AH-VEST LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1989/000100/06)
("AH-Vest" or "the Company" or "the Group")
Share code: AHL ISIN code: ZAE000129177

UNAUDITED CONDENSED GROUP INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

Condensed Group statement of financial position

	Unaudited 6 Months 31 Dec 2023 R	Audited 12 Months 30 Jun 2023 R	Unaudited 6 Months 31 Dec 2022 R
ASSETS			
Non-current assets	**66 936 643**	**69 501 436**	**64 684 579**
Property, plant, and equipment	45 246 937	46 971 662	41 314 738
Right of use assets	21 609 112	22 449 180	23 289 247
Intangible assets	80 594	80 594	80 594
Current assets	**95 860 591**	**83 080 579**	**102 045 107**
Inventories	15 797 337	17 375 270	18 468 527
Loan to shareholders	23 347 424	24 156 916	22 836 250
Trade and other receivables	56 516 973	40 939 352	59 993 740
Cash and cash equivalents	198 857	609 041	746 590
Total Assets	**162 797 234**	**152 582 015**	**166 729 686**
EQUITY AND LIABILITIES			
Capital and reserves	**49 217 201**	**46 561 675**	**47 145 704**
Share capital	21 307 610	21 307 610	21 307 610
Retained income	27 909 591	25 254 065	25 838 094
Non-current liabilities	**35 564 058**	**37 548 507**	**38 222 827**
Other financial liabilities	5 431 908	7 668 554	6 867 753
Lease liabilities	24 917 247	25 445 985	25 984 801
Deferred income	3 622 872	3 824 117	4 025 363
Deferred tax	1 592 031	609 851	1 344 910
Current liabilities	**78 015 975**	**68 471 833**	**81 361 155**
Trade and other payables	63 322 521	56 352 958	66 800 520
Other financial liabilities	6 868 866	8 559 310	6 923 261
Lease liabilities	1 023 197	1 035 149	1 046 696
Deferred income	402 491	402 491	402 491
Income taxation payable	-	-	560 859
Provisions	840 030	804 834	878 258
Bank overdraft	5 558 870	1 317 091	4 749 070
Total Equity and Liabilities	**162 797 234**	**152 582 015**	**166 729 686**
Net asset value per share (cents)	48.24	45.63	46.21
Tangible net asset value per share (cents)	48.16	45.55	46.13
Shares in issue at period end	102 035 730	102 035 730	102 035 730

Condensed Group statement of comprehensive income

	Unaudited 6 Months 31 Dec 2023 R	Unaudited 6 Months 31 Dec 2022 R	Audited 12 Months 30 June 2023 R
Revenue	**115 454 572**	**113 262 917**	**211 321 070**
Cost of sales	(78 099 351)	(71 839 976)	(137 667 444)
Gross profit	**37 355 221**	41 422 941	**73 653 626**
Other operating income	1 303 573	1 933 183	2 729 047
Movement in credit loss allowances	3 213 350	701 097	(520 450)
Operating expenses	(36 613 405)	(39 575 678)	(71 660 448)
Operating profit	**5 258 739**	**4 481 543**	**4 201 775**
Investment revenue	1 320 788	880 715	2 186 126
Finance costs	(2 941 821)	(2 557 961)	(5 463 552)
Profit before taxation	**3 637 706**	**2 804 297**	**924 349**
Taxation	(982 180)	(757 160)	538 758
Profit for the period	**2 655 526**	**2 047 137**	**1 463 107**
Attributed to:			
Equity holders of the company	**2 655 526**	**2 047 137**	**1 463 107**
Per share information (cents)			
Earnings per share	2.60	2.01	1.43
Weighted average shares in issue	102 035 730	102 035 730	102 035 730

Condensed Group statement of changes in equity

	Unaudited 6 Months 31 Dec 2023 R	Audited 12 Months 30 Jun 2023 R	Unaudited 6 Months 31 Dec 2022 R
Share capital and share premium			
Opening balance	21 307 610	21 307 610	21 307 610
Changes during the year	-	-	-
Closing balance	**21 307 610**	**21 307 610**	**21 307 610**
Retained income			
Opening balance	25 254 065	23 995 029	23 995 032
Dividend declared	-	(204 075)	(204 075)
Profit for the period	2 655 526	1 463 107	2 047 137
Closing balance	**27 909 591**	**25 254 065**	**25 838 094**
Total	**49 217 201**	**46 561 675**	**47 145 708**

Condensed Group statement of cash flows

	Unaudited 6 months 31 Dec 2023 R	Audited 12 Months 30 June 2023 R	Unaudited 6 months 31 Dec 2022 R
Cash flows from operations (see note below)	**15 571 896**	**18 510 831**	**1 439 594**
Interest received	1 740	6 199	-
Interest paid	(2 941 821)	(5 463 552)	(2 557 961)
Dividend paid	-	(56 408)	(8 803)
Cash (utilised in)/generated from operating activities	**12 631 816**	**12 997 070**	**(1 127 170)**
Cash flows from investing activities			
Purchase of property plant and equipment	(40 848)	(3 535 986)	(316 613)
Proceeds on sale of assets	-	45 000	830 738
Advances to shareholders	(23 592 810)	(43 711 810)	(2 229 647)
Advances to shareholder repaid	10 817 659	35 710 390	-
Cash generated from/(utilised in)/ investing activities	**(12 815 999)**	**(11 492 406)**	**(1 715 522)**
Cash flows (used in)/from financing activities			
Repayment of other financial liabilities	(3 927 090)	(1 343 002)	(156 876)
Payment of lease liabilities	(540 690)	(903 027)	(1 036 224)
Cash utilised in financing activities	**(4 467 780)**	**(2 246 029)**	**(1 193 100)**
Net decrease in cash and cash equivalents	**(4 651 963)**	**(741 365)**	**(4 035 792)**
Cash and cash equivalents at beginning of period	(708 050)	33 315	33 315
Cash and cash equivalents at period end	**(5 360 013)**	**(708 050)**	**(4 002 480)**

Cash flows from operations			
Profit before taxation for the year	3 637 706	924 349	2 804 297
Adjustments for:			
Finance income	(1 288 165)	(2 186 126)	(880 715)
Finance costs	2 941 821	5 463 552	2 557 961
Depreciation	2 564 734	3 994 998	2 442 068
Gain on lease termination	-	(93 940)	
Profit on disposal of assets	(15 614)	(20 067)	(157 099)
Government grants	(201 245)	(402 491)	(201 245)
Movement in credit loss allowances	(3 213 350)	520 450	(707 358)
Movement in provisions	35 193	240 991	314 415
Changes in working capital:			
Decrease/(increase) in inventories	1 577 933	(414 740)	(1 507 997)
(Increase) /decrease in trade receivables	(12 276 331)	714 920	(17 111 660)
Trade and other payables	6 969 563	3 439 369	13 886 927
Working capital changes included in loan to shareholder	14 839 651	5 945 586	-
Working capital changes included in other financial liabilities	-	383 980	-
	15 571 896	**18 510 831**	**1 439 594**

COMMENTARY

The Board of Directors ("the Board") of AH-Vest is pleased to present the results for the six months ended 31 December 2023 (HY2024). These results are compared against results for the six months ended 31 December 2022 (HY2023). Net revenue has increased from R113.3 million (HY2023) to R115.5 million (HY2024). The small increase of 1.9% was due to price increases, with the Company still catching up on production volumes of the prior period.

Following the installation of generators at the factory, service levels have increased from 80.8% in prior year to 82.7% in the period under review. This is still below the industry level. This has amplified the need for increased working capital that is now impacting the performance of the business.

Gross profit margins decreased from 36.6% in HY2023 to 32.4% in HY2024, a decrease of 4.1%. This can be attributed to an increase in labour and overheads in manufacturing costs during the period. There was also increased cost pressure on raw material and packaging costs that could not be passed on to customers.

Operating expenses decreased by 7.6% from R39.6 million to R36.6 million from the prior period driven mainly by decrease in distribution costs due to some relief in fuel costs.

During the period there was a significant improvement in collection of accounts receivable and this resulted in a R3.2m reversal of the ECL provision.

Finance costs increased by 11.5.% from R2.6 million to R2.9 million, mainly due to increased interest rates and increased borrowings to fund the generators.

Profit before taxation increased by 28.6% from R2.8million to R3.6 million from the prior period. This was due to the reduction in operating expenses and reversal of ECL provisions from improved accounts receivable collections.

Profit after taxation increased by 35% from R2 million to R2.7 million from the prior period.

The balance sheet review is a comparison of the balances on 30 June 2023 to 31 December 2023.

The trade and other receivables have increased by 38.6% from R40.9 million (FY2023) to R56.6 million. This was due to increased sales in the second quarter FY2024 compared to the fourth quarter of FY2023. This increase is seasonal and in line with the trade and other receivables at 31 December 2022 of R60 million.

Trade and other payables have increased by 12.2% from R56.4 million (FY2023) to R63.3 million. This was due to increased purchases ahead of the festive season. It also worth noting that the credit terms on our imports have been severely curtailed to a point that they have become cash before delivery. This has impacted the working capital of the Company as mentioned earlier.

Other financial liabilities (both long and short term) relate to a medium-term loan which has decreased by 24.1% from R16.2 million (FY2023) to R12.3 million at HY2024 due to repayments of the loan.

Lease liabilities have decreased by 2.3% from R26.5 million (FY2023) to R25.9 million. This was also due to repayments.

Loadshedding and power issues

Loadshedding was an ongoing issue during the period under review. In the last quarter of FY2023 the Company invested in backup generation capacity which is now operational.

The long-awaited contracts for the building of a new power lines have since been approved and a contractor appointed. However the processes around obtaining the approvals for a self-build power project has proved to be much more cumbersome and stressful than originally anticipated. We have had to redo the routing of the power line which is about 6km long from the feeder substation which will be supplying the power.

RELATED PARTY BALANCES AND TRANSACTIONS

The Company has several long-standing existing contracts or arrangements with related parties through its holding company, Eastern Trading Company (Pty) Limited ("Eastern Trading"), which is deemed to be a related party to AH Vest. These contracts or arrangements were considered to be in the ordinary course of business and have been in place for a number of years. When related party contracts are entered into, or at the time of variation of a contract, the terms thereof are assessed by the disinterested directors and, where relevant, comparable quotes are obtained. The terms of the pre-existing related party contracts are either market related or better than market related, which is of benefit to AH-Vest and its stakeholders.

Details of key arrangements are set out below.

Product sales and purchases:

Eastern Trading is the entity through which the Company purchases its tomato paste. These purchases are at the list price applicable to other third-party customers of Eastern Trading. The strategic benefit of this is the ability to obtain a local supply of tomato paste, which, aside from supporting South African farmers and job creation, proved vital during the lockdown when the import of tomato paste from overseas was seriously interrupted. Even now, imports of this key ingredient are taking two months longer due to the problems with the supply chain. AH-Vest regards this as a strategic source of supply.

Eastern Trading also has its own range of products that is sells to different customers and thus the Company also sells its products to Eastern Trading at market related list prices.

Tin Can Man (Pty) Limited ("Tin Can Man") is also a related party as it is a 100% subsidiary of Eastern Trading Tin Can Man supplies packaging products to AH-Vest, along with other suppliers, at market related prices. Due to the non-existence of power at the new facility for Tin Can Man due to the power issues mentioned above, there has been no production and no supply has been forthcoming.

Darsot and More Chemicals {Pty) Ltd ("D&M Chemicals") is also a related party as it is a 100% subsidiary of Eastern Trading. Similarly, this is one of the suppliers to AH-Vest at market related prices.

Property rental and Energy and operating costs:

The Company rents its factory from Eastern Trading at a competitive rate and signed a 20-year lease in 2013, which was amended to a 25-year lease in 2015. This agreement has not been varied since 1 June 2022.

The energy and operating costs are on a cost recovery basis based on share of usage. There has been no variation on the basis of this treatment.

Logistics:

Transport services are provided to the Company and comparable quotes are obtained by the disinterested directors when a proposal to amend the rate is received to ensure that the Company receives logistic services at a competitive rate. The underlying service fee of 9.5% has not varied since 1 June 2022. The recovery of fuel costs varies on a month-to-month basis, in line with the movement in the fuel price as set by Government. This solution is of benefit to the Company as the transport services are rendered from the same site, resulting in efficiencies and lower shrinkage.

Management fees:
A management fee of R500 000 per month is charged for administration services, which covers certain executive director remuneration, including the Chief Executive Officer, sales personnel remuneration and other administration charges. The disinterested directors consider that it would be more costly to appoint separate people to these key roles and that the Company benefits from the lower cost of shared services. The disinterested Board members consider and approve the fees within reasonable parameters including market related costs. This agreement has not been varied since 1 June 2022.

Changes to the JSE Listings Requirements regarding related party transactions:
With the changes in JSE Listings Requirements relating to transactions with related parties, effective from 1 June 2022, all new transactions, or transactions that are varied, have to be categorised, assessed by disinterested board members and announced, noting also that the Company is listed on the Alternative Exchange.

Pursuant to the above change in the JSE Listings Requirements, the Company has been engaging with the JSE around securing dispensation for pre-existing agreements and arrangements in place since between 2013 and 2016 and particularly for purchases and sales of products at list prices, such as the purchase of tomato paste and packaging, due to the regular nature of such purchases and sales or to find a mechanism to facilitate categorisation and announcements that would not potentially trigger fairness opinions or shareholder approval, yet deal with the spirit and intention of the amended JSE Listings Requirements.

The Company is satisfied that it has complied with the Companies Act in all of its transactions and dealings with related parties over the years. Similarly, the Company has previously announced such arrangements and disclosed the relevant information in its interim and year end results announcements and Annual Report.

Transactions between AH-Vest and these related parties are disclosed in the table below:

Related Party Transactions and Balances	**Unaudited 6 months 31 Dec 2023 R**	**Audited 12 Months 30 June 2023 R**	**Unaudited 6 months 31 Dec 2022 R**
Transactions with Eastern Trading (Pty) Ltd			
Purchase of goods	6 682 808	15 310 158	8 994 313
Revenue from sale of goods	(30 716 936)	(40 545 606)	(17 861 861)
Rent paid	1 680 000	3 360 000	1 680 000
Administration and management fees paid	1 776 000	3 514 435	1 776 000
Transport	12 692 934	22 113 704	9 488 701
Interest received	(1 288 165)	(2 179 927)	(880 715)
Energy and operating costs	3 036 230	3 004 736	2 136 219
IFRS 9 ECL provision released	(1 833 754)	(10 538)	(707 358)
Balances with Eastern Trading (Pty) Ltd			
Loan	23 347 424	24 156 916	22 836 250
IFRS 9 – ECL Provision	(87 940)	-	-
Trade receivables	33 470 275	28 699 833	30 746 876
IFRS 9 – ECL provision	(2 551 489)	(6 629 111)	(5 932 292)
Balance with DMC Chemicals			
Trade receivables	950 774	768 621	420 610
IFRS ECL Provision	(163 529)	(155 845)	(24 746)
Transactions with DMC			
Revenue from sale of goods – DMC	(158 394)	(567 599)	(264 980)
IFRS ECL Provision recognised – DMC	(7 684)	131 099	-
Key management remuneration			
Executive directors' remuneration	2 232 595	4 221 523	2 127 301
Non-executive directors' remuneration	79 433	317 944	185 535

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION
The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The results have been prepared by the Financial Director, Mr C Sambaza CA(SA). The Directors take full responsibility for the preparation of this provisional report and are satisfied that the financial results have been correctly extracted from the underlying financial information.

ACCOUNTING POLICIES
The reviewed results for the six months ended 31 December 2023 do not include all the information and disclosures required for complete annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Group's annual financial statements as at 30 June 2023. The accounting policies adopted in the preparation of the interim condensed group financial statements are in terms of IFRS and are consistent with those followed in the Group's annual consolidated financial statements for the year ended 30 June 2023.

New standards and interpretations in issue not yet effective
The following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 January 2023 or later periods, will be implemented in the applicable year for which they are mandatory.

The impact of the standards on the current interim results is not expected to be material and will be considered in more detail at the year end. There is unlikely to be a material impact on the future implementation of any of these standards.

Standard/ Interpretation:	**Effective date: Years beginning on or after**
Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	1 January 2023
Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2 to disclose material policies rather than significant policies	1 January 2023
Definition of accounting estimates: Amendments to IAS 8	1 January 2023
Lease liability in a sale and leaseback	1 January 2024
Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2024

SEGMENTAL REPORTING
IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision makers.

The Chief Executive Officer of the Group in conjunction with the Executive Committee are the chief operating decision makers. They evaluate the financial information of the Group as one operating unit. Separate operating segment financial information is not available. Therefore IFRS 8 was not implemented.

Customer Analysis
An analysis of the revenue of customers over 5% is set out below:

	31 December 2023	30 June 2023	31 December 2022
Customer A	43%	45%	42%
Customer B	10%	12%	10%
Customer C	5%	6%	5%
Total	**58%**	**63%**	**57%**

The Company's overall dependence on its top three customers is similar to the prior comparative financial period on increased turnover. This was mainly due to the growth in exports and independent customers with strengthens the prospects of the Company and reduces concentration risk.

DISAGREGGATION OF REVENUE
The Group has a single reporting segment which is the sale of sauces to customers based on a group of similar products, therefore only the entity wide disclosures required have been provided. The Group's revenue recognition policies are not complex and relate to the delivery of goods to customers as a single performance obligation. Performance obligations are satisfied at a point in time. There are no performance obligations satisfied over time.

	31 December 2023 R	31 December 2022 R	30 June 2023 R
Revenue	152 085 762	147 890 917	281 475 754
Less rebates	(36 631 190)	(34 628 000)	(70 154 684)
	115 454 572	**113 262 917**	**211 321 070**
Revenue from the sale of goods	152 085 762	147 890 917	281 475 754
Export revenue	(5 405 342)	(5 990 333)	(12 070 307)
Domestic revenue from sale of goods	**146 680 420**	**141 900 584**	**269 405 447**
Less rebates	(36 631 190)	(34 628 000)	(70 154 684)
Domestic revenue	**110 049 230**	**107 272 584**	**199 250 763**
Export revenue	5 405 342	5 990 333	12 070 307
	115 454 572	**113 262 917**	**211 321 070**

HEADLINE EARNINGS
The headline earnings reconciliation and per share information is set out below:

	31 December 2023 R	31 December 2022 R	30 June 2023 R
Headline earnings reconciliation:			
Profit attributed to equity holder of the company	2 655 526	2 047 137	1 463 107
Adjustments:			
Profit on disposal of asset	(15 614)	(157 099)	(14 649)
Taxation thereon	4 216	42 417	(68 576)
Headline earnings	**2 644 128**	**1 932 455**	**1 379 882**
Headline earnings per share	**2.59**	1.89	1.35
Weighted average shares in issue	102 035 730	102 035 730	102 035 730

ACQUISITIONS AND DISPOSALS OF PROPERTY PLANT AND EQUIPMENT
Property, plant, and equipment decreased by 3.8% from R47 million (FY2023) to R45.2 million. This was mainly due to depreciation. There were no major acquisitions were made in the period under review. Depreciation for the period under review was R2.6 million compared to R2.4 million (HY2023).

RIGHT OF USE ASSETS
Right of use assets decreased by 3.6% from R22.4 million (FY2023) to R21.6 million due to depreciation for the period of R0.8 million.

CONTINGENCIES
As previously announced, the Company has a contingent liability of R1 500 000 being a proposed fine by the Department of Labour ("Department") in terms of section 20(7) of the Employment Equity Act 55 of 1998 ("Act") in accordance with schedule 1 of the Act, which arose in 2019. The Department made an application to the Labour Court alleging that the Company was in breach of the Act by failing to prepare and implement an Employment Equity Plan in terms of section 50(1)(f) and for the Company to be ordered to comply with section 20(1) of the same Act. The Company is disputing these allegations.

Subsequent to this disclosure there has been no movement on the matter as the Department has still not submitted its heads of argument. In January 2020 the business submitted its 2020/2021 Employment Equity Plan which the Department accepted. Management instructed its attorneys to approach the Department's legal team to withdraw this case and for each party to bear their own costs, in an attempt to resolve this matter. At the time of releasing this announcement the Department had not responded to our attorneys.

AH Vest remains engaged in discussions with a supplier regarding alleged damaged returnable containers, for which they are claiming R570 906. There is uncertainty as to the quantity of the containers, the nature of the damage and how the value of the damage was determined. The final resolution of this dispute is uncertain, and the outcome may result in the recognition of a liability in the future. AH Vest will continue to actively engage with the supplier to reach a resolution.

ISSUE AND REPURCHASE OF SHARES
There were no new shares issued or any share repurchases during the period under review.

GOING CONCERN
The interim results for the six months ended 31 December 2023 have been based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The focus is on the management of cash resources and maintaining liquidity in the business. Management is continuously reviewing the order well and ensuring that orders are satisfied as much as possible. With increased input costs, much slower deliveries of product from overseas and more stringent credit facilities from overseas and local suppliers, the need for increased working capital has come into sharp focus again.

The Company has a viable balance sheet and is generating profits and cash flow and thus the Board is comfortable with the Going Concern principle. However, the business can perform much better with additional working capital.

SUBSEQUENT EVENTS
There were no material subsequent events after the conclusion of the period under review.

CHANGES TO THE BOARD
Mr Jaco du Plooy resigned from the Board on 11 April 2024. There were no other changes to the Board during the period under review and up to the date of this announcement.

FINANCIAL RISK MANAGEMENT AND FAIR VALUES

There have been no material changes in the Group's financial risk management objectives and policies compared to those disclosed in the consolidated annual financial statements as at and for the year ended 30 June 2023. The Company does not currently carry any assets or liabilities at fair value which required any disclosure on its fair value measurement. The directors are of the opinion that the carrying amount of the financial assets and financial liabilities approximate their fair values due to the short-term nature thereof. Remaining long term borrowings bear interest at market related interest rates which results in the carrying amount approximating its fair value.

DIVIDENDS

No dividend has been declared in relation to the year ended 30 June 2023 nor for the six months ended 31 December 2023 in order to preserve cash for working capital.

FUTURE PROSPECTS AND STRATEGY

The company focus is on improving service levels and maintaining the customer service. Production of quality products is top of mind while preserving the working capital of the business. Cost containment is critical in this period of rising costs.

The Company continues to focus on growing its exports base in strategically targeted countries as well as increasing its service levels to the local customer base. It is optimistic about continued growth prospects for the future. The long-term intention of the Company is to grow the revenue, on a sensible, profitable, organic, and acquisitive basis.

H Takolia
Chairman

MNI Darsot
Chief Executive Officer

Johannesburg

15 April 2024

Executive Directors: MNI Darsot (CEO); SI Darsot; R Darsot; C Sambaza (CFO)
Independent Non-Executive Directors: H Takolia (Chairman); MS Appelgryn; UC Speirs
Registered address: 15 Misgund Road, Eikenhof, Johannesburg

Designated Advisor
AcaciaCap Advisors Proprietary Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited

Auditors
Nexia SAB&T Inc.

Company Secretary
Light Consulting Proprietary Limited