and other receivables	43 722 239	37 503 062
cash and cash equivalents	13 717 844	8 689 039
	89 976 657	**71 537 390**
Total assets	**105 095 336**	**81 444 017**
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	54 159	—
non-distributable reserves	(2 941 958)	(2 056 090)
distributable reserves	31 383 682	27 702 888
Attributable to equity holders of parent	**28 495 883**	**25 646 798**
non-controlling interests	21 204 211	18 590 607
Total shareholders' equity	**49 700 094**	**44 237 405**
Non-current liabilities		
deferred tax liabilities	1 734 862	2 777 348
interest-bearing borrowings	3 735 511	3 008 938
	5 470 373	**5 786 286**
Current liabilities		
interest-bearing borrowings	14 838 839	3 692 012
trade and other payables	32 914 881	26 679 353
provisions and other liabilities	897 804	710 382
current tax liabilities	1 273 345	338 579
	49 924 869	**31 420 326**
Total liabilities	**55 395 242**	**37 206 612**
Total equity and liabilities	**105 095 336**	**81 444 017**

ABRIDGED GROUP STATEMENT OF CASH FLOWS

for the period ended 30 June 2016

	3 Months Ended 30 June 2016 reviewed USD	Proforma Year Ended 30 June 2016 reviewed USD	Proforma Year Ended 30 June 2015 audited USD
Cash generated from operating activities	**4 638 761**	**11 522 762**	**11 749 051**
net interest paid	(135 208)	(285 203)	(181 410)
tax paid	(1 924 891)	(5 635 015)	(5 030 334)
Total cash available from operations	**2 578 662**	**5 602 544**	**6 537 307**
Investing activities	**830 093**	**(3 943 053)**	**(3 068 246)**
Net cash inflow before financing activities	**3 408 755**	**1 659 491**	**3 469 061**
Financing activities	**104 896**	**3 369 314**	**(3 277 490)**
Increase in cash and cash equivalents	**3 513 651**	**5 028 805**	**191 571**
Cash and cash equivalents at the beginning of the period	**10 204 193**	**8 689 039**	**8 497 468**
Cash and cash equivalents at the end of the period	**13 717 844**	**13 717 844**	**8 689 039**

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

for the 3 months ended 30 June 2016

	Ordinary Share Capital USD	Non-Distributable Reserves USD	Distributable Reserves USD	Total USD	Non-Controlling Interests USD	Total USD
Balance at 1 April 2016	**—**	**(2 884 974)**	**30 639 775**	**27 754 801**	**20 137 135**	**47 891 936**
Issued during the period	54 159	—	(54 159)	—	—	—
Pre-incorporation costs	—	(215 023)	—	(215 023)	—	(215 023)
Profit for the period	—	—	798 066	798 066	1 472 729	2 270 795
Other comprehensive income	—	158 039	—	158 039	158 039	316 078
Dividends paid	—	—	—	—	(256 840)	(256 840)
Transactions with owners in their capacity as owners	—	—	—	—	(306 852)	(306 852)
Balance at 30 June 2016	**54 159**	**(2 941 958)**	**31 383 682**	**28 495 883**	**21 204 211**	**49 700 094**

SUPPLEMENTARY INFORMATION

for the period ended 30 June 2016

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Operating Segments

	Zimbabwe USD	Region USD	Intersegment adjustments USD	Total USD
Revenue				
30 June 2016 - 3 months	44 477 597	5 079 703	—	49 557 300
30 June 2016 - 12 months	172 112 728	25 393 183	—	197 505 911
30 June 2015 - 12 months	126 093 558	28 761 019	—	154 854 577
Operating profit before depreciation and amortisation				
30 June 2016 - 3 months	2 640 622	221 285	—	2 861 907
30 June 2016 - 12 months	17 249 102	1 262 101	—	18 511 203
30 June 2015 - 12 months	12 245 338	2 129 124	—	14 374 462
Depreciation and amortisation				
30 June 2016 - 3 months	281 584	56 410	—	337 994
30 June 2016 - 12 months	1 288 421	180 503	—	1 468 924
30 June 2015 - 12 months	736 235	215 007	—	951 242
Equity accounted loss				
30 June 2016 - 3 months	(137 983)	—	—	(137 983)
30 June 2016 - 12 months	(111 530)	—	—	(111 530)
30 June 2015 - 12 months	(126 940)	—	—	(126 940)
Profit before tax				
30 June 2016 - 3 months	2 993 775	104 210	—	3 097 985
30 June 2016 - 12 months	18 621 808	938 817	—	19 560 625
30 June 2015 - 12 months	12 858 346	1 799 814	—	14 658 160
Segment assets				
30 June 2016	92 344 053	12 805 523	(54 240)	105 095 336
30 June 2015	67 126 048	14 317 969	—	81 444 017
Segment liabilities				
30 June 2016	47 588 661	7 860 821	(54 240)	55 395 242
30 June 2015	28 686 128	8 520 484	—	37 206 612
Capital expenditure				
30 June 2016 - 3 months	227 792	18 650	—	246 442
30 June 2016 - 12 months	1 966 856	474 587	—	2 441 443
30 June 2015 - 12 months	1 560 726	139 024	—	1 699 750

	3 Months Ended 30 June 2016 reviewed USD	Year Ended 30 June 2016 reviewed USD	Year Ended 30 June 2015 audited USD
3 Capital expenditure for the period	246 442	2 441 443	1 699 750
4 Future lease commitments			
Payable within one year	2 861 646	2 861 646	1 549 110
Payable two to five years	6 588 691	6 588 691	3 963 619
Payable after five years	1 001 813	1 001 813	1 001 813
	10 452 150	**10 452 150**	**6 514 542**
5 Commitments for capital expenditure			
Contracts and orders placed	—	—	—
Authorised by Directors but not contracted	4 441 139	4 441 139	2 516 376
	1 699 750	**1 699 750**	**2 516 376**
The capital expenditure is to be financed out of the Group's own resources and existing borrowing facilities.			
6 Security			
Net book value of property, plant, equipment, motor vehicles, inventories and accounts receivables pledged as security for interest-bearing borrowings	539 939	539 939	3 381 708

7 Interest-bearing borrowings

Interest-bearing borrowings constitute bank loans from various local financial institutions. The average cost of borrowings for Axia Group's operations in Zimbabwe is 6.7% per annum, whilst it is 15% per annum for Regional operations. The facilities expire at different dates and will be reviewed and renewed when they mature.

8 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 to assume conversion of share options, only if the average market price of ordinary shares during the year exceeds the exercise price of such options.

The share options arising from the Group's indigenisation transaction had no dilutive effect at the end of the year.

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.

	3 Months Ended 30 June 2016 reviewed USD	Year Ended 30 June 2016 reviewed USD	Year Ended 30 June 2015 audited USD
Reconciliation of basic earnings to headline earnings			
Profit for the period attributable to equity holders of the parent	798 066	6 534 639	6 169 720
Adjustment for capital items (gross of tax):			
Profit on disposal of equipment	(13 862)	(76 880)	(71 222)
Profit on disposal of subsidiary	—	(1 524 137)	—
Tax effect on adjustments	3 200	345 319	18 340
Non-controlling interests' share of adjustments	3 122	623 787	26 436
Headline earnings attributable to ordinary shareholders	**790 526**	**5 902 728**	**6 143 274**
Number of shares in issue			
Number of ordinary shares in issue	541 593 440	541 593 440	541 593 440
Weighted average number of ordinary shares in issue	541 593 440	541 593 440	541 593 440
Basic earnings per share (cents)	0.15	1.21	1.14
Headline earnings per share (cents)	0.15	1.09	1.13
Diluted basic earnings per share (cents)	0.15	1.21	1.14
Diluted headline earnings per share (cents)	0.15	1.09	1.13

9 Events after the reporting date

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

10 Contingent liabilities

The Group had no contingent liabilities as at 30 June 2016.