AXIA CORPORATION LIMITED

QUALITY | SERVICE | FULFILMENT

Abridged Audited Financial Results

For the year ended 30 June 2019

SALIENT FEATURES

For the year ended 30 June 2019

	FY 2019 ZWL	FY 2018 ZWL	
Revenue	557 413 937	275 925 217	▲ 102%
Operating profit before impairment, depreciation and fair value adjustments	72 678 643	25 808 254	▲ 182%
Profit before tax	85 737 758	24 334 957	▲ 252%
Headline earnings per share (cents)	7.07	2.02	▲ 250%
Cash generated from operations	48 601 502	10 135 917	▲ 379%
Total dividend declared per share (cents)	2.35	0.72	▲ 226%

CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

DIRECTORS' RESPONSIBILITY

The Directors of Axia Corporation Limited are responsible for the preparation and fair presentation of the Group's consolidated financial statements, of which this press release represents an extract. The audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies' Act (Chapter 24:03) and the Zimbabwe Stock Exchange listing requirements, except for adherence to International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates". As explained in the Compliance with IFRSs paragraph below, adherence to IAS 21 was not possible this year. The principal accounting policies of the Group are consistent with those applied in the previous annual financial statements except for the effects of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" both with an effective date of 1 January 2018. The Group made a reassessment of the adequacy of the allowance for credit losses as at 30 June 2018 and made adjustments to the opening retained earnings. No adjustments were made to revenue by the Group as a result of adopting IFRS 15.

AUDITOR'S STATEMENT

The abridged audited financial results should be read in conjunction with the complete set of financial statements for the Group for the year ended 30 June 2019, audited by Deloitte & Touche, Chartered Accountants (Zimbabwe), in accordance with International Standards on Auditing. An adverse opinion has been issued thereon for non-compliance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". The auditor's report incorporates a section detailing key audit matters. The key audit matter relates to revenue recognition. The auditor's report on the financial statements, which forms the basis of these abridged financial results, is available for inspection at the Company's registered office.

REPORTING CURRENCY

The re-introduction of a local currency as the sole legal tender for domestic transactions resulted in a change in functional and presentation currency from US Dollars presented for the prior year to Zimbabwe Dollars (ZWL$) for the current year. The financial statements for 2019 are therefore presented in ZWL$ while comparative numbers for 2018 were converted to ZWL$ at a rate of 1:1 in compliance with SI33 of 2019. All references to the Zimbabwe Dollar in this Commentary will be shown as ZWL$ unless specifically mentioned.

COMPLIANCE WITH IFRSs

The financial statements are prepared with the objective of complying fully with IFRSs. Complying with IFRSs achieves consistency with the financial reporting framework adopted by the Group since 2016. Using a globally recognized reporting framework also facilitates understandability and comparability with similar businesses and allows consistency in the interpretation of the financial statements.

Whilst full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved in 2019. Based on International Financial Reporting Standards, IAS 21 "The Effects of Changes in Foreign Exchange Rates", "if exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made". In addition, paragraph 2.12 of the Conceptual Framework for Financial Reporting prescribes that for financial information to be useful, it "must not only represent relevant phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."

In our opinion, because of the significance of the matter highlighted above, the consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of IAS 21. The requirement to comply with Government legislation (SI 33 of 2019) presented challenges in terms of compliance with IFRSs due to inconsistencies with IAS 21 and this was alluded to by PAAB in their guidance issued on the 21st of March 2019. This has resulted in accounting treatment being adopted in 2019 financial statements, which is different from that which would have been adopted if the Group had been able to fully comply with IFRSs.

FINANCIAL OVERVIEW

The year under review was dominated by the significant changes in the economic environment such as the introduction and floating of the ZWL$ against a basket of foreign currencies and the reintroduction of the sole legal tender for all domestic transactions, the Zimbabwean Dollar, amongst other changes. The operating environment was volatile and trading conditions remained extremely challenging during the year, characterised by shortage of foreign currency, liquidity constraints, increased finance costs, as well as inflationary pressures on operating costs which at times hampered both the Group's working capital and operating expenditure levels. Inflationary pressures continued across the board with respect to both stock inputs and operating expenditure, particularly in the latter part of the financial year. The increase in prices of goods and services was largely driven by the adverse movement in foreign exchange rates which affected cost of doing business as pricing by most suppliers of goods and services was indexed to the US$. The Group's business units were however resilient and proactive despite these factors and this helped the Group to record a fair performance.

As advised in the interim report, the Group, through its subsidiary TV Sales & Home, successfully concluded the acquisition of a 49% shareholding in Maton (Private) Limited t/a Restapedic, a bedding manufacturing business. An amount of ZWL$2.468 million was paid for the investment. Restapedic is a synergistic business to the Group's portfolio which, together with other suppliers, will help in securing the supply chain of bedding units for TV Sales & Home. Competitions and Tariffs Commission approval for this transaction was obtained in January 2019. Also, during the fourth quarter of the financial year TV Sales & Home together with a strategic partner established a lounge suite manufacturing business, Legend Lounge (Private) Limited, and it owns 70% of the business. This acquisition and establishment are part of the Group's objectives to achieve organic and acquisitive growth as well as backward integration into manufacturing.

The Group reported revenue of ZWL$557.414 million during the year to achieve a 102% growth on the comparative year. This was driven by a mixed volume performance across operations. An improved performance was noted in the last quarter of the year, where revenue grew 132% on the comparative period, a result driven by increased volumes across most categories and increase in prices. The Group sustained growth in profitability by recording an operating profit of ZWL$72.679 million, representing a 182% growth on the comparative year, despite the inflationary pressures on costs. The financial income line is mainly comprised of income earned on the derivative option, unrealised exchange gains on foreign denominated cash and cash equivalents and this was adjusted by unrealized exchange losses arising out of the valuation of foreign creditors. Equity accounted earnings are mainly comprised of the results of Transerv and Restapedic Bedding. All business units with equity accounted results have performed well and Restapedic has contributed a reasonable amount. Overall, profit before tax at ZWL$85.738 million for the year was 250% above the comparative period. Basic and Headline earnings per share for the year improved by 250% to 7.07 ZWL cents.

Due to the change in functional currency from US Dollars to Zimbabwe dollars, the Group recorded ZWL$21.973 million in Other Comprehensive Income (OCI) for the year ended 30 June 2019 as a result of converting regional results from their local currencies to ZWL$. This OCI is not included in determining Basic and Headline earnings as it does not arise from normal operations. The Group contributed ZWL$5.818 million to the fiscus through the Intermediated Money Transfer Tax (IMTT) since it was increased, in October 2018, from 5 cents per transaction to 2%, per dollar value from ZWL$10 to a limit of ZWL$500,000. The IMTT limit was further increased to 2%, per dollar value from ZWL$ 20 to a limit of ZWL$750,000 post 30 June 2019.

Net borrowings have decreased by ZWL$3.906 million mainly as a result of increased cash sales and collection of trade receivables which improved cash and cash equivalents balances resulting in lower gearing.

The Group generated cash of ZWL$48.602 million from operations against ZWL$10.136 million in the comparative year. The Group's capital expenditure for the year totalled ZWL$4.801 million and this was limited to critical maintenance and expansion projects as these were also affected by inflationary pressures.

SUSTAINABILITY REPORTING

The Group continues to apply the Global Reporting Initiatives (GRI's) Sustainability Reporting Guidelines as part of its commitment to ensuring the sustainability of its businesses. The Group will continue to uphold these practices and values across its operations to ensure that long-term business success is achieved in a sustainable manner.

OPERATIONS

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

TV Sales & Home

TV Sales & Home had a strong start to the financial year which was offset by a subdued last quarter in terms of volumes which saw them end the year at the same level as prior year. Turnover growth was 88% above prior year driven by growth in both cash and credit sales. Due to operating efficiency, the business recorded better growth on operating profit than that achieved on turnover. Credit business was good until the last quarter of the financial year when affordability became a deterrent which saw volumes dip. This however was compensated by increased cash business. The instalment debtors' book increased by 77% over the comparative year and this has been consistent with increased credit sales. The quality of the book remained good throughout the year.

Inventory levels remain good and support for local suppliers has continued to ensure uninterrupted supply of all key furniture lines. The bed manufacturing unit, Restapedic, witnessed growth in volumes during the year and is looking to increase production in the forthcoming financial year after installation of the new bed manufacturing equipment. Legend Lounge (Private) Limited, a subsidiary of TV Sales & Home, has now produced a range of lounge furniture which has significantly improved the product selection and quality across all stores. The partnerships to promote local production are key in ensuring that supplies remain high.

The business has continued to grow its store network by opening four new stores, one each in Masvingo, Gwanda, Banket and Harare which have all performed well. During the last quarter of the financial year, the increasing operating costs lead to closure of one store in Harare. Two new stores are scheduled to open before the end of the first half of the new financial year in Victoria Falls and Rusape. The business will also focus on growing a market for its manufactured products both locally and regionally.

Distribution Group Africa - Zimbabwe

The Zimbabwean distribution business houses a number of leading brands such as Colgate, Kellogg's, Tiger Brands, Unilever, Johnson & Johnson, Rhodes, Pioneer, Irvine's and Probrands. The business posted a good set of results during the year under review despite the economic challenges which prevailed. Turnover grew by 114% over the comparative year as a result of growth in existing local business as well as general price increases. The swing towards more local sales has helped especially in this environment where foreign currency has become scarce. Operating profit was 353% up from prior year due to margin growth while costs went up by a lesser percentage. Management will continue focusing on driving volumes growth and ensuring visibility of their principals' products. As reported in the interim report, there is improvement in the control environment and governance structures of the business thus improving monitoring and control. Management is looking at restructuring this group to improve on efficiencies in business operations.

Distribution Group Africa - Region

The regional operations reported a mixed set of results. The trading environment in the region has been quite challenging. The regional operations remain a key component of the group's distribution footprint to represent agencies held in Zimbabwe. In US$ terms, turnover for the consolidated distribution regional business declined by 2% but profit before tax grew by 47% from prior year due to financial income earned from hedging activities. The depreciation of local currencies, of the countries in which the business operates in, to the US$ is negatively affecting the net assets of the consolidated business.

Malawi

Malawi recorded a marginal growth in revenue over the comparative year as it struggled to trade with defaulting large customers who were put on stop supply, for the greater part of the first half of the financial year. The business' operating profit marginally increased over the comparative year as costs were well managed.

Zambia

In Zambia, revenue dropped by 3% compared to prior year in US Dollar terms. The decline in turnover filtered to the gross margin and the results were worsened by significant stock write offs on the back of over stocks and customer returns, resulting in the business making an operating loss for the year. Financial income earned from hedging activities resulted in the business generating profit which was more than that earned in the comparative year.

Transerv

The business recorded an overall revenue growth of 37% against prior year despite the onerous trading environment. Given the current economic environment, the business will continue focusing on ensuring product availability and at the right pricing. The business managed to maintain its footprint across the country, and has ensured that its customers have access to products as and when required. The support of Transerv's existing and new customers will be key to its growth. As reported in the interim report, Transerv celebrated its 10-year anniversary in May 2019. The 10-year journey has seen the business grow to a network of 24 (21 Transerv and 3 Midas) trading outlets, 15 Fitment Centers, an Auto Cycle Centre, Zimbabwe Spares Wholesalers, a diesel pump room (ADCO) and Clutch and Break Specialists (CBS). Its staff complement has also grown to 350 employees. After reaching this milestone, Transerv will be profiling the "refreshed" Transerv look in the forthcoming financial year.

PROSPECTS

The economic environment will remain dampened by inflation and currency volatility in the short to medium term. This environment creates various challenges which at the same time also brings opportunities to the Group. Despite these current economic challenges, the Group is optimistic about the country's prospects and growth potential. Therefore, the Group is looking into expansion projects, which will enable sustainable growth thus creating and preserving value for all stakeholders, even when the macro-economic environment is full of pitfalls.

Given the current economic environment, the sourcing of local funding as well as foreign currency to procure inventory and settle foreign suppliers remains a priority for the Group as a way to manage foreign currency exposure. Therefore, as previously mentioned in the interim report, it is imperative for the Group to evaluate investment opportunities with export potential even if they are outside the Group's speciality retail and distribution space. On the statement of financial position, the Group's key focus areas will be on managing foreign creditor positions, securing additional inventory as well as managing gearing levels and this will be done in tandem with environmental changes.

DIVIDEND

The Board has declared a final dividend of 1.75 ZWL cents per share in respect of all ordinary shares of the Company. This brings the total dividend paid for the year to 2.35 ZWL cents. The final dividend is payable in respect of the financial year ended 30 June 2019 and will be paid in full to all shareholders of the Company registered at close of business on the 11th of October 2019. The payment of this dividend will take place on or around the 22nd of October 2019. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the 8th of October 2019 and ex-dividend as from the 9th of October 2019.

The Board has also declared a final dividend totaling ZWL$43.800 to the Axia Employee Share Trust (Private) Limited which will be paid on the same date.

APPRECIATION

I express my sincere gratitude to the Board of Directors, executives, management and staff for their ongoing efforts during the year under review. I also take this opportunity to thank the Group's valued customers, suppliers and other stakeholders for their continued support and trust.

L E M Ngwerume

L E M NGWERUME
Chairman
26 September 2019

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	30 June 2019 audited ZWL	30 June 2018 audited ZWL
Revenue	**557 413 937**	**275 925 217**
Operating profit before impairment, depreciation and fair value adjustments	**72 678 643**	**25 808 254**
financial income	12 089 083	1 274 464
impairment losses	(35 083)	(419 325)
depreciation	(2 286 524)	(1 913 260)
fair value adjustments on listed equities	682 335	68 173
Profit before interest and tax	**83 128 454**	**24 818 306**
net interest expense	(1 916 803)	(1 282 172)
equity accounted earnings	4 526 107	798 823
Profit before tax	**85 737 758**	**24 334 957**
tax expense	(22 657 111)	(7 451 633)
Profit for the year	**63 080 647**	**16 883 324**
Other comprehensive income / (loss) - to be recycled to profit or loss		
exchange differences arising on the translation of foreign operations	21 973 311	(293 650)
Other comprehensive income/ (loss) for the year, net of tax	**21 973 311**	**(293 650)**
Total comprehensive income for the year	**85 053 958**	**16 589 674**
Profit for the year attributable to:		
equity holders of the parent	38 273 527	10 952 910
non-controlling interests	24 807 120	5 930 414
	63 080 647	**16 883 324**
Total comprehensive income for the year attributable to:		
equity holders of the parent	49 077 316	10 806 085
non-controlling interests	35 976 642	5 783 589
	85 053 958	**16 589 674**
Earnings per share (cents)		
Basic earnings per share	7.07	2.02
Headline earnings per share	7.07	2.02
Diluted earnings per share	6.87	2.01
Diluted headline earnings per share	6.87	2.01

Abridged Audited Financial Results
For the year ended 30 June 2019

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	At 30 June 2019 audited ZWL	At 30 June 2018 audited ZWL
ASSETS		
Non-current assets		
property, plant and equipment	16 640 262	9 085 381
intangible asset	-	35 083
investments in associates and joint ventures	11 571 115	5 617 736
deferred tax assets	8 955 389	2 022 942
	37 166 766	**16 761 142**
Current assets		
financial assets	2 004 889	1 690 080
inventories	111 844 563	47 750 007
trade and other receivables	141 909 027	54 088 040
cash and cash equivalents	29 933 535	7 297 248
	285 692 014	**110 825 375**
Total assets	**322 858 780**	**127 586 517**
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	54 159	54 159
share based payment reserve	457 010	161 634
non-distributable reserves	8 121 748	(2 682 041)
distributable reserves	76 165 458	43 349 637
Attributable to equity holders of parent	**84 798 375**	**40 883 389**
non-controlling interests	54 307 986	24 773 735
Total shareholders' equity	**139 106 361**	**65 657 124**
Non-current liabilities		
deferred tax liabilities	6 316 750	1 756 257
	6 316 750	**1 756 257**
Current liabilities		
interest-bearing borrowings	44 785 546	26 055 163
trade and other payables	122 074 925	32 361 391
provisions and other liabilities	2 808 026	944 203
current tax liabilities	7 767 172	812 379
	177 435 669	**60 173 136**
Total liabilities	**182 628 336**	**61 929 393**
Total equity and liabilities	**322 858 780**	**127 586 517**

ABRIDGED GROUP STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	30 June 2019 audited ZWL	30 June 2018 audited ZWL
Cash generated from operations	**48 601 502**	**10 135 917**
net interest paid	(1 916 803)	(1 282 172)
tax paid	(17 168 179)	(7 159 343)
Net cash generated from operating activities	**29 516 520**	**1 694 402**
Investing activities	**(7 602 756)**	**(4 511 122)**
Net cash inflow / (outflow) before financing activities	**21 913 764**	**(2 816 720)**
Financing activities	**722 523**	**(624 507)**
Increase/(decrease) in cash and cash equivalents	**22 636 287**	**(3 441 227)**
Cash and cash equivalents at the beginning of the year	**7 297 248**	**10 738 475**
Cash and cash equivalents at the end of the year	**29 933 535**	**7 297 248**

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Attributable to equity holders of the parent						
	Ordinary Share Capital ZWL	Share Based Payments Reserve ZWL	Non-Distributable Reserves ZWL	Distributable Reserves ZWL	Total ZWL	Non-Controlling Interests ZWL	Total ZWL
Balance on 1 July 2017	**54 159**	**13 694**	**(2 535 216)**	**36 612 470**	**34 145 107**	**22 737 302**	**56 882 409**
Profit for the year	-	-	-	10 952 910	10 952 910	5 930 414	16 883 324
Other comprehensive loss	-	-	(146 825)	-	(146 825)	(146 825)	(293 650)
Share based payments expense	-	147 940	-	-	147 940	-	147 940
Dividends paid	-	-	-	(3 981 354)	(3 981 354)	(3 811 389)	(7 792 743)
Transactions with owners in their capacity as owners	-	-	-	(234 389)	(234 389)	64 233	(170 156)
Balance on 30 June 2018	**54 159**	**161 634**	**(2 682 041)**	**43 349 637**	**40 883 389**	**24 773 735**	**65 657 124**
IFRS 9 adoption opening balance adjustment	-	-	-	(253 692)	(253 692)	(72 869)	(326 561)
Profit for the year	-	-	-	38 273 527	38 273 527	24 807 120	63 080 647
Other comprehensive income	-	-	10 803 789	-	10 803 789	11 169 522	21 973 311
Share based payments expense	-	295 376	-	-	295 376	-	295 376
Dividends declared	-	-	-	(5 231 060)	(5 231 060)	(6 309 234)	(11 540 294)
Transactions with owners in their capacity as owners	-	-	-	27 046	27 046	(60 288)	(33 242)
Balance at 30 June 2019	**54 159**	**457 010**	**8 121 748**	**76 165 458**	**84 798 375**	**54 307 986**	**139 106 361**

NOTES AND SUPPLEMENTARY INFORMATION
For the year ended 30 June 2019

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Operating Segments

The following table represents the summarised financial information of the Group's operating segments for the year ended 30 June 2019:

	Zimbabwe ZWL	Region ZWL	Intersegment adjustments ZWL	Total ZWL
Revenue				
30 June 2019	507 378 866	50 365 410	(330 339)	557 413 937
30 June 2018	245 282 877	30 642 340	-	275 925 217
Operating profit before impairment, depreciation and fair value adjustments				
30 June 2019	72 645 755	32 888	-	72 678 643
30 June 2018	24 940 235	868 019	-	25 808 254
Depreciation and amortisation				
30 June 2019	(2 066 768)	(219 756)	-	(2 286 524)
30 June 2018	(1 759 150)	(154 110)	-	(1 913 260)
Equity accounted earnings				
30 June 2019	4 526 107	-	-	4 526 107
30 June 2018	798 823	-	-	798 823
Profit before tax				
30 June 2019	85 026 984	710 774	-	85 737 758
30 June 2018	23 854 466	480 491	-	24 334 957
Segment assets				
30 June 2019	287 555 745	78 260 888	(44 081 936)	321 734 697
30 June 2018	145 006 470	13 413 584	(30 833 537)	127 586 517
Segment liabilities				
30 June 2019	152 502 304	51 172 422	(21 046 390)	182 628 336
30 June 2018	58 795 879	8 623 914	(5 490 400)	61 929 393
Capital expenditure				
30 June 2019	4 772 306	28 907	-	4 801 213
30 June 2018	3 872 778	124 664	-	3 997 442

	Year ended 30 June 2019 audited ZWL	Year ended 30 June 2018 audited ZWL
3 Future lease commitments		
Payable within one year	3 765 370	2 722 552
Payable two to five years	12 229 926	8 747 350
Payable after five years	7 652 773	1 436 773
	23 648 069	**12 906 675**
4 Commitments for capital expenditure		
Contracts and orders placed	1 774 440	-
Authorised by Directors but not contracted	19 386 135	6 339 389
	21 160 575	**6 339 389**

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

5 Borrowings & Security

Net book value of land and buildings pledged as security for interest-bearing borrowings	5 457 114	94 320

Interest-bearing borrowings constitute bank loans from various financial institutions. The average cost of borrowings for the Axia Group operations in Zimbabwe is 6.86% per annum, with borrowings for regional operations averaging an interest rate of 11.92% in the respective local currency loans. The facilities expire at different dates and will be reviewed and renewed as they mature.

6 Earnings per share

Basic earnings basis

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

Diluted earnings basis

The calculation is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue after adjusting for the conversion of share options. Share options are considered for dilution if the average market price of ordinary shares during the year exceeds the exercise price of such options. The employee share options and the indigenisation share options with an indigenous company had a dilutive effect at the end of the financial year.

Headline earnings basis

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

	Year ended 30 June 2019 audited ZWL	Year ended 30 June 2018 audited ZWL
Reconciliation of basic earnings to headline earnings		
Profit for the year attributable to equity holders of the parent	38 273 527	10 952 910
Adjustment for capital items (gross of tax):		
Impairment losses : intangibe assets and goodwill	35 083	419 325
Profit on disposal of assets	(95 123)	(56 598)
Impairment and derecognition of motor vehicles	-	34 283
Tax effect on adjustments	25 339	5 746
Non-controlling interests' share of adjustments	34 886	(391 846)
Headline earnings attributable to ordinary shareholders	**38 273 712**	**10 963 820**
Number of shares in issue		
Number of ordinary shares in issue per Basic and Headline Earnings Per Share	541 593 440	541 593 440
Effect of share options	15 232 162	3 718 974
Weighted average number of ordinary shares in issue adjusted for the effect of dilution	556 825 602	545 312 414
Basic earnings per share (cents)	7.07	2.02
Headline earnings per share (cents)	7.07	2.02
Diluted basic earnings per share (cents)	6.87	2.01
Diluted headline earnings per share (cents)	6.87	2.01

7 Contingent liabilities

Bank guarantees	3 121 200	3 017 160

Contingent liabilities relate to bank guarantees provided to a joint venture company, Transerv, as at 30 June 2019.

8 Events after the reporting date

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

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INDEPENDENT AUDITOR'S REPORT
To The Shareholders of Axia Corporation Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Adverse Opinion

We have audited the consolidated and separate financial statements of Axia Corporation Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 28 to 91, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion* section of our report, the consolidated and separate financial statements do not present fairly, the consolidated and separate financial position of the Group and Company as at 30 June 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of Zimbabwe (Chapter 24:03).

Basis for Adverse Opinion

The Group transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates."

As a result of these factors the Directors performed an assessment on the functional currency of the Group in accordance with IAS 21 and acknowledged that the functional currency of the Group is no longer USD.

Basis for Adverse Opinion (continued)

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes as currency.

The Directors used the same date to effect the change in functional currency. Because the Group transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency on 22 February 2019 in accordance with SI 33/19 results in material misstatement to the financial performance and cash flows of the Group, as transactions denominated in USD were not appropriately translated during that period.

In addition, certain foreign denominated liabilities were translated into Zimbabwe Dollar (ZWL) at a different closing exchange rate at year end, based on the rate of their expected settlement.

Had the Group applied the requirements of IAS 21, many of the elements of the accompanying consolidated and separate financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the consolidated and separate financial statements of this departure have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) Code together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Adverse Opinion* section of our report we have determined the matters described below to be the key audit matters.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition</td></tr>
<tr><td>Revenue is recognised in accordance with IFRS 15 – "Revenue from Contracts with Customers" with effect from 1 July 2018. Revenue is presented net of discounts, rebates, returned products and other claims.

Management are paid incentives if revenue targets are met thus increasing the risk of manipulation of revenue at year end. This results in a risk of cut–off of revenue for the Group.

The Group's revenue for the year was ZWL$ 557.4 million (2018: ZWL$ 275.9 million).

In addition, the standard requires the determination of transaction price as a result of variable consideration relating to claims returns included therein. As at 30 June 2019, the closing balance for the provision for claims returns amounted to ZWL$ 1.2 million (2018: ZWL$ 0.5 million).

As a result of the materiality of revenue recognised towards year end and the estimation of related claims, we identified revenue recognition as a key audit matter.

Disclosure on the revenue recognition policy has been presented in Note 5 to the consolidated and separate financial statements, whilst the revenue amounts have been disclosed in Note 8. The provision for claims returns is disclosed in Note 32.</td><td>To address this matter we performed the following audit procedures:

• We obtained an understanding and tested the design and implementation of relevant controls to address the significant risk;
• We obtained an understanding of the appropriateness of the Directors' revenue recognition policies, particularly regarding sales near year-end;
• We assessed revenue recognition policies against the requirements of IFRS 15, and that revenue was presented net of discounts, rebates, returned products and other claims;
• We performed late cut-off procedures for sales transactions recorded close to year-end, to evaluate whether these were recorded after the risks and rewards associated with ownership had been transferred to the customers;
• We assessed the appropriateness of the method used by the Directors to estimate the variable consideration relating to subsequent claims returns;
• We performed detailed tests on a sample of credit notes recorded after year-end and assessed validity of the transactions; and
• We obtained a sample of claims from customers made subsequent to year end and assessed whether the provision for claims returns was adequate.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (continued)
To The Shareholders of Axia Corporation Limited

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the *Axia Annual Report for the year ended 30 June 2019*, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, the Group changed its functional currency to the RTGS Dollar effective 22 February 2019. The date of change in functional currency as determined in accordance with IFRS is 1 October 2018. Consequently the USD transactions between the period 1 October 2018 to 22 February 2019 do not comply with the requirements of IAS 21 as they have not been appropriately translated. We have determined that the other information is misstated for that reason.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (continued)

To The Shareholders of Axia Corporation Limited

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stelios Michael.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Stelios Michael
Partner
(PAAB Practice Certificate Number 0443)
Harare
Zimbabwe

25 September 2019