



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 2022**

Condensed Group statement of financial position

	Unaudited 6 Months 31 Dec 2022 R	Audited 12 Months 30 Jun 2022 R	Unaudited 6 Months 31 Dec 2021 R
ASSETS			
Non-current assets	64,684,579	67,483,671	69,913,439
Property, plant, and equipment	41,314,738	42,570,149	40,077,413
Right of use assets	23,289,247	24,832,928	29,755,432
Intangible assets	80,594	80,594	80,594
Current assets	102,045,107	79,707,794	93,499,863
Inventories	18,468,527	16,960,530	14,824,690
Loan to shareholders	22,836,250	19 921 155	20,353,390
Trade and other receivables	59,993,740	42 174 722	58,160,193
Cash and cash equivalents	746,590	651,387	161,590
Total Assets	166,729,686	147,191,465	163,413,302
EQUITY AND LIABILITIES			
Capital and reserves	47,145,704	45,302,642	49,361,000
Share capital	21,307,610	21,307,610	21,307,610
Retained income	25,838,094	23,995,032	28,053,390
Non-current liabilities	38,222,827	40,653,727	45,626,829
Other financial liabilities	6,867,753	8,265,381	9,658,441
Lease liabilities	25,984,801	27,013,129	27,581,736
Deferred income	4,025,363	4,226,608	4,427,853
Deferred tax	1,344,910	1,148,609	3,958,799
Current liabilities	81,361,155	61,235,096	68,425,472
Trade and other payables	66,800,520	52,913,589	59,417,333
Other financial liabilities	6,923,261	5,682,509	2,794,156
Lease liabilities	1,046,696	1,054,592	982,381
Deferred income	402,491	402,491	402,491
Income taxation payable	560,859	-	-
Provisions	878,258	563,843	1,227,265
Bank overdraft	4,749,070	618,072	3,601,846
Total Equity and Liabilities	166,729,686	147,191,465	163,413,301
Net asset value per share (cents)	46.21	44.40	48.38
Tangible net asset value per share (cents)	46.13	44.32	48.30
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 2022 R	Unaudited 6 Months 31 Dec 2021 R	Audited 12 Months 30 June 2022 R
Revenue	113,262,917	110,738,498	206,189,973
Cost of sales	(71,839,976)	(68,977,697)	(127,969,348)
Gross profit	41,422,941	41,760,801	78,220,625
Other operating income	1,933,183	1,779,682	3,052,196
Operating expenses	(38,874,581)	(33,617,157)	(76,883,687)
Operating profit	4,481,543	9,923,326	4,389,134
Investment revenue	880,715	643,570	1,460,726
Finance costs	(2,557,961)	(2,066,945)	(4,218,456)
Profit before taxation	2,804,297	8,499,951	1,631,404
Taxation	(757,160)	(2,379,985)	430,204
Profit for the period	2,047,137	6,119,966	2,061,608
Attributed to:			
Equity holders of the company	2,047,137	6,119,966	2,061,608
Per share information (cents)			
Earnings per share	2.01	6.00	2.02

Condensed Group statement of changes in equity

	Unaudited 6 Months 31 Dec 2022 R	Audited 12 Months 30 Jun 2022 R	Unaudited 6 Months 31 Dec 2021 R
Share capital and share premium			
Opening balance	21,307,610	21,293,071	21,293,071
Changes during the year	-	14,539	14,539
Closing balance	21,307,610	21,307,610	21,307,610
Retained income			
Opening balance	23,995,032	22,953,781	22,953,781
Dividend declared	(204,075)	(1,020,357)	(1,020,357)
Profit for the period	2,047,137	2,061,608	6,119,966
Closing balance	25,838,094	23,995,032	28,053,390
Total	47,145,708	45,302,642	49,361,000

Condensed Group statement of cash flows

	Unaudited 6 months 31 Dec 2022 R	Audited 12 Months 30 June 2022 R	Unaudited 6 months 31 Dec 2021 R
Cash flows from operations (see note below)	1,439,594	4,023,161	625,740
Interest received	-	4,409	-
Interest paid	(2,557,961)	(4,218,456)	(2,066,945)
Dividend paid	(8,803)	(44,027)	(44,027)
Cash (utilised in)/generated from operating activities	(1,127,170)	(234,913)	1,485,232
Cash flows from investing activities			
Purchase of property plant and equipment	(316,613)	(212,126)	(176,959)
Proceeds on sale of assets	830,738	-	-
Advances to shareholders	(2,229,647)	(19,849,946)	(11,044,233)
Advances to shareholder repaid	-	22,117,174	12,066,479
Cash (utilised in)/generated from investing activities	(1,715,522)	2,055,102	845,287
Cash flows (used in)/from financing activities			
Repayment of other financial liabilities	(156,876)	(2,829,082)	(1,324,375)
Proceeds from other financial liabilities	-	3,000,000	-
Payment of lease liabilities	(1,036,224)	(1,613,301)	(1,116,905)
Proceeds from share issue	-	14,539	-
Cash utilised in financing activities	(1,193,100)	(1,427,844)	(2,441,280)
Net (decrease)/increase in cash and cash equivalents	(4,035,792)	392,345	(3,081,225)
Cash and cash equivalents at beginning of period	33,315	(359,030)	(359,030)
Cash and cash equivalents at period end	(4,002,480)	33,315	(3,440,255)

Cash flows from operations

Profit before taxation for the year	2,804,297	1,631,404	8,499,953
Finance income	(880,715)	(1,460,726)	(643,570)
Finance costs	2,557,961	4,218,456	2,066,945
Depreciation	2,442,068	4,808,876	2,343,941
Movement in provisions	314,415	(253,982)	409,440
Profit on disposal of assets	(157,099)	-	-
Government grants	(201,245)	(402,490)	(201,245)
Increase in inventories	(1,507,997)	(2,388,069)	(252,229)
(Increase) /decrease in trade receivables	(17,111,660)	(16,227,090)	(25,876,055)
Movement in credit loss allowances	(707,358)	6,321,967	-
Increase in trade payables	13,886,927	7,774,817	14,278,561
	1,439,594	4,023,161	625,740

COMMENTARY

The Board of Directors ("the Board") of AH-Vest is pleased to present the results for the six months ended 31 December 2022 (HY2023). These results are compared against results for the six months ended 31 December 2021 (HY2022). Net revenue has increased from R110.7 million (HY2022) to R113.3 million (HY2023). The small increase of 2.3% was due to company's inability to satisfy the customers' demands. The company was significantly negatively affected by loadshedding in the period under review.

Gross profit margins decreased marginally from 37.7% in HY2022 to 36.6% in HY2023. This can be attributed to an increase in manufacturing costs during the period mostly due to increased import costs.

Operating expenses increased by 15.8% from R33.6 million to R38.9 million from the prior period driven mainly by increased shipping costs and distribution costs.

Finance costs increased by 28.8% from R2.1 million to R2.6 million during the period under review. This was mainly due to increased interest rates during the period.

Profit before taxation decreased by 67.1% from R8.5 million to R2.8 million from the prior period. This was due to slightly higher revenues 2.3%, almost flat gross profit margin, and increased operating expenses. Expenses grew at a much higher rate than the revenue increase.

Profit after taxation decreased by 67.2% from R6.1 million to R2 million from the prior period.

The balance sheet review is a comparison of the balances on 30 June 2022 to 31 December 2022.

The trade and other receivables have increased by 42.9% from R42 million (FY2022) to R60 million. This was due to increased sales in the second quarter FY2023 compared to the fourth quarter of FY2022. This increase is seasonal and in line with the trade and other receivables at 31 December 2021 of R58.1 million.

The trade and other payables have increased by 26.3% from R52.9 million (FY2022) to R66.8 million. This was due to increased purchases ahead of the festive season.

Provisions have increased by 50% from R0.6 million (FY2022) to R0.9 million at HY2023. The increase was mainly due to the provision for growth incentives to customers during the period under review. The growth incentive provision runs on a calendar year basis hence at HY2023 it will reflect the full calendar year provision compared to FY2022 which only reflected six months' provision.

Other financial liabilities (both long and short term) relate to a medium-term loan which has decreased by 0.7% from R13.9million (FY2022) to R13.8 million at HY2023 due to repayments.

Lease liabilities have decreased by 3.9% from R28.1 million (FY2022) to R27 million. This was due to repayments.

Impact of COVID-19

COVID-19 fortunately did not have a direct impact on the business during the period under review. However, there was an indirect impact from the disruptions in the global supply chain from China locking down its factories due to an upsurge in COVID-19 cases. Shipping costs although still high have started reducing.

The Group has considered the JSE COVID-19 related guidance notes as well as the related educational documents prepared by SAICA regarding the impact of COVID-19 on the application of IFRS in the preparation of these financial statements. Inventory and debtor provisions have been reviewed and there have been no material movements in income statement adjustments compared to the prior period.

Loadshedding

Loadshedding intensified during the period under review, resulting in increased downtime and loss of man hours. The impact was substantial and is not sustainable at current levels. The Company has since invested in backup generation capacity which will be operational in the fourth quarter of this financial year. If loadshedding continues on this trajectory, an increase in operating costs due to diesel fuel and maintenance costs for the back-up power supply can be expected.

The contracts for the building of a new power lines and approvals have finally been received from Eskom and the start of the project is now imminent though the approval process has been cumbersome, taking almost two years longer than expected. We have been disappointed at the bureaucratic bungling at Eskom which has substantially delayed this project.

RELATED PARTY BALANCES AND TRANSACTIONS

The Company has several existing contracts 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 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 it 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.

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 25-year lease in 2013. 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. This cost recovery is not considered to be a related party transaction as envisaged in the JSE Listings Requirements, with the pricing being set by the Government.

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.

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 changes, the Company has been engaging with the JSE around securing dispensation for purchases and sales of products at list prices, due to the regular nature of such purchases and sales and 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 2022 R	Audited 12 Months 30 June 2022 R	Unaudited 6 months 31 Dec 2021 R
Transactions with Eastern Trading (Pty) Ltd			
Purchase of goods	8,994,313	8,466,102	8,961,117
Revenue from sale of goods	(17,861,861)	(36,158,223)	(19,737,435)
Rent paid	1,680,000	3,360,00	1,680,000
Administration and management fees paid	1,776,000	2,960,090	1,260,360
Transport	9,488,701	19,956,870	7,638,095
Interest received	(880,715)	(1,456,317)	(643,570)
Energy and operating costs	2,136,219	7,216,960	4,095,059
IFRS 9 ECL provision (released)/charged	(707,358)	5,725,209	-
Balances with Eastern Trading (Pty) Ltd			
Loan	22,836,250	19,921,155	20,353,390
Trade receivables	30,746,876	33,959,096	28,707,199
IFRS 9 – ECL provision	(5,932,292)	(6,639,650)	-
Balance with DMC Chemicals			
Trade receivables	420,610	115,883	114,217
IFRS ECL Provision	(24,746)	(24,746)	-
Transactions with DMC			
Revenue from sale of goods – DMC	(264,980)	(11,093)	-
IFRS ECL Provision recognised – DMC	-	24,350	-
Key management remuneration			
Executive directors' remuneration	2,127,301	4,289,118	2,298,911
Non-executive directors' remuneration	185,535	526,183	273,420

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Unaudited Condensed Group interim financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS"), the information required by IAS 34: Interim Financial Reporting, the South African Companies Act, 2008 (as amended), Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the JSE Listings Requirements.

The results have been prepared by the Chief Financial Officer -, Mr C Sambaza CA (SA). These results have not been audited or reviewed by the Group's external auditors. The directors take full responsibility for the preparation of these Unaudited Condensed Group financial results.

ACCOUNTING POLICIES

The interim Group condensed consolidated financial statements 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 2022. The accounting policies adopted in the preparation of the interim condensed Group interim financial statements are consistent with those followed in the Group's annual consolidated financial statements for the year ended 30 June 2022.

New standards and interpretations in issue not yet effective

The Group has chosen not to early adopt 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. These standards will be implemented in the applicable year for which they are mandatory.

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
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
IAS1 Presentation of Financial Statements: Non-current liabilities with covenants	1 January 2024
Definition of accounting estimates; Amendments to IAS8	1 January 2023
Deferred tax related to assets and liabilities arising from single transactions: Amendments to IAS 12	1 January 2023
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022

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 2022	30 June 2022	31 December 2021
Customer A	42%	44%	53%
Customer B	10%	12%	14%
Customer C	5%	5%	7%
Total	57%	61%	74%

The Company's overall dependence on its top three customers decreased by 17% from the prior comparative financial period on increased turnover. This was mainly due to the growth in exports and independent customers.

What is pleasing is that whilst still a low percentage, the Company's export sales have been increasing and will be separately reported once they exceed 10% of revenue.

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 2022 R	31 December 2021 R	30 June 2022 R
Revenue	147 890 917	145 731 267	275 138 323
Less rebates	(34 628 000)	(34 992 769)	(68 978 350)
	113 262 917	110 738 498	206 159 973
Revenue from the sale of goods	147 890 917	145 731 267	275 138 323
Export revenue	(5 990 333)	(4 857 115)	(11 090 904)
Domestic revenue from sale of goods	141 900 584	140 874 152	264 047 419
Less rebates	(34 628 000)	(34 992 769)	(68 978 350)
Domestic revenue	107 272 584	105 881 383	195 069 069
Export revenue	5 990 333	4 857 115	11 090 904
	113 262 917	110 738 498	206 159 973

HEADLINE EARNINGS

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

	31 December 2022 R	31 December 2021 R	30 June 2022 R
Headline earnings reconciliation:			
Profit attributed to equity holder of the company	2,047,137	6,119,966	2,061,608
Adjustments:			
Profit on disposal of right of use asset	(157,099)	-	-
Taxation thereon	42,417	-	-
Headline earnings	1,932,455	6,119,966	2,061,608
Headline earnings per share	1.89	6.00	2.02
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% from R42.6 million (FY2022) to R41.3 million. This was mainly due to depreciation for the period. Capital expenditure was R0.3 million and there were no disposals during the period under review. Depreciation for the period under review was R1.5 million.

RIGHT OF USE ASSETS

Right of use assets decreased by 6% from R24.8 million (FY2022) to R23.3 million. This was due to the disposal of R0.9 million to right of use motor vehicles. Depreciation for the period under review was 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.

There are no other legal matters that are material to the Company.

ISSUE AND REPURCHASE OF SHARES

There were no new shares issued during the period and there were no share repurchases during the period under review.

GOING CONCERN

The interim financial statements 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 our 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. The Company has a strong balance sheet and is generating profits and cash flow and thus the Board is comfortable with the Going Concern principle.

SUBSEQUENT EVENTS

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

CHANGES TO THE BOARD

There were no changes to the Board during the period under review other than the change in role of Mr Haroon Takolia to Chairman of the Board on the 31st of October 2022.

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 2022. 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

The Company declared a gross cash dividend number 3 of 0.2 cent per share during the period under review attributable to the year ended 30 June 2022, which was paid to shareholders on 28 November 2022. (HY2022: Nil). No interim dividend has been declared.

FUTURE PROSPECTS AND STRATEGY

Following the conclusion of an agreement with Eskom to install additional power on a self-build basis, it is anticipated that the project will begin before the end of the fourth quarter of this financial year after numerous delays. This should alleviate the power problems that have plagued the business for some time and further enable the supply of plastic packaging to the Company without interruption in due course. The group is also in the process of installing additional backup generator power to run the factories during loadshedding.

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 Company also looks forward to benefitting from the Africa Free Trade Agreement. The long-term intention of the Company is to grow the revenue, on a sensible, profitable, organic, and acquisitive basis.

H Takolia
Chairman
Johannesburg

MNI Darsot
Chief Executive Officer

17 April 2022

Executive Directors: MNI Darsot (CEO); SI Darsot; R Darsot; C Sambaza (CFO)

Independent Non-Executive Directors: H Takolia (Chairman); MS Appelgryn; JJ du Plooy ; 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