



CORPORATION LIMITED

Abridged Audited Group Financial Results

For The Year Ended 30 June 2024



SALIENT FEATURES FOR THE YEAR

		FY 2024 USD	FY 2023 USD
Revenue	5% decrease	193 849 387	203 749 965
Gross Margin	2% Increase	61 657 425	60 507 401
Operating Profit Before Depreciation and Fair Value Adjustments	6% decrease	19 645 442	20 844 636
Profit for the Year	4% decrease	5 964 288	6 183 508
Headline Earnings Per Share (cents)	10% decrease	0.60	0.67
Final Dividend Declared Per Share (cents)	100% decrease	-	0.10
Total Assets	8% Increase	127 553 911	118 177 281
Net Cash Generated From Operating activities	10% Increase	7 925 955	7 226 808

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 and solar products through its nationwide retail stores network and service centers.

TV Sales & Home

The year's sales volumes increased by 15%, reaching 144,886 units sold compared to the previous year. This positive growth reflects the brand's strength in the market, bolstered by the supply of top-quality brands and the opening of four Bedtime shops in Harare and Gweru. Additionally, the credit book remains robust, demonstrating strong performance throughout the year. The business plans to open 3 new stores in the first half of the new financial year.

At Restapedic, sales volumes increased by 54% to 41,963 units. This growth is primarily due to strong market demand and Restapedic's improved production and supply efficiencies. Production also rose by 47% to 42,204 units, driven by enhanced capacity utilization at the new production facility in Sunway City and secured lines of credit that ensured an uninterrupted supply of raw materials. Management is aggressively pursuing initiatives to increase the presence of its products in the regional markets.

Legend Lounge experienced a 15% increase in sales volumes, culminating in 6,108 units being sold by the end of the year. This growth is attributed to heightened demand and positive market reception of the new lounge suites introduced during the year.

For the TV Sales & Home Group, growth and profitability remain the key thrust and to that end, management will focus on volume growth, growing the debtors' book, improving gross margin dollars and managing costs.

Distribution Group Africa (DGA)- Zimbabwe

Sales volumes decreased by 45%, totaling 4,751,806 units by the end of the year. This decline is partly attributed to a strategic restructuring by management during the year, where one of the distribution companies with significant agencies transitioned into a joint venture with a major supplier. This move is aimed at alleviating working capital constraints while enhancing profitability in the newly structured business. Such sales are now reported in the joint venture and no longer included in the consolidated sales going forward. The modern trade sector continues to face significant challenges, compounded by ongoing informalization in the sector and this affected sales volumes through this channel. The business was restructured effective 1 January 2024 as there were a number of duplicated functions and processes within the distribution group. Management is optimistic that by addressing control weaknesses noted earlier, profitability shall increase in the forthcoming year.

Distribution Group Africa - Region

In Malawi, volumes remained relatively flat at 1,950,557 units in the current year compared to 1,955,462 units in the prior year. Our key strengths continue to be market coverage and trade execution, despite the challenges posed by grey products and direct imports by some of our customers. Strong collaboration with most of our suppliers has helped mitigate the impact of these grey products. However, Malawi continues to struggle with foreign currency shortages. Management will focus on initiatives to generate foreign currency to settle obligations to foreign suppliers.

DGA Zambia experienced a 14% decline in volumes for the year, totaling 745,000 units. This decline in volume and revenue is largely due to price increases implemented during the year under review, which the market is still adjusting to amidst ongoing austerity measures affecting disposable incomes. Additionally, the Zambian Kwacha depreciated by 37% against the US Dollar and 43% against the South African Rand from the end of June 2023 to the end of June 2024. Despite these challenges, the Zambian entities have managed to source sufficient foreign currency to meet their requirements.

Transerv

Transerv recorded a 6% increase in volumes to 2,988,851 units compared to the prior year resulting in 11% revenue growth. Contributing factors include the opening of eight new retail shops, three of which were launched in the last quarter, the erection of three new container shops, one in-store agent, and two service centers. Additionally, the growth in credit sales, particularly driven by the expansion of solar products sales, has played a crucial role in revenue growth. There are plans to open new shops in the first half of the new financial year as well as broadening the product range.

PROSPECTS

The Group is hopeful that the Zimbabwe Gold (ZWG) will remain stable which will help ease import costs and improve pricing stability.

Our efforts to boost demand in the formal market through close partnership with retailers have started to pay dividends. The Group will aim to increase its product offerings and consolidate its market share by continuing to look for new markets for its products.

The Group's management teams remain committed to managing gearing levels by aligning the amount and cost of debt across the Group, enhancing free cash flow, investing free funds in high-return assets, managing foreign currency exposure, and safeguarding the balance sheet value.

The Group is looking forward to the execution of the following opportunities in the new financial year.

- Expansion of the store network at Transerv and TV Sales and Home
- Completion of the bedding manufacturing plant
- Investing in working capital to aggressively grow the debtor's book at both Transerv and TV Sales and Home.

The Group will therefore be directing the free cash generated towards the funding of these opportunities.

The Group's proactive measures to address economic shifts and consumer preferences will play a pivotal role in sustaining and potentially increasing market share. Overall, the combination of strategic initiatives and improved currency stability will steer the Group to an improved performance in the coming year.

DIVIDEND

The Board has decided not to declare a final dividend for the financial year ended 30 June 2024. The Group will be reinvesting most of its free funds towards the aforementioned expansion projects which are aimed at creating additional business opportunities. The Board remains committed to prudent financial management and ensuring the long-term growth and sustainability of the Group. The Board hopes to resume dividend payments at the interim stage.

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.

LE M NGWERUME

Chairman

26 September 2024

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. The principal accounting policies of the Group are consistent with those applied in the previous annual financial statements.

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 2024, audited by BDO Zimbabwe Chartered Accountants and a qualified opinion has been issued thereon. The audit report carries a qualified opinion on non-compliance with Financial Reporting in Hyperinflationary Economies in the corresponding figures and comparative financial statements. The audit report carries a key audit matter with respect to revenue recognition. The audit opinion has been made available to management and those charged with governance of Axia Corporation Limited. The Engagement Partner responsible for the audit is Mr. Davison Madhigi (PAAB 0610).

OPERATING ENVIRONMENT AND OVERVIEW

The operating environment presented a mix of challenges and opportunities for the speciality retail and distribution businesses. Government initiatives and efforts to stabilize exchange rates in the last quarter of the financial year provided a supportive platform for volumes growth. However, persistent foreign currency shortages and competition from informal markets required adaptive strategies to sustain growth and profitability. The ongoing shift towards a more informal economy has impacted demand for some of our FMCG products in the modern trade, as certain segments of the market are able to access those products in the informal market at lower prices regardless of quality. Nonetheless, the Group has been proactively addressing this challenge and is making significant strides in reclaiming market share.

The fluctuating currency and high inflation necessitated frequent price adjustments and cost management strategies to maintain profitability. The introduction of the Zimbabwe Gold ("ZWG") in the last quarter has shown promising signs of stabilizing the exchange rate parity between the local dollar and foreign currencies, which had directly impacted the Group, given that most of our products are imported. While the Group supports the monetary authorities' currency reforms, we are currently affected by unpaid auction funds that were ringfenced and this has negatively impacted our working capital. Despite this, we remain hopeful that the ZWG will preserve value until the funds mature.

The Inflationary impact on Zimbabwean dollar denominated costs and realignment of United States dollar denominated cost bases affected the Group's financial results. Management will continue to streamline expenditure by aligning to revenue generation while managing business growth and overall sustainability.

Malawi experienced moderate economic growth driven by agriculture, but the economy remained vulnerable to external shocks such as climate change and global commodity price fluctuations. Inflation was relatively moderate compared to prior year levels with occasional spikes due to food prices and fuel costs. There were pressures from trade imbalances resulting in foreign currency shortages which saw the Malawian Kwacha depreciating by 69% on the official market to close at 1,751. Strategic partnerships with local agencies led to an increase in locally sourced products being sold to the market. This initiative coupled with trading in commodities, helped mitigate some of the foreign currency challenges.

Zambia faced economic challenges with slow growth and high debt levels. Efforts to negotiate debt restructuring and engage with international lenders are still ongoing. The Zambian Kwacha experienced volatility, and inflation remained a concern, influenced by factors such as fuel prices and food costs. The Zambian Government pursued policies to stabilize the economy towards the latter part of the financial year thereby easing currency volatility.

FINANCIAL OVERVIEW

The Group reported revenue of US\$193.849 million during the year, representing a 5% decline compared to the prior year. Our Distribution business in Zimbabwe revenue declined by 23% from prior year which affected the Group position. Despite the decrease in revenue, the gross margin increased by 2% from the prior year. Operating expenditure increased by 5% over prior year due to inflationary pressures on both local currency and United States dollar costs. The Group posted an operating profit of US\$19.645 million, representing a 6% decline on the comparative year. Substantial once-off costs were incurred as a result of restructuring the distribution business as significant debtor and inventory balances were written off as a result of the final reconciliation processes. Management is confident that going forward, the businesses are set on a profitable trajectory. Profit after tax of US\$5.964 million was reported, which was down (4%) against prior year. Headline Earnings Per Share of 0.60 US cents was 10% down on the prior year.

The Group's statement of financial position remained strong. Total asset position increased by US\$9.380 million whilst borrowings increased by 59% to fund working capital and capital expenditure.

The Group generated net cash of US\$7.925 million from operating activities, representing a 10% increase on the comparative year. This translated into enhanced free cash generation enabling the Group to incur capital expenditure for the year totaling US\$3.2 million and increasing its investment in Transerv. As previously communicated in the interim report, 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.



Abridged Audited Group Financial Results

For The Year Ended 30 June 2024



Transerv



Restapedia



ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2024

	30 June 2024 Audited USD	30 June 2023 Audited USD
Revenue	193 849 387	203 749 965
Operating profit before depreciation and fair value adjustments	19 645 442	20 844 636
financial gains/(losses)	1 78 373	(1 043 497)
depreciation	(7 458 283)	(5 571 963)
Profit before interest and tax	13 365 532	14 229 176
net interest expense	(4 431 009)	(3 220 565)
equity accounted earnings	261 317	178 160
Profit before tax	9 195 840	11 186 771
tax expense	(3 231 552)	(5 003 263)
Profit for the year	5 964 288	6 183 508
Other comprehensive loss - to be recycled to profit or loss	(2 276 868)	(875 564)
exchange differences arising on the translation of foreign entities	-	5 209 654
fair value adjustments of property, plant and equipment-gross	-	(1 476 357)
tax on fair value adjustments of property, plant and equipment	-	-
Other comprehensive (loss)/income for the year, net of tax	(2 276 868)	2 857 733
Total comprehensive income for the year	3 687 420	9 041 241
Profit for the year attributable to:		
equity holders of the parent	3 376 891	3 759 927
non-controlling interests	2 587 397	2 423 581
5 964 288	6 183 508	
Total comprehensive income for the year attributable to:		
equity holders of the parent	2 238 457	5 190 963
non-controlling interests	1 448 963	3 850 278
3 687 420	9 041 241	

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	At 30 June 2024 Audited USD	At 30 June 2023 Audited USD
ASSETS		
Non-current assets		
property, plant and equipment	27 110 923	28 949 225
right of use assets	12 559 601	12 915 358
investments in associates and joint ventures	2 965 182	1 849 953
deferred tax assets	295 034	224 443
42 930 740	43 938 979	
Current assets		
financial assets	400 279	505 782
inventories	44 799 015	38 654 485
trade and other receivables	30 726 730	32 238 750
cash and cash equivalents	8 697 147	2 839 285
84 623 171	74 238 302	
Total assets	127 553 911	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	(3 776 289)	(2 637 855)
distributable reserves	35 635 668	33 142 229
Attributable to equity holders of parent	35 535 551	34 180 546
non-controlling interests	25 223 387	27 551 277
Total shareholders' equity	60 758 938	61 731 823
Non-current liabilities		
deferred tax liabilities	1 879 063	2 417 510
lease liabilities	8 755 360	9 086 201
10 634 423	11 503 711	
Current liabilities		
lease liabilities	4 165 864	3 747 809
interest-bearing borrowings	20 447 000	12 879 341
trade and other payables	28 861 457	26 021 681
provisions and other liabilities	698 123	519 806
current tax liabilities	1 988 106	1 773 110
56 160 550	44 941 747	
Total liabilities	66 794 973	56 445 458
Total equity and liabilities	127 553 911	118 177 281

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

	Ordinary Share Capital	Share premium	Non- Distributable Reserves*	Distributable Reserves	Total	Non- Controlling Interests	Total
	USD	USD	USD	USD	USD	USD	USD
Balance at 1 July 2023	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 year	-	-	-	3 376 891	3 376 891	2 587 397	5 964 288
Other comprehensive income	-	-	(1 138 434)	-	(1 138 434)	(1 138 434)	(2 276 868)
Dividends paid	-	-	-	(1 631 815)	(1 631 815)	(1 228 490)	(2 860 305)
Transaction with owners in their capacity as owners	-	-	-	748 363	748 363	(2 548 363)	(1 800 000)
Balance at 30 June 2024	55 600	3 620 572	(3 776 289)	35 635 668	35 535 551	25 223 387	60 758 938

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

ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024

	30 June 2024 Audited USD	30 June 2023 Audited USD
Cash generated from operations	15 348 217	15 932 723
net interest paid	(4 431 009)	(3 220 565)
tax paid	(2 991 253)	(5 485 350)
Net cash generated from operating activities	7 925 955	7 226 808
Investing activities	(4 297 864)	(6 616 644)
Net cash inflow before financing activities	3 628 091	610 164
Financing activities	2 229 771	(3 493 915)
Increase/(decrease) in cash and cash equivalents	5 857 862	(2 883 751)
Cash and cash equivalents at the beginning of the year	2 839 285	5 723 036
Cash and cash equivalents at the end of the year	8 697 147	2 839 285

NOTES AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2024

1 CORPORATE INFORMATION

The Company is incorporated and domiciled in Zimbabwe.

2 OPERATING SEGMENTS

The following table represents the summarised financial information of the Group's operating segments for the year ended 30 June 2024:

	Zimbabwe USD	Region USD	Intersegment Adjustments USD	Total USD
Revenue				
30 June 2024	151 153 194	42 696 193	-	193 849 387
30 June 2023	160 562 632	43 187 333	-	203 749 965
Operating profit before impairment, depreciation and fair value adjustments				
30 June 2024	15 914 501	3 730 941	-	19 645 442
30 June 2023	16 291 385	4 553 251	-	20 844 636
Depreciation and amortisation				
30 June 2024	(7 067 048)	(391 235)	-	(7 458 283)
30 June 2023	(5 331 120)	(240 843)	-	(5 571 963)
Equity accounted earnings				
30 June 2024	261 317	-	-	261 317
30 June 2023	178 160	-	-	178 160
Profit before tax				
30 June 2024	6 139 271	3 059 569	-	9 195 840
30 June 2023	7 214 639	3 972 132	-	11 186 771
Segment assets				
30 June 2024	149 783 599	19 132 109	(41 361 797)	127 553 911
30 June 2023	136 158 033	19 827 022	(37 807 774)	118 177 281
Segment liabilities				
30 June 2024	60 769 435	10 132 465	(4 106 927)	66 794 973
30 June 2023	48 511 276	10 753 557	(2 819 375)	56 445 458
Capital expenditure				
30 June 2024	2 943 791	275 204	-	3 218 995
30 June 2023	5 885 618	386 207	-	6 271 825

3 COMMITMENTS FOR CAPITAL EXPENDITURE

Contracts and orders placed
Authorised by Directors but not contracted

	30 JUNE 2024 Audited USD	30 JUNE 2023 Audited USD
Contracts and orders placed	-	250 000
Authorised by Directors but not contracted	5 541 602	3 552 446
5 541 602	3 802 446	

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

	30 JUNE 2024 Audited USD	30 JUNE 2023 Audited USD
Net book value of Motor Vehicles and Buildings pledged as security for interest-bearing borrowings	2 410 455	453 776
2 410 455	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 17% for USD borrowings and 22% to 25% for ZWG denominated borrowings per annum, with borrowings for Malawian operations averaging an interest rate of 21.75% while Malawian operations averaging 29.4% 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.

	Year ended 30 JUNE 2024 Audited USD	Year ended 30 JUNE 2023 Audited USD
Reconciliation of basic earnings to headline earnings		
Profit for the year attributable to equity holders of the parent	3 376 891	3 759 927
Adjustment for capital items (gross of tax):		
Profit on disposal of assets	(169 675)	(94 928)
Tax effect on adjustments	43 691	23 468
Non-controlling interests' share of adjustments	62 979	35 723
Headline earnings attributable to ordinary shareholders	3 313 886	3 724 190
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)	0.61	0.68
Headline earnings per share (cents)	0.60	0.67
Diluted basic earnings per share (cents)	0.61	0.68
Diluted headline earnings per share (cents)	0.60	0.67

6 EVENTS AFTER THE REPORTING DATE

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