

Abridged Audited Financial Results

FOR THE YEAR ENDED 30 JUNE 2018



Salient Features

for the year ended 30 June 2018

	2018 USD	2017 Restated USD	
Revenue	275 925 217	211 421 504	▲ 31%
Operating profit before impairment, depreciation, amortisation and fair value adjustments	25 808 254	17 692 085	▲ 46%
Profit before tax	24 334 957	17 265 120	▲ 41%
Headline earnings per share (cents)	2.02	1.37	▲ 47%
Cash generated from operations	10 135 917	3 873 966	▲ 162%
Total dividend declared per share (cents)	0.72	0.54	▲ 33%

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. The 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 Deloitte & Touche, Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing. An unmodified audit opinion has been issued thereon. The auditor's report incorporates a section detailing key audit matters. These are revenue recognition and recoverability of trade receivables. The auditor's report on the financial statements, which forms the basis of these financial results, is available for inspection at the Company's registered office.

FINANCIAL OVERVIEW

The Group registered a good performance in an environment of increased risks and opportunities and notwithstanding some challenges characterized by delays in making foreign payments to suppliers of goods and services, difficulties in securing import permits and constraints in the supply of some local products.

The Group reported revenue of US\$275.925 million during the year to achieve a 31% growth on the comparative period. The Group sustained growth in profitability by recording an operating profit of US\$25.808 million and a profit before tax of US\$24.335 million for the year notwithstanding substantial once-off legacy charges recorded in the distribution businesses. Most of these once-off charges were incurred as a result of derecognising some historical debtors and inventory balances that arose as a result of a compromised control and governance environment. Management has dealt with the control environment issues and believes that they have cleared all historical balances as part of the balance sheet restructuring exercise in the affected subsidiaries.

Basic and Headline earnings per share for the year amounted to 2.02 US cents. Headline earnings were 47% above the comparative period and when adjusted for income earned on the derivative option, were 28% above prior year at 1.76 US cents.

Significant focus was placed on reducing the Group's foreign creditor positions and to secure additional inventory as a way to ensure superior offerings to customers. Although this has resulted in a significantly changed working capital profile, the Group managed to generate cash from operating activities.

The Group's capital expenditure for the year totalled US\$3.997 million. Net borrowings have increased by US\$10.558 million mainly to support strategic working capital investments resulting in increased gearing.

As advised in the interim report, the Board reassessed its position of control of Transerv, where the Group has an effective 26.01% share. The Group has equity accounted the results of Transerv and will only 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\$0.42 million on consolidation of DGA. Management has decided to immediately impair the US\$0.42 million goodwill.

SUSTAINABILITY REPORTING

As part of our commitment to ensuring the sustainability of our businesses, the Group continues to apply the Global Reporting Initiatives (GRI's) Sustainability Reporting Guidelines. The Group will continue to uphold these practices and values across its operations to ensure that 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 the 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

TV Sales & Home achieved a great result with a 19% increase in units sold over the prior year, which translated into a turnover growth of 36% driven by significant growth in both cash and lay bye sales. The instalment debtors' book decreased by 11% over the comparative period as credit sales slowed in the first half of the financial year. Credit sales grew in the last quarter of the financial year, arising from promotions and credit deals which were well received by the market and are promising to show significant growth in the new trading year. The quality of the book remained good throughout the year.

Inventory levels remain good and more focus has been placed on locally manufactured goods. The local manufacturers have managed to supply stock at a very good rate, however these partnerships are key in ensuring that supplies remain high. Management has continued to support the key suppliers to assure continuity of production.

The business has continued to grow its store network by opening three new stores, two in Harare and one in Kadoma, whilst an underperforming store in Harare was closed during the financial year. This brought the total store network at June 2018 up to 43 outlets countrywide. The refurbished Borrowdale, Sam Levy Village, store has become the flagship store in the store network. Sites for additional stores have been identified and such stores are set to open before the end of the first half of the new financial year, in time for the peak trading season. Six stores were upgraded during the financial year and more stores are scheduled for upgrades, to world class standards, in the current financial year.

Distribution Group Africa - Zimbabwe

The Zimbabwean distribution group houses a number of leading brands such as Colgate, Kellogg's, Johnson & Johnson, Tiger Brands, Unilever, Rhodes, Pioneer, Irvines, Probrands and Pepsi. The business delivered a reasonably good set of results despite the issues of local supply stock outs, import permits, settling foreign suppliers as well as once-off charges processed during the financial year. DGA Zimbabwe recorded a 17% revenue growth over the comparative period owing to acquisition of subsidiary companies, Hat On and Baobab, as well as growth in existing business. Operating profit was 25% up from prior year. As reported at half year, 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). This is as a result of management's drive to grow volumes. Management recognises that there remains a number of cases of duplicated functions and processes within the distribution group. Therefore, focus will also be directed towards rationalising these as necessary to enhance monitoring and control of this operation. Management is optimistic that by addressing control weaknesses noted during the year, profitability should increase in the forthcoming year.

Distribution Group Africa - Region

The regional operations reported a mixed set of results. Due to the competitive nature of the environment in the region, the growth in turnover did not translate into the desired profit return. Despite this, regional operations remain a critical component of the Group's distribution footprint to represent agencies held in Zimbabwe.

Malawi

Malawi recorded revenue growth of 32%, buoyed by an increase in the formal retail sector and the introduction of new principals such as Nestle and the re-launch of the Colgate Toothpaste 35g product. Growth in revenue filtered through to gross margin resulting in an increase in operating profit.

Zambia

In Zambia, revenue grew by 32% as a result of introduction of new product lines such as Fruit Tree and Tiger Brands. The growth was however achieved at low margin coupled with significant stock write offs on the back of the weakening local currency resulting in the business making a loss for the year. The business however retained all agencies and is well placed to continue servicing the Zambian retail sector.

Transerv

Transerv recorded an overall revenue growth of 31% against prior year. Volumes increased in the last quarter of the year, owing to right pricing and product availability. The business managed to maintain its footprint, across the country, as at previous financial year end. As advised in the interim report, 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. The one-stop concept of paired retail and Fitment Centers is giving the customer enhanced convenience and this has seen increased throughput. Management will continuously focus on procuring the right stock mix at the right price and continue to improve margins and profitability.

PROSPECTS

The Group is hopeful that in the medium to long term, the country will restore business confidence and offer good prospects for sustainable growth despite the current prevailing economic realities. The Group will continue to manage inventory levels and meet its foreign payments timeously.

The Group maintains its goal to achieve organic and acquisitive growth, improve margins, grow volumes,

generate free cash and continue to operate profitably and should thus create value for all stakeholders. Therefore, the Group will continue to scan the market for investment opportunities, to expand existing operations and to add synergistic and complimentary businesses in the speciality retail space as well as backward integrate into manufacturing to establish a ready export market through retail offering in the region as well as to improve its local penetration.

DIVIDEND

The Board has declared a final dividend of 0.32 US cents per share in respect of all ordinary shares of the Company. The dividend is payable in respect of the financial year ended 30 June 2018 and will be paid in full to all shareholders of the Company registered at close of business on the 12th of October 2018. The payment of this dividend will take place on or around the 23rd of October 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 9th of October and ex-dividend as from the 10th of October 2018.

The Board has also declared a final dividend totalling US\$86,000 to the Axia Corporation Employee Share Trust (Private) Limited which will be paid on the same date.

APPRECIATION

I express my sincere gratitude to the Board of Directors, executives, management and staff for their ongoing efforts especially for delivering such results in these difficult times. I also take this opportunity to thank the Group's valued customers, suppliers and other stakeholders for their continued support and trust throughout the financial year.



L E M NGWERUME
Chairman
24 September 2018

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Year ended 30 June 2018 audited USD	Restated Year ended 30 June 2017 audited USD
Revenue	275 925 217	211 421 504
Operating profit before impairment, depreciation, amortisation and fair value adjustments	25 808 254	17 692 085
financial income	1 274 464	1 138 735
impairment of goodwill	(419 325)	—
depreciation and amortisation	(1 913 260)	(1 544 801)
fair value adjustments on listed equities	68 173	69 564
Profit before interest and tax	24 818 306	17 355 583
net interest expense	(1 282 172)	(353 769)
equity accounted earnings	798 823	263 306
Profit before tax	24 334 957	17 265 120
tax expense	(7 451 633)	(4 378 809)
Profit for the year	16 883 324	12 886 311
Other comprehensive (loss)/income to be recycled to profit or loss	(293 650)	383 438
exchange differences arising on the translation of foreign operations	(293 650)	383 438
Other comprehensive (loss)/income for the year, net of tax	(293 650)	383 438
Total comprehensive income for the year	16 589 674	13 269 749
Profit for the year attributable to:		
equity holders of the parent	10 952 910	7 415 322
non-controlling interests	5 930 414	5 470 989
	16 883 324	12 886 311
Total comprehensive income for the period attributable to:		
equity holders of the parent	10 806 085	7 607 041
non-controlling interests	5 783 589	5 662 708
	16 589 674	13 269 749
Earnings per share (cents)		
Basic earnings per share	2.02	1.37
Headline earnings per share	2.02	1.37
Diluted earnings per share	2.01	1.37
Diluted headline earnings per share	2.01	1.37

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	At 30 June 2018 audited USD	Restated At 30 June 2017 audited USD	Restated At 30 June 2016 audited USD
ASSETS			
Non-current assets			
property, plant and equipment	9 085 381	6 737 412	6 554 486
intangible assets	35 083	35 083	153 087
investments in associates and joint ventures	5 617 736	4 718 913	4 791 265
loan receivable from associate	—	1 321 478	1 219 624
deferred tax assets	2 022 942	1 631 648	788 135
	16 761 142	14 444 534	13 506 597
Current assets			
financial assets	1 690 080	920 926	116 964
inventories	47 750 007	30 948 151	25 979 411
trade and other receivables	54 088 040	47 387 606	42 777 497
cash and cash equivalents	7 297 248	10 738 475	13 211 289
	110 825 375	89 995 158	82 085 161
Total assets	127 586 517	104 439 692	95 591 758
EQUITY AND LIABILITIES			
Capital and reserves			
ordinary share capital	54 159	54 159	54 159
share based payments reserve	161 634	13 694	—
non-distributable reserves	(2 682 041)	(2 535 216)	(2 726 935)
distributable reserves	43 349 637	36 612 470	30 733 137
Attributable to equity holders of the parent	40 883 389	34 145 107	28 060 361
non-controlling interests	24 773 735	22 737 302	20 203 436
Total shareholders' equity	65 657 124	56 882 409	48 263 797
Non-current liabilities			
deferred tax liabilities	1 756 257	1 753 307	1 734 862
interest-bearing borrowings	—	1 375 214	2 905 012
	1 756 257	3 128 521	4 639 874
Current liabilities			
interest-bearing borrowings	26 055 163	17 563 259	9 938 435
trade and other payables	32 361 391	25 316 249	30 755 165
provisions	944 203	634 008	836 509
current tax liabilities	812 379	915 246	1 157 978
	60 173 136	44 428 762	42 688 087
Total liabilities	61 929 393	47 557 283	47 327 961
Total equity and liabilities	127 586 517	104 439 692	95 591 758

ABRIDGED GROUP STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Year ended 30 June 2018 audited USD	Restated Year ended 30 June 2017 audited USD
Cash generated from operations		
net interest paid	10 135 917	3 873 966
tax paid	(1 282 172)	(353 769)
	(7 159 343)	(5 454 565)
Net cash generated from/(utilised in) operating activities	1 694 402	(1 934 368)
Investing activities	(4 511 122)	(1 977 440)
Net cash outflow before financing activities	(2 816 720)	(3 911 808)
Financing activities	(624 507)	1 438 994
Net decrease in cash and cash equivalents	(3 441 227)	(2 472 814)
Cash and cash equivalents at the beginning of the year	10 738 475	13 211 289
Cash and cash equivalents at the end of the year	7 297 248	10 738 475

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Attributable to equity holders of the parent					Non- Controlling Interests USD	Total USD
	Ordinary Share Capital Reserve USD	Share Based Payments Reserve USD	Non- Distributable USD	Distributable Reserves USD	Total USD		
Balance on 30 June 2016 (As previously reported)	54 159	—	(2 726 935)	31 168 659	28 495 883	21 204 211	49 700 094
Effect of restatement	—	—	—	—	—	(565 253)	(565 253)
Correction of prior period error	—	—	—	(435 522)	(435 522)	(435 522)	(871 044)
Balance on 30 June 2016 (Restated)	54 159	—	(2 726 935)	30 733 137	28 060 361	20 203 436	48 263 797
Profit for the year	—	—	—	7 415 322	7 415 322	5 470 989	12 886 311
Other comprehensive profit	—	—	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)	(2 990 164)	(4 639 554)
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)	36 612 470	34 145 107	22 737 302	56 882 409
Profit for the year	—	—	—	10 952 910	10 952 910	5 930 414	16 883 324
Other comprehensive loss	—	—	(146 825)	—	(146 825)	(146 825)	(293 650)
Share based payments expense	—	147 940	—	—	147 940	—	147 940
Dividends paid	—	—	—	(3 981 354)	(3 981 354)	(3 811 389)	(7 792 743)
Transactions with owners in their capacity as owners	—	—	—	(234 389)	(234 389)	64 233	(170 156)
Balance at 30 June 2018	54 159	161 634	(2 682 041)	43 349 637	40 883 389	24 773 735	65 657 124

NOTES AND SUPPLEMENTARY INFORMATION

for the year ended 30 June 2018

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 year ended 30 June 2018:

	Zimbabwe USD	Region USD	Intersegment adjustments USD	Total USD
Revenue				
30 June 2018	245 282 877	30 642 340	—	275 925 217
30 June 2017 (Restated)	187 614 197	23 807 307	—	211 421 504
Operating profit before impairment, depreciation, amortisation and fair value adjustments				
30 June 2018	24 940 235	868 019	—	25 808 254
30 June 2017 (Restated)	17 023 477	668 608	—	17 692 085
Depreciation and amortisation				
30 June 2018	(1 759 150)	(154 110)	—	(1 913 260)
30 June 2017 (Restated)	(1 361 059)	(183 742)	—	(1 544 801)
Equity accounted earnings				
30 June 2018	798 823	—	—	798 823
30 June 2017 (Restated)	263 306	—	—	263 306
Profit before tax				
30 June 2018	23 854 466	480 491	—	24 334 957
30 June 2017 (Restated)	16 522 409	742 711	—	17 265 120
Segment assets				
30 June 2018	145 006 470	13 413 584	(30 833 537)	127 586 517
30 June 2017 (Restated)	125 440 195	11 829 622	(32 830 125)	104 439 692
Segment liabilities				
30 June 2018	58 795 879	8 623 914	(5 490 400)	61 929 393
30 June 2017 (Restated)	46 304 536	3 851 024	(2 598 277)	47 557 283
Capital expenditure				
30 June 2018	3 872 778	124 664	—	3 997 442
30 June 2017 (Restated)	1 586 071	53 518	—	1 639 589

	Year Ended 30 June 2018 audited USD	Restated Year Ended 30 June 2017 audited USD
3 Future lease commitments		
Payable within one year	2 722 552	2 301 131
Payable two to five years	8 747 350	5 615 389
Payable after five years	1 436 773	154 508
	12 906 675	8 071 028
4 Commitments for capital expenditure		
Contracts and orders placed	—	231 189
Authorised by Directors but not contracted	6 339 389	4 768 651
	6 339 389	4 999 840

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

94 320

215 012

Interest bearing borrowings constitute bank loans from various financial institutions. The average cost of borrowings for the Axia Group operations in Zimbabwe is 6.35% per annum, with borrowings for regional operations averaging an interest rate of 20% in the respective local currency 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 year.

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.

	Year Ended 30 June 2018 audited USD	Restated Year Ended 30 June 2017 audited USD
Reconciliation of basic earnings to headline earnings		
Profit for the year attributable to equity holders of the parent	10 952 910	7 415 322
Adjustment for capital items (gross of tax):		
Impairment of goodwill	419 325	—
Impairment loss on derecognition of motor vehicles	34 283	—
Profit on disposal of motor vehicles	(56 598)	(27 446)
Tax effect on adjustments	5 746	7 067
Non-controlling interests' share of adjustments	(391 846)	6 653
Headline earnings attributable to ordinary shareholders	10 963 820	7 401 596
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	3 718 974	—
Weighted average number of ordinary shares used for Diluted Earnings Per Share	545 312 414	541 593 440
Basic earnings per share (cents)	2.02	1.37
Headline earnings per share (cents)	2.02	1.37
Diluted basic earnings per share (cents)	2.01	1.37
Diluted headline earnings per share (cents)	2.01	1.37

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

3 017 160

1 560 600

Contingent liabilities relate to bank guarantees provided to joint venture company, Transerv, as at 30 June 2018.