



2019

ANNUAL REPORT

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.

VALUES

- Integrity
- Fairness
- Entrepreneurship
- Quality
- Accountability
- Teamwork

SCOPE OF THE REPORT

We are pleased to present the annual report of Axia Corporation Limited, a company listed on the Zimbabwe Stock Exchange for the twelve months ending 30 June 2019.

We integrate sustainability information in this report in line with the GRI principles for determining report content to present a balanced view of material issues and performance from our operations in Zimbabwe, Malawi and Zambia. In this report, unless otherwise stated, references to "Axia", "the Group", "we", "our", and "us" refer to Axia Corporation Limited.

REPORTING FRAMEWORKS

Our financial statements are prepared in accordance with International Financial Reporting Standards and audited by Deloitte & Touche (Chartered Accountants Zimbabwe) in accordance with International Standards on Auditing. In this financial year, the financial statements did not comply fully with International Financial Reporting Standards, due to non-compliance with International Accounting Standard ("IAS") 21 – The Effects of changes in Foreign Exchange Rates. Refer to Director's responsibility and approval of financial statements on page 32 - 33 for more details on this. An independent auditors' report on the financial statements is contained on Page 35 - 39. The preparation of sustainability information was

guided by the Global Reporting Initiative (GRI) Standards. This report has been prepared in accordance to the GRI Standards: Core Option.

FORWARD LOOKING STATEMENTS

Certain statements in this report constitute 'forward looking statements'. Forward-looking statements are statements of future expectations that 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. Readers should not place undue reliance on forward looking statements.

We welcome your feedback and suggestions on our Annual report. To do so, please contact Tinashe Kembo on email tinashek@axiaops.com or +263 (24) 2776 998/2776 273. You can find more information about Axia online at www.axiacorpltd.com

Luke Ngwerume
 Chairman

John Koumides
 Group Chief Executive Officer

Axia Corporation Limited
ANNUAL REPORT 2019

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For an online version of this report and additional information visit <http://www.axiacorpltd.com>

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 a network of its own homegrown, branded Transerv retail branches, franchised Midas retail branches and numerous fitment centers. 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.

Markets Overview

Axia exists to serve a wide range of consumers whose needs are constantly evolving. This understanding stimulates innovation which drives us to develop new products and services. Our extensive knowledge of the African business environment particularly Zambia, Malawi and Zimbabwe helps us meet our customers and beneficiaries at their point of need.

Supply Chain

We depend on a network of customers and suppliers in delivering our products and services to the final consumers. These include manufacturers, distributors, vendors and

merchandisers who are essential in ensuring our capacity to meet the needs of our customers. Building relations with supply chain partners is vital to delivering quality products and services, as such we are always looking for ways and feedback to strengthen these relations.

Consumers increasingly want to understand where we source the products we offer them. We aim to meet our consumer needs while ensuring that our operations are anchored on ethical and sustainable pillars.

SPECIALITY RETAIL

TV SALES & HOME

TV Sales & Home 45*

TRANSERV (Joint venture company)

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 2019

DISTRIBUTION

DISTRIBUTION GROUP AFRICA ZIMBABWE

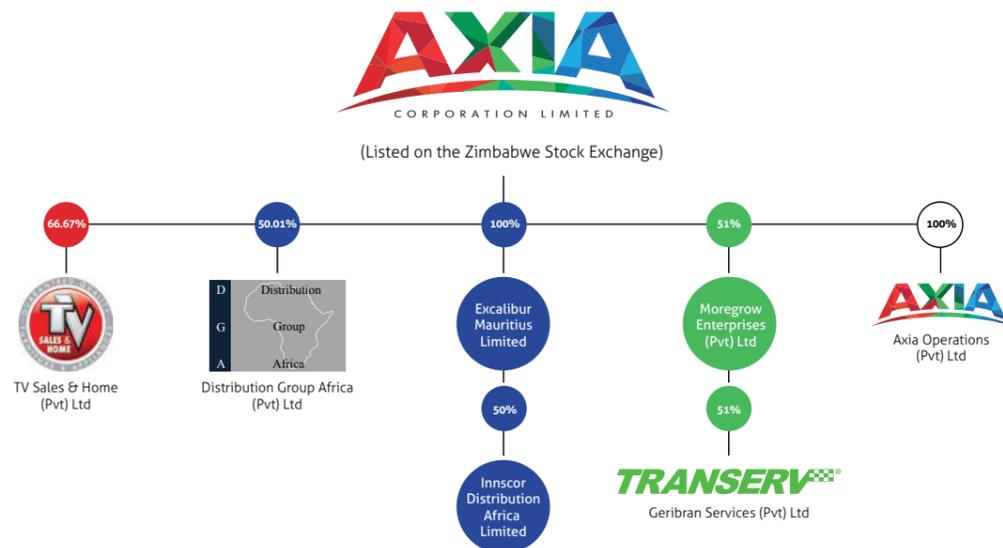
Innscor Distribution
Comox Trading
Eagle Agencies
Snack Sales and Distribution
Freshpro
Vital Logistics
Baobab Africa
Hat On Investments

DISTRIBUTION ZAMBIA

Innscor Distribution
Comox Trading
Mukwa Distribution

DISTRIBUTION MALAWI

Innscor Distribution
Comox Trading

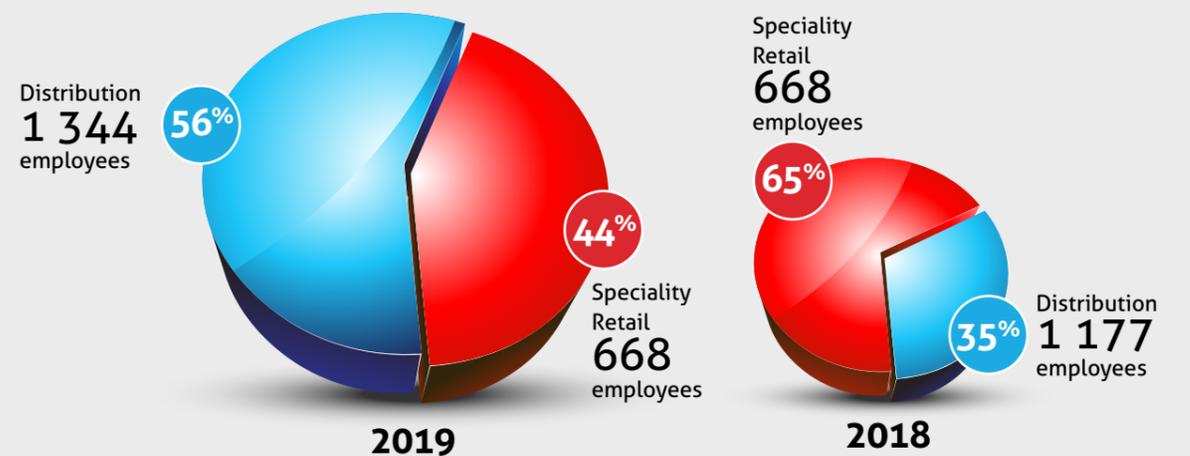


Summary Group Performance

For the year ended 30 June 2019

	2019 ZWL	2018 ZWL
Financial performance indicators		
Group Summary		
Revenue	557 413 937	275 925 217
Operating profit before impairment, depreciation and fair value adjustments	72 678 643	25 808 254
Profit before tax	85 737 758	24 334 957
Profit for the year attributable to equity holders of the parent	38 273 527	10 952 910
Cash generated from operations	48 601 502	10 135 917
Total assets	322 858 780	127 586 517
Capitalisation		
Debt	44 785 546	26 055 163
Equity and other liabilities (excluding debt)	278 073 234	101 531 354
Total	322 858 780	127 586 517
Share Performance (cents)		
Basic earnings per share	7.07	2.02
Headline earnings per share	7.07	2.02
Ordinary Share dividends paid during the year	5 231 060	3 981 354
Ordinary Share dividends per share declared for the year		
Interim dividend per share	0.60	0.40
Final dividend per share	1.75	0.32
Total Ordinary Share dividends per share declared for the year	2.35	0.72
Class "A" ordinary share dividends paid during the year	248 400	190 200
Market price per share - 30 June (cents)	55.00	22.00
Number of shares in issue at 30 June	541 593 440	541 593 440
Market capitalisation	297 876 392	119 150 557
Non - financial performance indicators		
Social performance		
% of employees that are women	15%	13%
Total employees	2 017	1 849
Number of work-related injuries	20	25
Environmental performance		
Water consumption (m ³)	414 403	377 699
Electricity consumption (Kwh)	737 255	1 008 000

Percentage Contribution to Operating Profit



STRATEGIC LEADERSHIP & GOVERNANCE

Chairman's Statement and Review of Operations



ZWL\$ re-introduced

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 United States of America Dollars to Zimbabwe Dollars (ZWL\$).

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 United States of America 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 International Financial Reporting Standards ("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.

Chairman's Statement and Review of Operations (continued)

ZWL\$557.414 million

The Group reported revenue of ZWL\$557.414 million during the year to achieve a 102% growth on the comparative year.

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 the Public Accountants and Auditors Board (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.



Distribution Group Africa - Zimbabwe, Arlington Estate Warehouse, Harare.

Chairman's Statement and Review of Operations (continued)

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 unrealised 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.

49%
shareholding
acquired in Restapedic bedding

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.



Bed and Bedroom suite on display, TV Sales & Home, Furniture Concept Store, Village Walk, Borrowdale, Harare, Zimbabwe.

Chairman's Statement and Review of Operations (continued)

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.

CAPITAL EXPENDITURE

ZWL\$ 4.801 million

The Group's capital expenditure for the year totalled ZWL\$4.801 million

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.

Chairman's Statement and Review of Operations (continued)

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%. However, profit before tax grew by 5% 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.



MIDAS franchised branch, Msasa, Harare, Zimbabwe.

Chairman's Statement and Review of Operations (continued)

**FINAL
DIVIDEND**

**1.75 ZWL
cents per share**

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\$473 800 to the Axia Employee Share Trust (Private) Limited which will be paid on the same date.

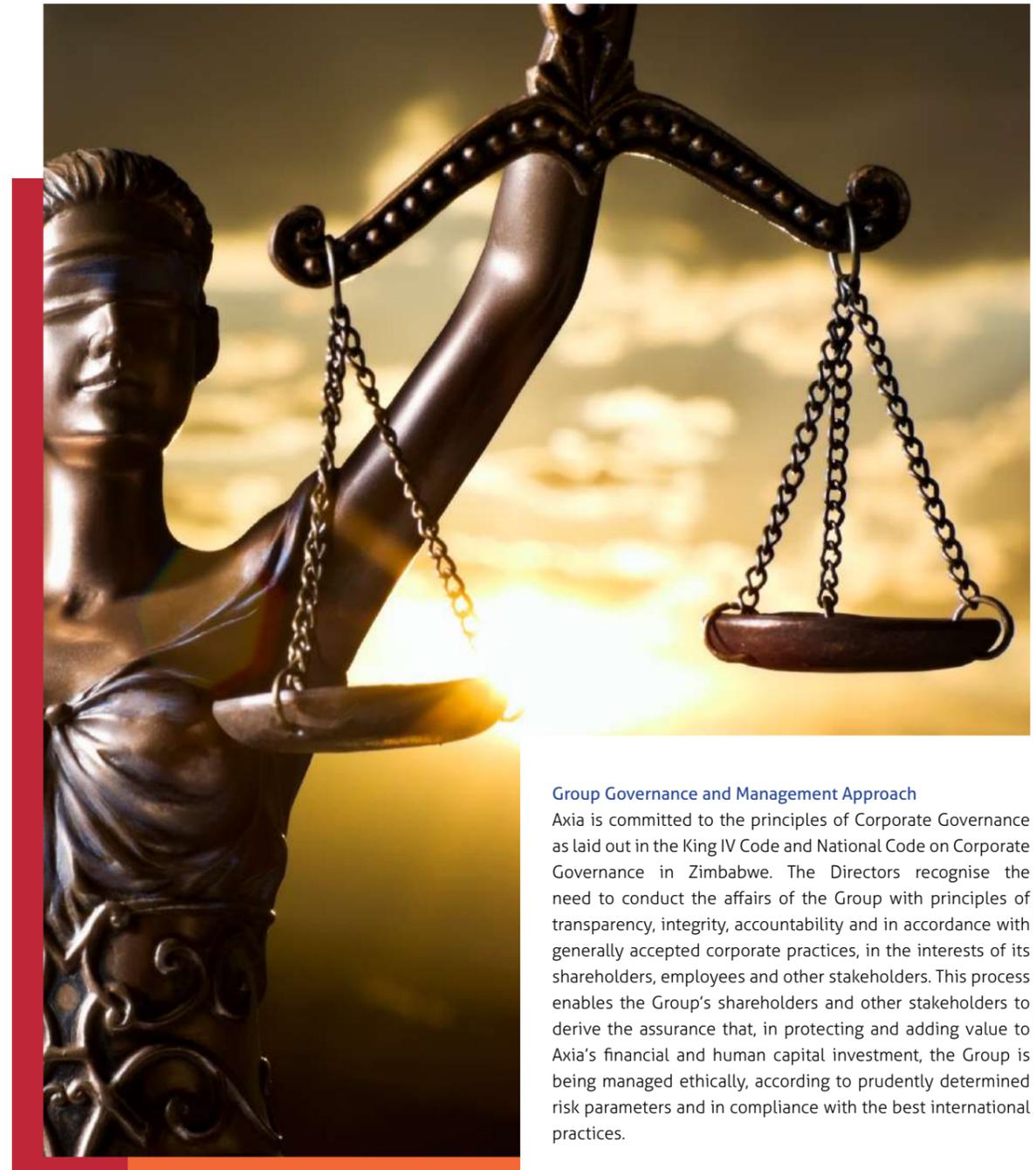
APPRECIATION

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
Chairman

25 September 2019

Corporate Governance and Approaches



Group Governance and Management Approach

Axia is committed to the principles of Corporate Governance as laid out in the King IV Code and National Code on Corporate Governance in 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 other 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.

Corporate Governance and Approaches (continued)

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, announcements of interim and year-end results, investor briefings, annual reporting to shareholders and exercise of shareholders' voting rights.

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.

Declaration of Director's Interests

The beneficial interests of Directors and their families in the shares of the Group are disclosed under note 24.3.

Whistle blower policy

The Group expects high ethical standards from everyone, in addition to abiding to its set values and principles of conduct. The Group requires all employees and other stakeholders to be attentive and confident in reporting all forms of unethical behaviour. The Group subscribes to an independently managed whistle blower system, this system serves as a channel for communicating any form of misconduct identified by our stakeholders.

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:

- any period when they are aware of any negotiations or in possession of price sensitive information not within the public domain; or
- the period from the end of the Group's financial year end to the date of earliest publication of the Group's preliminary report, abridged report or provisional report; or
- the period from the expiry of the first six months of the Group's financial year to the date of publication of the Group's interim results; or
- the period from the expiry of the second six-month period of the Group's financial year to the date of

publication of the second interim results, in cases where the financial period covers more than 12 months; or

- where the Group reports on a quarterly basis, the period from the end of a quarter to the date of publication of the company's quarterly results; or
- any period when the Group is trading under cautionary announcement.

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 of the Group. The Board comprises two executive Directors, and 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 15.

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 incentives linked to the achievement of pre-set profit targets and levels of free cash flow. As at 30 June 2019, there were no loans from the Company to any Directors. As at 30 June 2019, 14 416 868 share options were granted to Directors and certain senior management and executives. No options had been exercised as at the end of the year. More details of the share option scheme are disclosed under note 24.4.2

Corporate Governance and Approaches (continued)

Sub – Committees:

Committee	Members	Summary Roles & Responsibilities
Executive	J. Koumides (Chairman) R.M. Rambanapasi I. Bekker S. Gorrige C. Hodgson J. Kamasho S. Mushosho B. Muswaka	The Executive Committee is responsible for formulating, directing and implementing strategic decisions. The Committee meets monthly. The Committee is composed of two Directors and six senior managers.
Audit and Risk	T.N. Sibanda (Chairman) 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 two independent non-executive Directors and one executive Director. The committee meets at least three times a year and its responsibilities include but are not limited to the following: <ul style="list-style-type: none"> • 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 • Ensuring that the roles and functions of both internal and external audit are lucid and synchronised. Both the internal and external auditors meet regularly and have unrestricted access to the Audit Committee.
Remuneration and Nomination	T.C. Mazingi (Chairperson) L.E.M Ngwerume J. Koumides Z. Koudounaris* T.N. Sibanda	The remuneration and nomination committee comprises three independent non-executive Directors, one non-independent non-executive Director 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 assembles 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. Criteria for nomination Our board is key to our long term success as a company, to ensure that our success is certain a strong leadership team is paramount. The Group ensures that the right calibre of leadership at the top level by selecting board members with due consideration of stakeholders of the business, diversity, independence and expertise.

* Z. Koudounaris became a member of the Remuneration Committee effective 27 February 2019.

Corporate Governance and Approaches (continued)

Attendance of Meetings during the financial year ended 30 June 2019 (from 1 July 2018 to 30 June 2019)

Name of Director	Year of appointment	Main Board / AGM		Audit and Risk Committee		Remuneration and Nominations Committee	
		Attended	Possible	Attended	Possible	Attended	Possible
L.E.M. Ngwerume [^]	2016	5	5	N/A	N/A	2	2
J. Koumides	2016	5	5	3	3	2	2
R.M. Rambanapasi	2016	5	5	N/A	N/A	N/A	N/A
Z. Koudounaris	2016	4	5	N/A	N/A	-	-
T.C. Mazingi [*]	2016	5	5	3	3	2	2
T.N. Sibanda ⁺	2016	4	5	2	3	2	2

[^] Chairperson of the Board

^{*} Chairperson of the Remuneration and Nominations Committee

⁺ Chairperson of the Audit and Risk Committee

Mr Ray M. Rambanapasi, the Finance Director, attends the Audit Committee as an invitee

In line with the new Zimbabwe Stock Exchange (ZSE) listing rules, a separate Nominations Committee will be established and its Charter will be separated from the current Remuneration and Nominations Committee.



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 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 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 PricewaterhouseCoopers ("PwC") where in his last year was an Assistant Audit Manager. 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 also a holder of a Masters in Business Administration qualification from 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 Axia Corporation Limited, 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 holds a Masters in Business Administration from the University of Zimbabwe and sits on the Boards of Directors of Ariston Holdings Limited and African Century Limited.

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 37 years at Schmullian & 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 PPC 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

<p>Independent, Non-Executive Directors</p> <ul style="list-style-type: none"> * Luke Ngwerume (Chairman) + * Themiwe Mazingi + * Thembinkosi Sibanda <p>+ Members of the Audit and Risk Committee</p> <p>* Members of the Remuneration and Nomination Committee</p> <p>^ Members of the Executive Committee</p>	<p>Non-Independent, Non-Executive Directors</p> <ul style="list-style-type: none"> * Zinona (Zed) Koudounaris 	<p>Executive Directors</p> <ul style="list-style-type: none"> + * ^ John Koumides ^ Ray Rambanapasi
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<p>Chairperson of the Audit and Risk Committee</p> <p>Chairperson of the Remuneration and Nomination Committee</p> <p>Chairperson of the Executive Committee</p>	<p>- Thembinkosi Sibanda</p> <p>- Themiwe Mazingi</p> <p>- John Koumides</p>
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GROUP EXECUTIVES

<p>John Koumides</p> <p>Ray Rambanapasi</p>	<p>Group Chief Executive Officer</p> <p>Group Finance Director</p>
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DIVISIONAL MANAGEMENT

SPECIALITY RETAIL

<p>TV Sales & Home</p> <p>Sean Gorrige ^</p> <p>Joseph Kamasho ^</p>	<p>Chief Executive Officer</p> <p>Finance Director</p>
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<p>Transerv</p> <p>Ilonka Bekker ^</p> <p>Belinda Muswaka ^</p>	<p>Managing Director</p> <p>Head of Finance</p>
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DISTRIBUTION

<p>Distribution Group Africa - Zimbabwe</p> <p>Craig Hodgson ^</p> <p>Sevious Mushosho ^</p>	<p>Chief Executive Officer</p> <p>Finance Director</p>
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<p>Distribution Group Africa - Region Inncor Distribution & Comox - Zambia</p> <p>Kohan Morina</p> <p>Seko Mwayungwi</p>	<p>Managing Director</p> <p>Finance Director</p>
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<p>Inncor Distribution & Comox - Malawi</p> <p>Kennedy Muchenga</p>	<p>Managing Director</p>
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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 moved towards sustainable business practices contained in the Global Reporting Initiatives (GRI's) Sustainability Reporting Standards in informing the way it will engage with its stakeholders, identify material issues, respond to matters and being accountable to its broad range of 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.

Sustainability Strategy & Governance (continued)

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 Standards.

Supply Chain

The Group believes that sustainable supply chains are vital to maintaining and sustaining the Group's brands and image. Therefore, the Group employs systems which ensure that all suppliers are screened, in addition to their track record for consideration of sustainability issues such as environmental, social and behavioural impacts, 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 and considers these aspects from a capital perspective in the Group's business models in creating and sustaining business value for its shareholders in the short and long term.

Material Issues

The Group assessed the material issues raised by stakeholders during the engagement and assessment process, that were considered of high impact to the business. Material issues were identified through feedback from stakeholder engagement processes and evaluation of Business Unit Management (Managing Directors, Human Resources Executives, Safety Health and Environmental consultants) for reporting to Group Executives. The Group evaluated the issues on their impact to

the business and stakeholders for action and response. The Group considered material issues as those with a high and significant impact on the environmental, economic and social aspects.

Material topics

Economic	Social	Environmental
<ul style="list-style-type: none"> Economic performance 	<ul style="list-style-type: none"> Community responsibility Employee welfare Health and safety 	<ul style="list-style-type: none"> Energy Water Waste Climate Change

Report Boundary

The GRI Standards require that the report boundaries are mapped based on materiality and impacts. The process requires that we identify the impacts and where they are taking place. For this report, our impacts were identified based on the countries in which we operate, which are:

- Zimbabwe
- Malawi
- Zambia.

We derive data from these operations to reflect the report boundaries.



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 Standards 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	<ul style="list-style-type: none"> Workers Committee Employee workshops and meetings Internal memos Emails Telephone 	<ul style="list-style-type: none"> Remuneration Skills capacity and development Safety and health in the workplace 	<ul style="list-style-type: none"> Review of remuneration levels in line with economic environment Monitoring and evaluation reviews Internal and public training
Customer Communities	<ul style="list-style-type: none"> Customer Network events Social media Enquiries emails Informative brochures 	<ul style="list-style-type: none"> Delivery of value and competitive pricing Broadening product range and quality Promotions 	<ul style="list-style-type: none"> Understanding customer needs Continuous customer engagement After sales service Free deliveries within pegged radius Access to all payment methods
Suppliers	<ul style="list-style-type: none"> Supplier briefings Workshops and meetings 	<ul style="list-style-type: none"> Procurement opportunities Sustainable sourcing and pricing Supply chain efficiencies Quality assurance 	<ul style="list-style-type: none"> Continued engagements on options Workable payment terms Supplier screening
Shareholders	<ul style="list-style-type: none"> Annual General Meetings Investor and shareholder briefings Annual and Interim reporting 	<ul style="list-style-type: none"> Business growth Sustainable value creation Managing business risks Long term targets 	<ul style="list-style-type: none"> Looking for growth opportunities that create value to shareholders Monitoring our operations and investments
Financial Institutions	<ul style="list-style-type: none"> Formal meetings Briefings 	<ul style="list-style-type: none"> Lending terms and interest rates Access to foreign currency Investment opportunities Financial risk 	<ul style="list-style-type: none"> Formal negotiations and engagements Improved facilities and new options
Governance and Regulations	<ul style="list-style-type: none"> Policy briefings, compliance inspections, formal meetings 	<ul style="list-style-type: none"> Regulatory compliance 	<ul style="list-style-type: none"> Provision of regulatory compliant product offerings Business regulatory compliance Submission of statutory returns
Local Communities	<ul style="list-style-type: none"> Engagement with local communities including civic, welfare and charity organisations Support to disadvantaged members or areas in the community 	<ul style="list-style-type: none"> Employment opportunities Community development Recreation, environmental conservation and disaster assistance 	<ul style="list-style-type: none"> Sponsorships Donations

Distribution Group Africa - Zimbabwe,
Arlington Estate Warehouse, Harare.

Sustainability Performance

The Group's capacity to generate positive economic, social and environmental performance is tied to a clear understanding of our material issues, strong management approaches and continuous evaluation of the strategies and initiatives to reduce our impacts. The Group continue to make progress in applying sustainability principles in all our business processes. Materiality analysis the Group identified critical topics as priority and material for the nature of our business operation, stakeholders and sustainability context. Information is provided in this section on the management approaches to these topics and how the Group has performed.

Economic Performance

The Group's economic performance contributes to the betterment or deterioration of the economic conditions of a wide variety of stakeholders. Improved business performance amplifies the distribution of wealth across our stakeholders. Poor performance also means a number of stakeholders who depend on the Group suffer reductions in accessible wealth from the business. The Group is always seeking for ways to bolster performance so that it continues to add value to shareholders, society, government, employees and suppliers among other stakeholders in its areas of operations. Despite efforts to add value, we recognise that the prevailing economic environment has an impact on the Group's performance. Prevailing outlook in which the local economy has 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 stakeholders
- Declining economic growth.
- Competition from cheap imports.
- Declining disposable income impacts on our products and services demand.
- Competitiveness of operating business environment.
- Investing in Community Social Development.

Management Approach

The Group is committed to building businesses that are sustainable while creating value for its shareholders and other 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.

The Group has put in place a number of strategies to bolster performance these include:

- Backward integration into manufacturing.
- Looking to invest in opportunities with export potential even outside the Group's speciality retail and distribution space.
- Managing foreign creditor positions, and
- Securing additional inventory as well as managing gearing levels.

Economic Value Distributed

The Group generates economic value through retail, distribution and maintenance services. Total value generated is presented in the financial statements. This economic value is distributed through key internal and external channels that includes leasing retail facilities, staff costs, distribution to customers as well as other operating costs. Externally, economic value is distributed to suppliers, government, the disadvantaged and communities in need. Overleaf are key distributions for the year:

PERFORMANCE

Sustainability Performance (continued)

Payments to Defined Contribution Pension Plan

Information	2019 ZWL	2018 ZWL
Local subsidiaries	583 537	293 358
Local joint venture operations	350 461	204 058
Regional subsidiaries	199 916	51 326
TOTAL PAID	1 133 914	548 742

The Group's employees in Zimbabwe are covered under the Inncor Africa Fund, Motor Industry Pension Fund and National Social Security Authority. In the region, they are also covered by the National Pension Scheme Authority (NAPSA-Zambia) and the Group Pension Scheme operated by NICO Life in Malawi. Further details on Defined Contribution Pension Fund Coverage have been disclosed on note 36 to the financial statements

Staff, leasing and distribution costs

Information	2019 ZWL	2018 ZWL
Retail shop and warehouse leasing (subsidiaries)	5 748 707	3 754 564
Retail shop and warehouse leasing (joint ventures)	1 661 396	1 348 784
Staff costs	29 813 157	13 164 357
Staff costs (joint ventures)	6 539 636	4 259 195
Distribution costs	10 731 063	5 081 358

Value added Statement 2019

Economic value generated in distributed through different forms that include operating costs, employment, procurement, taxes and capital investment which is presented in detail through our financial statements. However, in this section, we present distributions considered significant to our stakeholders.

Economic Value Generation	Unit	2019	2018
Value Generated *	ZWL	151 318 597	64 237 146
Financial income, other income and interest	ZWL	17 770 505	3 937 818
Equity accounted earnings	ZWL	4 526 107	798 823
	ZWL	173 615 209	68 973 787
Economic Value Distribution			
Staff costs and benefits	ZWL	(29 813 157)	(13 164 357)
Other operating costs	ZWL	(53 708 362)	(27 499 337)
Impairment and related charges	ZWL	(35 083)	(419,325)
Depreciation and amortisation	ZWL	(2 286 524)	(1 913 260)
Providers of capital	ZWL	(2 034 325)	(1 642 551)
Provisions for taxes	ZWL	(22 657 111)	(7 451 633)
	ZWL	(110 534 562)	(52 090 463)
VALUE ADDED	ZWL	63 080 647	16 883 324

* Value generated is derived from Revenue less Costs of generation of revenue

Sustainability Performance (continued)

Payments to government

The Group makes various payments to Government as part of statutory obligations for economic development through Corporate tax, Value Added, Import duties, other taxes, levies and fees. Total payments to government is through various taxes is presented below:

Information	2019 ZWL	2018 ZWL
Income and withholding taxes (subsidiaries)	17 168 179	7 159 343
Income and withholding taxes (joint ventures)	2 526 188	1 174 400
Intermediary Transfer Tax - subsidiaries*	5 817 890	-
Intermediary Transfer Tax - joint ventures*	978 362	-
Value added taxes (subsidiaries)	14 172 278	9 365 951
Value added taxes (joint ventures)	5 457 316	3 421 750
Customs duties (subsidiaries)	20 712 217	16 645 326
Customs duties (joint ventures)	1 157 829	1 082 783
	67 990 259	38 849 554

* Intermediary Transfer Tax was separately tracked from October 2018 when it was increased to 2% per transaction, subject to the designated upper limit. In the prior year, Intermediary Transfer Tax was included in bank charges.

Environmental Performance

Energy

Management Approach

Our retail and distribution operations consume significant amounts of energy mostly in the form of purchased electricity and fuels. The energy consumption is attributed to the need for lighting, ventilation, refrigeration and to power our fleet of vehicles. The significant fossil fuel component of all our energy sources implies more air pollution and climate change, strengthening our intent to foster initiatives towards energy and fuel efficiency which also results in reduction costs related to consumption.

Conserving energy is a key priority in our businesses, which requires that we promote energy efficiency in all operations. The Group is working to foster initiatives around substitution of fossil based energy with renewable alternatives like solar and improving efficiency through administrative ideas such as switching off non-core areas of storage facilities that do not require lighting at all times, with the goal of conserving energy.

Performance

As retail business, energy efficiency is critical in the environment we operate. Energy utilization for our business is driven by distributions to our customers and our operating facilities. Our distributions drive bio-fuels usage while electricity is for our retail shops, storage facilities and workshops. Consumption for the year is presented below:

Energy consumption outside the organisation

Energy type	Unit	2019	2018
Diesel	Litres	1 601 392	1 018 296
Petrol	Litres	474 810	277 654

Energy consumption inside the organisation

Energy type	Unit	2019	2018
Electricity	Kwh	737 255	1 008 000

Sustainability Performance (continued)

Water

Management Approach

Managing and conserving water from all the sources is a critical responsibility of staff and management in all our operations. Our approach is that we monitor water usage at any given moment and staff is encouraged to use water where necessary without wasting. Our operations are not water intensive however we understand that we operate in areas threatened by water scarcity and our efforts to reduce our water consumption can make a huge difference in terms of reduced costs and competition for water in the surrounding communities.

Performance

Water is used in cleaning, sanitisation and consumption. Water usage for the year is presented below:

Source	Unit	2019	2018
Municipal water supplies	m3	414 403	377 699

Climate Change

Management Approach

Climate change is one of the greatest threats we face as a society. Impacts of climate change such as extreme weather events, droughts, natural disasters and biodiversity loss can directly interrupt our operations and raw material supplies. The nature of our operating activities directly influences climate change through the emission of Greenhouse Gases (GHG) from our fleet of vehicles and our dependence on fossil based energies in our operations. We are also heavily dependent on wood based products implying that we contribute to the reduction of carbon sinks in our operating environment. While these disruptions have significant implications for our businesses, we also see an opportunity to be innovative to promote clean energy initiatives that are efficient and sustainable.

The Group realizes the key role it has in reducing climate change impact and is working to promote energy efficiency initiatives in operations and shifting to renewable energy in all areas of operations. As part of our commitment to climate change response, we continue to convert electricity and bio-fuel into a carbon emission equivalent using DEFRA and Ecometrica factors based on Zimbabwe country factor. This will allow us to manage how we are impacting the climate.

Carbon Footprint

For the financial year under review, our initial carbon footprint is presented below:

Energy type	Unit	2019	2018
Electricity	Kg CO2/KwH	489 597	669 393
Bio-fuels (Diesel and Petrol)	Kg CO2e/Litres	4 775 277	2 972 758

Sustainability Performance (continued)

Waste Management

Management Approach

Waste management and its appropriate disposal process is of paramount importance to Axia Corporation Limited to which all our staff are responsible for. This process is given a lot of attention to ensure that disposal methods comply with the required and approved standards which take into consideration effects on the environment and climate.

Performance

The table below shows the waste generated during the year and how it was disposed of:

Waste type	Disposal method	Units	2019	2018
Packing waste and scrap stationery	City Council Waste disposal	Tonnes	267	314

Business units within the Group manage waste arising from damaged, obsolete and returned inventories as follows:

TV Sales & Home

Obsolete and damaged stock is sold at marked down prices at the Factory shop. Customer returns of items still covered by warranty are returned to suppliers and Original Equipment Manufacturers for replacement.

Transerv

Old, obsolete or returned spares are sold at discounted prices at the retail shops. Damaged, unsalvageable and unsellable spares are crushed and disposed at approved dumpsites, operated by local authorities.

Faulty batteries covered by warranty are returned to and replaced by suppliers. Those falling outside warranty are sent to a local operator who has facilities to recycle these through a processing of smelting.

Distribution Group Africa

Waste arising from breakages and expired goods, due to the nature of the products handled is all disposed directly at approved dumpsites, operated by local authorities.



Human Capital Management

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 well-being 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 well-being 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 motivation and compensation in accordance with performance and contribution.

Employee Engagement

Employee count	Unit	2019	2018
Total Permanent and Contract Employees		2 017	1 849

Permanent and contract employees

	2019		2018	
	Male	Female	Male	Female
Permanent	643	70	482	72
Contract	1 072	232	1 131	164
Total	1 715	302	1 613	236

Employee count by operating territories

	2019		2018	
	Permanent	Contract	Permanent	Contract
Zimbabwe	691	1 091	534	1 082
Zambia	17	149	5	149
Malawi	15	64	15	64
Total	713	1 304	554	1 295

Human Capital Management (continued)

New employees hired

	2019	2018
Male	176	189
Female	98	48
Total	274	237

Staff turnover

	2019	2018
Male	86	106
Female	20	22
Total	106	128

Employees under Collective Bargaining arrangements

	2019	2018
Male	1 072	1 131
Female	232	164
Total	1 304	1 295
Percentage of total workforce	65%	70%

Work related accidents/injuries

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

	Unit	2019	2018
Total number of accidents/injuries	Incidence	20	25

None of the reported incidents resulted in fatalities.

Employee well-being, Health and Safety topics covered in formal agreements with Trade Unions

During the year, major topics discussed with the Works Council and trade union were mainly related to financial pressures owing to the decline in the general economic environment and awareness and insights into post-employment life for employees who are set to approaching retirement (Employees with an age of 50 years plus). This was coupled with on-site training from NSSA on Retirement benefits and financial wellness for those retiring through financial advisors from Old Mutual.

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	2019	2018
Male	Hours	29	36
Female	Hours	24	32

Human Capital Management (continued)

Average Training hours per Employee – Public Training	Unit	2019	2018
Male	Hours	5	4
Female	Hours	4	3

Employee Wellness

Axia Corporation Limited understands that a healthy workforce promotes a healthy and integral enterprise. As such, the Group desires to sustainably provide the highest levels of health, wellness and safety to its employees. The Group desires to create a culture of health, where its employees become responsible for their individual well-being through informed, active participation in health and wellness activities. The Group continually want to promote good health and safety of its employees.

Health centers

These are located in Harare and Bulawayo, and the Group's employees have access to effective health and wellness services. Employees enjoy health care services ranging from primary to specialised health care. Employees also have access to voluntary counselling services.

Programmes for the 2019 financial year were as follows:

Annual Wellness Day

The Group participates in an annual wellness day for employees hosted together with companies such as Innscor Africa Limited, Padenga Holdings Limited and Simbisa Brands Limited which continues to be a huge success year after year and has turned out to be a day of fun, sport and team work. Various sporting activities were on offer as well as health services like visual screening, dental screening, HIV testing & counselling and reproductive health planning, cancer awareness, stress management, general health checks, men's sexual reproductive health, eye testing, dental check-up, voluntary counselling and testing, blood typing, blood pressure check, body mass index, glucose testing as well as emotional counselling.

Wellness passports were a resounding success with most employees visiting at least 90% of the check points. HIV testing was a highlight this year as employees volunteered for pre and post counselling regardless of the outcome. "

Safety, Health, Environment and Quality (SHEQ) Management

Employees were trained on emergency preparedness, risks and hazards. (SHEQ) audits are ongoing through out the Group. We enforced workplace fire drills and procedure for emergencies. First Aid training was conducted which was open to all employees. The Group recorded less injuries in the work place due to accidents due to the good reception and implementation by employees of these measures.

Community Responsibilities

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

Activities	Beneficiaries
Cyclone Idai Relief Efforts	Victims of Cyclone Idai
Chinhoyi Derby	Participants in the competition
BS Leon Old Peoples Home	Pensioners
Waterfalls Trust	Pensioners

Charitable Causes

Cyclone Idai affected over 1.85 million victims in March 2019 by leaving many homeless. It has had a devastating impact across the region. The Group got involved by:

- donating 2000 food and clothing hampers to the Cyclone Idai relief effort
- donating drugs and medical supplies to assist medical personnel who were on-site assisting victims

The above donations were made through Miracle Missions who did an incredible job to mobilise support and assistance for victims and continue to help those in need.

Community Outreach

TV Sales & Home donated a '32' inch television set and a Defy Fan to the BS Leon Old People's Home after the home suffered a break-in and many appliances used in the running of the facility were stolen. TV Sales & Home also donated a Sony DVD Player to the Waterfalls Trust, another home serving the aged.

TV Sales & Home was proud to be part of the Chinhoyi Derby Horse Show 2019, the first of its kind to be introduced to Africa. The Derby stands out from the regular show jumping events held throughout the year. TV Sales & Home donated a number of prizes for the contestants.



Business Association Memberships

General

Retailers Association of Zimbabwe

Other

Chartered Institute of Purchasing and Supply (CIPS)

Institute of Chartered Accountants Zimbabwe (ICAZ)

Association of Chartered Certified Accountants (ACCA)

Chartered Institute of Management Accountants (CIMA)

Recognitions and Awards

TV Sales & Home

SME's Non-mainstream tourism stand award

- Sanganaï (World Tourism Expo)

SME's Tourism Related Facility Stand Award

- Sanganaï (World Tourism Expo)

Distribution Group Africa

Zimbabwe Operations

Colgate Redstorm and Operation Smile (Colgate Palmolive)

- Zimbabwe

Supplier recognition award (TM Pick N Pay)

- Zimbabwe

Regional Operations

Distributor of the year (Colgate Palmolive)

- Malawi

Best open market execution (Colgate Palmolive)

- Malawi



ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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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 year. In preparing the accompanying financial statements, generally accepted accounting practices have been followed. Appropriate accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made.

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 SI 33 of 2019.

The financial statements are prepared with the objective of complying fully with International Financial Reporting Standards ("IFRS"). 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.

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 of Directors recognises and acknowledges its responsibility for the Group's systems of internal financial control. Axia Corporation Limited (Axia) 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. Any breakdowns in established control procedures have been reported to the Group's Audit Committee and the Board.

Directors' Responsibility and Approval of Financial Statements (continued)

Preparer of Financial Statements

The financial statements were prepared by Axia's finance department under the supervision of the Group Finance Director, Mr Ray Rambanapasi (Chartered Accountant Zimbabwe CA (Z), PAAB Registration number 479).

Approval of Financial Statements

The financial statements for the year ended 30 June 2019, which appear on pages 40 to 109, have been approved by the Board of Directors and are signed on its behalf by:



L E M NGWERUME
Chairman

25 September 2019



J KOUMIDES
Chief Executive Officer

25 September 2019

Company Secretary's Certification

For the year ended 30 June 2019

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 such returns are true, correct and up to date.



Promethus Corporate Services (Private) Limited
Company Secretary

Harare
25 September 2019

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Group for the year ended 30 June 2019.

Share Capital

At 30 June 2019 the authorised share capital of the Company was comprised of 999 999 000 ordinary shares of ZWL 0.0001 each and 1 000 Non-Voting Class "A" ordinary shares of ZWL 0.0001 each. The Issued share capital was at ZWL 54 159 divided into 541 593 440 ordinary shares of ZWL 0.0001 each and 1 000 Non-voting Class "A" ordinary shares of ZWL 0.0001 each.

Group Results	30 June 2019 ZWL	30 June 2018 ZWL
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
Non-controlling interests	(24 807 120)	(5 930 414)
Profit for the year attributable to equity holders of the parent	38 273 527	10 952 910

Dividends

Ordinary shares

The Board declared an interim dividend of 0.60 ZWL cents per share and a final dividend of 1.75 ZWL cents per share. This brings the total dividend in respect of the 2019 financial year to 2.35 ZWL cents per share.

Non-voting class "A" ordinary shares - Axia Corporation Employee Share Trust

The Board declared an interim dividend of ZWL 162 400 and a final dividend of ZWL 473 800 to the Axia Corporation Employee Share Trust (Private) Limited. This brings the total dividend in respect of the 2019 financial year to ZWL 636 200.

Directors and their Interests

In terms of the articles of association Mr. T.N. Sibanda and Mr Z. Koudounaris retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election. No Directors had, during or at the end of the year, 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 given in note 24.3 of the financial statements.

Directors' Fees

Members will be asked to approve the payments of the Directors' fees in respect of the year ended 30 June 2019 (note 10.2.2)

Auditors

Members will be asked to approve the remuneration of the auditors for the year ended 30 June 2019 and to re-appoint Deloitte & Touche Chartered Accountants (Zimbabwe) as auditors of the Group to hold office for the ensuing year.

For and on behalf of the Board.



L E M NGWERUME
Chairman

25 September 2019



J KOUMIDES
Chief Executive Officer

25 September 2019

Deloitte.

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Harare
Zimbabwe

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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 40 to 109, 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.

A full list of partners and directors is available on request

Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited

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

Basis for Adverse Opinion (continued)

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.

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.

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<p>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.</p> <p>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.</p> <p>The Group's revenue for the year was ZWL\$ 557.4 million (2018: ZWL\$ 275.9 million).</p> <p>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).</p> <p>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.</p> <p>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.</p>	<p>To address this matter we performed the following audit procedures:</p> <ul style="list-style-type: none"> • 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.

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.

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

Other Information (continued)

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.
- 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.

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)

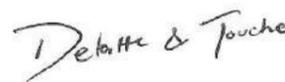
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going 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
Chartered Accountants (Zimbabwe)

Per: Stelios Michael
Partner
Harare
Zimbabwe
(PAAB Practice Certificate Number 0443)

25 September 2019

Group Statement of Profit or Loss and Other Comprehensive Income

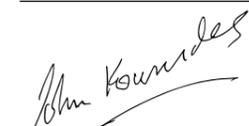
for the year ended 30 June 2019

	Notes	2019 ZWL	2018 ZWL
Revenue	8	557 413 937	275 925 217
Cost of sales		(406 095 340)	(211 688 071)
Gross profit		151 318 597	64 237 146
other income	9	4 881 565	2 234 802
operating expenses	10	(83 521 519)	(40 663 694)
Operating profit before impairment, depreciation and fair value adjustments		72 678 643	25 808 254
financial income	11	12 089 083	1 274 464
depreciation		(2 286 524)	(1 913 260)
impairment losses		(35 083)	(419 325)
fair value adjustments on listed equities		682 335	68 173
Profit before interest, equity accounted earnings and tax		83 128 454	24 818 306
interest income	12	117 522	360 379
interest expense	13	(2 034 325)	(1 642 551)
equity accounted earnings	19.1	4 526 107	798 823
Profit before tax		85 737 758	24 334 957
tax expense	14	(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	6	7.07	2.02
Headline earnings per share	6	7.07	2.02
Diluted basic earnings per share	6	6.87	2.01
Diluted headline earnings per share	6	6.87	2.01

Group Statement of Financial Position

As at 30 June 2019

	Notes	2019 ZWL	2018 ZWL
ASSETS			
Non-current assets			
property, plant and equipment	17	16 640 262	9 085 381
intangible assets	18	-	35 083
investments in associates and joint ventures	19	11 571 115	5 617 736
deferred tax assets	29	8 955 389	2 022 942
		37 166 766	16 761 142
Current assets			
financial assets	21	2 004 889	1 690 080
inventories	22	111 844 563	47 750 007
trade and other receivables	23	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	24	54 159	54 159
share based payments reserve	25	457 010	161 634
non-distributable reserves	26	8 121 748	(2 682 041)
distributable reserves	27	76 165 458	43 349 637
Attributable to equity holders of the 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	29	6 316 750	1 756 257
		6 316 750	1 756 257
Current liabilities			
interest-bearing borrowings	30	44 785 546	26 055 163
trade and other payables	31	122 074 925	32 361 391
provisions	32	2 808 026	944 203
current tax liabilities	15.2	7 767 172	812 379
		177 435 669	60 173 136
Total liabilities		183 752 419	61 929 393
Total equity and liabilities		322 858 780	127 586 517


J KOUMIDES
 Chief Executive Officer
 25 September 2019


R M RAMBANAPASI
 Finance Director
 25 September 2019

Group Statement of Changes in Equity

for the year ended 30 June 2019

	Attributable to equity holders of the parent				Total ZWL	Non-controlling Interests ZWL	Total ZWL
	Ordinary Share Capital ZWL	Share-based Payments Reserves ZWL	Non-Distributable Reserves ZWL	Distributable Reserves ZWL			
Balance at 30 June 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)
Total comprehensive (loss) / income	-	-	(146 825)	10 952 910	10 806 085	5 783 589	16 589 674
Recognition of share based payments expense	-	147 940	-	-	147 940	-	147 940
Dividends paid (note 7.2)	-	-	-	(3 981 354)	(3 981 354)	(3 811 389)	(7 792 743)
Transactions with owners in their capacity as owners	-	-	-	(234 389)	(234 389)	64 233	(170 156)
Balance at 30 June 2018	54 159	161 634	(2 682 041)	43 349 637	40 883 389	24 773 735	65 657 124
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
Total comprehensive income	-	-	10 803 789	38 273 527	49 077 316	35 976 642	85 053 958
IFRS 9 adoption opening balance adjustment	-	-	-	(253 692)	(253 692)	(72 869)	(326 561)
Recognition of share based payments expense	-	295 376	-	-	295 376	-	295 376
Dividends declared (note 7.2)	-	-	-	(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

Group Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 ZWL	2018 ZWL
Cash generated from operations	15.1	48 601 502	10 135 917
interest income		117 522	360 379
interest expense		(2 034 325)	(1 642 551)
tax paid	15.2	17 168 179)	(7 159 343)
Total cash generated from operating activities		29 516 520	1 694 402
Investing activities	15.3	(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)
dividends paid by holding company	7.1	(5 231 060)	(3 981 354)
dividends paid by subsidiaries to non-controlling interests	7.2	(4 044 540)	(3 811 389)
proceeds from interest-bearing borrowings	15.4	12 250 839	16 955 544
repayment of interest-bearing borrowings	15.4	(2 252 716)	(9 818 912)
cash received from non-controlling interests		-	31 604
Net 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

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

1 Corporate Information

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, storage and maintenance services thereon. The registered office is 1st Floor, Edward Building, Corner Nelson Mandela/First Street, Harare and the physical address of the Corporate office is 8 Cambridge Avenue, Newlands, Harare. The consolidated financial statements of Axia Corporation Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 25 September 2019.

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) except for compliance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21) as further described in the paragraph below. The consolidated financial statements have also been prepared in compliance with the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange listing rules.

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, "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."

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.

2.1 Going concern

The Directors have satisfied themselves that the Group and Company are in a sound financial position and have 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 and separate 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 Zimbabwe Dollars (ZWL) and all values are rounded to the nearest dollar (ZWL1), except where otherwise indicated.

3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. 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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

3 Basis of consolidation (continued)

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 year 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.

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 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 Changes in accounting policies and disclosures

4.1 Adoption of new and revised standards

In the current year, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

4 Changes in accounting policies and disclosures (continued)

4.1 Adoption of new and revised standards (continued)

IFRS 9 Financial instruments (continued)

The Group applied IFRS 9 prospectively, with an initial application date of 1 July 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

The effect of adopting IFRS 9 as at 1 July 2018 was, as follows:

	Nature of adjustment	1 July 2018
Assets		
Trade and other receivables	(a)	(326 561)
Total assets		(326 561)
Total liabilities and equity		
<i>Total adjustments in equity:</i>		
Retained earnings	(b)	(253 692)
Non-controlling interests	(b)	(72 869)
		(326 561)

The nature of these adjustments is described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade and other receivables classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 July 2018.
- Equity investments in non-listed companies that constitute Investments in Associates or Joint ventures do not fall within the scope of IFRS 9.
- Listed equity investments classified at fair value through profit or loss at 30 June 2018 continue to be classified and measured as Financial assets at fair value through profit or loss beginning 1 July 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1 July 2018.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

4 Changes in accounting policies and disclosures (continued)

4.1 Adoption of new and revised standards (continued)

IFRS 9 Financial instruments (continued)

(a) Classification and measurement (continued)

IAS 39 measurement category	30 June 2018 ZWL	IFRS 9 measurement category	
		Fair value through profit or loss ZWL	Amortised cost ZWL
Loans and receivables			
Trade and other receivables*	54 088 040	-	53 761 479
Trade finance loan	175 280	-	175 280
Fair value through profit or loss			
Listed equity investments	254 701	254,701	-
Derivative financial asset	1 260 099	1 260 099	-
	55 778 120	1 514 800	53 936 759

* The change in the carrying amount is a result of an additional impairment allowance. See below disclosure on impairment

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Group recognised additional impairment on the Group's Trade and other receivables of ZWL 326 561, which resulted in a decrease to Retained earnings as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 30 June 2018 ZWL	Remeasurement ZWL	ECL under IFRS 9 as at 1 July 2018 ZWL
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9	3 466 802	326 561	3 793 363
	3 466 802		3 793 363

IFRS 15 Revenue from Contracts with customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described overleaf.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

4 Changes in accounting policies and disclosures (continued)

4.1 Adoption of new and revised standards (continued)

IFRS 15 Revenue from Contracts with customers (continued)

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 July 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances.

The Group's accounting policies for its revenue streams are disclosed in detail in note 5 (Revenue accounting policies) and note 8 (disclosure of revenue streams). The application of IFRS 15 has not had a significant impact on the financial position and financial performance of the Group outside of separate tracking and reclassification of the provision for customer claims in the distribution business where provisions were already being recognised (2019: ZWL 1 124 083 million, 2018: ZWL 526 569). This provision was previously included under trade and other receivables and has been reclassified to "provisions and other liabilities" in the Statement of Financial Position and disclosed as "contract liabilities" in line with IFRS 15.

4.2 New and revised standards in issue but not yet effective

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 July 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

4 Changes in accounting policies and disclosures (continued)

4.2 New and revised standards in issue but not yet effective

IFRS 16 Leases (continued)

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet. On initial application of IFRS 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of ZWL 23 648 069.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities and to increase net cash used in financing activities by the same amount.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Group will present motor vehicles obtained under finance lease previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 30 June 2019, on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

4 Changes in accounting policies and disclosures (continued)

4.2 New and revised standards in issue but not yet effective (continued)

IFRS 16 Leases (continued)

Finance leases (continued)

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

IFRS 17 Insurance contracts

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Group's consolidated financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the "Solely Payments of Principal and Interest" (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

4 Changes in accounting policies and disclosures (continued)

4.2 New and revised standards in issue but not yet effective (continued)

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19 paragraph 99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

4 Changes in accounting policies and disclosures (continued)

4.2 New and revised standards in issue but not yet effective (continued)

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement (continued)

The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies

Revenue recognition

The Group recognised revenue according to the following 5 – step model:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is presented net of discounts, rebates, returned products and other customer claims. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group recognises revenue from the following major sources:

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Sale of goods includes sale of furniture, household appliances and electronics and fast-moving consumer products such as perishable and non-perishable food and beverages.

Sales-related warranties associated with furniture and electronics cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets (see note 32).

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period for reasons such as damaged or near expiry products delivered. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. For goods that are expected to be returned, the Group recognises a contract liability processed against revenue. The related provision (contract liability) processed against revenue was ZWL 1 124 083 (2018: ZWL 526 569).

Volume rebates

The Group (particularly in the distribution business) provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer and are accounted by netting-off against the related revenue.

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).

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Revenue recognition (continued)

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 Innsco Africa Pension Fund, the National Social Security Authority, the National Employment of the Motor Industry Pension Fund, Nico Life Insurance Company Limited (Malawi) and National Pension Scheme Authority (Zambia). 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 (Zimbabwe) 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.

Share based payments

The Group issues share options to certain employees. The options are measured at fair value at the date of grant. The fair value determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest and the corresponding equity is disclosed in a share option reserve which forms part of equity.

The fair value is determined using the binomial option pricing model. The value transferred to the share option reserve is amortised to retained earnings as the related share options are exercised or forfeited.

Equity Settled Transactions

Equity settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

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 year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Foreign currency translation

The Group's financial statements are presented in Zimbabwe 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 Zimbabwe 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 is 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 income 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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Business combinations and Goodwill (continued)

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.

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 is 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%

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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.

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 year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Investments in associates and joint ventures

The Group's investments in associates and joint ventures 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. Joint ventures are joint arrangements where by the parties that have joint control have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment or a portion thereof, is classified as held for sale, in which case it is accounted in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate or a joint venture are initially carried in the statement of financial position at cost. Subsequently, the investments in associates or joint ventures are carried at cost plus post-acquisition changes in the Group's share of the reserves of the associate or joint venture, less dividends received from the associate or joint venture. Goodwill relating to an associate or joint venture 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 or joint ventures attributable to the Group.

Where there have been changes recognised directly in the equity of the associate or joint venture, 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 associates or joint ventures are eliminated to the extent of the interest in the associate.

The financial statements of an associate or joint venture 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 or investment in joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture 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.

The Group continues to use the equity method when an investment in associate becomes an investment in joint venture or when an investment in joint venture becomes an investment in associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the portion of the gain or loss that had previously been recognised on other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on disposal of the related assets and liabilities.

Investments in subsidiaries (held in the separate books of the company)

Subsidiaries are companies in which the Company controls. Control is achieved where the Company has power over more than one half of the voting rights or the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Investments in subsidiaries (held in the separate books of the company) (continued)

Investments in subsidiaries are initially carried in the statement of financial position at cost. Where an indication of impairment exists, the recoverable amount of investment is assessed. Where the carrying amount of the investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the profit or loss. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited or charged to profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance. Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "interest income" line item disclosed under note 12.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Equity instruments designated as at FVTOCI (continued)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

Dividends are included in the 'financial income' line item disclosed under note 11 in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has designated the derivative financial asset (note 21) as a debt instrument at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'financial income' line item disclosed under note 11 and "fair value adjustments on listed equities" line disclosed under note 21.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'financial income line' line item disclosed under note 11; and
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'financial income' line item disclosed under note 11.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

The Group always recognises lifetime Expected Credit Losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event (see (ii) above);
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'interest paid' line item (note 13) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in note 21.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Financial liabilities and equity (continued)

Financial guarantee contract liabilities (continued)

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'financial income' line item in profit or loss (note 11) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. In general, cost is established on a weighted average cost 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.

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 of electronic appliances. The provision is made on the basis of previous experience of the incidence of such claims.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Provisions (continued)

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.

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 credit 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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5 Summary of significant accounting policies (continued)

Taxes (continued)

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 income 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.

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 29 for more information on the evidence supporting recognition of deferred tax assets.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

5. Summary of significant accounting policies (continued)

Key estimates, uncertainties and judgements (continued)

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 ten 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.

Joint control in Moregrow Enterprises (Private) Limited

The Group owns 51% of the issued capital of Moregrow Enterprises (Private) Limited (Moregrow). Moregrow in turn owns 51% of the issued capital of Geribrans Services (Private) Limited (Transerv). This gives the Group an effective 26.01% share in Transerv. The Directors exercised judgement in determining that joint control exists in Moregrow after considering the shareholder agreements and operating policies of the company.

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 22 for more information on the carrying amount of inventory and the provision for obsolete stock.

Allowance for Expected Credit Losses

The expected credit losses of financial assets are estimated in a way that reflects the following:

- An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information about past events, current conditions and forecasts of economic conditions that is available without undue cost or effort at the reporting date

Share based payments

The assumptions and methodology underlying the valuation of the share-based payments are fully described in note 24.4.

6. Earnings per share

6.1 Basic earnings basis

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

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 year exceeds the exercise price of such options.

The Benvenue indigenisation and employee share options had a dilutive impact at year end. Refer to note 24.4 for more information on share options.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

6. Earnings per share (continued)

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:

	2019 ZWL	2018 ZWL
6.4 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
6.5 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):		
Profit on disposal of equipment	(95 123)	(56 598)
Impairment losses : intangible assets and motor vehicles	35 083	34 283
Impairment of goodwill	-	419 325
Tax effect on adjustments	25 339	5 746
Non-controlling interests' share of adjustments	34 886	(391 846)
Headline earnings attributable to equity holders of the parent	38 273 712	10 963 820
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. Dividends

Dividends paid per share are based on the ordinary number of shares in issue on the effective date of declaration and entitlement of the ordinary shares to the dividend. The final dividend declared in prior year of 0.32 ZWL cents was paid during the current year. Also, a final dividend of ZWL 86 000 was declared and paid to the Axia Corporation Employee Share Trust (Private) Limited during the year. In addition, the current year interim dividend of 0.60 ZWL cents per share was declared and paid to ordinary shareholders whilst ZWL 162 400 was declared and paid to Axia Corporation Employee Share Trust (Private) Limited.

	2019 ZWL	2018 ZWL
7.1 Dividends declared and paid on ordinary shares		
Final dividend declared relating to previous financial year	1 733 099	1 624 780
Interim dividend declared	3 249 561	2 166 374
Axia employee share ownership trust (Class "A" ordinary share dividends)	248 400	190 200
Final dividend declared relating to previous financial year	86 000	81 200
Interim dividend declared	162 400	109 000
	5 231 060	3 981 354

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

10 Operating expenses (continued)

	Notes	2019 ZWL	2018 ZWL
10.2.2 Non-executive directors fees			
Independent, non-executive directors - fees		448 412	91 647
Non-independent, non-executive director - fees and emoluments for other services		905 505	373 562
		1 353 917	465 209
11 Financial income			
Realised exchange gains		5 893 719	270 293
Net unrealised exchange gains / (losses)		4 550 230	(1 002 152)
Profit on disposal of equipment		95 123	56 598
Fair value adjustment on derivative asset (note 21)		1 504 004	1 943 892
Dividends received from listed equity investments		46 007	5 833
		12 089 083	1 274 464
12 Interest income			
Loans to joint ventures and associates		8 333	15 503
Bank deposits and short term investments		21 001	76 605
Other loans and receivables		88 188	268 271
		117 522	360 379
13 Interest expense			
Interest-bearing borrowings		2 034 325	1 642 551
14 Tax expense			
14.1 Income tax charge			
Current income tax charge		24 900 499	7 186 199
Withholding tax		128 566	152 779
Deferred tax (release) / charge	29.1	(2 371 954)	112 655
		22 657 111	7 451 633
14.2 Tax rate reconciliation			
		%	%
Statutory rate of taxation, inclusive of AIDS levy		25.75	25.75
Adjusted for:			
Tax effect of equity accounted earnings included in profit before tax		(1.36)	(0.85)
Regional rates		0.18	0.43
Unrecognised tax losses		0.02	0.57
Other non-taxable/non-deductible items*		1.84	4.72
Effective tax rate		26.43	30.62

* Other non-taxable and non-deductible items include depreciation in excess of the passenger motor vehicle limit, donations, fines and non-deductible legal expenses.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

	Notes	2019 ZWL	2018 ZWL
15 Cash flow information			
15.1 Cash generated from operations			
Profit before interest, equity accounted earnings and tax		83 128 454	24 818 306
Depreciation		2 286 524	1 913 260
Equity-settled share-based payments expense		295 376	147 940
IFRS 9 adoption opening balance impact		(326 561)	-
Net unrealised exchange (gains) / losses		(4 550 230)	1 002 152
Net movements on derivative financial asset	21	238 918	(697 285)
Fair value adjustments on equity investments		(682 335)	(68 173)
Inventories written-off and obsolescence charges		10 234 927	2 885 248
Allowance for credit losses		4 044 538	4 269 116
Impairment of goodwill on acquisition of subsidiaries		-	419 325
Impairment loss: intangible asset and motor vehicles		35 083	34 283
Provisions charged to profit or loss		2 161 903	605 279
Profit on disposal of equipment		(95 123)	(56 598)
Increase in inventories		(67 864 160)	(18 025 501)
Increase in trade and other receivables		(81 663 536)	(10 519 835)
Increase in trade and other payables		101 739 410	3 747 135
Decrease in provisions and other liabilities		(381 686)	(338 735)
		48 601 502	10 135 917
15.2 Tax paid			
Opening balance		(812 379)	(915 246)
Charged to profit or loss (current and withholding taxes)		(25 029 065)	(7 338 978)
Acquisition of subsidiaries	16.2	-	(9 542)
Exchange and other non-cash movements		906 093	292 044
Closing balance		7 767 172	812 379
Tax payment		(17 168 179)	(7 159 343)
15.3 Investing activities			
Expenditure on property, plant and equipment		(4 801 212)	(3 997 442)
To maintain operations		(3 985 887)	(1 977 976)
To expand operations		(815 325)	(2 019 466)
Proceeds on disposal of equipment		110 297	84 771
Dividend received from joint venture company		212 706	-
Acquisition of subsidiaries	16	(752 413)	482 095
Acquisition of non-controlling interests		(33 242)	-
Payment to non-controlling interests to equalise shareholder loan	37.5	-	(976 850)
Acquisition of interest in associate or joint venture	19.1	(2 467 500)	(100 000)
Movements in trade finance loan advanced		128 608	(3 696)
		(7 602 756)	(4 511 122)

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

15 Cash flow information (continued)

15.4 Cashflows arising from interest-bearing borrowings (disclosed in financing activities)

	Cashflows			Non cash changes			2019 ZWL
	2018 ZWL	Proceeds from borrowings	Repayments of borrowings	Acquisitions	Foreign exchange movements	Other non-cash movements	
Short term financing	26 055 163	12 250 839	(2 252 716)	-	8 732 260	-	44 785 546
Total liabilities from financing activities	26 055 163	12 250 839	(2 252 716)	-	8 732 260	-	44 785 546
	2017 ZWL					2018 ZWL	
Long term financing	1 375 214	-	(1 375 214)	-	-	-	-
Short term financing	17 563 259	16 955 544	(8 443 698)	8 344 786	(19 942)	(8 344 786)	26 055 163
Total liabilities from financing activities	18 938 473	16 955 544	(9 818 912)	8 344 786	(19 942)	(8 344 786)	26 055 163

16 Net cashflows arising from acquisitions

16.1 Net cashflows arising from acquisition of subsidiaries (30 June 2019)

Freeestyle Investments (Private) Limited

On 1 July 2018, the Group, through its subsidiary, TV Sales & Home (Private) Limited acquired 100% of Freeestyle Investments (Private) Limited, a property holding company. This property is now being used as the head office for TV Sales & Home (Private) Limited. The net assets acquired are listed below:

Assets	2019 ZWL
Property, plant and equipment	(752 413)
Net assets on acquisition of subsidiary	(752 413)
Non-controlling interests share in	-
Fair value of net assets recognised	(752 413)
Net goodwill recognised	-
Consideration paid	(752 413)
Add: Cash and cash equivalents on acquisition of subsidiary	-
Net cash outflow on acquisition of subsidiary	(752 413)

16.2 Net cash flow arising on the conversion of associates to subsidiaries and acquisition of a subsidiary (30 June 2018)

Hat On Investments (Private) Limited and Baobab Africa (Private) Limited

Through a scheme of reconstruction, the Group has consolidated the results of Hat On Investments (Private) Limited ("Hat On") and Baobab Africa (Private) Limited ("Baobab") through its subsidiary Distribution Group Africa (Private) Limited ("DGA"), with effect from 1 July 2017. Previously, these entities were equity-accounted in the results of the Group.

The Group previously held 49.99% in Hat On and 33.33% in Baobab. The Group through DGA, now owns 100% of Hat On and 66.67% of Baobab.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

16 Net cashflows arising from acquisitions (continued)

16.2 Net cash flow arising on the conversion of associates to subsidiaries and acquisition of a subsidiary (30 June 2018) (continued)

Equip Solutions (Private) Limited

On 1 July 2017, the Group, through DGA Zimbabwe's subsidiary company, Dynamaster (Private) Limited, obtained a 51% controlling interest in Equip Solutions (Private) Limited ("Equip"). Equip is a distribution company holding agencies that presented an opportunity for growth and an increased footprint in the distribution business.

The net (assets) / liabilities acquired in the transactions above are as follows:

Net cashflow from acquisition of subsidiaries

	Note	Hat On (Pvt) Ltd	Baobab Africa (Pvt) Ltd	Equip Solutions (Pvt) Ltd	TOTAL
Assets					
Property, plant and equipment	17.1	(269 777)	(96 658)	(48 742)	(415 177)
Net deferred tax assets	29	(214 844)	(234 003)	23 765	(425 082)
Deferred tax assets		(214 844)	(234 003)	-	(448 847)
Deferred tax liabilities		-	-	23 765	23 765
Inventories		(917 274)	(802 801)	(299 575)	(2 019 650)
Trade and other receivables		(3 674 151)	(1 874 542)	(397 656)	(5 946 349)
Cash and cash equivalents		(139 533)	(321 594)	(52 572)	(513 699)
Interest-bearing borrowings		4 754 475	3 449 415	140 896	8 344 786
Trade and other payables		684 891	792 221	611 420	2 088 532
Provisions		13 115	55 187	14 058	82 360
Current tax (assets) / liabilities		(34 103)	44 805	(1 160)	9 542
Net liabilities / (assets) on conversion of associates to subsidiaries or acquisition of subsidiary		202 799	1 012 030	(9 566)	1 205 263
Non-controlling interests' share therein		(158 710)	(286 431)	4 782	(440 359)
Fair value of net liabilities / (assets) recognised		44 089	725 599	(4 784)	764 904
Fair value of previously held losses retained		(25 233)	(351 950)	-	(377 183)
Net goodwill recorded and impaired at acquisition		(18 856)	(373 649)	(26 820)	(419 325)
Consideration paid		-	-	(31 604)	(31 604)
Add: Cash and cash equivalents on conversion of associates to subsidiaries or acquisition of subsidiary		139 533	321 594	52 572	513 699
Net cash inflow on conversion of associates to subsidiaries and acquisition of subsidiary		139 533	321 594	20 968	482 095

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

17 Property, plant and equipment

	Freehold property ZWL	Leasehold improvements ZWL	Fittings & Equipment ZWL	Motor vehicles ZWL	Total ZWL
Cost					
At 30 June 2017	2 639 422	920 718	5 700 081	5 723 347	14 983 568
Additions	-	215 430	2 270 250	1 511 762	3 997 442
Disposals	-	-	(55 932)	(249 474)	(305 406)
Impairment of motor vehicles	-	-	-	(209 674)	(209 674)
Conversion of associates to subsidiaries and acquisition of subsidiary	-	-	425 759	206 412	632 171
Exchange movements	(53 938)	(31 293)	(26 250)	(71 720)	(183 201)
At 30 June 2018	2 585 484	1 104 855	8 313 908	6 910 653	18 914 900
Additions	-	281 324	2 565 491	1 954 397	4 801 212
Disposals	-	-	(128 242)	(154 928)	(283 170)
Acquisition of subsidiary	752 413	-	-	-	752 413
Exchange movements	2 518 365	1 460 874	1 491 332	4 475 616	9 946 187
At 30 June 2019	5 856 262	2 847 053	12 242 489	13 185 738	34 131 542
Accumulated depreciation and impairment losses					
At 30 June 2017	742 564	273 401	4 179 885	3 050 306	8 246 156
Disposals	-	-	(35 540)	(241 693)	(277 233)
Charge for the year	74 184	73 118	959 404	806 554	1 913 260
Conversion of associates to subsidiaries and acquisition of subsidiary	-	47 646	80 535	88 813	216 994
Impairment of motor vehicles	-	-	-	(175 391)	(175 391)
Exchange movements	(9 019)	(1 790)	(23 485)	(59 973)	(94 267)
At 30 June 2018	807 729	392 375	5 160 799	3 468 616	9 829 519
Disposals	-	-	(125 484)	(142 512)	(267 996)
Charge for the year	73 778	98 223	1 129 630	984 893	2 286 524
Exchange movements	546 202	83 577	1 314 976	3 698 478	5 643 233
At 30 June 2019	1 427 709	574 175	7 479 921	8 009 475	17 491 280
Net carrying amount					
At 30 June 2019	4 428 553	2 272 878	4 762 568	5 176 263	16 640 262
At 30 June 2018	1 777 755	712 480	3 153 109	3 442 037	9 085 381

A certain property is encumbered as indicated in note 17.2.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

17 Property, plant and equipment (continued)

17.1 Reconciliation of opening and closing carrying amounts

	2019 ZWL	2018 ZWL
Net carrying amount at the beginning of the year	9 085 381	6 737 412
Cost	18 914 900	14 983 568
Accumulated depreciation and impairment losses	(9 829 519)	(8 246 156)
Movements for the year:		
Additions at cost	4 801 212	3 997 442
Conversion of associates to subsidiaries and acquisition of subsidiary	752 413	415 177
Net carrying amount of disposals	(15 174)	(28 173)
Depreciation charge for the year	(2 286 524)	(1 913 260)
Impairment of motor vehicles	-	(34 283)
Impairment of motor vehicles at cost	-	(209 674)
Impairment of motor vehicles accumulated	-	175 391
Exchange movements	4 302 954	(88 934)
Net carrying amount at the end of the year	16 640 262	9 085 381
Cost	34 131 542	18 914 900
Accumulated depreciation and impairment losses	(17 491 280)	(9 829 519)
Net book value of a property pledged as security for borrowings (Regional Operations)	5 457 114	94 320

17.2 Security

Details of the borrowings are shown in note 30.

18 Intangible assets

	Goodwill on acquisition ZWL	Other intangible asset ZWL	Total ZWL
Net carrying amount 30 June 2017	-	35 083	35 083
Gross carrying amount	-	41 428	41 428
Accumulated amortisation	-	(6 345)	(6 345)
Goodwill on conversion of associates to subsidiaries	392 505	-	392 505
Goodwill on acquisition of subsidiary	26 820	-	26 820
Impairment of goodwill on conversion of associates to subsidiaries and acquisition of subsidiary (note 16.2)	(419 325)	-	(419 325)
Net carrying amount 30 June 2018	-	35 083	35 083
Gross carrying amount	-	41 428	41 428
Accumulated amortisation and impairment losses	-	(6 345)	(6 345)
Impairment of intangible asset	-	(35 083)	(35 083)
Net carrying amount 30 June 2019	-	-	-
Gross carrying amount	-	41 428	41 428
Accumulated amortisation and impairment losses	-	(41 428)	(41 428)

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

18 Intangible assets (continued)

The other intangible asset comprised a computer software used to manage the instalment debtors book, housed by TV Sales & Home. The software was fully impaired in the current year due to upgrades in instalment debtors processing software.

In the prior year, the conversion of Hat On Investments (Private) Limited and Baobab Africa (Private) Limited from associates to subsidiaries and acquisition of Equip Solutions (Private) Limited by the distribution business resulted in goodwill totalling ZWL 419 325. A decision was made to immediately impair this goodwill on the acquisition date.

19 Investments in associates and joint ventures

	2019 ZWL	2018 ZWL
19.1 Reconciliation of movements in associates and joint ventures		
Opening balance	5 617 736	4 718 913
Purchases at cost	2 467 500	100 000
Equity accounted earnings	4 526 107	798 823
Dividends declared	(1 040 228)	-
Balance at the end of the year	11 571 115	5 617 736
Investments in associates and joint ventures comprise of:		
Moregrow Enterprises (Private) Limited	7 848 804	5 541 215
Firm Action (Private) Limited	123 504	76 521
Maton Trading (Private) Limited	3 598 807	-
	11 571 115	5 617 736

19.2 The Group has the following investments in associates and joint ventures:

19.2.1 Moregrow Enterprises (Private) Limited

Moregrow Enterprises (Private) Limited ("Moregrow") is the holding company of Geribrans Services (Private) Limited t/a Transerv ("Transerv"), a leading automotive spares retailer. The Group exercises joint control in Moregrow, which in turn exercises joint control in Transerv through a 51% shareholding. This translates to an effective shareholding of 26.01% in Transerv by the Group.

	2019 ZWL	2018 ZWL
Reconciliation of the investment in joint venture;		
Balance at the beginning of the year	5 541 215	4 718 913
Equity accounted earnings	3 347 817	822 302
Dividends declared	(1 040 228)	-
Balance at the end of the year	7 848 804	5 541 215

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

19 Investments in associates and joint ventures (continued)

19.2.2 Firm Action (Private) Limited

The Group, through its subsidiaries in the distribution business has a 50% interest in Firm Action (Private) Limited ("Firm Action"). Firm Action is involved in the distribution of principal's FMCG products to the retail and wholesale market. The Group exercises joint control in Firm Action and has rights to the net assets of the arrangement. As such the joint arrangement is classified as a joint venture in accordance with International Financial Reporting Standards. The group has equity accounted the results of the Firm Action joint venture.

	2019 ZWL	2018 ZWL
Reconciliation of the investment in joint venture;		
Balance at the beginning of the year	76 521	-
Acquisition of interest in joint venture	-	100 000
Equity accounted earnings / (losses)	46 983	(23 479)
Balance at the end of the year	123 504	76 521

19.2.3 Maton Trading (Private) Limited

In the current year, the Group, through its subsidiary TV Sales & Home (Private) Limited acquired 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. The Group exercises significant influence in Maton, as such, the investment is classified as an Investment in an Associate company in accordance with International Financial Reporting Standards, whose results have been equity-accounted.

	2019 ZWL
Reconciliation of the investment in associate;	
Acquisition of interest in associate	2 467 500
Equity accounted earnings	1 131 307
Balance at the end of the year	3 598 807

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

19 Investments in associates and joint ventures (continued)

19.3 Summarised financial information of associates and joint ventures

	Revenue	Profit / (loss)	Non-current	Current	Non-current	Current
	ZWL	after tax	assets	assets	liabilities	liabilities
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Moregrow Enterprises (Private) Limited						
30 June 2019	-	6 564 348	11 009 131	1 729 538	-	1 728 211
30 June 2018	-	1 612 357	6 141 193	440 023	-	95 443
Firm Action (Private) Limited						
30 June 2019	2 462 752	93 967	29 029	2 023 620	-	1 805 640
30 June 2018	1 334 379	(46 957)	36 825	585 649	-	469 432
Maton Trading (Private) Limited						
30 June 2019	9 032 017	2 308 789	5 296 145	7 101 044	3 538 311	3 218 474

	Depreciation	Interest	Interest	Taxation	Cash and
	charge	income	expense	charge /	cash
	ZWL	ZWL	ZWL	(credit)	equivalents
	ZWL	ZWL	ZWL	ZWL	ZWL
Moregrow Enterprises (Private) Limited					
30 June 2019	-	-	-	-	105 213
30 June 2018	-	-	-	-	127
Firm Action (Private) Limited					
30 June 2019	3 996	-	32 018	51 895	59 751
30 June 2018	6 031	-	11 853	(15 803)	3 998
Maton Trading (Private) Limited					
30 June 2019	312 931	-	-	916 387	603 501

19.4 Reconciliation of the carrying amount of joint ventures

	2019	2018	2019	2018
	Moregrow	Moregrow	Firm Action	Firm Action
	ZWL	ZWL	ZWL	ZWL
Total shareholders equity	11 010 458	6 485 773	247 009	153 042
Less: Moregrow goodwill into Transerv	(4 068 624)	(4 068 624)	-	-
Less: Other reconciling items	(355 455)	(355 455)	-	-
Net assets attributable to shareholders of the joint venture	6 586 379	2 061 694	247 009	153 042
Axia's effective share (%)	51.00%	51.00%	50.00%	50.00%
Axia's effective share (ZWL)	3 359 053	1 051 464	123 504	76 521
Reconciling items:				
Axia goodwill	4 068 624	4 068 624	-	-
Axia investment at cost	129 177	129 177	-	-
Equity loan capitalised into investment	291 950	291 950	-	-
Carrying amount at the end of the year	7 848 804	5 541 215	123 504	76 521

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

19 Investments in associates and joint ventures (continued)

19.5 Reconciliation of the carrying amount of associates

	2019
	Maton
	ZWL
Total shareholders equity	5 640 404
Net assets attributable to shareholders of the associate	5 640 404
Axia's effective share (%)	49.00%
Axia's effective share (ZWL)	2 763 798
Reconciling items:	
Goodwill on acquisition	835 009
Carrying amount at the end of the year	3 598 807

20 Description of Group Investments in Subsidiary, Associate and Joint Venture companies

Listed below are the Group's effective ordinary shareholding in the various business units and excludes dormant companies:

	2019	2018
Speciality Retail		
TV Sales & Home (Private) Limited	66.67%	66.67%
Maton Trading (Private) Limited*	32.67%	-
Innscore Credit Retail (Mauritius) Limited	100.00%	100.00%
Moregrow Enterprises (Private) Limited*	51.00%	51.00%
Geribrans Services (Private) Limited t/a Transerv*	26.01%	26.01%
Freeestyle Investments (Private) Limited #	33.33%	-
Distribution		
Distribution Group Africa (Private) Limited	50.01%	50.01%
Innscore Distribution (Private) Limited #	50.01%	50.01%
Comox Trading (Private) Limited #	50.01%	50.01%
Eagle Agencies (Private) Limited #	37.51%	37.51%
Biscuit Company (Private) Limited t/a Snacks Sales & Distribution #	50.01%	50.01%
Tevason Investments (Private) Limited t/a FreshPro #	50.01%	50.01%
Vital Logistics Zimbabwe (Private) Limited #	50.01%	50.01%
Innscore Distribution Africa Limited	50.00%	50.00%
Innscore Distribution (Malawi) Limited #	50.00%	50.00%
Photo Marketing (Malawi) Limited t/a Comox #	50.00%	50.00%
Innscore Distribution (Zambia) Limited #	50.00%	50.00%
Comox Trading (Zambia) Limited #	50.00%	50.00%
Mukwa Distribution (Zambia) Limited #	50.00%	37.50%
Commview Investments (Private) Limited	100.00%	100.00%
Baobab Africa (Private) Limited #	33.33%	33.33%
Hat On Investments (Private) Limited *	50.01%	50.01%
Firm Action (Private) Limited*	25.01%	25.01%
Corporate Services		
Axia Operations (Private) Limited	100.00%	100.00%
Excalibur Mauritius Limited	100.00%	100.00%

* Associate or Joint Venture

Subsidiary of subsidiary ^

^ Some group subsidiary companies, also have subsidiaries which include non-controlling interests. The Group only consolidates its direct subsidiary, which would have consolidated its related subsidiaries.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

20 Description of Group Investments in Subsidiary, Associate and Joint Venture companies (continued)

20.1 Country of incorporation

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

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

	2019 ZWL	2018 ZWL
21 Financial Assets		
Financial assets comprise of:		
Listed equities	937 036	254 701
Trade finance loan receivable	46 672	175 280
Derivative financial asset	1 021 181	1 260 099
Total financial assets	2 004 889	1 690 080
Reconciled as follows:		
Balance at the beginning of the year	1 690 080	920 926
Net loans (repaid) / advanced	(128 608)	3 696
Fair value adjustments through profit or loss	682 335	68 173
Fair value adjustment in derivative financial asset	1 504 004	1 943 892
Proceeds and disposal of derivative financial asset	(1 742 922)	(1 246 607)
Balance at the end of the year	2 004 889	1 690 080

Axia Operations (Private) Limited, by way of guarantee, underwrote to Innscor Africa Limited ("IAL") an amount of US\$ 653 820 which represented the payment made by IAL to the Zimbabwe Revenue Authority for withholding tax arising from the unbundling of its Speciality Retail and Distribution businesses through a dividend in specie of Axia Corporation Limited (Axia) shares in May 2016. In respect of this withholding tax IAL retained 12 886 241 Axia Corporation Limited shares which were registered in its name. During the year ended 30 June 2018, IAL disposed of 7 000 000 shares and Axia repaid the US\$ 653 820 underwritten to IAL.

The financial asset which emanates from this transaction is calculated at the fair value of the remaining Axia Corporation Limited shares taking into account relevant transaction costs, less any dividends received by IAL on the shares. The resultant uplift in the value of this financial asset is included in the statement of profit or loss and other comprehensive income. At 30 June 2019, the financial asset was valued at ZWL 1 021 181.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

21 Financial Assets (continued)

Financial assets are analysed as follows:

	Fair value through profit or loss ZWL	Financial assets at amortised cost ZWL	Total ZWL
Balance on 30 June 2017	749 342	171 584	920 926
Trade finance loan receivable	-	3 696	3 696
Fair value adjustments and movements on listed equities and derivative financial asset	765 458	-	765 458
Balance on 30 June 2018	1 514 800	175 280	1 690 080
Fair value adjustments through profit or loss	-	(128 608)	(128 608)
Fair value adjustments and movements on listed equities and derivative financial asset	443 417	-	443 417
Balance on 30 June 2019	1 958 217	46 672	2 004 889

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.

Fair value through profit or loss	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	Total ZWL
30 June 2019				
Listed equities	937 036	-	-	937 036
Derivative financial asset	-	1 021 181	-	1 021 181
	937 036	1 021 181	-	1 958 217
30 June 2018				
Listed equities	254 701	-	-	254 701
Derivative financial asset	-	1 260 099	-	1 260 099
	254 701	1 260 099	-	1 514 800

There were no transfers between levels during the year.

Valuation techniques used to determine level 2 values

	Valuation technique	Significant inputs
Derivative financial asset	Market approach	<ul style="list-style-type: none"> Share price Share disposal costs

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

22 Inventories

	2019 ZWL	2018 ZWL
Consumable stores	823 338	223 195
Finished products, net of allowance for obsolescence	92 846 656	45 443 751
Goods in transit	22 036 876	2 767 654
Obsolescence provision	(3 862 307)	(684 593)
	111 844 563	47 750 007

The total amount of inventory write-down (provisions and write-offs) in respect of obsolescence expenses is ZWL 10 234 927 (2018: ZWL 2 885 248).

The amount of inventory recognised as an expense in cost of sales is ZWL 406 095 340 (2018: ZWL 211 688 071).

Below is a reconciliation of the obsolescence provision:

Opening balance on 1 July	684 593	291 842
Additional provision for obsolescence	3 177 714	392 751
Closing balance on 30 June	3 862 307	684 593

23 Trade and other receivables

	2019 ZWL	2018 ZWL
Trade receivables	84 472 416	24 284 430
Instalment sales receivables	14 509 691	8 214 452
Prepayments	37 291 936	14 220 049
Rental deposits	251 294	231 310
VAT withholding tax receivable	3 279 442	5 998 865
Other receivables	7 907 562	4 605 736
	147 712 341	57 554 842
Loss allowance	(5 803 314)	(3 466 802)
	141 909 027	54 088 040

Included in other receivables are marketing claims from distribution principals, prepaid customs duties and staff loans.

The following table shows the movement in Lifetime Expected Credit Losses ("ECL") that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9:

	Collectively assessed ZWL	Individually assessed ZWL	Total ZWL
Balance on 30 June 2018	1 622 340	1 844 462	3 466 802
Adjustment upon application of IFRS 9	326 561	-	326 561
Balance on 30 June 2018 (Restated)	1 948 901	1 844 462	3 793 363
Transfer to credit-impaired	1 935 938	2 108 600	4 044 538
Amounts written off	-	(719 543)	(719 543)
Exchange movements	(428 889)	(886 155)	(1 315 044)
Balance on 30 June 2019	3 455 950	2 347 364	5 803 314

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

23 Trade and other receivables (continued)

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

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables (which are collectively assessed) based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

30 June 2019	Trade receivables - days past due						Total
	Not Past due	30 days	60 days	90 days	120 days plus		
Expected credit loss rate	0.1% - 2.1%	0.1% - 4.2%	0.1% - 8.5%	0.1% - 8.5%	0.1% - 8.5%	100%	
Estimated gross carrying amount at default	61 341 720	15 045 842	3 964 313	2 245 990	383 741	1 490 810	84 472 416
Lifetime ECL							(3 455 950)
							81 016 466

30 June 2018	Trade receivables - days past due						Total
	Not Past due	30 days	60 days	90 days	120 days plus		
Expected credit loss rate	0.1% - 2.9%	0.1% - 5.7%	0.1% - 11.5%	0.1% - 11.5%	0.1% - 11.5%	100%	
Estimated gross carrying amount at default	10 202 384	8 514 514	3 104 994	1 161 984	575 499	725 055	24 284 430
Lifetime ECL							(1 948 901)
							22 335 529

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

23 Trade and other receivables (continued)

The estimated credit loss rates were adjusted for forward looking information such as the impacts of:

- Inflation
- Increase in interests rates
- increase in customer default risk due to liquidity challenges
- customer credit record and credit proofing

As at 30 June 2019, the ageing analysis of trade and other receivables (excluding prepayments and VAT receivable) was as follows:

	Total ZWL	Neither past due nor impaired ZWL	Past due before impairment	
			60-90 days ZWL	More than 90 days ZWL
30 June 2019	107 140 963	99 102 908	6 193 938	1 844 117
30 June 2018	37 335 928	26 931 351	4 266 978	6 137 599

Note 38 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.

24 Ordinary share capital

	2019 ZWL	2018 ZWL
24.1 Authorised		
999 999 000 ordinary shares of ZWL 0.0001 each	100 000	100 000
1 000 Non-Voting Class "A" ordinary shares of ZWL 0.0001 each*	-	-
	100 000	100 000
24.2 Issued and fully paid		
541 593 440 ordinary shares of ZWL 0.0001 each	54 159	54 159

* Class "A" shares are non-voting ordinary shares that will be allocated to the Axia Corporation Employee Share Trust.

There were no changes in Authorised and Issued share capital during the current year, apart from redenomination from USD to ZWL following the change in functional currency.

24.3 Directors' shareholdings

At 30 June 2019, the Directors held directly and indirectly the following number of shares:

	2019	2018
J. Koumides	720 000	720 000
Z. Koudounaris	112 393 212	112 393 212
T.C. Mazingi	1 802	1 802
L. E. M. Ngwerume	5 406	5 406
	113 120 420	113 120 420

There has been no change in the Directors' shareholding subsequent to 30 June 2019 to the date of this report.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

24 Ordinary share capital (continued)

24.4 Share options

24.4.1 Indigenisation Share Options

As at 30 June 2019, Axia Corporation Limited had the following two Share Option agreements arising from the Group's indigenisation transaction:

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

Number of shares:	Fifty Million (50 000 000)
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), ZWL 0.19 per share and, for the second five years, ZWL 0.28 per share

At the end of the financial year, this share option scheme had a remaining contractual life of four and a half years and no shares had been issued to Benvenue. The share options arising from the Benvenue's indigenisation transaction were dilutive at the end of the financial year (2018: NIL)

- 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)
Tenure:	10 years (until January 2024)
Pricing:	At the volume weighted average price of Axia Corporation limited shares over the previous 60 trading days.

At the end of the financial year, this share option scheme had a remaining contractual life of four and a half years and no shares had been issued to the Axia Corporation Limited Employee Share Trust.

24.4.2 Employee Share Option Scheme

Share options are granted to Directors and to certain senior employees of the Group. The total number of shares available for the scheme of 54 159 344 was approved by shareholders in a General Meeting, and the number of options granted is calculated in accordance with the performance-based criteria approved by the Board's Remuneration Committee. The number of share options are limited in line with the Zimbabwe Stock Exchange (ZSE) regulations. The pertinent terms of the Axia Corporation Limited Employee Share Option Scheme are as follows;

Maximum number of shares available	54 159 344
Vesting period	Can be exercised after 3 years and before the end of 5 years
Exercise price	The higher of 45-day volume weighted average price of Axia Corporation Limited shares immediately preceding the offer date, or the nominal value of the shares
Expiry period	2 years from the date on which each option may first be exercised

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

24 Ordinary share capital (continued)

24.4.2 Employee Share Option Scheme (continued)

Under the scheme, up to 1% of the issued share capital of the company (5 415 934 shares) are available to Directors and senior employees annually over a 10 year period. Options are conditional on the employee completing three years of service (vesting period). The shares are awarded, subject to achievement of a Headline Earnings growth performance condition outlined in the approved scheme document. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No options have been exercised in the year ended 30 June 2019. The following reconciles share options at the beginning and at the end of the year:

	Number of options 2019	Number of options 2018
Balance at the end of the year	10 556 868	5 150 934
Granted during the year	3 860 000	5 405 934
Exercised during the year	-	-
Forfeited during the year	-	-
Balance at the end of the year	14 416 868	10 556 868

No share options were exercisable as at 30 June 2019.

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price
(1) Granted on 29 November 2016	5 150 934	29-Nov-16	28-Nov-19	28-Nov-21	0.0556
(2) Granted on 26 September 2017	5 405 934	26-Sep-17	25-Sep-20	25-Sep-22	0.2473
(3) Granted on 26 September 2018	3 860 000	25-Sep-18	24-Sep-21	24-Sep-23	0.2619

All employee share options granted had a dilutive effect at the end of the financial year.

24.4.3 Value of share options at the end of the year

Valuation of the share option scheme was conducted by a third-party valuation expert. Share options were measured in accordance with IFRS 2: Share-based Payments, at their market-based measure at the grant date. The options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including probability of meeting market conditions attached to the option) and behavioural considerations. Expected volatility is based on the historical share price volatility of the company and comparison with similar listed companies.

Inputs into the model

Description	Series 1 Value	Series 2 Value	Series 3 Value
Grant date	29-Nov-16	26-Sep-17	25-Sep-18
Vesting date	28-Nov-19	25-Sep-20	24-Sep-21
Performance period for HEPS performance condition	3 years	3 years	3 years
Performance condition success probability (grant date and year end)	100%	100%	100%
Number of options	5 150 934	5 405 934	3 860 000
Share price at grant date (ZWL)	0.0550	0.3010	0.2500
Option exercise strike price (ZWL)	0.0556	0.2473	0.2619
Risk free rate	1.50%	1.70%	3.07%
Dividend yield	3%	3%	4%
Volatility	35%	35%	68%
Exercise multiple	1.8	1.8	1.8

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

25 Share based payments reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 24.4.2 above for further details. Below is a reconciliation of the movements in this reserve for the year:

	2019 ZWL	2018 ZWL
Opening balance	161 634	13 694
Equity-settled share-based payments expense	295 376	147 940
Closing balance	457 010	161 634

26 Non-distributable reserves

Consists of the Share premium reserve and Foreign currency translation reserve.

	Share premium reserve	Foreign currency translation reserve	TOTAL
Balance on 30 June 2017	40 496	(2 575 712)	(2 535 216)
Exchange differences arising on translation of foreign subsidiaries	-	(146 825)	(146 825)
Balance on 30 June 2018	40 496	(2 722 537)	(2 682 041)
Exchange differences arising on translation of foreign subsidiaries	-	10 803 789	10 803 789
Balance on 30 June 2019	40 496	8 081 252	8 121 748

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.

Non-distributable reserve - Company

The holding company has a non-distributable reserve of ZWL 27 700 642 (as shown on Page 104), comprising the net assets acquired through unbundling of the Speciality Retail and Distribution silo of Inncor Africa Limited. This reserve is eliminated on consolidation.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

27 Distributable reserves

	2019 ZWL	2018 ZWL
Balance at the beginning of the year	43 349 637	36 612 470
Retained for the year	38 273 527	10 952 910
IFRS 9 adoption opening balance adjustment	(253 692)	-
Dividends paid (note 7.1)	(5 231 060)	(3 981 354)
Transactions with owners in their capacity as owners	27 046	(234 389)
Balance on 30 June	76 165 458	43 349 637
Retained in:		
Holding company	7 377 150	4 563 844
Subsidiary companies	64 161 739	36 432 270
Associate companies and joint ventures	4 626 569	2 353 523
	76 165 458	43 349 637

28 Non-controlling interests in significant subsidiaries

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

	Distribution Group Africa (Private) Limited		TV Sales & Home (Private) Limited		Innscor Distribution Africa Limited	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Principal place of business	Zimbabwe	Zimbabwe	Zimbabwe	Zimbabwe	Zambia & Malawi	Zambia & Malawi
Proportion of ownership held by non-controlling interests	49.99%	49.99%	33.33%	33.33%	50%	50%
Profit allocated to non-controlling interests	13 141 964	1 715 882	11 457 492	4 076 331	207 664	138 200
Accumulated non-controlling interests in subsidiaries	21 296 004	12 365 837	19 227 839	9 937 558	13 784 143	2 511 413
Statement of profit or loss						
Revenue	376 847 449	175 851 678	130 531 418	69 431 199	50 365 410	30 642 340
Operating profit (EBITDA)	44 261 165	9 780 117	32 117 826	16 834 581	88 454	878 576
Statement of financial position						
Current assets	144 408 747	58 816 136	74 436 111	35 051 992	69 702 666	12 017 599
Non-current assets	12 245 274	7 034 851	8 269 336	2 658 443	8 424 387	1 378 909
Current liabilities	113 868 942	41 081 961	19 403 883	6 462 925	50 557 764	8 548 348
Non-current liabilities	704 472	324 403	5 612 278	1 431 854	-	-
Statement of cashflows						
Net cashflow from operating activities	17 174 237	327 579	23 748 410	6 633 616	4 780 807	2 316 376
Net cashflow from investing activities	(2 486 602)	(2 000 413)	(4 990 412)	(1 443 170)	(36 095)	(120 190)
Net cashflow from financing activities	3 974 918	1 510 155	3 598 215	(7 052 687)	1 906 946	(1 923 709)

Dividends paid to non-controlling interests have been disclosed under note 7.2.

The above summarised financial information of these subsidiaries is based on amounts before inter-company eliminations.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

29 Net deferred tax (assets) / liabilities

	2019 ZWL	2018 ZWL
29.1 Reconciliation		
Opening balance	(266 685)	121 659
(Released) / charged to profit or loss	(2 371 954)	112 655
Acquisition of subsidiaries (note 16.2)	-	(425 082)
Exchange movements	-	(75 917)
Closing balance	(2 638 639)	(266 685)
29.2 Analysis of net deferred tax (assets) / liabilities		
Accelerated depreciation for tax purposes	1 114 924	730 422
Tax losses	(2 327 989)	(745 466)
Derivative financial asset	262 954	324 475
Net unrealised exchange gains / (losses)	1 158 486	(340 625)
Instalment credit receivables	2 522 004	1 337 649
Allowance for credit losses	(1 859 053)	(803 626)
Provision for obsolete inventories	(1 149 554)	(136 593)
Provision for leave pay, incentives and warranties	(2 360 411)	(632 921)
	(2 638 639)	(266 685)
The net deferred tax (assets) / liabilities are made up as follows:		
Deferred tax assets	(8 955 389)	(2 022 942)
Deferred tax liabilities	6 316 750	1 756 257
	(2 638 639)	(266 685)

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. In the current year, assessed losses in the distribution business to the tune of ZWL 168 690, giving rise to a total deferred tax asset of ZWL 43 438 were not recognised. These losses will expire in the year 2025.

30 Interest-bearing borrowings

			2019 ZWL	2018 ZWL
Short-term financing				
Secured				
Regional Operations	17.5%	up to 365 days	5 346 780	94 320
Unsecured				
Regional Operations	9.2%	up to 365 days	6 843 056	1 456 312
Unsecured				
Zimbabwe Operations	6-7%	up to 365 days	21 639 824	15 875 199
Overdrafts	6-20%	On demand	10 955 886	8 629 332
Total interest-bearing borrowings			44 785 546	26 055 163

As at 30 June 2019, the Board of Directors had authorised aggregate borrowing limits of ZWL 144.5 million (2018 - ZWL 56.3 million).

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

30 Interest-bearing borrowings (continued)

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. The facilities expire at different dates and are reviewed and renewed when they mature. Secured facilities are secured by a cession of a property worth ZWL 5.457 million (2018: ZWL 94 320).

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 year was adequately covered in this respect.

31 Trade and other payables

	2019 ZWL	2018 ZWL
Trade payables	94 113 783	20 362 642
Accruals	18 483 276	7 481 552
Customer deposits	4 728 426	3 572 367
Other payables	4 749 440	944 830
	122 074 925	32 361 391

Trade payables are non-interest bearing and are normally settled within 30 - 60 days. Other payables are non-interest bearing and have varying settlement terms.

32 Provisions and other liabilities

Leave pay	1 162 297	685 898
Provision for warranty	521 646	258 305
Contract liabilities	1 124 083	-
	2 808 026	944 203

Reconciliation of provisions

	Leave pay ZWL	Provision for warranties ZWL
Balance on 30 June 2017	489 273	144 735
Charge for the year	277 128	328 151
Acquired through acquisition of subsidiaries	82 360	-
Exchange movements	(38 709)	-
Less paid / utilised	(124 154)	(214 581)
Balance on 30 June 2018	685 898	258 305
Charge for the year	774 479	263 341
Exchange movements	126 252	-
Less paid / utilised	(424 332)	-
Balance on 30 June 2019	1 162 297	521 646

Contract liabilities

Contract liabilities arise from the Group's policy of revenue recognition. In the Group's distribution business, certain contracts provide a customer with a right to make claims or return the goods within a specified period for reasons such as damaged or near expiry products delivered. The Group estimates the value of such claims, processed against revenue. In the prior year, these were disclosed against Trade and other receivables.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

33 Capital expenditure commitments

	2019 ZWL	2018 ZWL
Authorised and contracted	1 774 440	-
Authorised but not yet contracted	19 386 135	6 339 389
	21 160 575	6 339 389

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

34 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 between 3 to 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:

	2019 ZWL	2018 ZWL
Payable within one year	3 765 370	2 722 552
Payable between two and five years	12 229 926	8 747 350
Payable after five years	7 652 773	1 436 773
	23 648 069	12 906 675

35 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.

35.1 Business Segments

The reporting structure is summarised as follows:

Speciality Retail

The main operations in this reporting silo are TV Sales & Home ("TVSH") and Transerv. TVSH is the 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 centers.

Distribution

Distribution Group Africa is a large 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 reports the Group's head office support functions, namely company secretarial services, legal, treasury, internal audit and tax services.

Geographical Segments

The Group is also organised into parcels of businesses incorporated in Zimbabwe, and those incorporated in countries outside Zimbabwe. See note 20.1 for companies incorporated outside of Zimbabwe.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

35 Segmental analysis (continued)

35.1 Business Segments (continued)

	Speciality Retail ZWL	Distribution ZWL	Other Segments ZWL	Intersegment adjustments ZWL	Total ZWL
Revenue					
30 June 2019	130 531 418	427 212 858	-	(330 339)	557 413 937
30 June 2018	69 431 199	206 494 018	-	-	275 925 217
Operating profit / (loss) before impairment, depreciation and fair value adjustments					
30 June 2019	32 117 826	44 349 620	(3 788 803)	-	72 678 643
30 June 2018	16 834 581	10 658 697	(1 685 024)	-	25 808 254
Depreciation and amortisation					
30 June 2019	(604 350)	(1 629 627)	(52 547)	-	(2 286 524)
30 June 2018	(417 460)	(1 481 667)	(14 133)	-	(1 913 260)
Equity accounted earnings / (losses)					
30 June 2019	4 479 125	46 982	-	-	4 526 107
30 June 2018	822 302	(23 479)	-	-	798 823
Net interest income / (expense)					
30 June 2019	(22 497)	(1 311 991)	(582 315)	-	(1 916 803)
30 June 2018	69 724	(1 187 866)	(164 030)	-	(1 282 172)
Segment assets					
30 June 2019	82 705 447	234 781 074	51 717 676	(46 345 417)	322 858 780
30 June 2018	37 710 435	79 247 495	43 725 605	(33 097 018)	127 586 517
Segment liabilities					
30 June 2019	25 016 161	165 131 178	14 651 470	(21 046 390)	183 752 419
30 June 2018	7 894 779	49 954 712	9 570 298	(5 490 396)	61 929 393
Capital expenditure					
30 June 2019	1 899 106	2 612 317	289 789	-	4 801 212
30 June 2018	1 420 191	2 571 605	5 646	-	3 997 442

35.2 Geographical information

	Revenue ZWL	Operating Profit (EBITDA) [^] ZWL	*Non- current assets ZWL	Current assets ZWL	Non- current liabilities ZWL	Current liabilities ZWL
Zimbabwe Operations						
30 June 2019	507 048 527	72 645 755	19 786 990	216 979 593	6 316 750	126 263 243
30 June 2018	245 282 877	24 940 236	13 597 870	98 790 700	1 756 257	51 549 222
Regional Operations						
30 June 2019	50 365 410	32 888	8 424 387	69 836 504	-	51 172 426
30 June 2018	30 642 340	868 018	1 140 330	12 034 675	-	8 623 914

* Excludes deferred tax assets

[^] (EBITDA) - Earnings Before Interest Tax Depreciation and Amortisation

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

35 Segmental analysis (continued)

35.3 Information about major customers

The table below details customers with revenues contributing to more than 10% of group revenue:

	2019 ZWL	2018 ZWL
TM Supermarkets (Private) Limited	104 863 301	50 407 141
OK Zimbabwe Limited	91 425 115	51 166 981
	196 288 416	101 574 122

36 Pension funds

Innscor Africa 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 Innscor Africa Limited, Axia's pensions remained part of the Innscor Africa 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 (total member and company contribution) of which the maximum monthly pensionable salary is ZWL 700. A total monthly contribution of ZWL 49 (total member and company contribution) is therefore the maximum per employee.

National Pension Scheme Authority (NAPSA) – Zambia

The scheme was established and is administered, in terms of the Government of Zambia Act of 1996 and enacted effective 12th February 2000. This came after the formation of the Zambia National Provident Fund which has been in existence since 1966 with a mandate to act as the main vehicle for providing retirement and social security benefits to workers in the country. The benefits are based on a 50/50 contribution from the employers and employees and are limited to specific contributions legislated from time to time.

NICO Life (Group Pension Scheme) – Malawi

NICO Life was established in line with the Pensions Act of 2010 of Malawi whereby both the employer and employee contribute. This is a Defined Contribution Arrangement with employees contributing 5% and employers contributing 10% of pensionable earnings.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

36 Pension funds (continued)

Pension costs recognised as an expense for the year are as follows:

	2019 ZWL	2018 ZWL
Zimbabwe Operations		
Innscore Africa Pension Fund	360 283	190 491
National Social Security Authority Scheme & Workers' Compensation Insurance Fund	223 254	102 867
	583 537	293 358
Regional operations		
Workers Compensation Insurance Fund (Zambia)	19 121	5 230
National Pension Scheme Authority (Zambia)	107 419	25 591
NICO Life (Malawi)	73 376	20 505
	199 916	51 326
Total Pension costs	783 453	344 684

37 Related party transactions

37.1 Trading transactions

Related party activities consist of transactions between Axia Corporation Limited's consolidated entities, its associates and joint ventures. Intercompany transactions have been eliminated on consolidation.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and incur interest at rates above the Group's average cost of borrowing and settlement occurs in cash. For the year ended 30 June 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Related party transactions are summarised as follows:

Name of related party	Sales ZWL	Purchases ZWL	Rent received ZWL	Interest received ZWL	Trade & other receivables ZWL	Trade & other payables ZWL
Moregrow Enterprises (Private) Limited						
30 June 2019	-	-	-	8 333	91 500	-
30 June 2018	-	-	-	3 650	91 500	-
Firm Action (Private) Limited						
30 June 2019	-	-	-	-	334 125	-
30 June 2018	343 939	-	-	11 853	374 691	-
Mat On (Private) Limited						
30 June 2019	-	14 613 175	-	-	378 573	-

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

37 Related party transactions (continued)

37.2 Compensation of key personnel to the Group

	2019 ZWL	2018 ZWL
Short - term employee benefits (note 10.2.1)	10 869 809	4 858 589

37.3 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 arm's length basis. The Group also pays consultancy fees to a non-executive Director from time to time.

	2019 ZWL	2018 ZWL
Lease payments	314 808	229 608
Consultancy fees to Director related entity	833 020	357 307

37.4 Other related party payables

	2019 ZWL	2018 ZWL
Amount payable to Axia Corporation Employee Share Trust (Private) Limited*	632 792	268 600

* Dividends paid to the Axia Corporation Employee Share Trust (Private) Limited were held in trust by Axia Corporation Limited

37.5 Payments to other related parties

In the year ended 30 June 2018, an amount of ZWL 976 850 was paid to Electrolux (Private) Limited by the Group to equalise a shareholder loan in one of the distribution businesses. Electrolux (Private) Limited is the non-controlling shareholder in Distribution Group Africa (Private) Limited where the group holds 50.01%. This amount is included as part of investing activities in the Group statement of cash flows.

37.6 Bank guarantees on behalf of related parties

The Group entered into guarantee agreements with financial institutions to secure the borrowings of Geribrans Services (Private) Limited t/a Transerv to the tune of the Groups' effective holding of 26.01%. Details of amounts guaranteed are as follows:

	2019 ZWL	2018 ZWL
Bank guarantees provided to financial institutions	3 121 200	3 017 160

38 Financial risk management objectives and policies

The Group's principal financial instruments comprise financial assets, trade and other receivables, cash and cash equivalents, interest-bearing borrowings and trade and other payables. 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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

38 Financial risk management objectives and policies (continued)

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 loan and overdraft rates. The Group's policy is to manage its interest cost by limiting exposure to short-term loans and 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 loans and overdrafts. There is a material impact on the Group's equity.

	2019 ZWL	2018 ZWL
Effect on profit before tax		
Increase of 25% (2018: 3%)	(8 148 928)	(314 102)
Decrease of 25% (2018: 3%)	8 148 928	314 102

Due to inflationary pressures prevalent within the local economy, the Directors deem a 25% movement in interest rates to be reasonable base to analyse interest rate sensitivity.

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 2019			
Currency	Liabilities	Assets	Net position
South African Rand	(71 239 430)	4 278 526	(66 960 904)
ZWL equivalent	(32 996 654)	1 981 726	(31 014 928)
USD	(5 831 184)	2 203 934	(3 627 250)
ZWL equivalent	(38 154 603)	14 420 781	(23 733 822)
30 June 2018			
Currency	Liabilities	Assets	Net position
South African Rand	(131 169 696)	10 236 809	(120 932 887)
ZWL equivalent	(9 503 398)	741 669	(8 761 729)
EURO	(227 126)	37 738	(189 388)
ZWL equivalent	(264 443)	643 938	379 495

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

38 Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

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

30 June 2019	Change in rate	Effect on profit	
		before tax ZWL	Effect on equity ZWL
South African Rand	+10%	(3 446 103)	(2 558 732)
	-10%	2 819 539	2 093 508
USD	+10%	(2 637 091)	(1 958 040)
	-10%	2 157 620	1 602 033

30 June 2018

30 June 2018	Change in rate	Effect on profit	
		before tax ZWL	Effect on equity ZWL
South African Rand	+10%	(973 525)	(722 843)
	-10%	796 521	591 417
Euro	+10%	(18 074)	(13 420)
	-10%	14 788	10 980

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 equities or other assets.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents and financial assets at fair value through profit or loss, 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 in the statement of financial position less the market value of any security held.

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

38 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 2019

	Within 3 months ZWL	Between 4 -12 months ZWL	More than 12 months ZWL	Total ZWL
Liabilities				
Interest-bearing borrowings	(2 394 675)	(51 969 571)	-	(54 364 246)
Trade and other payables	(90 724 896)	(31 350 029)	-	(122 074 925)
Contract liabilities	-	(1 124 083)	-	(1 124 083)
Total	(93 119 571)	(84 443 683)	-	(177 563 254)
Assets				
Cash and cash equivalents	29 933 535	-	-	29 933 535
Trade and other receivables excluding prepayments	82 628 299	29 299 505	-	111 927 804
Financial assets	-	2 004 889	-	2 004 889
Total	112 561 834	31 304 394	-	143 866 228

30 June 2018

	Within 3 months ZWL	Between 4 -12 months ZWL	More than 12 months ZWL	Total ZWL
Liabilities				
Interest-bearing borrowings	(18 074 178)	(8 793 024)	-	(26 867 202)
Trade and other payables	(23 935 009)	(8 426 382)	-	(32 361 391)
Total	(42 009 187)	(17 219 406)	-	(59 228 593)
Assets				
Cash and cash equivalents	7 297 248	-	-	7 297 248
Trade and other receivables excluding prepayments	22 983 877	16 884 114	-	39 867 991
Financial assets	254 701	1 435 379	-	1 690 080
Total	30 535 826	18 319 493	-	48 855 319

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

38 Financial risk management objectives and policies (continued)

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 listed equity investments to fair value risk. The carrying value of such listed equities at reporting date was not material.

The derivative financial asset is measured at fair value, derived from the share price of listed equity interests of the company. The table below demonstrates the sensitivity of a reasonable change to a significant input (share price) on the valuation of the asset

Significant input measured : share price of listed equity instruments	2019 ZWL	2018 ZWL
Effect on profit before tax and asset valuation		
Increase of 10%	93 704	126 010
Decrease of 10 %	(93 704)	(126 010)

The Group's Executive Committee is tasked with the responsibility of performing research into potential opportunities in order to provide suggestions for investment to the Board of Directors. This Committee monitors the performance of the current investment portfolio and reports to the Board of Directors.

39 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 as at the reporting date (30 June 2019).

40 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 debt) 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 as well as reduce or increase debt levels. No changes were made to the objectives, policies or processes during the year ended 30 June 2019. The Group manages capital using debt to equity ratios, which is calculated as total borrowings divided by the sum of total equity.

	2019 ZWL	2018 ZWL
Total borrowings	44 785 546	26 055 163
Cash and cash equivalents	(29 933 535)	(7 297 248)
Net borrowings	14 852 011	18 757 915
Equity	139 106 361	65 657 124
Gross Debt to equity ratio	24%	28%
Net debt to equity ratio	10%	22%

Notes to the Financial Statements (continued)

for the year ended 30 June 2019

41 Translation rates

The table below provides the closing translation rates used for the purpose of accounting for foreign investments' statements of financial position to the Group's reporting currency and conversion of foreign denominated balances to the functional currency:

	2019 FX : ZWL 1	2018 FX : ZWL 1
United States Dollar	0.15	1
South African Rand	2.16	13.80
Malawian Kwacha	120.68	734.78
Zambian Kwacha	1.98	10.05
Euro	0.13	1.16

42 Contingent liabilities

Group contingent liabilities relate to guarantees advanced to a joint venture company, Transerv, disclosed under note 37.6

43 Events after reporting date

There have been no significant events after the reporting date.

Company statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 ZWL	2018 ZWL
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
other income		-	-
operating expenses	C1	(1 143 289)	(394 864)
Operating loss before impairment, depreciation and amortisation		(1 143 289)	(394 864)
financial income	C2	9 303 829	6 000 510
impairment loss	C3	-	(218 918)
Profit before interest, equity accounted earnings and tax		8 160 540	5 386 728
interest income	C4	30 987	119 586
interest expense	C5	(109 553)	(217 203)
Profit before tax		8 081 974	5 289 111
tax expense	C6	(37 608)	(27 603)
Profit for the year		8 044 366	5 261 508
Other comprehensive income for the year			
other comprehensive income for the year		-	-
Total comprehensive income for the year		8 044 366	5 261 508
Earnings per share (cents)			
Basic earnings per share	C7	1.49	0.97
Headline earnings per share	C7	1.49	1.01
Diluted basic earnings per share	C7	1.44	0.96
Diluted headline earnings per share	C7	1.44	1.01

* Accounting policy notes of the company are the same as group accounting policies. Refer to accounting policy notes on pages 44 to 68

Company Statement of Financial Position

As at 30 June 2019

	Notes	COMPANY 2019 ZWL	COMPANY 2018 ZWL
ASSETS			
Non-current assets			
investments in subsidiaries and joint ventures	C8	30 884 351	30 884 351
		30 884 351	30 884 351
Current assets			
trade and other receivables	C9	5 747 768	2 347 389
cash and cash equivalents		31 515	21 882
		5 779 283	2 369 271
Total assets		36 663 634	33 253 622
EQUITY AND LIABILITIES			
Capital and reserves			
ordinary share capital	24	54 159	54 159
share based payments reserve		299 259	104 144
non-distributable reserves	26	27 700 642	27 700 642
distributable reserves		7 377 150	4 563 844
Total equity		35 431 210	32 422 789
Current liabilities			
other payables and accruals	C10	1 232 424	830 833
Total equity and liabilities		36 663 634	33 253 622



J KOUMIDES
Chief Executive Officer

25 September 2019



R M RAMBANAPASI
Finance Director

25 September 2019

Company Statement of Changes in Equity

for the year ended 30 June 2019

	Ordinary Share Capital ZWL	*Share-based Payments Reserves ZWL	Non- Distributable Reserves ZWL	Distributable Reserves ZWL	Total ZWL
Balance at 30 June 2017	54 159	9 080	27 700 642	3 283 690	31 047 571
Profit for the year	-	-	-	5 261 508	5 261 508
Dividends paid	-	-	-	(3 981 354)	(3 981 354)
Recognition of share based payments expense	-	95 064	-	-	95 064
Balance at 30 June 2018	54 159	104 144	27 700 642	4 563 844	32 422 789
Profit for the year	-	-	-	8 044 366	8 044 366
Dividends paid	-	-	-	(5 231 060)	(5 231 060)
Recognition of share based payments expense	-	195 115	-	-	195 115
Balance at 30 June 2019	54 159	299 259	27 700 642	7 377 150	35 431 210

* This reserve relates to the portion of share options attributable to the company under the share option scheme detailed under note 24.4.2 of the Group financial statements.

Company Statement of Cashflows

for the year ended 30 June 2019

	Notes	2019 ZWL	2018 ZWL
Cash generated from operations	C11.1	5 356 867	8 578 629
interest income		30 987	119 586
interest expense		(109 553)	(217 203)
tax paid		(37 608)	(27 603)
Total cash generated from operating activities		5 240 693	8 453 409
Investing activities		-	-
Net cash flow before financing activities		5 240 693	8 453 409
Financing activities		(5 231 060)	(8 483 301)
dividends paid by holding company		(5 231 060)	(3 981 354)
repayment of borrowings		-	(4 501 947)
Net increase / (decrease) in cash and cash equivalents		9 633	(29 892)
Cash and cash equivalents at the beginning of the year		21 882	51 774
Cash and cash equivalents at the end of the year		31 515	21 882

Notes to the Company Financial Statements

for the year ended 30 June 2019

C1 Operating expenses

	2019 ZWL	2018 ZWL
Directors fees	520 897	113 902
Audit fees and expenses	94 876	14 520
Financial reporting costs	157 672	57 834
Listing fees	32 087	22 425
Dividend processing expenses	26 387	8 731
Equity-settled share-based payments expense	195 115	95 064
Consulting and legal fees	81 682	30 983
Share register maintenance fees	22 575	17 940
Other operating costs	11 998	33 465
	1 143 289	394 864

C2 Financial income

Financial income comprises of dividend income received from subsidiary companies. This income is eliminated in full on consolidation of the Company accounts into the Group.

C3 Impairment loss

In the prior year, the company impaired its investment in Commview Investments (Private) Limited, which was held at cost. Commview was the investment vehicle holding interests in Hat On Investments (Private) Limited and Baobab Africa (Private) Limited whose ownership was restructured to become subsidiaries of Distribution Group Africa (Private) Limited, another Axia Corporation Limited subsidiary. As such, Commview no longer held those investments, resulting in the reciprocal investment by Axia Corporation Limited becoming impaired. Refer to Note 16.2 in the Group financial statements for further information regarding this restructure.

C4 Interest received

	2019 ZWL	2018 ZWL
Interest on loans advanced to group companies	30 987	119 586

C5 Interest paid

Interest-bearing borrowings	109 553	217 203
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C6 Tax expense

Withholding taxes paid	37 608	27 603
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Notes to the Company Financial Statements (continued)

for the year ended 30 June 2019

C7 Earnings per share

	2019 ZWL	2018 ZWL
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
Reconciliation of basic earnings to headline earnings:		
Profit for the year attributable to equity holders of the parent	8 044 366	5 261 508
Adjustment for capital items (gross of tax):		
Impairment loss	-	218 918
Tax effect on adjustments	-	-
Headline earnings attributable to equity holders of the parent	8 044 366	5 480 426
Basic earnings per share (cents)	1.49	0.97
Headline earnings per share (cents)	1.49	1.01
Diluted basic earnings per share (cents)	1.44	0.96
Diluted headline earnings per share (cents)	1.44	1.01
C8 Investments in subsidiaries and joint ventures		
66.67% equity shares in TV Sales & Home (Private) Limited	14 420 226	14 420 226
51% equity shares in Moregrow Enterprises (Private) Limited	4 489 751	4 489 751
50.01% equity shares in Distribution Group Africa (Private) Limited	9 710 794	9 710 794
100% equity shares in Axia Operations (Private) Limited	100	100
100% equity shares in Excalibur Mauritius Limited	2 263 480	2 263 480
	30 884 351	30 884 351
C9 Trade and other receivables		
<i>Third party receivables</i>		
Prepayments	10 057	5 376
Total third party receivables	10 057	5 376
<i>Amounts due from group companies</i>		
Axia Operations (Private) Limited	2 486 840	-
Distribution Group Africa (Private) Limited	2 332 639	2 250 513
Moregrow Enterprises (Private) Limited	918 232	91 500
Total amounts due from group companies	5 737 711	2 342 013
Total trade and other receivables	5 747 768	2 347 389

Amounts due from group companies are at arm's length terms with no fixed repayment dates. However, these receivables are usually settled within a period of 3 to 6 months. Outstanding balances attract interest at rates similar or above to the company's cost of borrowing.

Notes to the Company Financial Statements (continued)

for the year ended 30 June 2019

	2019 ZWL	2018 ZWL
C10 Other payables and accruals		
Other payables	728 245	378 771
Accruals	504 179	53 059
	1 232 424	431 830
<i>Amounts payable to group companies</i>		
Axia Operations (Private) Limited	-	399 003
	-	399 003
Total other payables and accruals	1 232 424	830 833
C11 Cashflow information		
C11.1 Cash generated from operations		
Profit before interest and tax	8 160 540	5 386 728
impairment loss recognised	-	218 918
share based payments expense for the year	195 115	95 064
(Increase) / decrease in trade and other receivables	(3 400 379)	2 459 964
Increase in other payables and accruals	401 591	417 955
	5 356 867	8 578 629

GRI Content Index - 'Core'

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission Part Omitted / Reason / Explanation
GRI 101: Foundation 2016			
General Disclosures			
Organizational profile			
102-1	Name of the organization	Cover page	
102-2	Activities, brands, products, and services	2	
102-3	Location of headquarters	116	
102-4	Location of operations	2, 82	
102-5	Ownership and legal form	2, 81	
102-6	Markets served	2	
102-7	Scale of the organization	2, 3	
102-8	Information on employees and other workers	3, 26-28	
102-9	Supply chain	2	
102-10	Significant changes to the organization and its supply chain	7-8, 79	
102-11	Precautionary Principle or approach	11-14	
102-12	External initiatives	29	
102-13	Membership of associations	30	
Strategy			
102-14	Statement from senior decision-maker	5-10	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	IFC, 12	
Governance			
102-18	Governance structure	12, 13	
GRI 102: General Disclosures 2016			
Stakeholder engagement			
102-40	List of stakeholder groups	19	
102-41	Collective bargaining agreements	27	
102-42	Identifying and selecting stakeholders	19	
102-43	Approach to stakeholder engagement	19	
102-44	Key topics and concerns raised	19	
Reporting practice			
102-45	Entities included in the consolidated financial statements	2, 81	
102-46	Defining report content and topic Boundaries	18	
102-47	List of material topics	18	
102-48	Restatements of information	N/A	There were no restatements of information previously reported.
102-49	Changes in reporting	N/A	There were no changes in material topics previously reported
102-50	Reporting period	IFC	
102-51	Date of most recent report	N/A	Our 2018 report was published on 30 June 2018
102-52	Reporting cycle	IFC	The reporting cycle is annual
102-53	Contact point for questions regarding the report	IFC	
102-54	Claims of reporting in accordance with the GRI Standards	IFC	
102-55	GRI content index	111-112	
102-56	External assurance		Sustainability information in this report has not been externally assured.

ANNEXURES

GRI Content Index - 'Core' (continued)

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission Part Omitted / Reason / Explanation
Material Topics			
200 series (Economic topics)			
Economic Performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 21	
	103-2 The management approach and its components	21	
	103-3 Evaluation of the management approach	6-10, 21	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	22-23	
	201-3 Defined benefit plan obligations and other retirement plans	22	
300 series (Environmental topics)			
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 23	
	103-2 The management approach and its components	23	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	23	
	302-2 Energy consumption outside of the organization	23	
Water			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 24	
	103-2 The management approach and its components	24	
	303-3 Water withdrawal	24	
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 24	
	103-2 The management approach and its components	24	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	24	
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 25	
	103-2 The management approach and its components	25	
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	25	
400 series (Social topics)			
Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 26	
	103-2 The management approach and its components	26	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	27	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 27	
	103-2 The management approach and its components	27	
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	27	
Training and Education			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18, 27	
	103-2 The management approach and its components	27	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	27	

Shareholders' Analysis and Calendar

Size of Shareholding	Number of Shareholders	Shareholders %	Issued Shares	Shares %
1- 5 000	3 126	79.72	2 077 865	0.38
5 001 - 10 000	174	4.44	1 279 985	0.24
10 001 - 25 000	154	3.93	2 534 888	0.47
25 001 - 50 000	108	2.75	3 837 120	0.71
50 001 - 100 000	84	2.14	5 786 440	1.07
100 001 - 200 000	78	1.99	11 271 045	2.08
200 001 - 500 000	94	2.40	29 844 049	5.51
500 001 - 1 000 000	36	0.92	24 974 983	4.61
1 000 001 and over	67	1.71	459 987 065	84.93
	3 921	100.00	541 593 440	100.00

Trade Classification

Local Companies	473	12.06	283 346 127	52.32
Pension Funds	291	7.42	106 156 897	19.60
Insurance Companies	41	1.05	85 645 843	15.81
Foreign Nominees	19	0.48	20 016 402	3.70
Local Nominees	92	2.35	14 066 226	2.60
Foreign Companies	7	0.18	12 178 995	2.25
Local Individual residents	2 676	68.25	10 088 490	1.86
New non residents	89	2.27	3 469 474	0.64
Other Investment Companies & Trusts	142	3.62	3 247 725	0.60
Government / Quasi	3	0.08	1 973 149	0.36
Fund Managers	17	0.43	975 357	0.18
Trusts	6	0.15	155 875	0.03
Charitable Organisations	18	0.46	142 652	0.03
Deceased Estates	42	1.07	58 306	0.01
Banks	2	0.05	48 475	0.01
Foreign Individuals - non resident	3	0.08	23 447	0.00
	3 921	100.00	541 593 440	100.00

Top Ten Shareholders

ZMD Investments (Pvt) Ltd	105 249 222	19.43
HM Barbour (Pvt) Ltd	100 024 000	18.47
Old Mutual Life Assurance Company Zimbabwe Ltd	67 749 280	12.51
Stanbic Nominees (Pvt) Ltd	57 915 519	10.69
Sarcor Investments (Pvt) Ltd	22 484 058	4.15
Standard Chartered Nominees (Pvt) Ltd	19 197 426	3.54
Pharaoh Limited	12 110 470	2.24
Mining Industry Pension Fund	8 238 931	1.52
Old Mutual Zimbabwe Ltd	8 113 398	1.50
Music Ventures (Pvt) Ltd	7 465 382	1.38
Other	133 045 754	24.57
	541 593 440	100.00

Shareholders' Calendar

Fourth Annual General Meeting	26 November 2019
Financial Year End	30 June

Reporting and Meeting Dates

3 months to 30 September 2019	November 2019
6 months to 31 December 2019	March 2020
9 months to 31 March 2020	May 2020
12 months to 30 June 2020	September 2020
Annual Report Published	November 2020
Fifth Annual General Meeting	November 2020

NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of members will be held at Chapman Golf Club, 1 Henry Chapman Road, Eastlea, Harare on Tuesday 26 November 2019 at 08h15, for the purpose of transacting the following business: -

Ordinary Business

1. To receive and consider the financial statements for the year ended 30 June 2019 together with the report of the Directors and Auditors thereon.
2. To re-elect the following Director, Mr. Thembinkosi (Themba) Sibanda who retires by rotation in terms of the Articles of Association of the Company, and being eligible offers himself for re-election.

Themba is a Chartered Accountant who has worked in compliance, audit and advisory for the past 37 years. He is the principal at Schmulian & Sibanda Chartered Accountants (Zimbabwe) and sits on various boards of Stock Exchange listed entities such as Delta Corporation Limited, Innscor Africa Limited, Padenga Holdings and PPC Zimbabwe Limited. He is also the Chairman of the Board of Directors for Edgars Stores Limited.

3. To re-elect the following Director, Mr. Zinona (Zed) Koudounaris who retires by rotation in terms of the Articles of Association of the Company, and being eligible offers himself for re-election.

Zed is a seasoned entrepreneur and businessman and is a founder shareholder of Innscor Africa Limited where he served in a number of positions including Chief Executive Officer upon the listing of Innscor Africa Limited in 1998. He also sits on the Board of Directors of Simbisa Brands Limited and Innscor Africa Limited as a non-executive Director. He holds a Bachelor of Commerce degree, majoring in business and computer science. Zed remains highly active in pursuing strategic growth opportunities for Axia Corporation Limited and providing guidance to its management team.

4. To approve Director's fees for the year ended 30 June 2019.
5. To approve the remuneration of the Auditors for the year ended 30 June 2019 and re-appoint Deloitte & Touche of Harare as Auditors of the Company until the conclusion of the next Annual General Meeting.

Special Business

6. Approval of Share Buy-Back

To resolve as a special resolution, with or without amendments: "That the members authorize 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."

NOTICE TO MEMBERS (continued)

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 interest of the 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.

7. Loans to Executive Directors

To resolve as an ordinary resolution, with or without amendments: "That the Company be and is hereby authorized 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 is entitled to appoint a proxy to attend, vote and speak in his or her stead. A proxy need not be a member of the Company.

Proxy forms must 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

25 September 2019

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 (24) 2776998/2776273
Email: finance@axiaops.com

Company Secretary

Prometheus Corporate Services (Private) Limited
12 Cuba Drive
Mt Pleasant
Harare

Auditors

Deloitte & Touche
Chartered Accountants (Zimbabwe)

Legal Advisors

Lunga Attorneys and Corporate Advisors

Principal Bankers

CABS
First Capital Bank Limited (formerly Barclays Bank of Zimbabwe Limited)
Stanbic Bank Zimbabwe Limited
Standard Chartered Bank Zimbabwe Limited
Ecobank 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

Sustainability Advisors

Institute for Sustainability Africa (INSAF)
22 Water Hill Avenue
Eastlea
Harare

AXIA CORPORATION LIMITED CHANGE OF ADDRESS FORM



The attention of shareholders is drawn to the necessity of keeping the transfer secretaries advised of any change in name and/or address.

Shareholder's name in full

New address

Shareholder's signature

AXIA CORPORATION LIMITED FORM OF PROXY



I/We (Block letters)of.....
being an appointed member of Axia Corporation Limited hereby appoint.....
ofor failing him.....

of
or failing him the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held on the 26th November 2019 at 08:15hours and at any adjournment thereof.

Signed thisday of.....2019

Signature of member

Note

1. In terms of section 129 of the Zimbabwe Companies Act (Chapter 24:03) members are entitled to appoint one or more proxies to act in the alternative and to attend and vote and speak in their stead. A proxy need not also be a member of the Company.
2. Regulation 79 of the Company's Articles of Association provides that the instruments appointing a proxy shall be deposited at the office of the Company not less than 48 hours before the time appointed for holding the meeting.

FOR OFFICIAL USE
NUMBER OF SHARES HELD

**The Company Secretary
Axia Corporation Limited**

8 Cambridge Avenue
Newlands
Harare
Zimbabwe



**The Company Secretary
Axia Corporation Limited**

8 Cambridge Avenue
Newlands
Harare
Zimbabwe



