



ABRIDGED AUDITED GROUP FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2023



SALIENT FEATURES

FOR THE YEAR ENDED 30 JUNE 2023

	FY 2023 USD	FY 2022 USD		
Revenue	203 749 965	204 181 128	▼	0%
Operating profit before depreciation and fair value adjustments	20 844 636	24 687 090	▼	-16%
Profit for the year	6 183 508	10 060 471	▼	-39%
Headline earnings per share (cents)	0.67	1.01	▼	-34%
Final dividend declared per share (cents)	0.10	0.16	▼	-38%
Total assets	118 177 281	96 382 472	▲	23%
Total equity	61 731 823	56 511 075	▲	9%

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 audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the Victoria Falls Stock Exchange ("VFEX") listing requirements except for the non-adherence to International Accounting Standard (IAS) 21 "The Effects of Changes In Foreign Exchange Rates " and International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" on opening balances. The principal accounting policies of the Group are consistent with those applied in the previous annual financial statements except for the revaluation of Property, Plant and Equipment that was changed from prior year's cost model.

AUDITOR'S STATEMENT

This short-form financial announcement should be read in conjunction with the complete set of the financial results for the year ended 30 June 2023, audited by BDO Zimbabwe Chartered Accountants and an adverse opinion has been issued thereon. The audit report carries an adverse opinion on non-compliance with International Accounting Standard 21 (IAS 21), The Effects of Changes in Foreign Exchange Rates and International Accounting Standard 29 (IAS 29), Financial Reporting in Hyperinflationary Economies on opening balances. The audit opinion has been made available to management and those charged with governance of Axia Corporation Limited. The Engagement Partner responsible for the review is Mr. Davison Madhigi (PAAB 0610).

CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY

The Group had a steady increase in the use of foreign currency across its businesses and reassessed its functional currency in accordance with the requirements of IAS 21. The Group concluded that based on the primary operating environment and the Group's own operating activities, there had been a change in its functional currency from Zimbabwean Dollar ("ZWL") to United States Dollars ("USD") with effect from the beginning of the current financial year. IAS 21 directs that entities operating in hyperinflationary economies should translate their last reported inflation-adjusted financial statements using the closing rate of exchange at the reporting date in order to derive and present comparative financial statements under a newly assessed functional currency.

The Directors are of the opinion that using the provisions of IAS 21 to convert the Group's inflation-adjusted financial statements from previous period, as a basis for presenting comparative and opening statement of financial position information in the new functional currency, will result in material misstatement of the Group's comparative financial statements. Therefore, the Group applied alternative procedures and techniques in the translation of ZWL financial statements to USD financial statements in an endeavour to present the best possible view of the comparative financial performance and position of the Group, in terms of the newly assessed functional currency.

The Directors have always exercised reasonable due care and applied judgments that they considered to be appropriate in the preparation and presentation of the Group's financial statements, and whilst they believe that the alternative procedures and techniques used in the translation process, as described above, provide users with the best possible view of the comparative financial performance and position of the Group, attention is drawn to the inherent subjectivities and technicalities involved in the translation of ZWL financial statements to USD financial statements.

The alternative procedures and techniques applied for the translation of ZWL financial statements to USD financial statements have been summarized in Note 2 of the accompanying abridged financial statements. This has resulted in the external auditor issuing an adverse opinion on the Group's consolidated financial statements.

CHANGE IN ACCOUNTING POLICY FOR PROPERTY, PLANT AND EQUIPMENT

As part of procedures and techniques applied in the translation of ZWL financial statements to USD financial statements, the Group changed its accounting policy for Property, Plant and Equipment from cost to revaluation model. The revaluation was performed at the end of the financial year.

The revalued amounts were based on a valuation exercise performed by an independent accredited valuer, Hammer and Tongues for Zimbabwean units and R.M.Fumbeshi & Co for Zambian entities and PCDA Consultants for Malawian entities. Hammer and Tongues has experience in valuing assets of the Group's nature. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The revaluation surplus, net of deferred tax, has been included under Non Distributable Reserves, with the movement for the current year shown under Other Comprehensive Income.

OPERATING ENVIRONMENT AND OVERVIEW

The operating environment was characterized by a surge in inflation which led to the adoption of a blended inflation rate, surges in market liquidity and the depreciation of the local currency which worsened during the last six months of the financial year. The Government's efforts to control excess liquidity via contractionary monetary policy measures saw increased USD transactional flow, particularly within the informal market, where consumer demand remained firm. The formal market experienced subdued aggregate demand due to pricing issues. The economy, however, benefited from government infrastructure spending, increased diaspora remittances and increased mining activities.

The stance taken by both fiscal and monetary authorities towards the end of the financial year resulted in a constrained monetary space which helped stabilize the exchange rate. During the last quarter of the financial year, the businesses faced foreign and local currency supply constraints.

In Zambia, consumer spending was under pressure throughout the year as the impact of price increases, mainly from South Africa, was felt. These shocks were largely mitigated by periodic appreciation of the local currency during the financial year.

Malawi has consistently run a current account deficit through the years resulting in foreign currency shortages. The official currency exchange rate depreciating by 41% during the year.

FINANCIAL OVERVIEW

The Group reported revenue of US\$203.8 million during the year resulting in a marginal decline against the comparative year. Despite the revenue decline, the Group realized growth in gross margin which increased by 2% on the prior year. Management made efforts to contain operating expenditure although cost push pressures were evident in fuel costs and human capital costs resulting in increases over the comparative period. The Group posted an operating profit of US\$20.84 million, representing a 16% decline to the comparative period. The financial loss line is predominantly comprised of foreign currency exchange losses resulting from the depreciation of monetary assets denominated in local currency as the local currency significantly devalued in the last quarter of the financial year. Net interest expenses amounted to US\$3.22 million, with 48% of this incurred in the first quarter of the financial year following the sharp increase in interest rates on ZWL denominated borrowings. Profit before tax was US\$11.19 million, which was 32% below the prior year. Basic Earnings Per Share and Headline Earnings Per Share both declined by 34%.

The Group's financial position remained solid. Borrowings grew by US\$3.19 million.

The Group generated cash of US\$15.105 million from operations which enabled it to incur capital expenditure for the year of US\$6.6 million. The Group's free cash generation will enable it to continue executing exciting expansion opportunities.

SUSTAINABILITY REPORTING

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

OPERATIONS

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

TV Sales & Home

The fourth quarter revenue performance for TV Sales & Home was up 7% compared to the same period prior year. The year-to-date volume performance increased by 4% compared to the prior year. Revenue increased by 5% primarily a result of the generic growth of stores in the store network. Most operating costs incurred during the financial year were indexed to the US\$ resulting in significant growth against prior year. A hike in interest rates by authorities on ZWL borrowings led to high interest costs.

As previously mentioned at half year, TV Sales & Home continues to invest in volume growth initiatives with the introduction of a new product range from the group's local manufacturing units as well as imported products. The business managed to reengage Samsung Electronics as a trade partner after a very prolonged absence and the potential of this partnership is significant.

Three new stores were opened in Harare during the financial year. However, two stores were also closed in Harare as the business was given notice by the landlord. Plans are underway to continue expanding the retail store network. At least four new stores will be opened in the first half of the new financial year with a new store concept, Bedtime Store, opening two stores. The first outdoor world, garden furniture, store was opened in September 2023. Volumes are expected to improve in the new financial year, ceteris paribus, following the addition of new home appliances and homeware distribution business lines.

Restapedic is a bed manufacturing business unit of TV Sales & Home. Volumes for the fourth quarter at Restapedic improved by 10% resulting in quarterly turnover growth of 7% against the comparative quarter. However, year-to-date volumes and turnover decreased by 14% and 9% respectively primarily as a result of poor performance in first quarter and third quarter of the financial year. The business experienced intermittent raw material supply gaps attributed to delays on auction payments in the third quarter. The business moved to the new bedding factory in Sunway City, Harare, in April 2023 and production volumes have improved since then. Third quarter performance was affected by disruption of production as different factory units were moved to the new factory in Sunway City, Harare. After moving to the new bedding facility in Sunway City, Harare in April 2023, production volumes are on the upward trend. A new conveyor system has been delivered and is currently being installed thus improving in automation in the manufacturing process which would result in improving production volumes. Some orders were sold to new markets in the region and response from those markets has been encouraging.

Legend Lounge is a lounge suite manufacturing business unit fully owned by TV Sales & Home. The business also experienced raw material supply gaps attributed to delays in the auction payments which negatively impacted the imports supply chain. This resulted in volumes decline of 7% against the comparative year which led to a 9% decline in turnover. The new management team is focusing on volume growth, improving gross margin dollars and managing operating costs.

Distribution Group Africa (DGA)- Zimbabwe

Volumes for the year were 29% below the prior year and this resulted in a decline in revenue. This was due to weaker demand in the formal sector. The business incurred losses during the year due to exchange losses arising from delays in payments from its major customers. This led to management's decision to stop supplying to some customers as a way to manage the risk on debtors. Management are continuously working with all parties to build demand in the formal sector. We are continuously working with all parties to build demand in the formal sector.

The business remains poised to exploit growth opportunities from economic activities in the informal business sector that will not require extended credit terms. The business continues to safeguard and grow shareholder value by embarking on projects that generate positive cash flows and achieve the required returns.

Distribution Group Africa - Region

In Zambia, volumes increased by 22% on the prior year resulting in 14% revenue growth. The sales mix was skewed towards high-margin products which led to improved margins. The business increased its operating profit by 199% on a like-for-like basis, in US\$ terms. The business continues to monitor and correct its pricing positions in response to market conditions. Management will remain focused on pursuing real equity growth.

In Malawi, the economy continues to face foreign currency shortages. The foreign currency shortages resulted in the business reducing its ordering of imported stock as management decided to sell imported stock only to the extent to which they can generate foreign currency to replace it. This led to a decline in sales

volumes of 15%. Operating expenditure was well managed, and this resulted in the business posting a decent profit. Plans have been implemented to generate foreign currency to settle foreign suppliers and this helped to grow the US\$ shareholders' equity. Management will continue to foster relationships with suppliers and financial institutions to manage the foreign currency situation.

Transerv

During the year under review the Company's revenue increased by 5% compared to the prior year. The increase in revenue was driven by rapid expansion in the Company's retail footprint. During the year, the Company opened seven new retail stores in Harare and one in Kadoma. The Company continues with its drive to increase its retail footprint in a bid to bring convenience and improve the overall customer shopping experience. Management is confident that in the 2024 financial year, revenue will continue to grow as the Company reaps the full benefits of footprint expansion.

PROSPECTS

The establishment of the wholesale willing buyer willing seller market has brought renewed confidence in the foreign currency auction system. The Group is hopeful that this will be a reliable source of foreign currency to enable the Group to pay foreign suppliers and price products accordingly. The right pricing of goods will stimulate demand thus improving sales volumes.

The Group's management teams will focus on balancing pricing and volume objectives, broadening product ranges, achieving growth in margin dollars as well as managing operating costs. The Group will continue to focus on growth from existing businesses whilst looking out for new opportunities. Management in Zambia will focus on pushing volumes, looking for new distributorship agencies, monitoring and managing pricing positions in response to market conditions.

In Malawi, the authorities have pressure to officially devalue the Malawi Kwacha. Management will continuously look for opportunities to source foreign currency to adequately provide product to the business.

DIVIDEND

The Board has declared a final dividend of US\$0.0010 (0.10 US cents) per share in respect of all ordinary shares of the Company. This brings the total dividend paid for the year to US\$0.0028 (0.28 US cents). The final dividend is payable in respect of the financial year ended 30 June 2023 and will be paid in full to all ordinary shareholders of the Company registered at close of business on the 10th of November 2023. The payment of this dividend will take place on or around the 13th of November 2023. The shares of the Company will be traded cum-dividend on the Victoria Falls Stock Exchange up to the 7th of November 2023 and ex-dividend as from the 8th of November 2023.

The Board has also declared a final dividend of US\$25,000 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 year 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
L. E. M. NGWERUME
 Chairman
 27 October 2023

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 Audited USD	30 June 2022 Audited USD
Revenue	203 749 965	204 181 128
Operating profit before depreciation and fair value adjustments	20 844 636	24 687 090
financial loss	(1 043 497)	(986 492)
depreciation	(5 571 963)	(5 266 617)
Profit before interest and tax	14 229 176	18 433 981
net interest expense	(3 220 565)	(2 528 295)
equity accounted earnings	178 160	610 513
Profit before tax	11 186 771	16 516 199
tax expense	(5 003 263)	(6 455 728)
Profit for the year	6 183 508	10 060 471
Other comprehensive income - to be recycled to profit or loss		
exchange differences arising on the translation	(875 564)	(939 926)
fair value adjustments of property, plant and equipment-gross	5 209 654	-
tax on fair value adjustments of property, plant and equipment	(1476 357)	-
Other comprehensive income for the year, net of tax	2 857 733	(939 926)
Total comprehensive income for the year	9 041 241	9 120 545
Profit for the year attributable to:		
equity holders of the parent	3 759 927	5 619 135
non-controlling interests	2 423 581	4 441 336
6 183 508	10 060 471	
Total comprehensive income for the year attributable to:		
equity holders of the parent	5 190 963	5 149 171
non-controlling interests	3 850 278	3 971 374
9 041 241	9 120 545	



ABRIDGED AUDITED GROUP FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2023

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	At 30 June 2023 Audited USD	At 30 June 2022 Audited USD
ASSETS		
Non-current assets		
property, plant and equipment	28 949 225	19 971 864
right of use assets	12 915 358	2 690 745
investments in associates and joint ventures	1 849 953	1 907 095
deferred tax assets	224 443	721 670
	43 938 979	25 291 374
Current assets		
financial assets	505 782	373 521
inventories	38 654 485	41 159 097
trade and other receivables	32 238 750	23 835 444
cash and cash equivalents	2 839 285	5 723 036
	74 238 302	71 091 098
Total assets	118 177 281	96 382 472
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	55 600	55 600
share premium	3 620 572	3 620 572
non-distributable reserves	(2 637 855)	(4 068 891)
distributable reserves	33 142 229	31 349 454
Attributable to equity holders of parent	34 180 546	30 956 735
non-controlling interests	27 551 277	25 554 340
Total shareholders' equity	61 731 823	56 511 075
Non-current liabilities		
deferred tax liabilities	2 417 510	449 318
lease liabilities	9 086 201	1 452 780
	11 503 711	1 902 098
Current liabilities		
interest-bearing borrowings	12 879 341	9 689 942
lease liabilities	3 747 809	1 413 679
trade and other payables	26 021 679	21 823 403
provisions and other liabilities	519 808	960 477
current tax liabilities	1 773 110	4 081 798
	44 941 747	37 969 299
Total liabilities	56 445 458	39 871 397
Total equity and liabilities	118 177 281	96 382 472

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Ordinary Share Capital USD	Share premium USD	Share Based Payments Reserve USD	Non- Distributable Reserves* USD	Distributable Reserves USD	Total USD	Non- Controlling Interests USD	Total USD
Balance at 30 June 2021	55 215	2 186 350	392 800	(3 598 928)	27 334 349	26 369 786	23 113 986	49 483 772
Profit for the year	-	-	-	-	5 619 135	5 619 135	4 441 336	10 060 471
Other comprehensive income	-	-	-	(469 963)	-	(469 963)	(469 963)	(939 926)
Issue of shares through exercising share options	385	1 007 930	-	-	-	1 008 315	-	1 008 315
Realisation of share option reserve	-	426 292	(426 292)	-	-	-	-	-
Share based payments expense	-	-	33 492	-	-	33 492	-	33 492
Dividends paid	-	-	-	-	(1 604 030)	(1 604 030)	(2 663 355)	(4 267 385)
Transaction with owners in their capacity as owners	-	-	-	-	-	-	1 132 336	1 132 336
Balance at 30 June 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

*Non distributable reserve consists of foreign currency translation reserve and revaluation reserve.

ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 Audited USD	30 June 2022 Audited USD
Cash generated from operations	15 105 153	24 339 605
net interest paid	(3 220 565)	(2 528 296)
tax paid	(5 485 350)	(5 286 786)
Net cash generated from operating activities	6 399 238	16 524 523
Investing activities	(6 616 644)	(14 335 414)
Net cash flow before financing activities	(217 406)	2 189 109
Financing activities	(2 666 345)	(2 597 407)
Decrease in cash and cash equivalents	(2 883 751)	(408 298)
Cash and cash equivalents at the beginning of the year	5 723 036	6 131 334
Cash and cash equivalents at the end of the year	2 839 285	5 723 036

NOTES AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2023

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Change in functional currency for the Group

2.1 The Statement of Profit or loss and other comprehensive income

- Transactions were initially split by currency of origin between USD and ZWL.
- ZWL transactions were converted to USD using transactions-based average rate. Average rate is derived from the pricing rates and rates used for settlement to suppliers.
- Depreciation was based on the USD values which was based on transaction based rates when the property, plant & equipment was acquired. The income tax charge was determined as follows:
 - The current tax charge was calculated using the section 37AA method as promulgated by ZIMRA and the ZWL tax was converted using the average rate as per the same method.
 - The deferred tax charge was determined from the USD deferred tax movement analysis. The opening USD deferred tax balances were recalculated from the USD net carrying amounts and tax bases.

2.2 The Statement of Financial Position

- Assets were based on transaction based rates when the items were acquired.
- Monetary assets and liabilities were converted at closing rate.
- Share capital and share premium were converted based on transaction based rate.

	Zimbabwe USD	Region USD	Intersegment adjustments USD	Total USD
3 Revenue				
30 June 2023	160 562 632	43 187 333	-	203 749 965
30 June 2022	160 121 336	44 059 792	-	204 181 128
Operating profit before impairment, depreciation and fair value adjustments				
30 June 2023	16 291 385	4 553 251	-	20 844 636
30 June 2022	20 664 361	4 022 729	-	24 687 090
Depreciation and amortisation				
30 June 2023	(5 331 120)	(240 843)	-	(5 571 963)
30 June 2022	(4 993 123)	(273 494)	-	(5 266 617)
Equity accounted earnings				
30 June 2023	178 160	-	-	178 160
30 June 2022	610 513	-	-	610 513
Profit before tax				
30 June 2023	7 214 639	3 972 132	-	11 186 771
30 June 2022	14 291 779	2 224 420	-	16 516 199
Segment assets				
30 June 2023	142 469 172	13 515 883	(37 807 774)	118 177 281
30 June 2022	112 574 980	19 827 022	(36 019 530)	96 382 472
Segment liabilities				
30 June 2023	48 511 276	10 753 557	(2 819 375)	56 445 458
30 June 2022	32 318 967	8 663 560	(1 111 130)	39 871 397
Capital expenditure				
30 June 2023	5 885 618	386 207	-	6 271 825
30 June 2022	12 246 567	185 379	-	12 431 946

4 Commitments for capital expenditure

Contracts and orders placed
Authorised by Directors but not contracted

30 June 2023 Audited USD	30 June 2022 Audited USD
250 000	122 990
5 291 602	7 571 328
5 541 602	7 694 318

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

5 Borrowings & Security

Net book value of Motor Vehicles and Buildings pledged as security for interest-bearing borrowings

30 June 2023 Audited USD	30 June 2022 Audited USD
453 776	572 192
453 776	572 192

Interest-bearing borrowings constitute bank loans from various financial institutions. The average cost of borrowings for the Axia Group operations in Zimbabwe is 12% for USD borrowings and 75% to 85% for ZWL denominated borrowings per annum, with borrowings for regional operations averaging an interest rate of 17% in the respective local currency loans. The facilities expire at different dates and will be reviewed and renewed as they mature.

6 Earnings per share

Basic earnings basis

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

Diluted earnings basis

The calculation is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue after adjusting for the conversion of share options. Share options are considered for dilution if the average market price of ordinary shares during the year exceeds the exercise price of such options. The Indigenisation share options with an indigenous company had no dilutive effect at the end of the financial year.

Headline earnings basis

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

Reconciliation of basic earnings to headline earnings

	Year ended 30 June 2023 Audited USD	Year ended 30 June 2022 Audited USD
Profit for the period attributable to equity holders of the parent	3 759 927	5 619 135
Adjustment for capital items (gross of tax):		
Profit on disposal of assets	(94 928)	(70 359)
Tax effect on adjustments	23 468	18 521
Non-controlling interests' share of adjustments	35 723	25 914
Headline earnings attributable to ordinary shareholders	3 724 190	5 593 211
Number of shares in issue		
Number of ordinary shares in issue per Basic and Headline Earnings Per Share	556 000 308	552 150 308
Effect of share options	-	3 850 000
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)	0.68	1.02
Headline earnings per share (cents)	0.67	1.01
Diluted basic earnings per share (cents)	0.68	1.01
Diluted headline earnings per share (cents)	0.67	1.01

7 Events after the reporting date

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