



GROWING GREAT BRANDS



AVI

RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

AVI



AVI LIMITED

ISIN: ZAE000049433 Share Code: AVI
Registration Number: 1944/017201/06
("AVI" or "the Group" or "the Company")

For more information please visit our website:
www.avi.co.za

key features

Satisfactory performance in a tough trading environment

- Constrained consumer demand
- Production sites impacted by unreliable municipal infrastructure
- SA port inefficiencies disrupted supply chains
- Load-shedding direct costs of R21,1 million

Group revenue increased by 7,1%

Gross margins protected despite material input cost increases

I&J impacted by poor catch rates and loss of export sales due to port inefficiencies

Group operating profit increased by 17,1%

Headline earnings per share up 17,4% to 374,3 cents

Interim dividend of 202 cents per share, up 17,4%

Capital expenditure of R242,0 million to upgrade facilities and improve efficiencies

Return on capital employed of 30,8% for the 12 months to December 2023



GROUP OVERVIEW

The Group delivered a satisfactory performance in a tough trading environment. A combination of selling price increases, fastidious cost control and our effective hedging programme protected margins. Sales volumes were mixed in a constrained demand environment.

Group revenue increased by 7,1% over the same period last year. Revenue growth in Entyce was driven by a combination of improved sales volumes and higher selling prices taken in response to significant input cost pressures. Snackworks achieved revenue growth in both biscuits and snacks due to higher selling prices and improved snacks volumes. I&J had a difficult semester with revenue declining 5,1% due to poor catch rates, aggressive competition and the loss of export sales due to inefficiencies at Cape Town's port. Indigo's personal care revenue performance declined 11,7% following the cessation of the Coty distribution agreement in July 2023. Indigo's owned-brand categories performed soundly with growth in the aerosol, fragrance and roll-on categories lifting like-for-like revenue by 5,9% over the prior year. Spitz's semester revenue was impacted by constrained demand, particularly for the apparel brands, but benefitted from a strong December with good demand for core brands, albeit stronger for footwear than clothing.

The Group's consolidated gross profit grew ahead of revenue with improved profitability supported by higher selling prices, factory efficiencies and cost control. I&J's gross margins were constrained by the deleveraging impact of lower catch rates, the cost of lost production due to Cape Town's taxi strike and an unfavourable abalone sales mix. Consolidated operating profit was 17,1% higher with only I&J's earnings declining. The Group's branded consumer business, excluding I&J, improved operating profit by 20,7%. Net finance costs were higher primarily due to higher interest rates with average borrowing levels lower than last year. The effective tax rate was marginally lower and in line with the corporate tax rate of 27%.

Headline earnings grew 17,4% with headline earnings per share increasing from 318,9 cents to 374,3 cents. Cash generated by operations increased from R1,06 billion to R1,85 billion due to the improved operating profit and a lower increase in working capital. Other material cash flows during the period were capital expenditure of R242,0 million, ordinary dividends paid of R1,04 billion and taxation paid of R420,2 million. Net debt at the end of December 2023 was R1,81 billion compared to R2,45 billion at the end of December 2022.

DIVIDEND

Group cash generation remains healthy and debt levels are within our targeted gearing range. The Board has declared an interim ordinary dividend of 202 cents per share, which is 17,4% higher than last year, and in line with the growth in headline earnings.

SEGMENTAL REVIEW

Six months ended 31 December

	Segmental revenue			Segmental operating profit		
	2023 Rm	2022 Rm	% change	2023 Rm	2022 Rm	% change
Food & Beverage brands	6 674,7	6 127,4	8,9	1 373,3	1 133,6	21,1
Entyce Beverages	2 420,2	2 086,6	16,0	551,9	476,9	15,7
Snackworks	3 101,1	2 824,9	9,8	789,6	584,5	35,1
I&J	1 153,4	1 215,9	(5,1)	31,8	72,2	(56,0)
Fashion brands	1 703,4	1 695,5	0,5	436,7	413,4	5,6
Personal Care*	539,3	610,5	(11,7)	114,4	102,2	11,9
Footwear & Apparel	1 164,1	1 085,0	7,3	322,3	311,2	3,6
Corporate				(6,2)	(6,3)	
Group	8 378,1	7 822,9	7,1	1 803,8	1 540,7	17,1

* As of 1 July 2023, Personal Care revenue and operating profit does not include any contribution from the Coty business.

Entyce Beverages

Revenue of R2,42 billion was 16,0% higher than last year while operating profit improved 15,7% from R476,9 million to R551,9 million.

Tea revenue grew 17,5% off a weak prior year base which had included aggressive competitor promotions. Selling prices were increased to ameliorate inflationary cost pressures with revenue growth supported by a 13,0% improvement in sales volumes. Black tea performed soundly with growth in both the premium priced Five Roses brand and the Trinco value brand. Rooibos brand growth did not match black tea but was still pleasing. Gross profit margins declined marginally with selling price increases not fully offsetting input cost increases. Selling and administrative costs were well managed but increased above inflation due to higher sales volumes and partially offset by lower distribution costs resulting from lower fuel prices. The Tea category performance was sound with a higher gross profit and effective margin management supporting an increase in operating profit.

Coffee revenue was 9,3% higher than last year with improved sales from our retail brands and supported by improved revenue in the Ciro Food Service business. Revenue growth was achieved on premium, mixed instant, and affordable brewed categories primarily due to selling price increases required to recover pressures from higher commodity costs and a weaker Rand. Ongoing competitor discounting and affordability constrained mixed instant sales volumes which ended lower than the prior year. Ciro benefitted from the sustained recovery in the corporate channel with better sales volumes supported by higher selling prices. Gross profit margins ended lower with selling price increases not fully recovering the impact of higher input costs. The first semester included restructuring initiatives at the coffee and creamer manufacturing site which are expected to deliver benefits through the second semester. Selling and administrative costs were well managed, and combined with the improvement in Ciro's profitability, operating profit and operating profit margin, were marginally lower than the prior year's.

Creamer delivered a strong performance with revenue growth of 21,2% supported by selling price increases in response to higher raw material costs, and volume growth. Despite a competitive and constrained demand environment, gross profit margins improved on the prior year. Selling and administrative costs increased with higher sales volumes partially offset by lower fuel prices. The upgraded creamer line was commissioned in late December, impacting on the semester's sales volumes. Operating profit growth was pleasing.

Snackworks

Revenue of R3,10 billion was 9,8% higher than last year and operating profit increased 35,1% from R584,5 million to R789,6 million. The operating profit margin improved from 20,7% to 25,5% underpinned by a sound improvement in the profitability of the snacking brands.

Biscuit revenue increased 10,1% primarily due to selling price increases taken in the previous financial year to ameliorate significant input cost pressures and protect margins. Sales volumes ended lower, despite a strong festive season for Bakers Choice Assorted and strong domestic demand for our lower priced biscuit formats. The installation of the new Blue Label Marie oven at the Isando biscuit factory was completed in December and did impact sales volumes in the semester. Gross profit margins were managed effectively and supported by improvements in factory efficiencies. Selling and administrative costs increased in line with inflation with savings from lower fuel prices offset by an increase in marketing support. Biscuits delivered a sound result with growth in operating profit and operating profit margins.

Snacks revenue increased 8,7% due to higher selling prices and a 1,1% increase in sales volumes. The volume performance was supported by growth in the maize extruded snack brands. The potato chip category benefitted from flavour extensions, but volume gains were constrained by sustained competitor discounting. Gross profit and gross profit margins improved with benefits from a better sales mix, improved factory yields and a reduction in input costs. Selling and administrative costs were contained well to levels below inflation. Improved margins and cost management supported the improvement in both operating profit margin and operating profit.

I&J

Revenue of R1,15 billion was 5,1% lower than last year and operating profit decreased from R72,2 million to R31,8 million. The operating profit margin decreased from 5,9% to 2,8%.

Fishing revenues declined due to lower sales volumes but were offset partially by the impact of selling price increases and the benefit of a weaker Rand on export sales. Fish sales volumes were negatively impacted by unexpectedly low catch rates especially in the second quarter, aggressive domestic and international competition as well as the delayed shipping of R50,8 million of December's export sales due to inefficiencies at Cape Town's port. Operating costs were managed effectively with improved fuel usage and lower fuel prices reducing fishing costs. This was not sufficient to offset the deleveraging impact of lower volumes, the cost of lost production due to the taxi strike in Cape Town and continued load-shedding costs. Several restructuring initiatives were undertaken at I&J in the semester. The costs arising from the restructuring of the Woodstock processing facility and the closure of the Paarden Eiland cold storage site from September 2023 were recognised in the semester with savings expected through the second semester. Insurance proceeds of R12,6 million were recognised in respect of an insurance claim relating to the April 2023 fire at the value-added production facility but this benefit was offset by the non-cash cost of R14,9 million in respect of the new BBBEE shareholder structure implemented in July 2023.

Abalone profit declined on the prior year. Core Asian markets were challenged by weakening demand and over-supply. Reduced sales volumes were offset partially by higher selling prices, the benefit of a weaker Rand and a favourable fair value adjustment on the farm's biological asset. The sales mix was impacted

negatively by lower demand for live and dried abalone. The canned abalone category was impacted by an industry-wide product recall on faulty cans supplied to our production facility and resulted in lost revenue and write-off costs. These losses are insured but proceeds were not recognised in the semester's operating profit. Farm costs were well controlled but continued to be impacted by the cost of diesel required to mitigate load-shedding.

Personal Care

Indigo's revenue of R539,3 million was 11,7% lower than last year largely due to the loss of the Coty contract from July 2023. Excluding Coty, revenue increased 5,9% on the prior year with improved performances across the aerosol, fragrance, and roll-on categories. Prices were increased to recover input cost pressures.

The gross profit margin improved benefitting from the loss of the low margin Coty business and supported by range rationalisation necessary to improve efficiencies. Selling and administrative costs were well managed and ended in line with last year with savings arising from the absence of the Coty business and lower fuel prices, offset by increased marketing to support innovation. Initiatives to address the cost base and improve profitability are ongoing with benefits in the second semester expected to partially offset the impact of the lost Coty business. Despite the loss of the Coty brands, which contributed R21,8 million in the prior year, operating profit increased from R102,2 million to R114,4 million. The operating profit margin increased from 16,7% to 21,2%.

Footwear and Apparel (including Spitz, Kurt Geiger, Green Cross and Gant)

Revenue increased by 7,3% to R1,16 billion due to higher selling prices partially offset by reduced apparel sales and a 1,5% decrease in footwear sales volumes. Operating profit improved from R311,2 million to R322,3 million, with the operating profit margin remaining healthy but declining from 28,7% to 27,7%.

The semester was characterised by better sales growth in footwear than apparel. Retail demand was constrained through the semester with the performance lifted by a strong December with revenue growth of 11,3% underpinned by higher selling prices and footwear volume growth of 3,5%. The Carvela and Lacoste footwear brands benefitted from good demand and were supported by the earlier receipt of stock and effective retailing. Clothing brands' sales volumes were lower than the prior year.

The gross profit margin was protected with selling price increases recovering the cost of a weaker Rand while selling and administrative costs increased marginally ahead of inflation due to higher rentals. The ongoing focus on efficiency resulted in the closure of underperforming stores in sub-optimal locations offset by the opening of new stores.

OUTLOOK

Consumer demand remains constrained with high levels of inflation and unemployment eroding real household incomes. The operating environment remains uncertain both domestically and internationally. Locally, South Africa's port inefficiencies, load-shedding, and continued infrastructure failures will continue to add cost and complexity to our business.

The ongoing inefficiency of South Africa's ports and more recently the impact of the loss of access to the Red Sea have increased shipping costs and lead times. We have offset these risks through earlier shipping dates and increased safety stocks and are not expecting any material disruption to our ability to supply in the second semester.

results commentary continued

Protecting the long-term value of our brands remains an imperative and so optimising price and volume will continue to be a strong focus in all business units. We manage this acknowledging that the environment includes increasingly intense competition, cash-constrained consumers and the need to ameliorate higher input costs. A material portion of the second semester's import requirements have been covered at rates that support sound profitability assuming reasonable sales volumes. Cost control remains essential to protecting profitability with a continued focus on improving factory efficiencies, procurement savings and a focus on fixed costs. Several new product innovations will be launched during the semester which, if successful, will improve profitability in key categories. AVI International, supported by our South African manufacturing capabilities, remains focused on steadily building our brands' shares in export markets whilst sustaining strong profit margins.

Capital projects that enhance our manufacturing capabilities, lower production costs, improve product quality and enhance service levels to our retail partners will continue to be supported.

I&J's prospects remain materially dependent on fishing performance, fuel prices and exchange rates. A 5% increase in the total allowable catch ("TAC") has been announced for the 2024 calendar year, however, our ability to benefit from this is dependent on a material improvement in catch rates which are currently at 20-year lows. Savings from the restructuring of the Woodstock processing facility and the closure and outsourcing of I&J's cold storage in the first half will support profitability in the second semester. Should current catch rates not improve, I&J's profitability may not exceed the prior year's. Cost structures, including the simplification of I&J's business model, will continue to receive focus to improve profitability and the return on capital.

The second semester's profit growth may not mirror the first semester's as we annualise a strong prior year fourth quarter. The Board is confident that AVI is well equipped to continue adapting to a complex and changing economic environment.

The above outlook statements have not been reviewed or reported on by AVI's external auditors.



Mike Watters
Chairman



Simon Crutchley
CEO

4 March 2024

condensed consolidated balance sheet

	Unaudited at 31 December		Audited at 30 June
	2023 Rm	2022 Rm	2023 Rm
Assets			
Non-current assets			
Property, plant and equipment	3 215,3	3 150,0	3 184,2
Right-of-use assets	498,8	492,6	483,2
Intangible assets and goodwill	934,0	930,6	927,7
Investments and other long-term assets	32,6	30,8	34,5
Deferred taxation	41,7	28,6	35,6
	4 722,4	4 632,6	4 665,2
Current assets			
Inventories and biological assets	2 985,6	2 966,3	3 052,6
Trade and other receivables including derivatives	1 954,0	1 993,0	1 989,1
Cash and cash equivalents	507,7	495,1	494,9
	5 447,3	5 454,4	5 536,6
Total assets	10 169,7	10 087,0	10 201,8
Equity and liabilities			
Capital and reserves			
Total equity	5 375,4	4 873,6	5 116,9
Non-current liabilities			
Cash-settled share-based payment liability	14,9	–	–
Lease liabilities	425,3	414,5	412,8
Employee benefit liabilities	290,1	293,3	286,7
Deferred taxation	404,0	434,6	405,6
	1 134,3	1 142,4	1 105,1
Current liabilities			
Cash-settled share-based payment liability	–	1,0	–*
Current borrowings including short-term portion of lease liabilities	1 891,3	2 527,8	1 831,9
Trade and other payables including derivatives	1 628,4	1 451,6	2 066,6
Current tax liabilities	140,3	90,6	81,3
	3 660,0	4 071,0	3 979,8
Total equity and liabilities	10 169,7	10 087,0	10 201,8
Movement in net debt			
Opening balance	1 206,2	1 204,3	1 204,3
Short-term funding raised	46,6	1 001,2	305,4
Increase in cash and cash equivalents	(19,7)	(297,5)	(297,0)
Translation of cash equivalents of foreign subsidiaries	6,9	(6,2)	(6,5)
Net debt excluding IFRS 16 lease liabilities	1 240,0	1 901,8	1 206,2
IFRS 16 lease liabilities	568,9	545,4	543,6
Net debt**	1 808,9	2 447,2	1 749,8

* Rand amount is less than R1 million.

** Comprises current borrowings plus long-term lease liabilities, less cash and cash equivalents.

condensed consolidated statement of comprehensive income

	Unaudited six months ended 31 December			Audited year ended 30 June
	2023 Rm	2022 Rm	% change	2023 Rm
Revenue	8 378,1	7 822,9	7,1	14 919,6
Cost of sales	(4 903,4)	(4 711,0)	4,1	(9 095,1)
Gross profit	3 474,7	3 111,9	11,7	5 824,5
Selling and administrative expenses, including other income	(1 670,9)	(1 571,2)	6,3	(3 109,7)
Operating profit before capital items	1 803,8	1 540,7	17,1	2 714,8
Interest received	6,6	2,9	127,6	8,0
Finance costs	(112,6)	(93,3)	20,7	(198,9)
Share of equity-accounted (losses)/earnings of joint ventures	(2,2)	1,8	(222,2)	2,1
Capital items	(1,0)	(2,0)	(50,0)	9,1
Profit before taxation	1 694,6	1 450,1	16,9	2 535,1
Taxation	(457,3)	(397,4)	15,1	(698,2)
Profit for the period	1 237,3	1 052,7	17,5	1 836,9
Profit attributable to:				
Owners of AVI	1 237,3	1 052,7	17,5	1 836,9
Other comprehensive income/(loss), net of tax	7,8	(29,8)		(32,8)
Items that are or may be subsequently reclassified to profit or loss				
Foreign currency translation differences	(25,7)	10,8		13,1
Cash flow hedging reserve	45,9	(55,6)		(72,7)
Taxation on items that are or may be subsequently reclassified to profit or loss	(12,4)	15,0		19,7
Items that will never be reclassified to profit or loss				
Actuarial gain recognised	–	–		9,7
Taxation on items that will never be reclassified to profit or loss	–	–		(2,6)
Total comprehensive income for the period	1 245,1	1 022,9	21,7	1 804,1
Total comprehensive income attributable to:				
Owners of AVI	1 245,1	1 022,9	21,7	1 804,1
Depreciation and amortisation of property, plant and equipment, right-of-use assets, fishing rights, trademarks and computer software included in operating profit	286,4	282,2	1,5	567,3
Earnings per share				
Basic earnings per share (cents)*	374,1	318,4	17,5	555,6
Diluted basic earnings per share (cents)**	371,7	317,3	17,1	553,8
Headline earnings per share (cents)*	374,3	318,9	17,4	553,6
Diluted headline earnings per share (cents)**	372,0	317,7	17,1	551,8

* Basic earnings and headline earnings per share are calculated on a weighted average of 330 710 972 (31 December 2022: 330 570 005 and 30 June 2023: 330 596 489) ordinary shares in issue.

** Diluted basic earnings and diluted headline earnings per share are calculated on a weighted average of 332 828 937 (31 December 2022: 331 768 998 and 30 June 2023: 331 662 214) ordinary shares in issue.

condensed consolidated statement of cash flows

	Unaudited six months ended 31 December			Audited year ended 30 June
	2023 Rm	2022 Rm	% change	2023 Rm
Operating activities				
Cash generated by operations	1 851,7	1 058,3	75,0	3 079,7
Interest paid	(112,6)	(93,3)	20,7	(198,9)
Taxation paid	(420,2)	(353,2)	19,0	(697,4)
Net cash available from operating activities	1 318,9	611,8	115,6	2 183,4
Investing activities				
Interest received	6,6	2,9	127,6	8,0
Property, plant and equipment acquired	(242,0)	(245,5)	(1,4)	(482,2)
Additions to intangible assets	(14,2)	(1,6)	787,5	(8,0)
Proceeds from disposals of property, plant and equipment	12,0	4,1	192,7	14,0
Other cash flows from investments	–	0,3	(100,0)	(2,9)
Net cash utilised in investing activities	(237,6)	(239,8)	(0,9)	(471,1)
Financing activities				
Short-term funding raised	46,6	1 001,2	(95,3)	305,4
Lease liabilities repaid	(73,0)	(73,6)	(0,8)	(147,2)
Payment to I&J BBBEE shareholders	–	(33,8)	(100,0)	(34,8)
Ordinary dividends paid	(1 035,2)	(968,3)	6,9	(1 538,7)
Net cash utilised in financing activities	(1 061,6)	(74,5)	1 325,0	(1 415,3)
Increase in cash and cash equivalents	19,7	297,5	(93,4)	297,0
Cash and cash equivalents at beginning of period	494,9	191,4		191,4
	514,6	488,9		488,4
Translation of cash equivalents of foreign subsidiaries	(6,9)	6,2		6,5
Cash and cash equivalents at end of period	507,7	495,1		494,9

condensed consolidated statement of changes in equity

	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	I&J BBBEE shareholders Rm	Total equity Rm
Six months ended 31 December 2023						
Balance at 1 July 2023	279,4	(75,8)	234,1	4 785,8	(106,6)	5 116,9
Profit for the period	–	–	–	1 237,3	–	1 237,3
Other comprehensive (loss)/income						
Foreign currency translation differences	–	–	(25,7)	–	–	(25,7)
Cash flow hedging reserve, net of tax	–	–	33,5	–	–	33,5
Total other comprehensive income	–	–	7,8	–	–	7,8
Total comprehensive income for the period	–	–	7,8	1 237,3	–	1 245,1
Transactions with owners, recorded directly in equity						
Share-based payments	–	–	45,3	–	–	45,3
Deferred taxation on Group share scheme recharge	–	–	3,3	–	–	3,3
Dividends paid	–	–	–	(1 035,2)	–	(1 035,2)
Total contributions by and distributions to owners	–	–	48,6	(1 035,2)	–	(986,6)
Balance at 31 December 2023	279,4	(75,8)	290,5	4 987,9	(106,6)	5 375,4
Six months ended 31 December 2022						
Balance at 1 July 2022	279,4	(75,8)	209,1	4 487,6	(106,6)	4 793,7
Profit for the period	–	–	–	1 052,7	–	1 052,7
Other comprehensive (loss)/income						
Foreign currency translation differences	–	–	10,8	–	–	10,8
Cash flow hedging reserve, net of tax	–	–	(40,6)	–	–	(40,6)
Total other comprehensive loss	–	–	(29,8)	–	–	(29,8)
Total comprehensive (loss)/income for the period	–	–	(29,8)	1 052,7	–	1 022,9
Transactions with owners, recorded directly in equity						
Share-based payments	–	–	22,6	–	–	22,6
Deferred taxation on Group share scheme recharge	–	–	2,7	–	–	2,7
Dividends paid	–	–	–	(968,3)	–	(968,3)
Total contributions by and distributions to owners	–	–	25,3	(968,3)	–	(943,0)
Balance at 31 December 2022	279,4	(75,8)	204,6	4 572,0	(106,6)	4 873,6
Year ended 30 June 2023						
Balance at 1 July 2022	279,4	(75,8)	209,1	4 487,6	(106,6)	4 793,7
Profit for the year	–	–	–	1 836,9	–	1 836,9
Other comprehensive loss						
Foreign currency translation differences	–	–	13,1	–	–	13,1
Actuarial gains recognised, net of tax	–	–	7,1	–	–	7,1
Cash flow hedging reserve, net of tax	–	–	(53,0)	–	–	(53,0)
Total other comprehensive loss	–	–	(32,8)	–	–	(32,8)
Total comprehensive (loss)/income for the period	–	–	(32,8)	1 836,9	–	1 804,1
Transactions with owners, recorded directly in equity						
Share-based payments	–	–	58,0	–	–	58,0
Deferred taxation on Group share scheme recharge	–	–	(0,2)	–	–	(0,2)
Dividends paid	–	–	–	(1 538,7)	–	(1 538,7)
Total contributions by and distributions to owners	–	–	57,8	(1 538,7)	–	(1 480,9)
Balance at 30 June 2023	279,4	(75,8)	234,1	4 785,8	(106,6)	5 116,9

supplementary notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2023

AVI Limited ("AVI" or "the Company") is a South African registered company. These condensed consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in a joint venture.

1. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards, the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited (the "JSE") and the Companies Act of South Africa. These condensed consolidated interim financial statements have not been reviewed or audited by the auditors.

The condensed consolidated interim financial statements are prepared in millions of South African Rands ("Rm") on the historical cost basis, except for derivative financial instruments, biological assets and liabilities for cash-settled share-based payment arrangements, which are measured at fair value.

The accounting policies used in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in preparing the interim financial statements for the six months ended 31 December 2022 and the annual financial statements for the year ended 30 June 2023.

New standards and interpretations in issue not yet effective

Standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the Group. Management has concluded that they are either not applicable, or do not have a material impact to the business of the Group, and will therefore have no material impact on future financial statements.

2. Impact of load-shedding

The financial environment remained difficult with load-shedding continuing to affect our manufacturing, distribution and retail operations. The impact was mitigated through back-up power solutions but nonetheless added R21,1 million to direct operating costs in the period (six months ended 31 December 2022: R22,0 million and year ended 30 June 2023: R58,5 million). The Company has invested in back-up power options for a number of years and continues to do so.

The Group remains cash generative, with sufficient borrowing facilities to manage disruptions to operational cash flows and to continue to support its business units.

Inventory and debtor provisions have been reviewed without any material movements in income statement adjustments compared to the prior period.

supplementary notes to the condensed consolidated interim financial statements continued

3. Segmental results

	Unaudited six months ended 31 December			Audited year ended 30 June
	2023 Rm	2022 Rm	% change	2023 Rm
Segmental revenue				
Food & Beverage brands	6 674,7	6 127,4	8,9	11 999,4
Entyce Beverages	2 420,2	2 086,6	16,0	4 251,6
Snackworks	3 101,1	2 824,9	9,8	5 261,2
I&J	1 153,4	1 215,9	(5,1)	2 486,6
Fashion brands	1 703,4	1 695,5	0,5	2 920,2
Personal Care*	539,3	610,5	(11,7)	1 223,3
Footwear & Apparel	1 164,1	1 085,0	7,3	1 696,9
Group	8 378,1	7 822,9	7,1	14 919,6
Segmental operating profit before capital items				
Food & Beverage brands	1 373,3	1 133,6	21,1	2 155,4
Entyce Beverages	551,9	476,9	15,7	920,2
Snackworks	789,6	584,5	35,1	1 038,4
I&J	31,8	72,2	(56,0)	196,8
Fashion brands	436,7	413,4	5,6	587,9
Personal Care*	114,4	102,2	11,9	233,1
Footwear & Apparel	322,3	311,2	3,6	354,8
Corporate	(6,2)	(6,3)		(28,5)
Group	1 803,8	1 540,7	17,1	2 714,8

* As of 1 July 2023, Personal Care revenue and operating profit does not include any contribution from the Coty business.

supplementary notes to the condensed consolidated interim financial statements continued

4. Revenue

Disaggregation of revenue from contracts with customers ("revenue") into categories that depict the nature, amount, timing and uncertainty of revenue.

The following table sets out revenue by geographical market:

Geographical market	Unaudited six months ended 31 December 2023					
	Entyce Beverages Rm	Snackworks Rm	I&J Rm	Personal Care* Rm	Footwear & Apparel Rm	Total Rm
South Africa	2 166,4	2 767,3	409,6	494,0	1 154,0	6 991,3
Other African countries	249,7	317,5	31,5	45,3	10,1	654,1
Europe	3,2	4,3	506,7	–	–	514,2
Rest of the world	0,9	12,0	205,6	–	–	218,5
Total revenue	2 420,2	3 101,1	1 153,4	539,3	1 164,1	8 378,1

Geographical market	Unaudited six months ended 31 December 2022					
	Entyce Beverages Rm	Snackworks Rm	I&J Rm	Personal Care Rm	Footwear & Apparel Rm	Total Rm
South Africa	1 839,6	2 464,3	442,4	561,7	1 074,7	6 382,7
Other African countries	241,6	354,6	24,3	48,8	10,3	679,6
Europe	3,1	0,9	505,6	–	–	509,6
Rest of the world	2,3	5,1	243,6	–	–	251,0
Total revenue	2 086,6	2 824,9	1 215,9	610,5	1 085,0	7 822,9

Geographical market	Audited for the year ended 30 June 2023					
	Entyce Beverages Rm	Snackworks Rm	I&J Rm	Personal Care Rm	Footwear & Apparel Rm	Total Rm
South Africa	3 728,8	4 578,6	838,1	1 120,2	1 678,8	11 944,5
Other African countries	512,7	658,0	46,1	103,1	18,1	1 338,0
Europe	6,7	9,0	1 120,4	–	–	1 136,1
Rest of the world	3,4	15,6	482,0	–	–	501,0
Total revenue	4 251,6	5 261,2	2 486,6	1 223,3	1 696,9	14 919,6

* As of 1 July 2023, Personal Care revenue does not include any contribution from the Coty business.

The majority of revenue comprises revenue from the sale of goods. Less than 0,9% (31 December 2022 and 30 June 2023: less than 1,1%) of total revenue comprises income arising from services, rental agreements and trademark licence agreements.

supplementary notes to the condensed consolidated interim financial statements continued

5. Determination of headline earnings

	Unaudited six months ended 31 December			Audited year ended 30 June
	2023 Rm	2022 Rm	% change	2023 Rm
Profit for the year attributable to owners of AVI	1 237,3	1 052,7	17,5	1 836,9
Total capital items after taxation	0,7	1,4		(6,7)
Net loss on disposal of property, plant and equipment	1,0	1,9		1,8
Impairment of property, plant and equipment	–	–		2,2
Insurance proceeds on property, plant and equipment – civil unrest	–	–		(13,1)
Other	–	0,1		–
Taxation attributable to capital items	(0,3)	(0,6)		2,4
Headline earnings	1 238,0	1 054,1	17,4	1 830,2
Headline earnings per ordinary share (cents)	374,3	318,9	17,4	553,6
Diluted headline earnings per ordinary share (cents)	372,0	317,7	17,1	551,8

	Number of shares	Number of shares	% change	Number of shares
Weighted average number of ordinary shares	330 710 972	330 570 005	0,0	330 596 489
Weighted average diluted number of ordinary shares	332 828 937	331 768 998	0,3	331 662 214

6. Cash generated by operations

	Unaudited six months ended 31 December			Audited year ended 30 June
	2023 Rm	2022 Rm	% change	2023 Rm
Cash generated by operations before working capital changes	2 053,6	1 761,4	16,6	3 432,3
Changes in working capital	(201,9)	(703,1)	(71,3)	(352,6)
Cash generated by operations	1 851,7	1 058,3	75,0	3 079,7

supplementary notes to the condensed consolidated interim financial statements continued

7. Commitments

	Unaudited six months ended 31 December		Audited year ended 30 June
	2023 Rm	2022 Rm	2023 Rm
Capital expenditure commitments for property, plant and equipment	163,2	257,4	264,1
Contracted for	104,4	199,6	171,7
Authorised but not contracted for	58,8	57,8	92,4

It is anticipated that this expenditure will be financed by cash resources, cash generated from operating activities and existing borrowing facilities. Other contractual commitments have been entered into in the normal course of business.

8. I&J BBBEE Transaction

The shareholder arrangement with Main Street 198 (Pty) Ltd ("Main Street"), the minority shareholder at I&J Holding Company (Pty) Ltd ("I&J HoldCo"), matured on 1 July 2023. The 19-year relationship between Main Street and the Group generated significant value, including over R202,0 million in net cash to Main Street. In terms of the agreements, and on the maturity date, the Company exercised its call option over the shares held by Main Street in I&J HoldCo and the preference shares held by the Company in Main Street were redeemed.

In line with our commitment to sustainable transformation, a broad-based sharing of economic value and the Broad-based Black Economic Empowerment ("BBBEE") codes, the Company and I&J implemented a new BBBEE transaction with effect from 1 July 2023 in terms of which Twincitiesworld (Pty) Ltd ("Twincitiesworld"), a 100% black-owned company, acquired an 18,75% interest in I&J Limited. I&J's employees own 6,25% of I&J Limited resulting in 25% of the issued share capital of I&J Limited being held by previously disadvantaged shareholders.

The mechanics of the replacement structure align closely with the terms of the expired relationship with Main Street, and is financed through a preference share investment at the I&J HoldCo level. The preference share funding will be settled through dividend flows with 90% of normal dividends received applied against the funding and 10% available as a trickle-through. Furthermore, a put and call option is in place between I&J HoldCo and Twincitiesworld, the exercise price of which is determined by a fixed formula based on I&J Limited's earnings. The exercise date of the put and call option is December 2036.

The replacement scheme has been recognised as a cash-settled share-based payment liability in the Group's financial statements with a concomitant non-cash expense of R14,9 million recognised in earnings.

supplementary notes to the condensed consolidated interim financial statements continued

9. Fair value classification and measurement

The Group measures derivative foreign exchange contracts, fuel swaps, biological assets and cash-settled share-based payment arrangements at fair value.

Cash-settled share-based payment arrangements relate primarily to the BBBEE arrangement between the Group and Twincitiesworld, the value of which is determined using the Monte Carlo option pricing model. The fair value of the liability is measured in line with the requirements of IFRS 2 *Share-Based Payment*, with the main drivers of inputs being I&J Limited's historical earnings, funding rates and expected dividend flows. The estimated fair value is based on subsequent modelled earnings for each reported period until vesting date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements in accordance with IFRS 13 *Fair Value Measurement*, are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of foreign exchange contracts and fuel swaps is determined using a forward pricing model with reference to quotes from financial institutions. Significant inputs into the Level 2 fair value measurement include yield curves as well as market interest rates and foreign exchange rates. The estimated fair values of recognised financial instruments approximate their carrying amounts based on the nature or maturity period of the financial instruments.

Biological assets comprise abalone which is farmed by I&J. The fair value of these assets is disclosed as Level 3 per the fair value hierarchy, with the fair value determined using a combination of the market comparison and cost technique as prescribed by IAS 41.

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the six months ended 31 December 2023.

supplementary notes to the condensed consolidated interim financial statements continued

10. Post-reporting date events

No material events that meet the requirements of IAS 10 have occurred since the reporting date.

11. Dividend declaration

Notice is hereby given that a gross interim ordinary dividend No. 103 of 202 cents per share for the six months ended 31 December 2023 has been declared payable to shareholders of ordinary shares. The dividend has been declared out of income reserves and will be subject to dividend withholding tax at a rate of 20%. Consequently, a net interim dividend of 161,6 cents per share will be distributed to those shareholders who are not exempt from paying dividend tax. In terms of dividend tax legislation, the dividend tax amount due will be withheld and paid over to the South African Revenue Service by a nominee company, stockbroker or Central Securities Depository Participant ("CSDP") (collectively "regulated intermediary") on behalf of shareholders. However, all shareholders should declare their status to their regulated intermediary, as they may qualify for a reduced dividend tax rate or exemption. AVI's issued share capital at the declaration date is 338 848 970 ordinary shares. AVI's tax reference number is 9500/046/71/0. The salient dates relating to the payment of the dividend are as follows:

Last day to trade cum dividend on the JSE
First trading day ex dividend on the JSE
Record date
Payment date

Tuesday, 16 April 2024
Wednesday, 17 April 2024
Friday, 19 April 2024
Monday, 22 April 2024

In accordance with the requirements of Strate Limited, no share certificates may be dematerialised or rematerialised between Wednesday, 17 April 2024, and Friday, 19 April 2024, both days inclusive.

Dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. Following the discontinuation of cheque payments by most South African banks, AVI will no longer issue cheques and all future payments will only be made into a nominated bank account by electronic funds transfer. Shareholders who have not yet provided their bank account details to Computershare Investor Services Proprietary Limited are reminded to contact Computershare on 0861 100 950 with their bank account details into which the dividends can be paid electronically. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 22 April 2024.

12. Preparation of financial statements

These condensed consolidated interim financial statements have been prepared under the supervision of Justin O'Meara CA(SA), the AVI Group Chief Financial Officer.

administration and principal subsidiaries

ADMINISTRATION

Company registration
AVI Limited ("AVI")

Reg no: 1944/017201/06

Share code: AVI

ISIN: ZAE000049433

Company Secretary

Sureya Scheepers

Business address and registered office

2 Harries Road

Illovo

Johannesburg 2196

South Africa

Postal address

PO Box 1897

Saxonwold 2132

South Africa

Telephone: +27 (0)11 502 1300

Telefax: +27 (0)11 502 1301

E-mail: info@avi.co.za

Website: www.avi.co.za

Auditors

Ernst & Young Inc.

Sponsor

The Standard Bank of

South Africa Limited

Commercial bankers

First Rand Bank Limited

Standard Bank Limited

Transfer secretaries

**Computershare Investor Services
Proprietary Limited**

Business address

Rosebank Towers

15 Biermann Avenue

Rosebank

Johannesburg 2196

Postal address

Private bag X9000

Saxonwold 2132

South Africa

Telephone: +27 (0)11 370 5000

Telefax: +27 (0)11 370 5271

PRINCIPAL SUBSIDIARIES

Food & Beverage Brands

National Brands Limited

Reg no: 1948/029389/06

(incorporating Entyce Beverages
and Snackworks)

30 Sloane Street

Bryanston 2021

PO Box 5159

Rivonia 2128

Managing director

Michael Kursaris

Telephone: +27 (0)11 707 7200

Telefax: +27 (0)11 707 7799

I&J

Irvin & Johnson Holding

Company Proprietary Limited

Reg no: 2004/013127/07

1 Davidson Street

Woodstock

Cape Town 7925

PO Box 1628

Cape Town 8000

Managing director

Roger Coppin

Telephone: +27 (0)21 440 7800

Telefax: +27 (0)21 440 7270

Fashion Brands

Personal Care

**Indigo Brands Proprietary
Limited**

Reg no: 2003/009934/07

16 – 20 Evans Avenue

Epping 1 7460

PO Box 3460

Cape Town 8000

Managing director

Gaynor Poretti

Telephone: +27 (0)21 507 8500

Telefax: +27 (0)21 507 8501

Footwear & Apparel

A&D Spitz Proprietary Limited

Reg no: 1999/025520/07

30 Sloane Street

Bryanston 2021

PO Box 782916

Sandton 2145

Acting managing director

Simon Crutchley

Telephone: +27 (0)11 707 7300

Telefax: +27 (0)11 707 7763

directors

Executive

Simon Crutchley¹
(Chief Executive Officer)

Justin O'Meara¹
(Chief Financial Officer)

Michael Koursaris
(Business Development Director)

Independent non-executive

Current

Mike Watters (Chairman)^{2,3,4,5}

Abe Thebyane⁵

Alexandra Muller^{1,6}

Steven Robinson^{6,7}

Maserame Mouyeme^{6,8}

Outgoing

Gavin Tipper⁹

James Hersov¹⁰

Mike Bosman¹¹

Busisiwe Silwanyana¹²

¹ Member of the Social and Ethics Committee.

² Appointed to the Board on 1 June 2023.

³ British.

⁴ Appointed as Chairman of the Board on 1 July 2023.

⁵ Member of the Remuneration, Nomination and Appointments Committee.

⁶ Member of the Audit and Risk Committee.

⁷ Appointed to the Board and the Audit and Risk Committee on 1 March 2023.

⁸ Appointed to the Board and the Audit and Risk Committee on 1 August 2023.

⁹ Resigned from the Board (and as Chairman) and the Remuneration, Nomination and Appointments Committee on 30 June 2023.

¹⁰ Resigned from the Board on 4 July 2023.

¹¹ Resigned from the Board and the Audit and Risk Committee on 30 January 2023.

¹² Resigned from the Board and the Audit and Risk Committee on 27 June 2023.

AVI

www.avi.co.za