UNAUDITED ABRIDGED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

AXIA
CORPORATION LIMITED

adrenalin 17030

SALIENT FEATURES

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	FY 2024 USD	FY 2023 USD	
Revenue	97 246 110	100 806 340	4%
Operating profit before depreciation and fair value adjustments	12 922 361	12 348 376	5%
Profit for the period	6 029 996	5 645 978	7%
Total assets	135 439 869	118 177 281	15%
Total equity	61 823 460	61 731 823	0%
Cash generated from operations	9 742 379	5 217 837	87%
Headline earnings per share (cents)	0.64	0.58	11%
Interim dividend per share (cents)	0.18	0.18	- -

Chairman's Statement and Review of Operations

DIRECTORS' RESPONSIBILITY

The Directors of Axia Corporation Limited are responsible for the preparation and fair presentation of the Group's consolidated financial statements and this press release is an extract thereof. The unaudited interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the Victoria Falls Stock Exchange listing requirements. The principal accounting policies of the Group are consistent with those applied in the previous annual financial statements.

OPERATING ENVIRONMENT AND OVERVIEW

The local trading environment in the first half of the financial year was characterized by liquidity challenges and depressed demand, with the distribution business being the most affected. Despite the difficult operating environment, the Group continued to resiliently service its markets registering volume growth in TV Sales & Home, Restapedic Manufacturing, Legend Lounge as well as Transerv. The Group continues to implement strategies to increase its volumes in the Distribution business in Zimbabwe by serving both the formal and informal market channels.

The exchange rate depreciated by 27% during the half year amidst constrained liquidity and pricing distortions in the market, which negatively impacted consumer demand across the formal sales channel during the period. The Group was affected by delays in the settlement of the bids on the foreign currency auction. The auction market was also closed on the 16th of December 2023 with the Group still having unsettled auction payments.

Malawi continues to face challenges of foreign currency and the Malawian Kwacha devalued in November by 44%. The International Monetary Fund "IMF" approved the long-awaited Extended Credit Facility equivalent to US$175m over a 4-year period. This is expected to stabilize the foreign currency situation to some extent.

Zambia has been experiencing a fluctuating exchange rate with the rate which was ZMK17.75 to the US$ in June 2023 moving to ZMK25.98 in December 2023. This had a negative effect on our Zambian operations as our suppliers are foreign and also resulted in loss of value on overall net assets of the business.

FINANCIAL OVERVIEW

The Group reported revenue of US$97.246 million during the period, representing a 4% decline compared to the prior period last year. Despite the decrease in revenue, the gross margin increased by 5% from the prior year. Operating expenditure increased by 5% over the comparative period due to inflationary pressures on both local currency and United States dollar costs. The Group posted an operating profit of US$12.922 million, representing a 5% increase on the comparative period. Profit after tax of US$6.030 million was reported, which was 7% above the prior year. Basic Earnings Per Share and Headline Earnings Per Share of 0.64 US cents both improved by 11% on the comparative period.

The Group's statement of financial position remained strong. Net current asset position increased by US$0.991 million whilst borrowings increased by 47% to close off at US$18.934 million.

The Group generated cash of US$9.74 million from operations, representing an 87% increase on the comparative period. This translated into enhanced free cash generation enabling the Group to incur capital expenditure for the period totaling US$2.23 million. The Group increased its shareholding in Transerv from an effective 50.51% to 87.75% with effect from 1 July 2023 for a purchase consideration of US$1.8 million.

SUSTAINABILITY REPORTING

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

OPERATIONS

The main operating business units in the Axia Corporation Limited Group are TV Sales & Home (TVSH), Distribution Group Africa (DGA) and Transerv. TVSH is Zimbabwe's leading furniture and electronic appliance retailer with sites located countrywide. It has manufacturing business units namely Restapedic, a bed manufacturing business and Legend Lounge, a lounge suite manufacturing business. 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 and accessories through retail stores and fitment centers to service the needs of its customers.

TV Sales & Home

The half-year revenues are up by 6% compared to the prior period and this is on the back of 11% volumes growth.

Most operating costs incurred during the period were indexed to the US$ resulting in significant growth against the prior year. Some measures are being taken to curb rampant increases in overheads.

The first TVSH outdoor world garden function store opened its doors to the public in November 2023. The response from customers has been positive, however a lot of work needs to be done to optimize the product range in this new store concept.

A second Bedtime store opened at Sam Levy Borrowdale, Harare in December 2023. The store's outlook and feeling has come out well and with the right product mix and customer awareness of the store location, management are positive that this store will do well in the future.

Volumes for the second quarter at Restapedic improved by 58% resulting in the quarterly turnover growth of 30%. Year to date volumes and turnover increased by 57% and 32% respectively. Growth in margins of 21% is below turnover growth as the business reduced its pricing to remain competitive.

An automatic conveyor system at the newly completed Sunway City factory is now in place and enhancing production efficiencies. Civil work at the factory is almost done with minor work being done to complete the office admin block.

Legend Lounge's revenue grew by 16% on the back of volume growth of 34% against the comparative period. The management restructuring that was implemented in the last financial year resulted in better control of operating costs.

The unit is now producing above the minimum required lounge suites per month. The new cut and sew and fabric lines acquired are expected to be delivered towards the end of the 2024 financial year. The Group will see improved capacity utilization with limited requirements for further capital expenditure in the future.

Management is continuously focusing on volume growth and improving gross margin dollars.

Distribution Group Africa (DGA)- Zimbabwe

Volumes for the period were 39% below the comparative period and this resulted in a decline in revenue. Trading was depressed due to formal traders failing to adhere to agreed payment terms, which adversely affected the working capital cycle of this business as the majority of its products are imported. Operating costs were under control resulting in improved operating profit. Post the reporting period, there has been improved demand from the formal sector which is encouraging.

The business continues to redefine its models with the objective of safeguarding and growing shareholder value.

Distribution Group Africa - Region

In Malawi, the business had a good start to the financial year as it saw revenue growth of 42% in US$ terms and 90% in Kwacha terms against same period last year. Volumes recorded a 26% growth over the same period with key principals recording double digit growth in spite of foreign currency challenges.

Management remains focused on plans to generate foreign currency to settle foreign suppliers so as to improve trading.

In Zambia, turnover increased by 18% in Kwacha terms and a 7% decline in US$ terms whilst volumes increased by 2% on the comparative period. The gross margin percentage, however, decreased due to sustained margin pressures from large customers. The Zambia Kwacha has depreciated 22% against the US Dollar and 24% against the South African Rand from the end of the September 2023 quarter to the end of the December 2023 quarter. The cumulative depreciation for the financial period to the US$ and South African Rand stands at 46% and 51% respectively. Notwithstanding this, the Zambian entities have continued to source foreign currency adequate to meet their requirements.

The depreciation of the Kwacha combined with inflation (and associated consumer spending constraints) had a negative impact on bottom line. The Group has continued to manage monetary assets and liabilities as well as implementing tighter working capital and treasury management strategies.

Transerv

During the six months ended 31 December 2023, Transerv's revenue increased by 8% on the comparative period on the back of an 8% increase in volumes. The increase in revenue is as a result of the rapid expansion in the company's retail footprint.

Eight new stores in Harare were opened during the period under review. The business prospects remain positive with the increase in vehicle population and increased demand for automotive spares. During the period, the business unit introduced solar products and the sales statistics are encouraging. The business unit will continue to grow solar product offering into the foreseeable future.

PROSPECTS

It is hoped that the suspension of the auction system will lead to a market driven exchange rate regime.

The Group remains hopeful that disciplined and progressive policies will be adopted to foster stability in the market and build confidence. The Group's management teams will focus on managing gearing levels, executing expansion opportunities, broadening product range, balancing pricing and volume objectives, achieving growth of margin, managing operating costs in light of the environment and ensuring maximum free cash generation.

DIVIDEND

The Board has declared an interim dividend of US$0.0018 (0.18 US cents) per share in respect of all ordinary shares of the Company. The dividend is payable in respect of the interim period ended 31 December 2023 and will be paid in full to all ordinary shareholders of the Company registered at close of business on the 19th of April 2024. The payment of this dividend will take place on or around the 26th of April 2024. The shares of the Company will be traded cum-dividend on the Victoria Falls Stock Exchange up to the 15th of April 2024 and ex-dividend as from the 16th of April 2024.

The Board has also declared an interim dividend totaling US$50,000 to the Axia Employee Trust (Private) Limited which will be paid on or around the same date.

APPRECIATION

I express my sincere gratitude to the Board of Directors, executives, management and staff for their ongoing efforts during the period under review. Their commitment, despite the challenging operating environment, is greatly appreciated. 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
21 March 2024

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	31 December 2023 Unaudited USD	31 December 2022 Unaudited USD
Revenue	**97 246 110**	**100 806 340**
Operating profit before depreciation and fair value adjustments	**12 922 361**	**12 348 376**
financial gain	832 292	441 836
depreciation	(3 434 236)	(2 360 028)
Profit before interest and tax	**10 320 417**	**10 430 184**
net interest expense	(1 919 884)	(1 914 917)
equity accounted earnings	203 884	156 289
Profit before tax	**8 604 417**	**8 671 556**
tax expense	(2 574 421)	(3 025 578)
Profit for the period	**6 029 996**	**5 645 978**
Other comprehensive loss - to be recycled to profit or loss		
exchange differences arising on the translation of foreign entities	(2 809 484)	(545 018)
Other comprehensive loss for the period, net of tax	**(2 809 484)**	**(545 018)**
Total comprehensive income for the period	**3 220 512**	**5 100 960**
Profit for the period attributable to:		
equity holders of the parent	3 562 965	3 216 262
non-controlling interests	2 467 031	2 429 716
	6 029 996	**5 645 978**
Total comprehensive income for the period attributable to:		
equity holders of the parent	2 158 223	2 943 753
non-controlling interests	1 062 289	2 157 207
	3 220 512	**5 100 960**

UNAUDITED ABRIDGED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	At 31 December 2023 Unaudited USD	At 30 June 2023 Audited USD
ASSETS		
Non-current assets		
property, plant and equipment	28 569 626	28 949 225
right of use assets	11 634 892	12 915 358
investments in associates and joint ventures	2 053 838	1 849 953
deferred tax assets	218 692	224 443
	42 477 048	**43 938 979**
Current assets		
financial assets	312 955	505 782
inventories	42 591 784	38 654 485
trade and other receivables	37 798 797	32 238 750
cash and cash equivalents	12 259 285	2 839 285
	92 962 821	**74 238 302**
Total assets	**135 439 869**	**118 177 281**
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	55 600	55 600
share premium	3 620 572	3 620 572
non-distributable reserves	(4 042 597)	(2 637 855)
distributable reserves	36 872 543	33 142 229
Attributable to equity holders of parent	**36 506 118**	**34 180 546**
non-controlling interests	25 317 342	27 551 277
Total shareholders' equity	**61 823 460**	**61 731 823**
Non-current liabilities		
deferred tax liabilities	3 285 137	2 417 510
lease liabilities	7 540 966	9 086 201
	10 826 103	**11 503 711**
Current liabilities		
interest-bearing borrowings	18 934 462	12 879 341
lease liabilities	3 862 537	3 747 809
trade and other payables	37 624 730	26 021 679
provisions and other liabilities	504 254	519 808
current tax liabilities	1 864 323	1 773 110
	62 790 306	**44 941 747**
Total liabilities	**73 616 409**	**56 445 458**
Total equity and liabilities	**135 439 869**	**118 177 281**

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Ordinary Share Capital USD	Share premium USD	Non-Distributable Reserves* USD	Distributable Reserves USD	Total USD	Non-Controlling Interests USD	Total USD
Balance at 1 July 2022	**55 600**	**3 620 572**	**(4 068 891)**	**31 349 454**	**30 956 735**	**25 554 340**	**56 511 075**
Profit for the year	-	-	-	3 759 927	3 759 927	2 423 581	6 183 508
Other comprehensive income	-	-	1 431 036	-	1 431 036	1 426 697	2 857 733
Dividends paid	-	-	-	(1 967 152)	(1 967 152)	(1 933 341)	(3 900 493)
Transaction with owners in their capacity as owners	-	-	-	-	-	80 000	80 000
Balance at 30 June 2023	**55 600**	**3 620 572**	**(2 637 855)**	**33 142 229**	**34 180 546**	**27 551 277**	**61 731 823**
Profit for the period	-	-	-	3 562 965	3 562 965	2 467 031	6 029 996
Other comprehensive income	-	-	(1 404 742)	-	(1 404 742)	(1 404 742)	(2 809 484)
Dividends paid	-	-	-	(581 014)	(581 014)	(747 861)	(1 328 875)
Transaction with owners in their capacity as owners	-	-	-	748 363	748 363	(2 548 363)	(1 800 000)
Balance at 31 December 2023	**55 600**	**3 620 572**	**(4 042 597)**	**36 872 543**	**36 506 118**	**25 317 342**	**61 823 460**

*Non-distributtable reserves consist of foreign currency translation reserve and revaluation reserve.

ABRIDGED GROUP STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	31 December 2023 Unaudited USD	31 December 2022 Unaudited USD
Cash generated from operations	**9 742 379**	**5 217 837**
net interest paid	(1 919 884)	(1 914 917)
tax paid	(874 642)	(950 846)
Net cash generated from operating activities	**6 947 853**	**2 352 074**
Investing activities	**(2 010 856)**	**(3 609 200)**
Net cash inflow/(outflow) before financing activities	**4 936 997**	**(1 257 126)**
Financing activities	**4 483 002**	**(729 440)**
Increase/(decrease) in cash and cash equivalents	**9 419 999**	**(1 986 566)**
Cash and cash equivalents at the beginning of the period	**2 839 286**	**5 670 827**
Cash and cash equivalents at the end of the period	**12 259 285**	**3 684 261**

NOTES AND SUPPLEMENTARY INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Operating Segments

The following table represents the summarised financial information of the Group's operating segments for the half year ended 31 December 2023:

	Zimbabwe USD	Region USD	Intersegment adjustments USD	Total USD
Revenue				
31 December 2023	74 237 634	23 008 476	-	97 246 110
31 December 2022	80 761 654	20 044 686	-	100 806 340
Operating profit before impairment, depreciation and fair value adjustments				
31 December 2023	10 818 579	2 103 782	-	12 922 361
31 December 2022	10 013 996	2 334 380	-	12 348 376
Depreciation and amortisation				
31 December 2023	(3 271 457)	(162 779)	-	(3 434 236)
31 December 2022	(2 234 100)	(125 928)	-	(2 360 028)
Equity accounted earnings				
31 December 2023	203 884	-	-	203 884
31 December 2022	156 289	-	-	156 289
Profit before tax				
31 December 2023	6 600 010	2 004 407	-	8 604 417
31 December 2022	6 829 740	1 841 816	-	8 671 556
Segment assets				
31 December 2023	157 289 096	19 827 022	(41 676 249)	135 439 869
30 June 2023	136 966 372	19 018 683	(37 807 774)	118 177 281
Segment liabilities				
31 December 2023	66 802 679	11 343 004	(4 529 274)	73 616 409
30 June 2023	48 511 276	10 753 557	(2 819 375)	56 445 458
Capital expenditure				
31 December 2023	2 140 570	85 451	-	2 226 021
31 December 2022	3 500 281	128 687	-	3 628 968

		31 December 2023 Unaudited USD	31 December 2022 Unaudited USD
3	**Commitments for capital expenditure**		
	Contracts and orders placed	68 767	351 400
	Authorised by Directors but not contracted	3 733 679	5 305 931
		3 802 446	**5 657 331**
	The capital expenditure is to be financed out of the Group's own resources and existing borrowing facilities.		
4	**Borrowings & Security**		
	Net book value of Motor Vehicles and Buildings pledged as security for interest-bearing borrowings	3 057 413	453 776
		3 057 413	**453 776**

Interest-bearing borrowings constitute bank loans from various financial institutions. The average cost of borrowings for the Axia Group operations in Zimbabwe is between 12% to 15% for USD borrowings and 75% to 85% for ZWL denominated borrowings per annum, with borrowings for regional operations averaging an interest rate of 21.04% in the respective local currency loans. The facilities expire at different dates and will be reviewed and renewed as they mature.

5 Earnings per share

Basic earnings basis

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

Diluted earnings basis

The calculation is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue after adjusting for the conversion of share options. Share options are considered for dilution if the average market price of ordinary shares during the year exceeds the exercise price of such options.

Headline earnings basis

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

Reconciliation of basic earnings to headline earnings	Period ended 31 December 2023 Unaudited USD	Period ended 31 December 2022 Unaudited USD
Profit for the period attributable to equity holders of the parent	3 562 965	3 216 262
Adjustment for capital items (gross of tax):		
Profit on disposal of assets	(2 713)	(19 768)
Tax effect on adjustments	699	5 092
Non-controlling interests' share of adjustments	1 007	7 337
Headline earnings attributable to ordinary shareholders	**3 561 958**	**3 208 923**
Number of shares in issue		
Number of ordinary shares in issue per Basic and Headline Earnings Per Share	556 000 308	556 000 308
Effect of share options	-	-
Weighted average number of ordinary shares in issue adjusted for the effect of dilution	556 000 308	556 000 308
Basic earnings per share (cents)	0.64	0.58
Headline earnings per share (cents)	0.64	0.58
Diluted basic earnings per share (cents)	0.64	0.58
Diluted headline earnings per share (cents)	0.64	0.58

6 Events after the reporting date

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

DIRECTORS: *L.E.M. NGWERUME (CHAIRMAN), R.M. RAMBANAPASI (CHIEF EXECUTIVE OFFICER), *Z. KOUDOUNARIS, S. MAMBANDA, *T.C. MAZINGI, *T.N. SIBANDA (* NON-EXECUTIVE)