AXIA CORPORATION LIMITED

Abridged Audited Financial Results

FOR THE YEAR ENDED 30 JUNE 2017

Salient Features

for the year ended 30 June 2017

	Year Ended 30 June 2017 USD	
Revenue	248 262 239	▲ 26%
Operating profit	22 907 789	▲ 24%
Headline profit before tax	20 719 156	▲ 15%
Basic earnings per share (cents)	1.37	▲ 13%
Headline earnings per share (cents)	1.37	▲ 25%

Total dividend for the year (paid and payable) at 0.54 cents (interim 0.24; final 0.22; special 0.08) representing a dividend cover of 2.54

CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

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 abridged audited financial results have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies' Act (Chapter 24:03) and the Zimbabwe Stock Exchange listing requirements. The principal accounting policies of the Group have been consistently applied throughout the financial year and conform with those applied in the prior year.

AUDITOR'S STATEMENT

The abridged audited financial results should be read in conjunction with the complete set of financial statements for the group audited by Ernst & Young Chartered Accountants (Zimbabwe) who have issued an unmodified opinion. The auditor's report incorporates a section detailing key audit matters. These include; impairment of goodwill, recoverability of trade receivables and the existence and valuation of inventory. The auditor's report is available for inspection at the Company's registered office.

FINANCIAL OVERVIEW

The Group experienced certain challenges during the year, characterised by delays in making foreign payments to suppliers of goods and services, some difficulties in securing import permits, compressed consumer spending and liquidity constraints. Notwithstanding the foregoing the Group delivered a good set of results.

During the year under review, the Group reported revenue of US$248.262 million achieving a 26% growth on the comparative period. An operating profit of US$22.908 million and a profit before tax of US$20.754 million were recorded for the year ended 30 June 2017 notwithstanding once-off legacy charges recorded in the associate distribution businesses. Headline earnings per share at 1.37 US cents were 25% above the comparative period.

Owing to the delays in foreign payments, the Group has been impelled to take proactive action to secure additional inventory. This has resulted in a change to its working capital profile. In addition, the increased net working capital is a result of the strategic inventory balance which grew markedly in all businesses.

The Group's capital expenditure for the year totaled US$1.722 million.

Net borrowings have increased by US$9.702 million, mainly to support strategic working capital investments. This has resulted in the net gearing ratio increasing from 7.11% to 17.23%.

SUSTAINABILITY REPORTING

The Group strives to operate its business in a sustainable manner that recognises environmental and social impacts. As part of this commitment, the Group applies the Global Reporting Initiatives (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), 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

TV Sales & Home reported a good set of results with a 51% increase in units sold over the prior year, resulting in a 37% year on year revenue growth. This has been spurred by growth in cash sales over the comparative period owing to well marketed and merchandised stores and a shift towards formal trade channels. The instalment debtors' book decreased by 13% over the comparative period whilst its quality remained good throughout the year.

Inventory levels remain good especially on locally manufactured products as supported by our "Buy Zimbabwe" campaign. There is, however, a risk that foreign payments for both the raw material requirements of local manufacturers as well as the business' direct imports of electronic goods that are not available locally, will threaten stock supply in the foreseeable future.

TV Sales & Home continued to grow its store network during the year with two new flagship stores opening in Village Walk Borrowdale and one additional store opened in Mutare. This brought the total store network at June 2017 up to 41 outlets countrywide. Management will continue to look for growth opportunities in the forthcoming financial year and already have plans to open more outlets in strategic locations as well as upgrade existing stores to the new standards as set in the Village Walk complex.

Transerv

After a slow start to the current year, Transerv recorded an overall revenue growth of 3% against prior year. Notwithstanding the controlled overheads during the year, reduced margins resulted in a drop in operating profit of 3% on the comparative period. As at 30 June 2017, the business has a network of 24 trading outlets, 15 Fitment Centers, a diesel pump room (ADCO) and a Clutch and Brake Specialists (CBS). The new outlet, located in Harare, caters for autocycle clientele and also offers fitment center services. An additional fitment center in Harare is planned for opening in the first quarter of the 2018 financial year whilst an underperforming fitment center in Harare will be 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. As reported at half year, Transerv scooped the 'Motor Spares Retailer of the Year' award at the Zimbabwe Retailers and Wholesalers Awards organised by the Confederation of Zimbabwe Retailers in November 2016, owing to its immense contribution to the Zimbabwe automobile transport sector.

Distribution Group Africa Zimbabwe

The Zimbabwean operations delivered a good set of results underpinned by a 45% volume growth resulting in a 37% revenue growth over the comparative year. This growth was largely attributable to the acquisition of new local distributorship agencies during the year under review. Such a performance was achieved despite issues of import permits and settling foreign suppliers. To mitigate such risks, the group has increased local business although the margins are lower. As a result, the current year gross margin was 2% lower than that achieved in the comparative period. Operating profit was 20% up from prior year. The business has successfully partnered with some local manufacturers to produce certain imported products locally under license and will continue to look at other opportunities to reduce foreign currency requirements for imports. As reported at half year, DGA (Zimbabwe and Region) was named as the 2016 'Johnson & Johnson – Distributor of the year in Africa' and the 2016 'Colgate Palmolive Best Modern Trade Distributor in Africa' as well as a couple of other Colgate Palmolive awards.

Distribution Group Africa Region

The regional operations posted a subdued set of results with both turnover and operating profit declining by 6% and 47% respectively from prior year. This was mainly attributed to the tough trading environment in both the Zambian and Malawian economies. The second half of the financial year saw an improved performance and management is optimistic that this will continue into the 2018 financial year. In addition, the management changes effected in both countries with the objective to grow the businesses are yielding the desired results and this will bear positive results in the coming financial year.

PROSPECTS

The current environment will necessitate the Group to continue growing inventories to mitigate against the ever-present risks surrounding securing import permits and making foreign payments. The Group will continue to be proactive in settling high risk foreign creditors and maintaining good relationships with suppliers and financial services providers.

The businesses are witnessing the emergence of inflationary pressures due to the currency situation. Whilst consumer spending is increasing in monetary terms, pay packets are not. Despite this resultant squeeze on customer activity, the Group remains confident and will focus on securing inventory to ensure superior offerings to customers, revenue generation, increasing vigilance on trade receivables collection and managing costs to protect profitability.

DIVIDEND

The Board declared a final dividend of 0.22 US cents per share in respect of all ordinary shares of the Company for the year ended 30 June 2017. In addition, a special dividend of 0.08 US cents has been declared. This brings the total final dividend in respect of the year ended 30 June 2017 to 0.30 US cents per share.

The final dividend will be payable in full to all shareholders of the Company registered at close of business on the 6th of October 2017.

The payment of this dividend will take place on or about the 17th of October 2017. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 3rd of October and ex-dividend as from the 4th of October 2017.

The board has also declared a dividend totalling US$81 200 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 the effort, attitude and discipline they maintained during the year 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
12 September 2017

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

	12 Months Ended 30 June 2017 audited USD	Proforma 12 Months Ended 30 June 2016 reviewed USD	3 months Ended 30 June 2016 audited USD
Revenue	**248 262 239**	**197 505 911**	**49 557 300**
Operating profit before depreciation, amortisation and fair value adjustments	**22 907 789**	**18 511 203**	**2 861 907**
financial income	942 861	2 949 971	843 532
depreciation and amortisation	(1 768 546)	(1 468 924)	(337 994)
Operating profit before interest, equity accounted losses and fair value adjustments	**22 082 104**	**19 992 250**	**3 367 445**
fair value adjustments on listed equities	69 564	(34 892)	3 731
Profit before interest and tax	**22 151 668**	**19 957 358**	**3 371 176**
net interest expense	(821 431)	(285 203)	(135 208)
equity accounted losses	(576 620)	(111 530)	(137 983)
Profit before tax	**20 753 617**	**19 560 625**	**3 097 985**
tax expense	(5 479 328)	(5 101 321)	(827 190)
Profit for the year	**15 274 289**	**14 459 304**	**2 270 795**
Other comprehensive income - to be recycled to profit or loss			
exchange differences arising on the translation of foreign operations	383 438	(1 341 261)	316 078
Other comprehensive income for the year, net of tax	**383 438**	**(1 341 261)**	**316 078**
Total comprehensive income for the year	**15 657 727**	**13 118 043**	**2 586 873**
Profit for the year attributable to:			
equity holders of the parent	7 415 322	6 534 639	798 066
non-controlling interests	7 858 967	7 924 665	1 472 729
	15 274 289	**14 459 304**	**2 270 795**
Total comprehensive income for the year attributable to:			
equity holders of the parent	7 607 041	5 864 008	956 105
non-controlling interests	8 050 686	7 254 035	1 630 768
	15 657 727	**13 118 043**	**2 586 873**
Earnings per share (cents)			
Basic earnings per share	**1.37**	**1.21**	**0.15**
Headline earnings per share	**1.37**	**1.09**	**0.15**
Diluted earnings per share	**1.37**	**1.21**	**0.15**
Diluted headline earnings per share	**1.37**	**1.09**	**0.15**

AXIA CORPORATION LIMITED

Abridged Audited Financial Results

FOR THE YEAR ENDED 30 JUNE 2017

AXIA CORPORATION LIMITED

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	At 30 June 2017 audited USD	At 30 June 2016 audited USD
ASSETS		
Non-current assets		
property, plant and equipment	8 759 891	8 721 952
intangible assets	4 105 306	4 223 310
investments in associates	—	230 974
loan receivable from associate	1 321 478	1 219 624
deferred tax assets	1 631 648	872 857
	15 818 323	**15 268 717**
Current assets		
financial assets	920 926	116 964
inventories	39 777 392	32 419 610
trade and other receivables	49 116 282	43 722 239
cash and cash equivalents	11 192 564	13 717 844
	101 007 164	**89 976 657**
Total assets	**116 825 487**	**105 245 374**
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	54 159	54 159
share based payments reserve	13 694	—
non-distributable reserves	(2 535 216)	(2 726 935)
distributable reserves	37 047 992	31 168 659
Attributable to equity holders of the parent	**34 580 629**	**28 495 883**
non-controlling interests	24 182 339	21 204 211
Total shareholders' equity	**58 762 968**	**49 700 094**
Non-current liabilities		
deferred tax liabilities	1 858 664	1 734 862
interest-bearing borrowings	2 205 714	3 735 511
	4 064 378	**5 470 373**
Current liabilities		
interest-bearing borrowings	23 545 004	14 838 839
trade and other payables	28 729 642	33 064 919
provisions	702 157	897 804
current tax liabilities	1 021 338	1 273 345
	53 998 141	**50 074 907**
Total liabilities	**58 062 519**	**55 545 280**
Total equity and liabilities	**116 825 487**	**105 245 374**

ABRIDGED GROUP STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	12 Months Ended 30 June 2017 audited USD	Proforma 12 Months Ended 30 June 2016 reviewed USD	3 Months Ended 30 June 2016 audited USD
Cash generated from operating activities	**6 141 948**	**11 522 762**	**4 639 299**
net interest paid	(821 431)	(285 203)	(135 208)
tax paid	(6 374 278)	(5 635 015)	(1 924 891)
Net cash (utilised in) / generated from operating activities	**(1 053 761)**	**5 602 544**	**2 579 200**
Investing activities	**(2 048 138)**	**(3 943 053)**	**829 555**
Net cash (outflow) / inflow before financing activities	**(3 101 899)**	**1 659 491**	**3 408 755**
Financing activities	**576 619**	**3 369 314**	**104 896**
(Decrease) / increase in cash and cash equivalents	**(2 525 280)**	**5 028 805**	**3 513 651**
Cash and cash equivalents at the beginning of the year	**13 717 844**	**8 689 039**	**10 204 193**
Cash and cash equivalents at the end of the year	**11 192 564**	**13 717 844**	**13 717 844**

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Ordinary Share Capital USD	Share Based Payments Reserve 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**	**20 120 766**	**47 875 567**
Issue of ordinary shares	54 159	—	—	(54 159)	—	—	—
Share issue expenses	—	—	—	(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	—	—	—	—	—	(290 483)	(290 483)
Balance at 30 June 2016	**54 159**	**—**	**(2 726 935)**	**31 168 659**	**28 495 883**	**21 204 211**	**49 700 094**
Profit for the year	—	—	—	7 415 322	7 415 322	7 858 967	15 274 289
Other comprehensive income	—	—	191 719	—	191 719	191 719	383 438
Recognition of share based payments expense	—	13 694	—	—	13 694	—	13 694
Dividends paid	—	—	—	(1 649 390)	(1 649 390)	(4 933 880)	(6 583 270)
Transactions with owners in their capacity as owners	—	—	—	113 401	113 401	(138 678)	(25 277)
Balance at 30 June 2017	**54 159**	**13 694**	**(2 535 216)**	**37 047 992**	**34 580 629**	**24 182 339**	**58 762 968**

SUPPLEMENTARY INFORMATION

for the year ended 30 June 2017

1 Operating Segments

The following table represents the summarised financial information of the group's operating segments for the year ended 30 June 2017;

	Speciality Retail USD	Logistics & Distribution USD	Other segments USD	Intersegment adjustments USD	Total USD
Revenue					
30 June 2017 - 12 months	87 782 090	160 480 149	—	—	248 262 239
30 June 2016 - 12 months (proforma)	72 982 473	124 523 438	—		197 505 911
30 June 2016 - 3 months	18 448 117	31 109 183	—	—	49 557 300
Operating profit / (loss) before depreciation and amortisation					
30 June 2017 - 12 months	15 804 880	8 484 100	(1 381 191)	—	22 907 789
30 June 2016 - 12 months (proforma)	11 522 430	7 779 446	(790 673)	—	18 511 203
30 June 2016 - 3 months	2 376 869	1 266 972	(781 934)	—	2 861 907
Depreciation and amortisation					
30 June 2017 - 12 months	483 111	1 268 932	16 503	—	1 768 546
30 June 2016 - 12 months (proforma)	413 895	1 046 340	8 689	—	1 468 924
30 June 2016 - 3 months	37 343	298 170	2 481	—	337 994
Equity accounted losses					
30 June 2017 - 12 months	—	(576 620)	—	—	(576 620)
30 June 2016 - 12 months (proforma)	—	(111 530)	—	—	(111 530)
30 June 2016 - 3 months	—	(137 983)	—	—	(137 983)
Profit / (loss) before tax					
30 June 2017 - 12 months	15 080 678	6 641 998	(969 059)	—	20 753 617
30 June 2016 - 12 months (proforma)	11 746 819	8 761 690	(947 884)	—	19 560 625
30 June 2016 - 3 months	2 506 806	1 433 531	(842 352)	—	3 097 985
Segment assets					
30 June 2017	44 646 374	63 348 136	33 565 091	(24 734 114)	116 825 487
30 June 2016	40 248 047	60 125 664	31 363 454	(26 491 791)	105 245 374
Segment liabilities					
30 June 2017	18 617 490	32 011 176	7 433 853	—	58 062 519
30 June 2016	16 485 631	33 451 189	5 662 700	(54 240)	55 545 280
Capital expenditure					
30 June 2017	857 134	832 837	32 106	—	1 722 077
30 June 2016 - 12 months (proforma)	943 479	1 454 035	43 929	—	2 441 443

	12 Months Ended 30-Jun-17 audited USD	12 Months Ended 30-Jun-16 reviewed USD	3 months Ended 30-Jun-16 audited USD
2 Capital expenditure for the year	1 722 077	2 441 443	246 442
3 Future lease commitments			
Payable within one year	3 176 513	2 861 646	2 861 646
Payable two to five years	7 349 494	6 558 691	6 558 691
Payable after five years	170 108	1 001 813	1 001 813
	10 696 114	**10 422 150**	**10 422 150**
4 Commitments for capital expenditure			
Contracts and orders placed	231 189	—	—
Authorised by Directors but not contracted	4 943 651	4 441 139	4 441 139
	5 174 840	**4 441 139**	**4 441 139**

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

5 Borrowings and security

Interest bearing borrowings constitute bank loans from various financial institutions. The average cost of borrowings for the Axia Group operations in Zimbabwe is 6.67% per annum, with Regional borrowings incurring interest rates between 9% and 24% on local currency loans. The facilities expire at different dates and will be reviewed and renewed as they mature.

Net book value of property and motor vehicles pledged as security for interest-bearing borrowings	215 012	539 939	539 939

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 year.

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 year 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.

The following reflects the income and share data used in the basis, headline and diluted earnings per share computations:

	12 Months Ended 30-Jun-17 audited USD	12 Months Ended 30-Jun-16 reviewed USD	3 Months Ended 30-Jun-16 audited USD
Reconciliation of basic earnings to headline earnings			
Profit for the year attributable to equity holders of the parent	7 415 322	6 534 639	798 066
Adjustment for capital items (gross of tax):			
Profit on disposal of equipment	(34 461)	(76 880)	13 862
Profit on disposal of subsidiary	—	(1 524 137)	—
Tax effect on adjustments	9 523	345 319	(3 200)
Non-controlling interests' share of adjustments	9 070	623 787	(3 122)
Headline earnings attributable to equity holders of the parent	**7 399 454**	**5 902 728**	**805 606**
Number of shares in issue			
Weighted average number of ordinary shares used for basic earnings per share	541 593 440	541 593 440	541 593 440
Effect of share options	—	—	—
Weighted average number of ordinary shares used for diluted earnings per share	541 593 440	541 593 440	541 593 440
Basic earnings per share (cents)	1.37	1.21	0.15
Headline earnings per share (cents)	1.37	1.09	0.15
Diluted basic earnings per share (cents)	1.37	1.21	0.15
Diluted headline earnings per share (cents)	1.37	1.09	0.15

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

The Group had no contigent liabilities as at 30 June 2017.

DIRECTORS: *L.E.M. Ngwerume (Chairman), J. Koumides (Chief Executive Officer), *Z. Koudounaris, *T.C. Mazingi, R.M. Rambanapasi, *T.N. Sibanda (*Non Executive)