



AXIA CORPORATION LIMITED

ANNUAL REPORT 2016



VISION

To create value through the provision of high quality consumer and durable goods in Zimbabwe and the Region.

MISSION STATEMENT

- To sustainably and profitably distribute, market, merchandise and retail leading consumer and durable goods, thereby growing stakeholder value; and
- To enable easier access to high quality consumer and durable goods at reasonable prices to our customers.

SCOPE OF THIS REPORT

We are pleased to present the Annual Report of Axia Corporation Limited, a company listed on the Zimbabwe Stock Exchange (ZSE) for the three months ended 30 June 2016.

This report is targeted at a broad range of our stakeholders with the aim of presenting a balanced review of material issues and performance from our operations. The report also outlines the Group's goal and ambition, in the years to come, to move towards sustainable business practices, accountability, transparency and international best practices as laid out in the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines (G4).

This annual report is structured to reflect our initial step towards aligning with sustainability reporting guidelines. Our financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and audited by Ernst & Young Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISA). An independent auditors' report on the financial statements is contained on Page 24.

FORWARD LOOKING STATEMENTS

Certain statements in this report constitute 'forward looking statements'. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performances, objectives or achievements of Axia Corporation Limited to be materially different from future results, performance, objectives or achievements expressed or implied in forward looking statements.

We would welcome your feedback on our reporting and any suggestions you have in terms of what you would like to see incorporated in our report for 2017. To do so, please contact Lorraine Chidziva on email lorrainec@axiaops.com or +263 4 776 998/776 273.



Luke Ngwerume
Chairman



John Koumides
Group Chief Executive Officer



AXIA CORPORATION LIMITED
ANNUAL REPORT 2016

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Group Structure and Activities

COMPANY OVERVIEW

Axia Corporation Limited (Axia) was incorporated on 24 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 year end.

Axia Corporation Limited operates within the speciality retail and distribution sector. It has three operating business units, namely 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 countrywide. The business operates through a network of its homegrown branded Transerv retail branches, franchised Midas retail branches and numerous fitment centres. DGA is a large and successful distribution and logistics concern, with operations in Zimbabwe, Zambia and Malawi. Its core areas of expertise lie in inbound clearing and bonded warehousing, ambient and chilled/frozen warehousing, logistics, marketing, sales and merchandising services.

DISTRIBUTION

DISTRIBUTION ZIMBABWE

Innscor Distribution
Comox Trading
Eagle Agencies
Snack Sales and Distribution
FreshPro
Brands House Marketing
Vital Logistics
Brand Action

BAOBAB AFRICA (PVT) LTD

(Associate company)

HAT ON INVESTMENTS (PVT) LTD

(Associate company)

DISTRIBUTION ZAMBIA

Innscor Distribution
Comox Trading
Mukwa Distribution

DISTRIBUTION MALAWI

Innscor Distribution
Comox Trading

SPECIALITY RETAIL

TV SALES & HOME

38*

TRANSERV

Transerv	21
Midas	3
Transerv Fitment Centre	15
Auto Cycle Centre	1
Zimbabwe Spares Wholesalers (ZSW)	1
Clutch and Brake Specialists (CBS)	1
ADCO	1

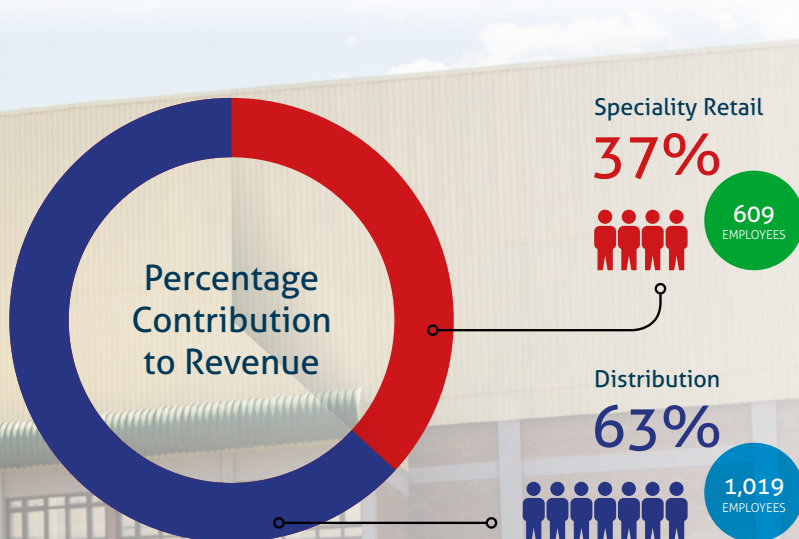
*The number in front of a Brand represents the total outlets open at 30 June 2016.



Summary Group Performance

for the three months ended 30 June 2016

	2016 USD
Group Summary	
Revenue	49 557 300
Operating profit before financial income, depreciation, amortisation and fair value adjustments	2 861 907
Profit before tax	3 097 985
Profit for the period attributable to equity holders of the parent	798 066
Cash generated from operating activities	4 639 299
Net assets (attributable)	28 495 883
Share Performance (cents)	
Basic earnings per share	0.15
Headline earnings per share	0.15
Ordinary Share dividends declared and paid during the period:	
Ordinary Share dividends per share declared and paid since reporting date	0.05
Class "A" ordinary share dividends recognised and paid since reporting date (USD)	13 500
Market price per share - 30 June (cents)	7.50
Number of shares in issue at 30 June	541 593 440
Market capitalisation	40 619 508



Chairman's Statement and Review of Operations

REVENUE

US\$49.557m

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.

Introduction

Axia Corporation Limited ("Axia") was incorporated on the 24th of February 2016 and on 1st 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.

Chairman's Statement and Review of Operations (continued)

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\$3.098 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 (share issue 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).

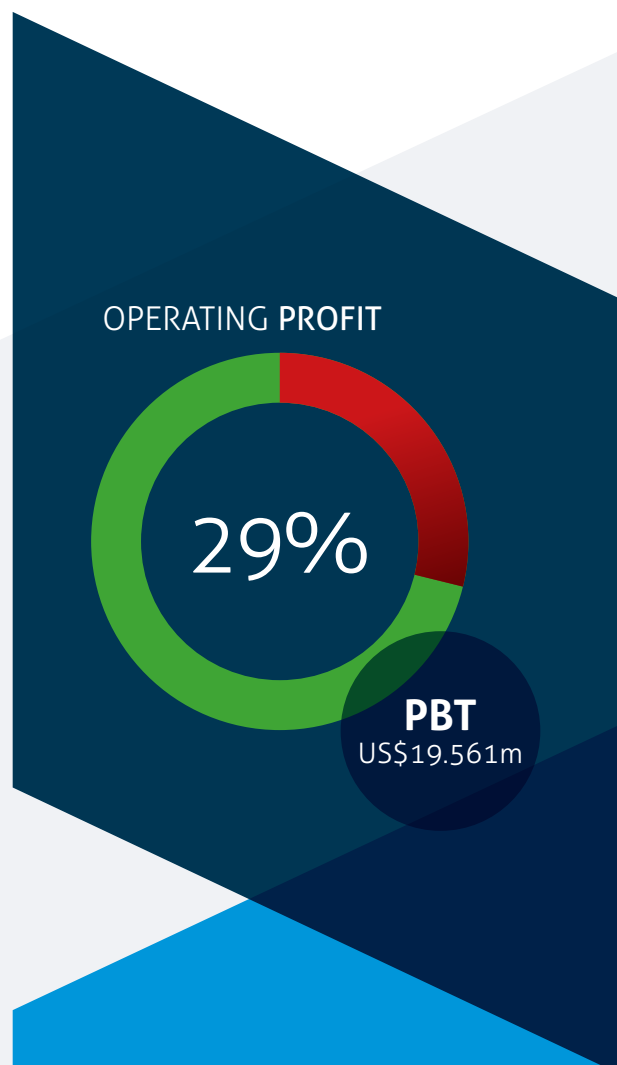
Owing to the delays in foreign payments, there has been a need to take pre-emptive action to secure additional inventory which had the effect of materially changing the working capital profile of the Group. The increased working capital is also a result of the coming on board of Transerv. Trade receivable 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.



Chairman's Statement and Review of Operations (continued)

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.



**13%
Revenue
growth over the
comparative
period**

Chairman's Statement and Review of Operations (continued)

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 16% 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 centre 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.

**Transerv
was acquired
with effect
from 2 July
2015.**

Chairman's Statement and Review of Operations (continued)



28%
Revenue
growth
over the
comparative
period

Distribution Group Africa Zimbabwe - Harare Warehouse

Chairman's Statement and Review of Operations (continued)

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 45% 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. 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

20 October 2016

Corporate Governance and Approaches

Group Governance and Management Approach

Axia Corporation Limited (Axia) is committed to the principles of Corporate Governance as laid out in the National Code on Corporate Governance Zimbabwe. The Directors recognise the need to conduct the affairs of the Group with principles of transparency, integrity, accountability and in accordance with generally accepted corporate practices, in the interests of its shareholders, employees and other stakeholders. This process enables the Group's shareholders and stakeholders to derive the assurance that, in protecting and adding value to Axia's financial and human capital investment, the Group is being managed ethically, according to prudently determined risk parameters and in compliance with the best international practices.

Mechanisms for Communication with Stakeholders

The Group provides various platforms for its stakeholders to communicate with its Board of Directors and senior management. Such platforms include the Annual General Meeting, press release announcements of interim and year-end results, investor briefings, annual reporting to shareholders and exercise of shareholders' voting rights through proxy forms.

Board and Management Ethics

The Group believes that it is the responsibility of the Board and management to lead by following acceptable ethical business practices. Therefore, all Directors and management are required to declare interests which might be deemed in conflict with their contracts with the Group.

Professional and ethical standards are an integral part of how the company conducts its business affairs. The Group recognises that investor and stakeholder perceptions are based on the manner in which the company, its Directors, management and staff conduct business and the Group therefore strives to achieve the highest standards of integrity and business ethics at all times.

Share Dealings

The company has a policy in line with the Zimbabwe Stock Exchange Listing Requirements prohibiting dealings in shares by Directors, officers, executive management and all Group staff for a designated period which is:

- one month prior to the end of the interim or annual reporting periods to the announcement of the interim results, or
- any period when they are aware of any negotiations or in possession of price sensitive information not within the public domain.



Corporate Governance and Approaches (continued)

Professional Advice

It is the Group's Policy that where justifiable, Directors shall be entitled to seek independent professional advice at the Group's expense on matters in the furtherance of their duties or in advance of the Group and its companies' value creation.

Board Structure

The primary responsibility of the Board is to discharge its fiduciary responsibility to the shareholders and the Company. The Board is accordingly the highest policy organ of the Company and also acts to direct strategy. The Board meets quarterly to monitor the performance of management and to ensure proper control over the strategic direction and governance of the Group.

The Board comprises of two executive Directors, three independent non-executive Directors and one non-independent non-executive Director. The Board is made up of individuals with proven track records and a wide range of different skills and experience, which they employ for the Company's benefit. The Non-Executive Directors also provide crucial independence and guidance to the Company's strategic decision making process and corporate governance practices.

The Directors are allocated responsibilities in Sub-Committees where they have strategic strengths. Short biographies of each of the Directors are disclosed on page 13.

Each individual business within the Group has a formal Board with clearly defined responsibilities and objectives, for the day-to-day running of its operations. A comprehensive financial reporting system ensures that each business is brought to account on a monthly basis.

Directors Remuneration

Remuneration packages for Directors are determined by the Group's Remuneration Committee. These packages include a guaranteed salary as well as performance related incentive linked to the achievement of pre-set profit targets and levels of free cash flow. As at 30 June 2016, there were no loans from the Company to any Directors. In addition, no share options were issued to any Directors during the period under review and there were no unexercised share options outstanding held by the Directors at 30 June 2016.

Sub - Committees:

Committee	Members	Summary Roles & Responsibilities
Executive	J. Koumides (Chairperson) R.M. Rambanapasi I. Bekker S. Gorringer C. Hodgson	The Executive Committee is responsible for formulating, directing and implementing strategic decisions. The Committee meets monthly. The Committee is composed of two Directors and three senior managers.
Audit and Risk	T.N. Sibanda (Chairperson) J. Koumides T.C. Mazingi	The Group has an audit and risk committee that assists the Board in the fulfilment of its duties. The audit and risk committee of the Board deals, inter alia, with compliance, internal control and risk management. The committee currently comprises of one executive Director and two independent non-executive Directors. The committee meets at least three times a year and its responsibilities include but are not limited to the following: - Ensuring that financial reporting across the Group is transparent, accurate and reliable; - Overseeing and managing the performance, functioning and effectiveness of the organisation's finance and risk functions and internal audit functions; - Assisting the Board in fulfilling its corporate governance oversight responsibility in regards to the identification, evaluation and mitigation of operational, strategic and external risks; - Monitoring and reviewing the organisation's risk management practices and risk related disclosures, and - Reviewing and approving risk related disclosures.

Corporate Governance and Approaches (continued)

Sub - Committees: (continued)

Committee	Members	Summary Roles & Responsibilities
Remuneration and Nomination	T.C. Mazingi (Chairperson) L.E.M. Ngwerume J. Koumides T.N. Sibanda	The remuneration and nomination committee comprises three independent non-executive Directors and one executive Director. The remuneration and nomination committee's mandate has two primary responsibilities. It is to evaluate and sanction the appointment of, and remuneration packages for, all Board members, Executive Directors and senior management. In doing so, it will assemble a structure and strategy related to the terms of employment for employees, management and board members, as well as any compensation that aims to reward in a manner that attracts and retains talented individuals, and motivates employees to constantly seek to elevate and contribute to the Group's success. The committee is also responsible for orchestrating succession planning within the Company, particularly that of the chief executive and executive management.

Attendance of Meetings during the three months ended 30 June 2016

The first Audit Committee, Remuneration Committee and Board meetings of Axia Corporation Limited were held on the 21st and 22nd of September 2016 and all Directors attended.

Corporate Governance and Approaches (continued)

Board of Directors

Luke Ngwerume

Independent Non-Executive Chairman

Luke Ngwerume is an MBA graduate from the University of Cape Town Business School. He is a retired Group CEO of Old Mutual, the largest integrated financial services group in Zimbabwe. He comes from an investment background and is a seasoned business leader in Zimbabwe. He sits on the Boards of Directors of Delta Corporation Limited, CABS, Cimas and Old Mutual Nigeria. He is currently leading an innovative financial services distribution digital business, the first of its kind in Zimbabwe. He was twice voted the Old Mutual African CEO of the year in 2011 and 2012.

John Koumides

Group Chief Executive Officer

John Koumides is a former partner of Deloitte in Harare. During his career, John spent nine years at Delta Corporation Limited where he served as Group Financial Director and his last year as Group Operations Director. Thereafter, John joined Innscor Africa Limited (Innscor) as a Non-Executive Director in 2003. He was appointed the CEO of Innscor in 2003 until 2006 and was again appointed the CEO of Innscor for two years starting in 2013. In his last year at Innscor, John was the Executive Director of Corporate Finance at Innscor and oversaw the company's unbundling and disposal processes.

Ray Rambanapasi

Group Finance Director

Ray Rambanapasi is a Chartered Accountant experienced in financial analysis, financial control and reporting, corporate finance and internal control. He joined Innscor Africa Limited in December 2011 as an Assistant Group Finance Manager and was promoted to Group Finance Manager in 2013. Prior to joining Innscor Africa Limited, Ray worked for Pricewaterhouse Coopers (PwC) where he qualified in 2010 and became Assistant Audit Manager the same year. Of the experience gained at PwC, he spent 6 months in the United States of America, New York City Office - Alternative Investments department, where he spent time coaching and supervising audit teams as well as reviewing valuations of private equity firms. Ray is currently studying for a Masters in Business Administration, in his final year, with the University of Cape Town Business School.

Zinona Koudounaris

Non-Executive Director

Born in Zimbabwe, Zinona (Zed) Koudounaris completed his tertiary education at Rhodes University in South

Africa where he attained a Bachelor of Commerce degree, majoring in Business and Computer Science. Zed is a founder shareholder of Innscor Africa Limited (Innscor). He was the driving force behind the initial creation and success of Innscor's core Quick Service Restaurant brands, now Simbisa Brands Limited. Zed has held a number of positions within Innscor, including Chief Executive Officer upon Innscor's listing in 1998. Zed remains highly active in pursuing strategic growth opportunities for Axia Corporation Limited and providing guidance to its management team. Zed currently sits on the Boards of Directors of Innscor Africa Limited and Simbisa Brands Limited.

Thembiwe Mazingi

Independent Non-Executive Director

Thembiwe is a partner in the legal firm, Coghlan, Welsh & Guest, a position she has held since 1989, having joined the firm in 1982. Her responsibilities include providing legal services and advice on the law of property, conveyancing and notarial practice, trusts, estate planning, taxation, commercial law, corporate compliance and regulatory issues more particularly the interpretation of a diverse range of legislation, evaluating its impact on organisations and policy development, intellectual property law (patents, trademarks, industrial designs and copyrights).

Thembiwe has a Masters in Business Administration from the University of Zimbabwe and sits on the Boards of Directors of Nicos Diamond Insurance Company, Ariston Holdings Limited and African Century Limited.

Thembinkosi (Themba) Sibanda

Independent Non-Executive Director

Themba graduated from the University of Zimbabwe in 1978 majoring in Accounting, and subsequently joined Barclays Bank of Botswana at its Head Office in Gaborone. Having returned to Zimbabwe in the early 1980's he qualified as a Chartered Accountant. He has remained in the profession since, and has worked in compliance and audit for the past 34 years at Schmulian & Sibanda where he is the Principal. Themba currently sits on various boards of Stock Exchange listed Companies including Delta Corporation Limited, Innscor Africa Limited, Padenga Holdings Limited and P.P.C Zimbabwe Limited. He currently chairs the Board of Edgars Stores Zimbabwe Limited. Themba is also a trustee of several organisations of a public character.

Directorate and Management

BOARD OF DIRECTORS

Independent, Non-Executive Directors

- * Luke Ngwerume (Chairman)
- * Thembiwe Mazingi
- * Thembinkosi Sibanda

Non-Independent, Non-Executive Director

Zinona (Zed) Koudounaris

Executive Directors

- * ^ John Koumides
- ^ Ray Rambanapasi

- Members of the Audit and Risk Committee
- * Members of the Remuneration and Nomination Committee
- ^ Members of the Executive Committee

Chairperson of the Audit and Risk Committee

Chairperson of the Remuneration and Nomination Committee

Chairperson of the Executive Committee

- Thembinkosi Sibanda
- Thembiwe Mazingi
- John Koumides

GROUP EXECUTIVES AND DIVISIONAL MANAGEMENT

John Koumides
Ray Rambanapasi

Group Chief Executive Officer
Group Financial Director

SPECIALITY RETAIL

TV Sales & Home

Sean Gorringer ^
Joseph Kamasho

Chief Executive Officer
Financial Director

Transerv

Ilonka Bekker ^
Ryan Bekker
Belinda Muswaka

Managing Director
Executive Director
Head of Finance

DISTRIBUTION

Distribution Group Africa

Craig Hodgson ^
Sevious Mushosho

Chief Executive Officer
Financial Director

Innskor Distribution Zimbabwe

Craig Hodgson ^
Alec Gahadzikwa

Managing Director
Financial Director

DISTRIBUTION

Comox Trading

Archie Meth

Managing Director

Eagle Agencies

Neil Varrie

Managing Director

Snacks Sales & Distribution

Albert Oberholzer

Managing Director

FreshPro

Mani Lane

Managing Director

Innskor Distribution & Comox - Zambia

Vincent Hogg
Collen Alumando

Managing Director
Financial Director

Innskor Distribution & Comox - Malawi

Kennedy Muchenga

Managing Director

Sustainability Strategy & Governance

Group Strategic Approach

The Group strives to operate its business in a sustainable manner that recognises environmental and social impacts. The Group believes that identifying, measuring and being accountable to its stakeholders through sustainability reporting (Economic, Environmental, Social and Governance) has potential for long-term business success. To this end, the Group has set a vision of moving towards sustainable business practices contained in the Global Reporting Initiatives (GRI's) Sustainability Reporting Guidelines in informing the way we will engage with our stakeholders, identify material issues, respond to matters and being accountable to our broad range stakeholders. The long term goal is to build business that is driven by inclusivity, responsiveness and sustainable business practices while contributing to sustainable development in the places it operates.

As part of this vision, the Group will undertake capacity development of established Sustainability teams. These teams will be responsible for assisting management with the identification, management and disclosure of material issues pertaining to economic, environmental and social impacts and opportunities arising from the Group's operations using the GRI Sustainability Guidelines.

Supply Chain

The Group believes that sustainable supply chain is vital to maintaining and sustaining the Group's brand names and image. Therefore, the Group provides systems which ensure that all suppliers are screened in addition to their track record and consideration of sustainability issues such as environmental, social, behaviour, corruption, statutory compliance and human rights practices. The Group tries to ensure that most suppliers share its common values when it comes to sustainable business practices and contribution to sustainable development.

Sustainable Capital Management

The Group recognises the importance of sustainable capital management. The Group considers nature, human, intellect, finance, manufactured and social relations as capital for input into the Group's Business Model. As such, the Group's philosophy is embedded in and considers these aspects from a capital perspective in the Group's business models in creating and sustaining business value for its shareholders and stakeholders in the short and long term.



Sustainability Performance

SOCIAL COHESION AND COMMUNITY INVESTMENTS

The Group strives to continuously improve and maintain human capital and community investments at appropriate standing for the purpose of ensuring the Group's long term business success and sustainability. To optimise human capital contribution into our performance, the Group provides a work environment based on the values of fairness, opportunity creation, integrity, non-discrimination, equal opportunities, empowerment, decent working conditions, good health facilities and motivation activities. The Group believes that society is an integral part of the business, which the Group should continue to plough back to.

Priorities

- Providing employment opportunities.
- Minimising workplace health and safety incidences.
- Investing in human capital development.
- Enhancing employee wellbeing and capacity.
- Supporting community development.

Management Approach

The Group is committed to ensure operations are in compliance with labour laws, voluntary and international best labour practices and contribution to sustainable community development. The Group's approach is to identify potential health and safety risks, evaluate the risk and take appropriate measures to control or eliminate the risk. The Group units engage with communities and other stakeholder groups to identify potential need and contribution. The Group believes that the wellbeing of the society is integral in providing business opportunities and human capital, therefore the Group's investment is vital.

PERFORMANCE

Human Capital Management

It is the Group's belief that employee engagement is linked to organisational performance, operational capacity and outcomes while maintaining existing staff motivated and compensated in accordance with performance and contribution.

Employee Engagement

Permanent and Contract Employees	Unit	2016
Male	Count	1 357
Female	Count	271
Total Permanent and Contract Employees		1628

Work related accidents/injuries

The Group observes strong consideration to incidences of safety and fatalities within our work places. Appropriate action is always taken where incidences that affect employees' wellbeing are noted.

	Unit	2016
Total number of accidents/injuries	Incidence	9

Sustainability Performance (continued)

Health and Safety topics covered in formal agreements with Trade Unions

During the period, major topics discussed with the Works Council and trade union was mainly related to HIV/Aids, Cancer and general safety in the work place. Topics discussed were handled through the Inncor Africa Limited Employee Wellness programme whose activities are provided in the relevant section.

Learning and Development

Learning and development is a critical aspect of the Group's philosophy of investing in human capital that is well motivated, technically sound and equipped to provide efficient and effective customer service and production. The table below presents the average employee training time invested by the Group:

Average Training hours per Employee – Internal Training	Unit	2016
Male	Hours	36
Female	Hours	12
Average Training hours per Employee – Public Training	Unit	2016
Male	Hours	16
Female	Hours	4

The Group continues to manage and address issues of ensuring there is equitable treatment at our working places.

ECONOMIC PERFORMANCE

The prevailing economic environment has an impact on the Group's performance. Prevailing outlook in which major economies have been slowing down has had economic effects prompting the Group to take appropriate measures while considering various alternative business opportunities.

Priorities

- Enhancing value creation to our stakeholders.
- Declining economic growth.
- Competition from cheap imports.
- Declining disposable incomes impact on our products and services demand.
- Competitiveness of operating business environment.
- Investing in Community Social Development.

Management Approach

The Group is committed to building business that will continue to be sustainable while creating value for its shareholders and stakeholders. The Group's approach is to ensure that its experienced teams with industry expertise, deep market knowledge and entrepreneurial creativity continue to manage all capitals deployed for value creation and sustaining growth in the short and long term.

PERFORMANCE

Coverage of the Defined Contribution Pension Plan

Information	Unit	2016
Amount Paid	USD	218 098

Our employees in Zimbabwe are covered under the National Social Security Authority. In the region, they are also covered by the relevant social security authorities. Further details of Defined Contribution Pension Fund coverage will be provided in the next sustainability report.

Stakeholder Engagement

Our Approach

The Group believes that stakeholders are an integral capital contributing to the long term value creation and sustainability of the business. The Group's Stakeholder Engagement strategy is integrated with its risk and business development management. Material issues discussed during stakeholder engagement are assessed and weighted for appropriate action or responses. The issues are further collated at company level for Group Management attention in defining material issues for the report content and boundaries. Stakeholder engagement provides a crucial business strategy for identifying key risks and opportunities for responsiveness and value creation respectively.

The Group believes that partnerships are an effective means for addressing economic, environmental and social challenges. The Group's stakeholder engagement approach is driven at company and Group level through active and proactive management approach in guiding the use of GRI Sustainability Reporting guidelines in stakeholder identification, prioritisation and engagement approaches. The table below presents material outcomes of key stakeholder engagement processes conducted by some of the Group's businesses during the year:

Stakeholder	Mode of Engagement	Material Issues Raised	Responses/Action Taken
Employees	• Works Council • Trade Unions • Employee surveys	• Income and benefits • Working conditions • Careers and opportunities	• Review and improvements • Enhance shared values
Customer Communities	• Product Road Shows • Customer Network events	• Delivery of value and competitive pricing • Product range and promotions	• Understanding customer needs • Loyalty • Continuous customer engagement
Suppliers	• Supplier briefings • Workshops and meetings	• Procurement opportunities • Sustainable sourcing and pricing • Supply chain efficiencies	• Continued engagements on options • Review terms
Shareholders	• Annual General Meetings • Investor and shareholder briefings	• Long term targets • Business growth • Value creation • Business risk	• Looking for growth opportunities that create value to shareholders • Monitoring our operations and investments
Finance Institutions	• Formal meetings • Briefings • Investment opportunities • Financial risk	• Lending terms and interest • Improved facilities and new options	• Negotiations and engagements
Governance and Regulations	• Policy briefings, compliance inspections, formal meetings	• Regulatory compliance • Business development compliance	• Achieving compliance with statutory requirements • Business regulatory compliance

Human Capital Management

Employee Wellness

The Group continues to recognise the importance of health and wellness of its employees and invests in various programmes to achieve the objective of providing adequate health facilities and continuous education on wellness matters. The focus for the period under review was on ensuring a healthy and stable workforce and enabling safe working environments through joint efforts of both the employer and employee. As part of its ongoing commitment, the Group continues to provide:

- Education and awareness to employees regarding HIV and AIDS and other wellness and health related issues.
- Free counselling for employees and their families.
- On-site wellness and health services that provides support to employees. This includes a Voluntary Counselling and Testing (VCT) programme to assist in mitigating HIV and AIDS.
- The Annual Wellness Soccer tournament, that fosters a culture of working together and total well-being.

The highlight of the 2016 wellness calendar was the Peer Educator Skills Building programme, which focuses on the integral role that peer educators play not only in behaviour change, but also in implementing the Group's workplace wellness programmes. Through Innscor Africa Limited, another main highlight was the opening of the Innscor Employee Total Wellness Centre. This facility provides basic primary healthcare for the Group's employees as well as being a centre for HIV testing.

Various health workshops are held at this centre with the aim of providing continued education and support on matters of health risk and healthcare options available to employees.

Business goals achieved by the Wellness program so far include:

- Reduced absenteeism
- Reduced hospital attendance and admittance
- Reduced on-site clinic attendance due to intense preventative initiatives
- Increased staff morale as a result of the program together with ongoing team-building initiatives
- Increased routine medical tests

The Group, through the Wellness Centre, continuously links with service providers both public and private, notably the Ministry of Health and Child Care, City of Harare, National Social Security Authority, SAfAIDS and Zimbabwe Business Council on Aids to ensure that its varying programmes receive appropriate assistance and support during implementation.

The Group monitors how its services are used and develops them accordingly, working on the assumption that a healthy and happy employee, is more productive at work and less likely to leave. Our employees are very supportive of the Group's wellness services, and this is demonstrated by the number of employees that attend the many health and wellness events that are held.



Corporate Social Investment

The Group believes that environmental and social factors are part of the business' operations and strategy. Therefore, responding to impacts from our operations is a responsibility and business strategy that has potential for our long-term business values. In the period under review, the Group undertook a number of initiatives aimed at assisting various social, academic, sporting and cultural initiatives.

Child Welfare

In 2015 BIC South Africa requested a Social Responsibility program that was initiated by BIC GLOBAL, the project was to donate 60 000 pens to under-privileged schools through out Zimbabwe. Eagle Agencies, a subsidiary of Innscore Distribution the brand custodians of BIC in Zimbabwe, was appointed to head up the task of putting the project together. We named the campaign "CHANGE A FUTURE". The campaign was linked to retail outlets over The Back To School periods in stores, advertising that for every pen bought, a pen would be donated to an under privileged child.

An NGO called World Education Inc/Bantwana was appointed to co-ordinate with the Ministry of Education for a stamp of approval, and rebates on the incoming pens. World Education also coordinated the distribution through their network and knowledge of schools in need in the country.

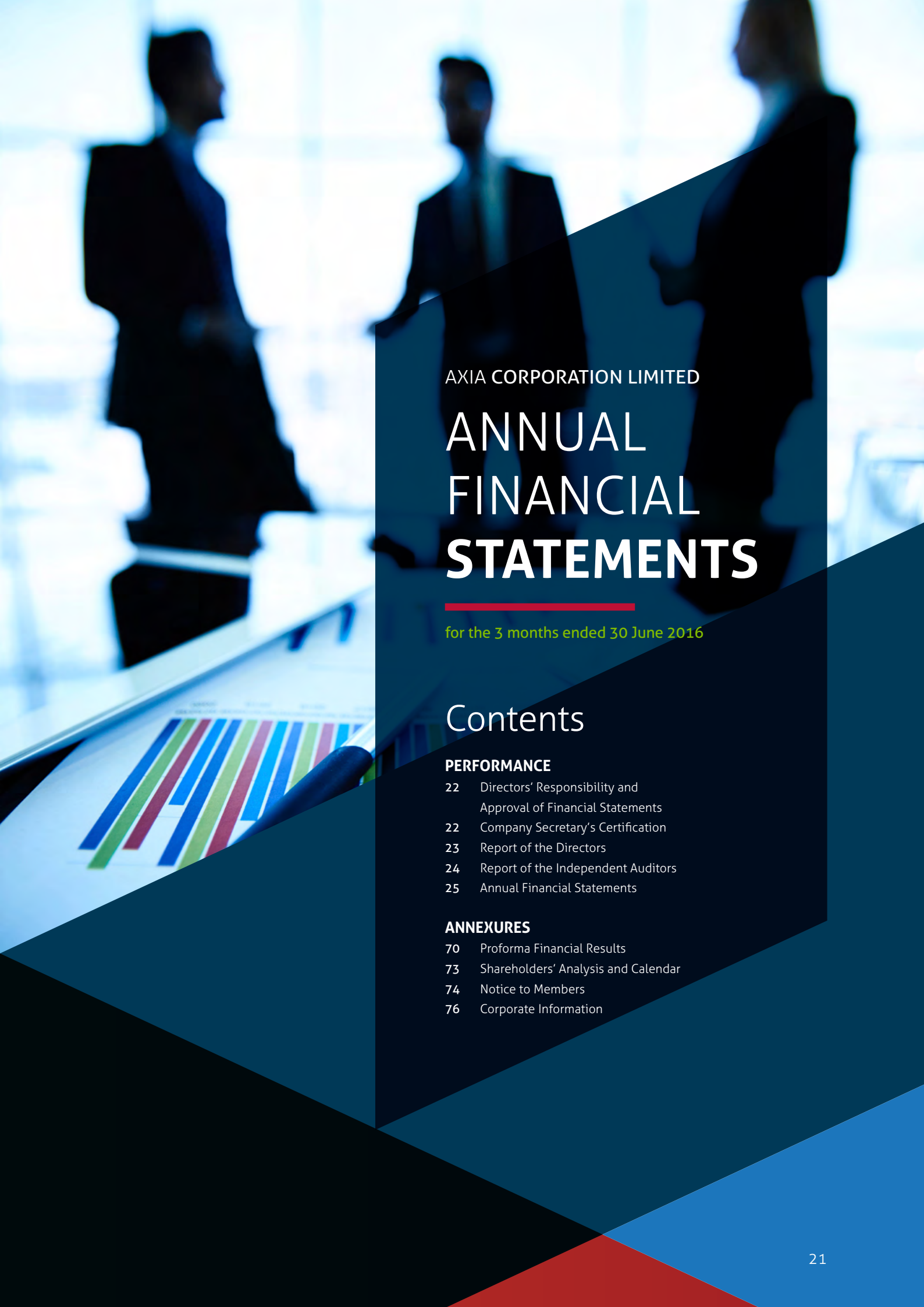
562 Schools in every corner of the country, were selected to receive a donation of pens for their children. A subsequent and follow up campaign, at the beginning of 2016 was to offer an educational bursary prize in a BIC competition held in retail outlets.

The same educational bursary campaign will be held again at the end of this calendar year.

Disadvantaged Communities

Transerv is committed to making a difference in the society through its involvement in Corporate Social Responsibility. The company has contributed to youths projects. It has been involved in support of a Mufakose based soccer team, the AFM Family worship Centre Football Club through sponsoring the team's soccer kit. The team is currently runner up of the Zimbabwe Youth Tourism tournament. Transerv has also partnered a Non Governmental Organisation called the International Youth Foundation on its Zimbabwe Works project. This project seeks to improve the employment and self-employment status of young Zimbabweans aged 16-35 years. Transerv participates in this initiative thought strategy formulation by the Advisory Board.





AXIA CORPORATION LIMITED

ANNUAL FINANCIAL STATEMENTS

for the 3 months ended 30 June 2016

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Directors' Responsibility and Approval of Financial Statements

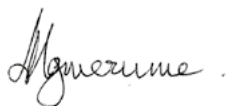
The Directors of the Company are required by the Zimbabwe Companies Act (Chapter 24:03) to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit and cash flows for the period. In preparing the accompanying financial statements, generally accepted accounting practices have been followed. Suitable accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made.

The principal accounting policies of the Group conform to International Financial Reporting Standards (IFRS).

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board recognises and acknowledges its responsibility for the Group's systems of internal financial control. Axia Corporation Limited maintains internal controls and systems that are designed to safeguard the assets of the Group, prevent and detect errors and fraud and ensure the completeness and accuracy of the Group's records. The Group's Audit Committee has met the external auditors to discuss their reports on the results of their work, which includes assessments of the relative strengths and weaknesses of key control areas. In a growing Group of the size, occasional breakdowns in established control procedures may occur; any such breakdowns have been reported to the Group's Audit Committee and the Board.

The financial statements for the three months ended 30 June 2016, which appear on pages 25 to 69, have been approved by the Board of Directors and are signed on its behalf by:



L E M NGWERUME
Chairman
Harare
20 October 2016



R M RAMBANAPASI
Executive Director

Company Secretary's Certification

for the three months ended 30 June 2016

I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by the Public entity in terms of the Companies Act (Chapter 24:03) of the Republic of Zimbabwe, and all returns are true, correct and up to date.



Prometheus Corporate Services (Private) Limited
Company Secretary
Harare
20 October 2016

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Group for the three months ended 30 June 2016.

Share Capital

At 30 June 2016 the authorised share capital of the Company was comprised of 999 999 000 ordinary shares of USD 0.0001 each and 1 000 Non-Voting Class "A" ordinary shares of USD 0.0001 each. Issued ordinary share capital was USD 54 159 divided into 541 593 440 ordinary shares of USD 0.0001 each

Group Results	3 months ended 30 June 2016 USD
Profit before tax	3 097 985
Tax expense	(827 190)
Profit for the period	2 270 795
Non-controlling interests	(1 472 729)
Profit for the period attributable to equity holders of the parent	798 066

Dividends

Ordinary shares

The Board declared a final dividend of 0.05 US cents per share for the three months ended 30 June 2016.

Non-voting class "A" ordinary shares

The Board declared a final dividend of USD 13 500 to Axia Corporation Limited Employee Share Trust (Private) Limited.

Directors and their Interests

In terms of the Company's articles of association, Mr. L.E.M. Ngwerume, Mr. R.M. Rambanapasi, Mr. Z. Koudounaris, Mrs T.C. Mazingi and Mr. T.N. Sibanda retire from office by rotation and being eligible offer themselves for re-election. No Directors had, during or at the end of the period, any material interest in any contract of significance in relation to the Group's businesses. The beneficial interests of the Directors in the shares of the Company are disclosed in note 21.4 of the financial statements.

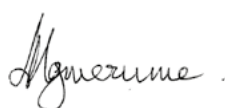
Directors' Fees

Members will be asked to approve the payments of the Directors' fees in respect of the three months ended 30 June 2016 (note 10.1).

Auditors

Members will be asked to approve the remuneration of the auditors for the three months ended 30 June 2016 and to reappoint Ernst & Young as auditors of the Group to hold office for the ensuing year.

For and on behalf of the Board.



L E M NGWERUME
Chairman
20 October 2016



J KOUIDES
Executive Director



Building a better
working world

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way /
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIA CORPORATION LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Axia Corporation Limited and its subsidiaries ("the Group") as set out on pages 25 to 69, which comprise the consolidated and company statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months period then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated and company financial position of Axia Corporation Limited as at 30 June 2016, its consolidated financial performance and its consolidated cash flows for the three months period then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03).

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

20 October 2016
Harare

Group Statement of Profit or Loss and Other Comprehensive Income

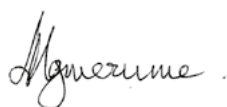
for the three months ended 30 June 2016

	Notes	2016 USD
Revenue	8	49 557 300
Cost of sales		(37 572 985)
Gross profit		11 984 315
other income	9	1 121 032
operating expenses	10	(10 243 440)
Operating profit before financial income, depreciation, amortisation and fair value adjustments		2 861 907
financial income	11	843 532
depreciation and amortisation		(337 994)
fair value adjustments on listed equities		3 731
Profit before interest, equity accounted earnings and tax		3 371 176
interest income		170 352
interest expense		(305 560)
equity accounted earnings	17.1	(137 983)
Profit before tax		3 097 985
tax expense	12	(827 190)
Profit for the period		2 270 795
Other comprehensive income - to be recycled to profit or loss		
exchange differences arising on the translation of foreign operations		316 078
Other comprehensive income for the period		316 078
Total comprehensive income for the period		2 586 873
Profit for the period attributable to:		
equity holders of the parent		798 066
non-controlling interests		1 472 729
		2 270 795
Total comprehensive income for the period attributable:		
equity holders of the parent		956 105
non-controlling interests		1 630 768
		2 586 873
Earnings per share (cents)		
Basic earnings per share	6	0.15
Headline earnings per share	6	0.15
Diluted basic earnings per share	6	0.15
Diluted headline earnings per share	6	0.15

Group Statement of Financial Position

as at 30 June 2016

	Notes	2016 USD
ASSETS		
Non-current assets		
property, plant and equipment	15	8 721 952
intangible assets	16	4 223 310
investments in associates	17	1 450 598
deferred tax assets	25	872 857
		15 268 717
Current assets		
other financial assets	18	116 964
inventories	19	32 419 610
trade and other receivables	20	43 722 239
cash and cash equivalents		13 717 844
		89 976 657
Total assets		105 245 374
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	21	54 159
non-distributable reserves	22	(2 726 935)
distributable reserves	23	31 168 659
attributable to equity holders of the parent		28 495 883
non-controlling interests		21 204 211
Total equity		49 700 094
Non-current liabilities		
deferred tax liabilities	25	1 734 862
interest-bearing borrowings	26	3 735 511
		5 470 373
Current liabilities		
interest-bearing borrowings	26	14 838 839
trade and other payables	27	33 064 919
provisions and other liabilities	28	897 804
current tax liabilities	13.2	1 273 345
		50 074 907
Total liabilities		55 545 280
Total equity and liabilities		105 245 374



L E M NGWERUME
Chairman
Harare
20 October 2016



R M RAMBANAPASI
Executive Director

Group Statement of Changes in Equity

for the three months ended 30 June 2016

	attributable to equity holders of the parent					
	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	20 120 766	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
Total comprehensive income	—	158 039	798 066	956 105	1 630 768	2 586 873
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

Group Statement of Cash Flows

for the three months ended 30 June 2016

	Notes	2016 USD
Cash generated from operating activities	13.1	4 639 299
interest income		170 352
interest expense		(305 560)
tax paid	13.2	(1 924 891)
Total cash available from operations		2 579 200
Investing activities	13.3	829 555
Net cash flow before financing activities		3 408 755
Financing activities		104 896
dividends paid by subsidiaries to non-controlling interests		(256 840)
share issue expenses		(215 023)
proceeds from borrowings		2 145 790
repayment of borrowings		(1 258 396)
cash paid to non-controlling interests		(310 635)
Net increase in cash and cash equivalents		3 513 651
Cash and cash equivalents at the beginning of the period		10 204 193
Cash and cash equivalents at the end of the period		13 717 844

Notes to the Financial Statements

for the three months ended 30 June 2016

1 Corporate Information

The consolidated financial statements of Axia Corporation Limited for the three months ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 20 October 2016. Axia Corporation Limited is a limited liability company incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange. The Group operates within the speciality retail and distribution industries selling products such as homeware furniture, electrical appliances and automotive spares as well as the distribution of many local and international branded FMCG products into the general retail and wholesale sectors whilst offering logistics, transport, marketing, merchandising and storage services thereon.

2 Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). The consolidated financial statements have been prepared in compliance with the Zimbabwe Companies Act (Chapter 24:03).

2.1 Going concern

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2.2 Basis of preparation

The consolidated financial statements are based on statutory records that are maintained under the historical cost convention except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in United States Dollars (USD).

3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2016. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

3 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a zero balance but not negative balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate

4 Standards and interpretations in issue not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted. The standard is effective for annual periods beginning on or after 1 January 2018 and early application is permitted. The Group is still assessing the impact to this proposed amendment.

IFRS 7 – Servicing Contracts

Paragraphs 42A - H of IFRS 7 require an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The IASB was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs B30 and 42C of IFRS7 in order to assess whether the disclosures are required.

The Group will consider early adoption of the amendment, if applicable.

Notes to the Financial Statements (continued)

for the three months 30 June 2016

4 Standards and interpretations in issue not yet effective (continued)

IFRS 7 – Financial Instruments Disclosures: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements.

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment, paragraph 44R of IFRS 7 states that an entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase ‘and interim periods within those annual periods’ from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the IASB noted that IAS 34 requires an entity to disclose ‘an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period’. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity’s condensed interim financial report.

The Group will consider early adoption of the amendments in preparation of its interim financial statements.

IFRS 9 Financial Instruments – classification and measurement

On 24 July 2014, the IASB issued the final version of IFRS 9-Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The classification and measurement requirements address specific application issues arising in IFRS 9 (2009) that were raised by preparers, mainly from the financial services industry. The expected credit loss model addresses concerns expressed following the financial crisis that entities recorded losses too late under IAS 39. IFRS 9 stipulates that financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Apart from the ‘own credit risk’ requirements, classification and measurement of financial liabilities is unchanged from existing requirements. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, but early adoption is permitted.

The Group is currently assessing the impact of the standard.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation. Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business; previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

The amendments are applied prospectively and are effective for annual periods beginning on or after 1 January 2016. The Group will consider the early adoption of the amendments when it enters into transactions if the amendments are applicable.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

4 Standards and interpretations in issue not yet effective (continued)

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces all existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g. sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The standard is effective for annual periods beginning on or after 1 January 2018, but early adoption is permitted.

The Group is currently assessing the impact of the standard on its contracts with customers and where appropriate, relevant disclosures and compliance with this IFRS will be enforced.

IFRS 16 Leases

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.

The standard is effective for annual periods beginning on or after 1 January 2019 and early application is permitted. The Group is currently assessing the impact of the standard and will adopt the standard when it becomes effective.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

Notes to the Financial Statements (continued)

for the three months 30 June 2016

4 Standards and interpretations in issue not yet effective (continued)

These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will be adopted when they become effective.

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The standard is effective for annual periods beginning on or after 1 January 2017 and early application is permitted. The Group will apply this amendment when it becomes effective.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

The standard is effective for annual periods beginning on or after 1 January 2017. Early application is permitted. The Group is still considering the applicability of this amendment.

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27

Amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IAS 39 or
- Using the equity method

The entity must apply the same accounting for each category of investments. The amendments must be applied retrospectively and are effective for financial year ends beginning on or after 1 January 2016. The Group is currently assessing the impact of the standard on its investments in associates.

IAS 34 Disclosure of information 'elsewhere' in the interim financial report

IAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. However, it is unclear what the Board means by 'elsewhere in the interim financial report'. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The Group will consider the amendment in preparing its interim financial statements.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payments and excluding discounts, rebates, and value added tax. Instalment sales are accounted for when the risks and rewards of ownership are passed to the buyer. However, finance charges related to hire purchase sales are credited to revenue over the period of the settlement. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery and when the entity retains neither continual managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Interest income

Revenue is recognised as interest accrues using the effective interest method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is when the respective investee company shareholders have approved the dividends.

Employee benefits

Short-term benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised during the period in which the employee renders the related service. The Group recognises the expected cost of bonuses only when the Group has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Retirement benefit costs

Retirement benefits are provided for Group employees through the Innscor Africa Limited Pension Fund, the National Employment of Motor Industry Pension Fund and other pension funds in foreign subsidiaries. The Group's pension schemes are defined contribution schemes and the cost of retirement benefits is determined by the level of contributions made in terms of the rules. Contributions to defined contribution retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

All eligible employees contribute to the National Social Security Authority defined contribution pension scheme, or the equivalent in foreign subsidiaries. The cost of retirement benefits applicable to the National Social Security Authority, which commenced operations on 1 October 1994, is determined by the systematic recognition of legislated contributions.

Leases

The determination of whether an arrangement contains a lease depends on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the assets.

Leases where all the risks and benefits of ownership of the asset are not transferred to the Group are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease period.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies (continued)

Foreign currency translation

The Group's financial statements are presented in United States Dollars, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in profit or loss. The tax charges and credits attributable to exchange differences on those borrowings are also recognised in other comprehensive income. Non-monetary items that are measured in terms of the historical cost basis in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the dates when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

Foreign operations

Assets and liabilities of subsidiary companies denominated in foreign currencies are translated into United States Dollars at rates of exchange ruling at reporting date and their statements of profit or loss and other comprehensive income results are translated at the average rate of exchange for the period. The average rate of exchange is calculated by dividing the summation of the opening rate to the closing rate by two. Where there are drastic movements between the opening and closing rates of exchange, the statement of comprehensive income results are translated on a month on-month basis using the average rate of exchange for each month. Differences on exchange arising from translation of assets and liabilities at the rate of exchange ruling at reporting date and translation of statement of comprehensive items at average rates, are recognised in other comprehensive income. Upon divestment from a foreign operation, translation differences related to that entity are taken to profit or loss.

Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, that is a financial instrument, is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not re-measured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed and the amount recognised for non-controlling interest. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as bargain purchase gain. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Common control business combinations

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such acquisition does not meet the definition of a business combination in accordance with IFRS 3 'Business Combinations'. The Group's policy is to treat such an acquisition as a group restructuring, using the common control method, as follows:

- The assets, liabilities and reserves of the acquired entity/entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, that would otherwise be required by IFRS 3;
- No new goodwill is recognised as a result of the restructuring. The only goodwill recognised is the existing goodwill in the business as reflected in the consolidated financial statements of the selling entity; and
- The statement of comprehensive income reflects the results of the Group from the effective date of such transaction.

Property, plant and equipment

Plant and equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are requiring replacement in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is carried at cost whereas buildings are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight line basis over the expected useful lives of the assets such that the cost is reduced to the residual values of the assets over the useful lives of the assets.

The various rates of depreciation are listed below:

Freehold property	- 2%
Leasehold improvements	- the lesser of period of lease or 10 years
Fittings and Equipment	- 10% - 25%
Vehicles	- 12.5% - 25%

The carrying values of plant and equipment are reviewed for impairment annually, or earlier where indications are that the carrying value may be irrecoverable. When the carrying amount exceeds the estimated recoverable amount, assets are written down to the recoverable amount.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the year the asset is derecognised.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed by the Group, and prospectively adjusted if necessary, on an annual basis. Depreciation is not charged when the carrying amount of an item of property, plant and equipment becomes equal or less than the residual value.

Intangible assets

Intangible assets acquired separately are initially measured and recognised at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and are assessed for impairment whenever there is an indication that the intangible assets are impaired. The amortisation expense and impairment losses on intangible assets are recognised in profit or loss in the period in which they occur.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

The Group assesses at each reporting date, or earlier where indications that impairment exists, whether an asset may be impaired. This entails estimating the asset's recoverable amount, which is the higher of the asset's fair value less costs of disposal and value in use. Where the asset's carrying amount exceeds its recoverable amount, the asset is considered impaired and its carrying amount is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether previously recognised impairment losses may no longer exist or have decreased. If such indication exists, the recoverable amount is estimated in order to reverse the previously recognised impairment losses. A previously recognised impairment loss is reversed only to the extent that there has been a change in the estimates used in determining the asset's recoverable amount since the last impairment loss was recognised. If that is the case the asset's carrying amount is increased to its recoverable amount. However, the increased carrying value of the asset is limited to the carrying value determinable, net of depreciation, had the impairment not occurred. Such reversal is taken to profit or loss. After the reversal, the depreciation charge is adjusted in future periods to allocate the revised carrying amount, less any residual value, on a systematic basis over the remaining useful life.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies (continued)

Investments in associates

The Group's investments in associates are accounted for using the equity method of accounting. Associates are entities in which the Group exercises significant influence and which are neither subsidiaries nor jointly controlled operations. Under the equity method, investments in associates are initially carried in the statement of financial position at cost. Subsequently, the investments in associates are carried at cost plus post-acquisition changes in the Group's share of the reserves of the associates less dividends received from the associates. Goodwill relating to an associate is included in the carrying amount of the investment. The statement of profit or loss and other comprehensive income reflects the share of the results of operations of the associates attributable to the Group.

Where there have been changes recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence, and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

Financial assets

Financial assets include trade and other receivables, cash and cash equivalents and investments. Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition.

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near-term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies (continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables

Trade and other receivables are subsequently carried at amortised cost after taking into account an allowance for any uncollectible amounts. Allowance for credit losses is made when there is objective evidence that the Group will most probably not recover the debts. Bad debts are impaired when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less and are measured at amortised cost.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. In general, cost is established on the first in, first out basis. Cost of inventories shall comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Financial liabilities

Financial liabilities include trade and other payables, bank overdrafts and interest bearing loans, and these are initially measured at fair value including transaction costs and subsequently amortised costs. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies (continued)

A financial liability is de-recognised when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any certain reimbursements.

If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to those provisions. Where discounting is used, the increase in the provision due to passage of time is recognised in profit or loss as a borrowing cost.

Provision for warranty claims

In respect of provision for warranty claims, the Group warrants its television products and certain component parts. The provision is made on the basis of previous experience of the incidence of such claims.

Leave pay liability

Leave pay for employees is provided on the basis of leave days accumulated at an expected rate of payment. The timings of the cash out-flows are by their nature uncertain.

Contingent liabilities

Contingent liabilities, which include certain financial guarantees, litigation and other letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or in other comprehensive income and not in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax

Revenues, expenses and assets are recognised net of the amount of Value Added Tax except where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of Value Added Tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

5 Summary of significant accounting policies (continued)

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Group's Executive Directors.

Key estimates, uncertainties and judgements

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year:

Useful lives and residual values of property, plant and equipment

The Group assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. The useful lives are set out on property, plant and equipment policy above and no changes to those useful lives have been considered necessary during the year. Residual values will be reassessed each year and adjustments for depreciation will be done in future periods if there is indication of impairment in value.

Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the value of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer to note 25 for more information on the evidence supporting recognition of deferred tax assets.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to the goodwill recognised by the Group. Refer to note 16 for more information on the assumptions and estimates used in testing goodwill for impairment.

Provision for obsolete stock

The provision for obsolescence is based on assessment of quality of stock through sampling. Inventory that no longer meets minimum quality standards as a result of damage or exceeding standard shelf life is classified as obsolete. Inventory relating to discontinued products is also classified as obsolete. Refer to note 19 for more information on the carrying amount of inventory and the provision for obsolete stock.

Allowance for credit losses on receivables

Allowance for credit losses on receivables is a specific provision made for trade receivables which is reviewed on a monthly basis. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period as well as the value of security held over that receivable. Refer to note 20 for more information on the carrying amount of trade and other receivables and the provision for credit losses.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

6 Earnings per share

6.1 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 during the period.

6.2 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.

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

6.3 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 basic, headline and diluted earnings per share computations:

	2016 USD
6.4 Number of shares in issue	
Number of ordinary shares in issue per basic and headline earnings per share	541 593 440
Weighted average number of ordinary shares in issue adjusted for the effect of dilution	541 593 440
6.5 Reconciliation of basic earnings to headline earnings:	
Profit for the period attributable to equity holders of the parent	798 066
Adjustment for capital items (gross of tax):	
Loss on disposal of equipment	(13 862)
Tax effect on adjustments	3 200
Non-controlling interests' share of adjustments	3 122
Headline earnings attributable to equity holders of the parent	790 526
Basic earnings per share (cents)	0.15
Headline earnings per share (cents)	0.15
Diluted basic earnings per share (cents)	0.15
Diluted headline earnings per share (cents)	0.15

7 Dividends

On 22 September 2016, the Board declared a final dividend of 0.05 US cents per share amounting to USD 270 797 (for the three months ended 30 June 2016), to shareholders registered in the books of the Company by noon on 6 October 2016.

The Board has also declared a final dividend totalling USD 13 500 to Axia Corporation Employee Share Trust (Private) Limited.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

	Notes	2016 USD
8 Revenue		
Sale of goods		49 557 300
9 Other income		
Discounts		347 416
Sundry income and sales		413 139
Rebates		34 840
Rental income of excess space		325 637
		1 121 032
10 Operating expenses		
Staff costs	10.1	3 739 751
Audit fees and expenses	10.2	86 550
Operating lease charges - fixed		692 895
Operating lease charges - variable		579 201
Distribution costs		282 438
Repairs and maintenance		358 877
Electricity, water and rates		210 110
Commissions		289 398
Warranty fees		182 732
Bank charges		132 478
Security		128 512
Telephone and postage		96 666
Fuel		274 853
Advertising and marketing		377 047
Insurance and licenses		140 483
Bad debts and allowance for credit losses		802 502
Other		1 868 947*
		10 243 440
* Other operating expenses comprise of sundry expenses including spares, legal fees, consultancy fees and printing & stationery.		
10.1 Included in staff costs are key management's emoluments comprising of:		
Independent, non-executive directors - fees		5 764
Non-independent, non-executive directors - fees		1 250
Executive directors - total emoluments		126 235
Other management remuneration*		433 870
		567 119
*Other management includes executives and senior management of the Group's subsidiary companies as shown on page 14.		
10.2 Audit fees and expenses		
Current year		86 550
		86 550

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

	Notes	2016 USD
10.3 Inventories written off		621 704
11 Financial income		
Realised exchange gains		1 023 247
Unrealised exchange losses		(171 608)
Loss on disposal of equipment		(13 862)
Other		5 755
		843 532
12 Tax expense		
12.1 Income tax charge		
Current income tax charge	13.2	1 851 778
Deferred tax	25.1	(1 024 588)
		827 190
		%
12.2 Tax rate reconciliation		
Statutory rate of taxation, inclusive of AIDS levy		25.75
Adjusted for:		
Tax on associates losses		1.15
Regional rates		1.57
Other non-taxable/non-deductible items		(1.77)
Effective tax rate		26.70
13 Cash flow information		2016 USD
13.1 Cash generated from operations		
Profit before interest, equity accounted earnings and tax		3 371 176
Depreciation		331 649
Amortisation of intangible assets		6 345
Unrealised exchange losses		171 608
Fair value adjustments on equity investments		(3 731)
Inventories written off		621 704
Allowance for credit losses		299 763
Bad debts written off		502 739
Provisions charged to profit or loss		40 601
Loss on disposal of equipment		13 862
Increase in inventories		(2 963 711)
Decrease in trade and other receivables		157 683
Increase in trade and other payables		2 099 260
Decrease in provisions and other liabilities		(9 649)
		4 639 299

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

	Notes	2016 USD
13.2 Tax paid		
Opening balance		(1 332 811)
Charged to profit or loss		(1 851 778)
Exchange and other non-cash movements		(13 647)
Closing balance		1 273 345
		(1 924 891)
13.3 Investing activities		
Expenditure on property, plant and equipment to maintain operations		(111 201)
Expenditure on property, plant and equipment to expand operations		(135 241)
Proceeds on disposal of equipment		5 934
Loans repaid by associates		1 070 063
		829 555
14 Net cash flow arising on the acquisition of Speciality Retail & Distribution Silo of Inncor Africa Limited		
On 1 April 2016, the Speciality Retail & Distribution (SRD) business of Inncor Africa Limited (Inncor) was unbundled to be a stand-alone entity. The SRD business comprised of subsidiaries of Inncor. Axia Corporation Limited (Axia), which was incorporated for this purpose acquired the investments in subsidiaries which operated the SRD business of Inncor. This transaction is a common control business combination and it is outside the scope of IFRS3 Business Combination. The Group accounted for the transaction by recognising the assets, liabilities and reserves that were previously recorded in the individual entities that were transferred to Axia with any adjustments recognised in equity. The net assets acquired are presented below:		
Assets		
Property, plant and equipment		(8 697 262)
Intangible assets		(4 213 286)
Investments in associates		(2 508 606)
Deferred tax assets		(620 222)
Other financial assets		(113 233)
Inventories		(29 878 961)
Trade and other receivables		(44 647 427)
Cash and cash equivalents		(10 204 193)
Deferred tax liabilities		2 484 542
Interest-bearing borrowings		17 661 420
Trade and other payables		30 664 957
Provisions and other liabilities		863 893
Current tax liabilities		1 332 811
Net assets acquired		(47 875 567)
Less non-controlling interests' share therein		20 120 766
Net assets of the Speciality Retail & Distribution acquired		(27 754 801)
Equity issued to Inncor Africa Limited		27 754 801
Cash consideration		—

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

15 Property, plant and equipment

	Freehold property USD	Leasehold improvements USD	Plant, Fittings & Equipment USD	Motor vehicles USD	Total USD
Cost					
At 1 April 2016	2 535 019	923 584	7 217 972	5 194 862	15 871 437
Additions	—	12 976	185 019	48 447	246 442
Disposals	—	—	—	(22 344)	(22 344)
Exchange movements	44 326	50 309	27 371	90 123	212 129
At 30 June 2016	2 579 345	986 869	7 430 362	5 311 088	16 307 664
Depreciation					
At 1 April 2016	643 027	250 954	3 501 046	2 779 148	7 174 175
Disposals	—	—	—	(2 549)	(2 549)
Charge for the year	10 135	15 375	302 025	4 114	331 649
Exchange movements	6 756	7 753	22 993	44 935	82 437
At 30 June 2016	659 918	274 082	3 826 064	2 825 648	7 585 712
Net carrying amount					
At 30 June 2016	1 919 427	712 787	3 604 298	2 485 440	8 721 952

Certain properties and motor vehicles are encumbered as indicated in note 15.2

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

15 Property, plant and equipment (continued)

15.1 Reconciliation of opening and closing carrying amounts

	2016 USD
Net carrying amount 1 April 2016	8 697 262
Cost	15 871 437
Accumulated depreciation	(7 174 175)
Movement for the period:	
Additions at cost	246 442
Net carrying amount of disposals	(19 795)
Depreciation charge for the year	(331 649)
Exchange movements	129 692
Net carrying amount 30 June 2016	8 721 952
Cost	16 307 664
Accumulated depreciation	(7 585 712)
Net book value of property, plant and equipment pledged as security for borrowings	539 939

16 Intangible assets

	Goodwill on acquisition USD	Other intangible assets USD	Total USD
Net carrying amount 1 April 2016	4 186 628	26 658	4 213 286
Gross carrying amount	4 186 628	26 658	4 213 286
Accumulated amortisation and impairment losses	—	—	—
Amortisation	—	(6 345)	(6 345)
Other non-cash movements	—	16 369	16 369
Net carrying amount 30 June 2016	4 186 628	36 682	4 223 310
Gross carrying amount	4 186 628	43 027	4 229 655
Accumulated amortisation and impairment losses	—	(6 345)	(6 345)

Other intangible assets consist of computer software. These are deemed to have a finite useful life and amortisation periods range from 4-12 years. As at 30 June 2016, there was no impairment of computer software.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

16 Intangible assets (continued)

16.1 Impairment testing of Goodwill

The Group performed its annual impairment tests as at 30 June 2016. Goodwill acquired through business combinations has been allocated to the Speciality Retail cash generating unit, i.e. business unit. The recoverable amount of the cash generating units has been determined using value in use. The pre-tax discount rate to cash flow projections is 15.5%. As at 30 June 2016, there was no impairment of goodwill.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use is most sensitive to the discount rates.

Discount rates

Discount rates represent the current market assessment of the risks specific to the Group, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in pre-tax discount rate to 18.5% (i.e. +3%) would not result in an impairment.

17 Investments in associates

	2016 USD
17.1 Reconciliation of movements in associates	
Balance at 1 April 2016	2 508 606
Equity accounted losses	(137 983)
Loans repaid by associates	(1 070 063)
Balance reclassified to other payables	150 038
Balance at the end of the period	1 450 598
The Group has the following investments in the associates:	
17.2 Baobab Africa (Private) Limited	
Baobab Africa (Private) Limited is involved in the distribution of principal's FMCG products to the retail and wholesale market as well as clearing agency services. The Group holds an effective 33.33% shareholding in Baobab Africa (Private) Limited.	
Reconciliation of the investment in associate;	
Balance at the beginning of the period	(12 012)
Equity accounted losses	(138 026)
Balance reclassified to other payables	150 038
Balance at the end of the period	—

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

17 Investments in Associates (continued)

	2016 USD
17.3 Hat On Investments (Private) Limited	
Hat On Investments (Private) Limited is involved in the distribution of principal's products to the retail and wholesale market. The Group holds an effective 33.33% shareholding in Hat On Investments (Private) Limited.	
Reconciliation of the investment in associate;	
Balance at the beginning of the period	2 520 618
Equity accounted earnings	43
Loans repaid by associate	(1 070 063)
Balance at the end of the period	1 450 598

17.4 Summarised financial information of associates

	Revenue USD	Profit after tax USD	Non-current assets USD	Current assets USD	Non-current liabilities USD	Current liabilities USD
Baobab Africa (Private) Limited						
30 June 2016	1 303 800	(442 994)	560 063	2 946 188	2 188 173	1 745 903
Hat On Investments (Private) Limited						
30 June 2016	1 734 982	3 312	398 176	4 634 388	285 117	3 868 551

17.5 Reconciliation of carrying amount of associates

	Hat On USD	Baobab USD
Total shareholders equity	878 896	(427 834)
Non-controlling interests share therein	(177 882)	(61 313)
Net assets attributable to shareholders of the associate	701 014	(489 147)
Axia's effective share at 33.33%	233 648	(163 033)
Reconciling items:		
Equity loan	1 219 624	-
Other reconciling items	(2 674)	12 995
Carrying amount at 30 June 2016	1 450 598	(150 038)

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

17.6 Group investments in associates and subsidiaries

This structure shows the Group's effective ordinary shareholding in various businesses and excludes dormant companies.

Speciality Retail

Innscore Credit Retail (Private) Limited t/a TV Sales & Home	66.67%
Innscore Credit Retail (Mauritius) Limited	100.00%
Moregrow Enterprises (Private) Limited	51.00%
Geribrans Services (Private) Limited t/a Transerv #	26.01%

Distribution

Distribution Group Africa (Private) Limited	50.01%
Innscore Distribution (Private) Limited	50.01%
Comox Trading (Private) Limited	50.01%
Eagle Agencies (Private) Limited #	37.51%
Biscuit Company (Private) Limited t/a Snacks Sales & Distribution #	41.67%
Tevason Investments (Private) Limited t/a FreshPro #	50.01%
Vital Logistics Zimbabwe (Private) Limited	50.01%
Innscore Distribution Africa Limited	50.00%
Innscore Distribution (Malawi) Limited #	50.00%
Photo Marketing (Malawi) Limited t/a Comox #	50.00%
Innscore Distribution (Zambia) Limited #	50.00%
Comox Trading (Zambia) Limited	50.00%
Mukwa Distribution (Zambia) Limited #	37.50%
Commview Investments (Private) Limited	100.00%
Baobab Africa (Private) Limited *	33.33%
Hat On Investments (Private) Limited *	33.33%

Corporate Services

Axia Operations (Private) Limited	100.00%
Excalibur Mauritius Limited	100.00%

* Associates

Subsidiaries of subsidiaries

17.7 Country of incorporation

All Group companies are incorporated in Zimbabwe, except for the following operating companies:

Company	Country of incorporation
Innscore Credit Retail (Mauritius) Limited	Mauritius
Innscore Distribution Africa Limited	Mauritius
Innscore Distribution (Malawi) Limited	Malawi
Photo Marketing (Malawi) Limited	Malawi
Innscore Distribution (Zambia) Limited	Zambia
Comox Trading (Zambia) Limited	Zambia
Mukwa Distribution (Zambia) Limited	Zambia
Excalibur Mauritius Limited	Mauritius

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

	2016 USD
18 Other financial assets	
Short-term other financial assets comprise of;	
Listed equities	116 964
Reconciled as follows:	
Balance at the beginning of the period	113 233
Fair value adjustments through profit or loss	3 731
Balance at the end of the period	116 964

As at 30 June 2016, other financial assets are valued at fair value through profit or loss.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Fair value through profit or loss				
30 June 2016				
Short-term other financial assets	116 964	—	—	116 964

There were no transfers between levels.

19 Inventories

	2016 USD
Consumable stores	32 193
Finished products, net of allowance for obsolescence	26 834 935
Goods in transit	5 552 482
	32 419 610

The amount of write-down of inventories recognised as an expense is USD 621 704.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

	2016 USD
20 Trade and other receivables	
Trade receivables	26 195 384
Instalment sales receivables	13 931 331
Prepayments	7 545 915
Rental deposits	223 646
Other receivables	534 684
	48 430 960
Allowance for credit losses	(4 708 721)
	43 722 239
Reconciliation of allowance for credit losses is as follows:	
Opening balance	4 410 773
Charge for the period	299 763
Exchange movements	(1 815)
Closing balance	4 708 721

Credit terms vary per business unit. Interest is charged on overdue accounts at varying rates depending on the business and on the credit terms.

Included in total trade and other receivables is Axia Corporation Limited's company balance of USD 195 833.

As at 30 June 2016, the ageing analysis of trade receivables (excluding prepayments) and installment sales receivables was as follows:

	Past due before impairment			
	Total USD	Neither past due nor impaired USD	60-90 days USD	More than 90 days USD
30 June 2016	40 126 715	33 928 324	3 403 013	2 795 378

Note 34 on credit risk of trade receivables explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

	2016 USD
21 Ordinary share capital	
21.1 Authorised	
999 999 000 ordinary shares of USD 0.0001 each	100 000
1 000 Non-Voting Class "A" ordinary shares of USD 0.0001 each	—
	100 000
21.2 Issued and fully paid	
541 593 440 ordinary shares of USD 0.0001 each	54 159

There were no changes in Authorised and Issued share capital during the current period.

21.3 Share Options

As at 30 June 2016, Axia Corporation Limited had the following two Share Option agreements:

- 1) The first option agreement is with an indigenous company, Benvenue Investments (Private) Limited. The terms of the Benvenue Share Option are as follows:

Number of shares:	Fifty Million (50 000 000)
Original tenure:	10 years (until January 2024)
Pricing:	The higher of - 75% of the volume weighted average price of Axia Corporation Limited shares over the previous 60 trading days, or for the first five years (until January 2019), USD 0.19 per share and, for the second five years, USD 0.28 per share

- 2) The second option is with the newly created Axia Corporation Limited Employee Share Trust. The terms of the Axia Corporation Limited Employee Share Trust Option are as follows:

Number of shares:	Thirty Million (30 000 000)
Original tenure:	10 years (until January 2024)
Pricing:	At the volume weighted average price of Axia Corporation Limited shares over the previous 60 trading days.

The share options arising from the Group's indigenisation transaction have no dilutive effect at the end of the financial period.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

21.4 Directors' shareholdings

At 30 June 2016, the Directors held directly and indirectly the following number of shares:

	2016
J Koumides	720 000
Z Koudounaris	111 473 843
T Mazingi	1 802
L E M Ngwerume	5 406
R M Rambanapasi	—
T N Sibanda	—
	112 201 051

There has been no material change in the Directors' shareholding subsequent to 30 June 2016 to the date of this report.

	2016 USD
22 Non-distributable reserves	
Opening balance	(2 884 974)
Changes in non-distributable reserves	158 039
Exchange differences arising on translation of foreign subsidiaries	158 039
Closing balance	(2 726 935)
Comprising:	
Share premium reserve	40 496
Foreign currency translation reserve	(2 767 431)
	(2 726 935)

Nature and purpose of reserves

Share premium reserve

Share premium reserve is used to record amounts over and above nominal value of shares issued.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

The Holding company has non-distributable reserves of USD 27 700 642 (as shown on page 69), comprising of net assets acquired through unbundling of the Speciality Retail and Distribution Silo of Innscor Africa Limited and this is eliminated on consolidation.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

	2016 USD
23 Distributable reserves	
Opening balance	30 639 775
Retained for the period	798 066
Share issue expenses	(215 023)
Issue of shares during the period	(54 159)
Closing balance	31 168 659
Retained in:	
Holding company	(511 184)
Subsidiary companies	31 904 053
Associate companies	(224 210)
	31 168 659

24 Non-controlling interests in significant subsidiaries

The Group has the following subsidiaries that have significant non-controlling interests:

	Innscor Distribution (Pvt) Ltd	Comox Trading (Pvt) Ltd	Innscor Distribution Africa Ltd	Innscor Credit Retail (Pvt) Ltd
Principal place of business	Zimbabwe	Zimbabwe	Zambia & Malawi	Zimbabwe
Proportion of ownership interests held by non-controlling interests	49.99%	49.99%	50%	33.33%
Profit allocated to non-controlling interests for the 3 months ended: 30 June 2016	USD 350 356	USD 90 891	USD 22 517	USD 463 307
Accumulated non-controlling interests of subsidiaries as at: 30 June 2016	4 372 133	1 890 637	2 458 495	7 672 338

The summarised financial information of these subsidiaries based on amounts before inter-company eliminations is provided below:

3 months ended 30 June 2016:	USD	USD	USD	USD
Revenue	11 571 548	4 272 401	5 079 703	10 236 047
Profit after tax	700 852	181 818	40 814	1 390 061
Current assets	18 627 894	6 279 725	11 171 473	28 961 246
Non-current assets	278 099	143 739	1 598 743	1 106 398
Current liabilities	10 159 975	2 641 432	7 560 500	5 333 528
Non-current liabilities	—	—	258 533	1 714 798

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

	2016 USD
25 Net deferred tax liabilities	
25.1 Reconciliation	
Opening balance	1 864 320
Charged to profit or loss	(1 024 588)
Exchange movements	22 273
Closing balance	862 005
25.2 Analysis of net deferred tax liabilities	
Accelerated depreciation for tax purposes	1 002 081
Tax losses	(439 314)
Unrealised exchange losses	44 189
Prepayments	1 943 073
Allowance for credit losses	(1 212 496)
Provision for obsolete inventories	(403 060)
Provision for warranties	(72 468)
	862 005
The net deferred tax liabilities are made up as follows:	
Deferred tax assets	(872 857)
Deferred tax liabilities	1 734 862
	862 005

The Group recognises deferred tax assets arising from tax losses where there is a reasonable expectation that sufficient taxable profit will be available in future through various initiatives by the Directors to utilise these losses.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

			2016 USD
26 Interest-bearing borrowings			
	Rate of interest	Year Repayable	
Long-term financing			
Secured			
Regional Operations	21.8%	2017 - 2019	215 389
Unsecured			
Zimbabwe Operations	7%	2017 - 2019	3 520 122
Total long-term financing			3 735 511
Short-term financing			
Unsecured			
Regional Operations	9.2%	up to 365 days	790 453
Unsecured			
Zimbabwe Operations	6 - 8.5%	up to 365 days	4 224 521
Short-term portion of long-term financing			1 055 210
Overdraft	6 - 25%	On demand	8 768 655
Total short-term financing			14 838 839
Total interest-bearing borrowings			18 574 350

As at 30 June 2016, the Board of Directors had authorised aggregate borrowing limits of USD 18.8 million.

Short-term borrowings form part of the Group's core borrowings and are renewed in terms of ongoing facilities negotiated with the relevant financial institutions.

Included in total interest-bearing borrowings is Axia Corporation Limited's Company balance of USD 3 440 056 with USD 2 397 673 classified as non-current liability whilst USD 1 042 383 is a current liability. The cost of borrowings for the company is 7% and the debt will be repaid over three years until 30 June 2019.

Borrowing powers

In terms of the Articles of Association, the borrowing powers of the company and its subsidiaries (excluding inter-company borrowings) are limited to twice the aggregate of the nominal amount of the share capital of the company plus the total free reserves of the company and its subsidiaries. The level of borrowings throughout the period was adequately covered in this respect.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

	2016 USD
27 Trade and other payables	
Trade payables	24 551 549
Accruals	3 597 650
Deferred income	3 443 535
Other payables	1 472 185
	33 064 919
Trade payables are non-interest bearing and are normally settled within 60 days. Other payables are non-interest bearing and have varying settlement terms.	
Included in total trade and other payables is Axia Corporation Limited's company balance of USD 323 489.	
28 Provisions and other liabilities	
Leave pay liability	616 375
Provision for warranty	281 429
	897 804

	Leave pay liability USD	Provision for warranties USD	Total USD
Reconciliation of provisions			
At 1 April 2016	570 901	292 992	863 893
Charge for the period	52 164	(11 563)	40 601
Exchange movements	2 959	—	2 959
Less paid	(9 649)	—	(9 649)
At 30 June 2016	616 375	281 429	897 804

Provision for warranties

A provision is recognised for expected warranty claims on products sold during the reporting period, based on past experience of the level of repairs and returns. Warranty period varies depending on products sold, and it ranges from 6 months to 24 months. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on warranty period for all products sold.

	2016 USD
29 Capital expenditure commitments	
Authorised and contracted	—
Authorised but not yet contracted	4 441 139
	4 441 139

The capital expenditure will be financed from the Group's own resources and existing borrowing facilities.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

30 Future lease commitments - Group as a lessee

The Group has entered into commercial leases on certain properties and motor vehicles. These leases have varying terms of between 3 and 5 years with renewable options included in some of the contracts. There are no restrictions placed upon the Group by entering into these leases. Future minimum rentals or lease charges payable under non-cancellable operating leases at 30 June are as follows:

	2016 USD
Payable within one year	2 861 646
Payable between two and five years	6 588 691
Payable after five years	1 001 813
	10 452 150

31 Segmental analysis

Management has determined the Group's operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. The revenue, operating profit, assets and liabilities reported to the Board are measured consistently with that in the reported consolidated financial statements.

Business Segments

The reporting structure is summarised as follows:

Speciality Retail

TV Sales & home is a leading furniture and electronic appliance retailer with sites located country wide.

Transerv retails automotive spares, by utilising multiple channels to service the needs of its customers country wide. The business operates through a network of its home grown branded Transerv retail branches, franchised Midas retail branches and numerous fitment centres.

Distribution

Distribution Group Africa is a large and successful distribution and logistics concern, with operations in Zimbabwe, Zambia and Malawi. Its core areas of expertise lie in inbound clearing and bonded warehousing, ambient and chilled/frozen warehousing, logistics, marketing, sales and merchandising services.

Other Segments

This segment contains head office support functions.

Geographical Information

The Group is also organised into parcels of businesses incorporated in Zimbabwe, and those incorporated outside Zimbabwe (note 17.7).

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

31.1 Business segments

	Speciality Retail USD	Logistics & Distribution USD	Other segments USD	Intersegment adjustments USD	Total USD
Revenue					
30 June 2016	18 448 117	31 109 183	—	—	49 557 300
Operating profit/(loss) before financial income, depreciation, amortisation and fair value adjustments					
30 June 2016	2 376 869	1 266 972	(781 934)	—	2 861 907
Depreciation and amortisation					
30 June 2016	37 343	298 170	2 481	—	337 994
Equity accounted loss					
30 June 2016	—	(137 983)	—	—	(137 983)
Interest expense					
30 June 2016	63 813	182 580	59 167	—	305 560
Profit/(loss) before tax					
30 June 2016	2 506 806	1 433 531	(842 352)	—	3 097 985
Tax expense / (credit)					
30 June 2016	532 809	408 723	(114 342)	—	827 190
Segment assets					
30 June 2016	40 248 047	60 125 664	31 363 454	(26 491 791)	105 245 374
Segment liabilities					
30 June 2016	16 485 631	33 451 189	5 662 700	(54 240)	55 545 280
Capital expenditure					
30 June 2016	177 324	62 684	6 434	—	246 442

31.2 Geographical information

	Revenue USD	Profit before tax USD	Total non- current assets* USD	Total current assets USD	Total non- current liabilities USD	Total current liabilities USD
Zimbabwe Operations						
30 June 2016	44 477 597	2 993 775	12 952 707	78 742 236	5 234 920	42 353 741
Regional Operations						
30 June 2016	5 079 703	104 210	1 443 153	11 171 697	235 453	7 627 437

* Excludes deferred tax assets.

31.3 Information about major customers

There were no individual customers that made up more than 10% of external revenues.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

32 Pension funds

Innskor Africa Limited Pension Fund

This is a self-administered, defined contribution fund. The Fund has been operational since 2000. Membership is compulsory for employees of the Group who are not members of other occupational pension funds. Contributions are at the rate of 14% of pensionable emoluments less NSSA of which members pay 7%. Following Axia Corporation Limited's (Axia) unbundling from Innskor Africa Limited, Axia's pensions remained part of the Innskor Africa Limited Pension Fund.

National Employment of Motor Industry Pension Fund

This is a defined contribution fund which covers employees in specified occupations of the motor industry. The majority of employees at Transerv are members of this fund. The minimum contributions are 5% each for members and employer. Members have an option to elect to contribute up to a maximum of 10%.

National Social Security Authority Scheme (NSSA)

The scheme was established, and is administered, in terms of statutory Instrument 393 of 1993. Introduced in 1994, the Pension and Other Benefits Scheme is a defined contribution plan based on a 50/50 contribution from the employers and employees and are limited to specific contributions legislated from time to time. These are presently 7% of pensionable emoluments of which the maximum monthly pensionable salary is USD700. A total monthly contribution of USD 49 is therefore the maximum per employee.

Other Schemes

The Group also contributes to the relevant social security authorities in the various regional countries in which the Group operates, as required by local legislation.

	2016 USD
Pension costs recognised as an expense for the period:	
Innskor Africa Limited Pension Fund	67 733
Motor Industry Pension Fund	29 234
National Social Security Authority Scheme & Workers' Compensation Insurance Fund	121 131
	218 098

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

33 Related party transactions

33.1 Trading transactions

Related party activities consist of transactions between Axia Corporation Limited's consolidated entities and its associates. The sales to and purchases from related parties are made at terms equivalent to those that prevail in arms length transactions.

Related party transactions are summarised as follows:

	sales USD	purchases USD	rent received USD	interest received USD	trade & other receivables USD	trade & other payables USD
Name of related party						
Baobab Africa (Private) Limited						
30 June 2016	168 674	164 230	15 750	—	34 397	145 316
Hat On Investments (Private) Limited						
30 June 2016	24 554	31 495	—	28 938	3 182 184	417 128

33.2 Compensation of key personnel to the Group

	2016 USD
Short-term employee benefits (note 10.1)	567 119

33.3 Transactions with Directors

The Group has leased properties from various companies in which some of the Directors have either a financial or custodial interest. The leases are undertaken at an arm's length basis. The Group also pays consultancy fees to a non-executive Director related entity from time to time.

	2016 USD
Lease payments	34 299
Consultancy fees to Director related entity	39 922

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

34 Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing borrowings, overdrafts, financial assets, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations or to achieve a return on surplus short-term funds. The Group has various other financial assets and financial liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to variable short-term overdraft rates. The Group's policy is to manage its interest cost by limiting exposure to overdrafts and where borrowings are required, to borrow at favourable and fixed rates of interest.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on short-term overdrafts. There is an immaterial impact on the Group's equity.

	2016 USD
Effect on profit before tax	
Increase of 3%	(285 810)
Decrease of 3%	285 810

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of significant investment operations in countries outside Zimbabwe, the Group's statement of financial position can be affected significantly by movements in foreign currency exchange rates. The Group also has transactional currency exposures. Such exposure arises from the sale or purchase by an operating unit in currencies other than the unit's functional currency. The Group limits exposure to exchange rate fluctuations by either pre-paying for purchases, securing forward contracts to take advantage of exchange rate movements and/or retaining stock until the foreign currency to settle the related liability has been secured.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

30 June 2016 Currency	Liabilities	Assets	Net position
South African Rand	(184 754 459)	605 469	(184 148 990)

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

34 Financial risk management objectives and policies (continued)

The following table demonstrates the sensitivity of the Group's results to a reasonably possible change in the US Dollar (USD) exchange rate against the following currencies, with all other variables held constant.

30 June 2016	Change in rate	Effect on profit before tax USD	Effect on equity USD
South African Rand	+10%	(107 054)	1 025 613
	-10%	130 844	(1 253 527)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to debt impairment is not significant.

There is no concentration risk as the Group trades with a wide range of customers with different risk profiles. Credit limits are set by the Group to avoid exposure to a single customer.

Where it sees fit, the Group can from time to time ask for collateral security from customers. This is done after assessing the customers' ability to honour their obligations and the level of exposure. Collateral can be properties, listed shares or other assets.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and held for trading financial assets, the Group's Executive Committee approves all counterparties, sets and monitors exposure limits and terms of engagement.

The maximum exposure arising from default equals the carrying amount of the financial assets as disclosed on the statement of financial position, less the market value of any security held.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

34 Financial risk management objectives and policies (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding through a well managed portfolio of short-term investments and/or flexibility through the use of bank overdrafts and interest-bearing borrowings.

The table below summarises the maturity profile of the Group's financial assets and liabilities:

30 June 2016	Within 3 months USD	Between 4 -12 months USD	More than 12 months USD	Total USD
Liabilities				
Interest-bearing borrowings	(3 748 541)	(11 476 378)	(4 199 675)	(19 424 594)
Trade and other payables	(26 914 881)	(6 150 038)	—	(33 064 919)
Total	(30 663 422)	(17 626 416)	(4 199 675)	(52 489 513)
Assets				
Cash and cash equivalents	13 717 844	—	—	13 717 844
Trade and other receivables excluding prepayments	26 094 975	10 081 349	—	36 176 324
Financial assets	116 964	—	—	116 964
Total	39 929 783	10 081 349	—	50 011 132

Equity price risk

The Group is exposed to movement in fair value of listed equities. Investments in listed equities are valued at fair value and are therefore susceptible to market fluctuations. Comprehensive measures and limits are in place to control the exposure of the Group's equity investments to fair value risk. The carrying value of such listed equities at reporting date was not material.

35 Fair value of financial instruments

The estimated net fair values of all financial instruments, including instalment debtors, approximate the carrying amounts shown in the financial statements.

Notes to the Financial Statements (continued)

for the three months ended 30 June 2016

36 Capital management

The primary objective of the Group's capital management is to ensure that all its companies maintain healthy capital ratios in order to support the business and maximise shareholder value.

The Group manages its capital (total equity) and makes adjustment to it in light of changes in the economic environment. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return on capital to shareholders, or issue new shares. No changes were made to the objectives, policies or processes during the period ended 30 June 2016. The Group manages capital using a gearing ratio, which is calculated as total liabilities divided by the sum of total liabilities and equity.

	2016 USD
Total Liabilities	55 545 280
Total Equity	49 700 094
Gearing ratio	0.53

37 Translation rates

The table below provides the closing translation rates used for the purpose of converting foreign investments' statements of financial position to the Group's reporting currency:

	2016 FX: USD 1
South African Rand	14.78
Malawian Kwacha	722.75
Zambian Kwacha	10.15

38 Contingent liabilities

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

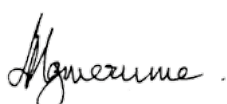
39 Events after reporting date

There have been no significant events after the reporting date.

Company Statement of Financial Position

as at 30 June 2016

	Notes	COMPANY 2016 USD
ASSETS		
Non-current assets		
investments	A	30 811 319
		30 811 319
Current assets		
trade and other receivables	20	195 833
cash and cash equivalents		10
		195 843
Total assets		31 007 162
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	21	54 159
non-distributable reserves	22	27 700 642
distributable reserves	23	(511 184)
Total equity		27 243 617
Non-current liabilities		
interest-bearing borrowings	26	2 397 673
		2 397 673
Current liabilities		
interest-bearing borrowings	26	1 042 383
trade and other payables	27	323 489
		1 365 872
Total liabilities		3 763 545
Total equity and liabilities		31 007 162



L E M NGWERUME
Chairman
Harare
20 October 2016



R M RAMBANAPASI
Executive Director

NOTE A:

INVESTMENTS

Investments in subsidiaries	17.6	30 811 319
		30 811 319

Proforma Group Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

The Directors have chosen to disclose the full year proforma results comprising the statement of financial position as at the 30 June 2016, the statement of profit or loss and other comprehensive income and the statement of cash flows for the year then ended as this was considered useful for all stakeholders. The proforma results for 30 June 2015 assume that Axia Corporation Limited was in existence at that date and these were extracted from Innscor Africa Limited audited financial statements at 30 June 2015.

	2016 USD	2015 USD
Revenue	197 505 911	154 854 577
Cost of sales	(148 620 106)	(116 753 757)
Gross profit	48 885 805	38 100 820
other income	3 448 628	2 846 455
operating expenses	(33 823 230)	(26 572 813)
Operating profit before financial income, depreciation, amortisation and fair value adjustments	18 511 203	14 374 462
financial income	2 949 971	1 543 944
depreciation and amortisation	(1 468 924)	(951 242)
fair value adjustments on listed equities	(34 892)	(654)
Profit before interest, equity accounted earnings and tax	19 957 358	14 966 510
interest income	778 814	528 659
interest expense	(1 064 017)	(710 069)
equity accounted earnings	(111 530)	(126 940)
Profit before tax	19 560 625	14 658 160
tax expense	(5 101 321)	(4 048 778)
Profit for the year	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	(1 341 261)	(918 922)
Other comprehensive income for the year, net of tax	(1 341 261)	(918 922)
Total comprehensive income for the year	13 118 043	9 690 460
Profit for the year attributable to:		
equity holders of the parent	6 534 639	6 169 720
non-controlling interests	7 924 665	4 439 662
	14 459 304	10 609 382
Total comprehensive income for the year attributable:		
equity holders of the parent	5 864 008	5 710 259
non-controlling interests	7 254 035	3 980 201
	13 118 043	9 690 460
Earnings per share (cents)		
Basic earnings per share	1.21	1.14
Headline earnings per share	1.09	1.13
Diluted basic earnings per share	1.21	1.14
Diluted headline earnings per share	1.09	1.13

Proforma Group Statement of Financial Position

as at 30 June 2016

	2016 USD	2015 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	1 450 598	2 364 379
deferred tax assets	872 857	501 406
	15 268 717	9 906 627
Current assets		
other 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	105 245 374	81 444 017
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	54 159	—
non-distributable reserves	(2 726 935)	(2 056 090)
distributable reserves	31 168 659	27 702 888
attributable to equity holders of the parent	28 495 883	25 646 798
non-controlling interests	21 204 211	18 590 607
Total 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	33 064 919	26 679 353
provisions and other liabilities	897 804	710 382
current tax liabilities	1 273 345	338 579
	50 074 907	31 420 326
Total liabilities	55 545 280	37 206 612
Total equity and liabilities	105 245 374	81 444 017

Group Statement of Cash Flows

for the year ended 30 June 2016

	2016 USD	2015 USD
Cash generated from operating activities	11 522 762	11 749 051
interest income	778 814	528 659
interest expense	(1 064 017)	(710 069)
tax paid	(5 635 015)	(5 030 334)
Total cash available from operations	5 602 544	6 537 307
Investing activities	(3 943 053)	(3 068 246)
Net cash flow before financing activities	1 659 491	3 469 061
Financing activities	3 369 314	(3 277 490)
dividends paid by holding company	(3 950 468)	(2 842 038)
dividends paid by subsidiaries to non-controlling interests	(4 713 577)	(1 670 694)
share issue expenses	(215 023)	—
net increase in borrowings	12 559 017	1 455 398
cash paid to non-controlling interests	(310 635)	(220 156)
Net increase in cash and cash equivalents	5 028 805	191 571
Cash and cash equivalents at the beginning of the year	8 689 039	8 497 468
Cash and cash equivalents at the end of the year	13 717 844	8 689 039

Shareholders' Analysis and Calendar

Size of Shareholding	Number of Shareholders	Shareholders %	Issued Shares	Shares %
1 - 10 000	3 407	84.98	3 513 618	0.66
10 001 - 25 000	164	4.09	2 754 520	0.51
25 001 - 50 000	102	2.54	3 736 926	0.69
50 001 - 100 000	80	2.00	5 653 747	1.04
100 001 - 200 000	79	1.97	11 758 041	2.17
200 001 - 500 000	80	2.00	24 260 431	4.48
500 001 - and over	97	2.42	489 916 157	90.45
	4 009	100.00	541 593 440	100.00

Trade Classification

Companies	666	16.61	397 344 361	73.36
Pension Funds	329	8.21	78 079 254	14.42
Insurance Companies	46	1.15	40 395 759	7.46
New Non- Residents	96	2.39	15 588 596	2.88
Local Individual Residents	2 724	67.95	8 722 074	1.61
Trust Nominees	97	2.42	977 249	0.18
Investment Companies	51	1.27	486 147	0.09
	4 009	100.00	541 593 440	100.00

Top Ten Shareholders

ZMD Investments (Pvt) Ltd	102 829 853	18.99
HM Barbour (Pvt) Ltd	100 000 000	18.46
Stanbic Nominees (Pvt) Ltd	80 604 236	14.88
Old Mutual Group	34 784 556	6.42
Standard Chartered Nominees (Pvt) Ltd	29 018 373	5.36
Sarcor Investments (Pvt) Ltd	22 484 058	4.15
Innsco Africa Limited	12 832 452	2.37
Pharaoh Limited	11 645 929	2.15
City & General Holdings (Pvt) Ltd	9 822 598	1.81
Mining Industry Pension Fund	8 238 931	1.52
Other	129 332 454	23.89
	541 593 440	100.00

Shareholders' Calendar

First Annual General Meeting	29 November 2016
Financial Year End	30 June

Interim Reports

6 months to December 2016	March 2017
12 months to 30 June 2017	September 2017

Annual Report Published	November 2017
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Second Annual General Meeting	November 2017
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Registered Office

Axia Corporation Limited
Edward Building
Corner 1st Street/Nelson Mandela Ave
Harare, Zimbabwe

Transfer Secretaries

Corpservice Transfer Secretaries (Private) Limited
2nd Floor, ZB Centre
1st Street/Kwame Nkrumah Avenue
Harare, Zimbabwe
Email: enquiries@corpservice.co.zw

Notice to Members

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of members will be held at the Chapman Golf Club, 1 Henry Chapman Road, Eastlea, Harare, on Tuesday 29 November 2016 at 08h30, for the purpose of transacting the following business:

Ordinary Business

1. To receive and consider the financial statements for the three months ended 30 June 2016 together with the reports of the Directors and Auditors thereon.
2. To re - elect retiring Directors: Mr. L.E.M. Ngwerume, Mr. R.M. Rambanapasi, Mr. Z. Koudounaris, Mrs. T.C. Mazingi and Mr. T.N.Sibanda who retire by rotation and being eligible offer themselves for re-election.
3. To approve Directors' fees for the three months ended 30 June 2016.
4. To approve the remuneration of the Auditors for the three months ended 30 June 2016 and re-appoint Ernst & Young of Harare as Auditors of the Company until the conclusion of the next Annual General Meeting.

Special Business

5. Approval of Share Buy-Back

That the Company authorises in advance, in terms of section 79 of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange (ZSE) Listing Requirements, the purchase by the Company of its own shares upon such terms and conditions and such amounts as the Directors of the Company may from time to time determine and such authority hereby specifies that: -

- i. The authority in terms of this resolution shall expire on the date of the Company's next Annual General Meeting; and
- ii. Acquisitions shall be of ordinary shares which, in aggregate in any one financial year, shall not exceed 10% (*ten per centum*) of the Company's issued ordinary share capital; and
- iii. The maximum and minimum prices, respectively, at which such ordinary shares may be acquired will not be more than 5% (*five per centum*) above and 5% (*five per centum*) below the weighted average of the market price at which such ordinary shares are traded on the ZSE, as determined over the 5 (five) business days immediately preceding the date of purchase of such ordinary shares by the Company; and
- iv. A press announcement will be published as soon as the Company has acquired ordinary shares constituting, on a cumulative basis in the period between Annual General Meetings, 3% (*three per centum*) of the number of ordinary shares in issue prior to the acquisition; and
- v. If during the subsistence of this resolution the Company is unable to declare and pay a cash dividend, then this resolution shall be of no force and effect.

NOTE: -

In terms of this resolution, the Directors are seeking authority to allow use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the ZSE. The Directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally. In exercising this authority, the Directors will duly take into account following such repurchase, the ability of the Company to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company and Group, the adequacy of ordinary capital and reserves as well as working capital.

6. Approval of 2016 Axia Share Option Scheme

To resolve as an ordinary resolution, with or without amendment:-

"That the Directors of the Company be and are hereby authorised to establish a Share Option Scheme, to be called the "2016 Axia Share Option Scheme", which Scheme shall be effective from the date that such Scheme is approved by Shareholders of the Company and to grant share options in respect of the rules of the Scheme (which rules will be available for inspection at the registered office of the Company, fourteen (14) days before the AGM), with such options in aggregate not exceeding 54 159 344 (fifty four million one hundred and fifty nine thousand three hundred and forty four) ordinary shares, being 10% of the 541 593 440 (five hundred and forty one million five hundred and ninety three thousand four hundred and forty) ordinary shares in issue on 17th May 2016, being the date on which the Company was listed on the ZSE".

7. To resolve as an ordinary resolution, with or without amendments:

"That the Company be and is hereby authorised to make any loan to any Executive Director or to enter into any guarantee or provide any security in connection with a loan to such Executive Director for the purpose of enabling him to properly perform his duty as an officer of the Company, as may be determined by the Remuneration Committee of the Board of Directors, provided that the amount of the loan or the extent of the guarantee or security shall not exceed the annual remuneration of that Director."

Any other Business

8. To transact any other business competent to be dealt with at the Annual General Meeting.

Proxies

In terms of the Companies Act, a Member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his/her stead. A proxy need not be a member of the Company.

Proxy forms must be forwarded to reach the Company's registered office not less than 48 (forty eight) hours before the commencement of the meeting.

By order of the Board
AXIA CORPORATION LIMITED



Prometheus Corporate Services (Private) Limited

Company Secretary

Harare

20 October 2016

Corporate Information

Domicile

The Company is incorporated and domiciled in Zimbabwe.

Core Business

Speciality Retail and Distribution

Registered Office

Edward Building
1st Street/Nelson Mandela Avenue
Harare, Zimbabwe

Postal Address

8 Cambridge Avenue
Newlands
Harare
Zimbabwe

Contact Details

Telephone: +263 4 776998/776273
Email: finance@axiaops.com

Company Secretary

Prometheus Corporate Services (Private) Limited
12 Cuba Avenue
Mount Pleasant
Harare

Auditors

Ernst & Young
Chartered Accountants (Zimbabwe)

Legal Advisors

Gill, Godlonton & Gerrans

Principal Bankers

Barclays Bank of Zimbabwe Limited
CABS
Stanbic Bank Zimbabwe Limited
Standard Chartered Bank Zimbabwe Limited

Transfer Secretaries

Corpserve Transfer Secretaries (Private) Limited
2nd Floor, ZB Centre
1st Street/Kwame Nkrumah Avenue
Harare, Zimbabwe
Email: enquiries@corpserve.co.zw