



AH-VEST LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1989/000100/06)

Share code: AHL ISIN code: ZAE000129177

UNAUDITED CONDENSED GROUP CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Condensed group statements of financial position

	Unaudited 6 Months 31 Dec 2017 R	Audited 12 Months 30 Jun 2017 R	Unaudited 6 Months 31 Dec 2016 R
ASSETS			
Non-current assets	50 020 908	48 996 001	43 483 318
Property, plant & equipment	44 785 667	42 859 433	36 791 729
Intangible assets	72 699	72 699	72 699
Deferred tax	5 162 542	6 063 869	6 618 890
Current assets	49 655 649	39 344 763	50 145 237
Inventories	18 167 414	12 925 833	13 120 287
Trade & other receivables	28 381 222	20 128 924	33 087 014
Loan to shareholders	2 837 656	6 178 386	-
Cash & cash equivalents	269 357	111 620	3 937 936
Total Assets	99 676 557	88 340 764	93 628 555
EQUITY AND LIABILITIES			
Capital and reserves	21 879 851	19 562 163	19 111 598
Share capital	21 293 071	21 293 071	21 293 071
Retained income/Accumulated (loss)	586 780	(1 730 909)	(2 181 473)
Non-current liabilities	24 313 556	26 160 605	30 731 557
Loans from shareholder	-	-	7 006 693
Finance lease and instalment sale obligations	5 206 700	4 915 254	1 814 250
Deferred income	6 042 533	6 245 351	4 456 747
Other financial liabilities	13 064 322	15 000 000	17 453 867
Current liabilities	53 483 150	42 617 996	43 785 400
Provisions	3 862 938	2 229 531	430 500
Trade and other payables	35 482 285	31 406 007	37 609 991
Finance lease and instalment sale obligations	2 377 001	2 318 282	596 317
Other financial liabilities	2 857 143	2 943 249	2 428 165
Deferred income	405 637	405 637	338 118
Bank overdraft	8 498 146	3 315 291	2 978 626
Total Equity and Liabilities	99 676 557	88 340 764	93 628 555
Net asset value per share (cents)	21.46	19.18	18.74
Tangible net asset value per share (cents)	21.39	19.11	18.67
Shares in issue at period end	101 973 333	101 973 333	101 973 333

Condensed group statements of comprehensive income

	Unaudited 6 Months 31 Dec 2017	Audited 12 Months 30 June 2017	Unaudited 6 Months 31 Dec 2016
	R	R	R
Revenue	82 626 254	165 495 293	91 544 370
Cost of sales	(50 272 352)	(108 650 924)	(62 414 460)
Gross profit	32 353 901	56 844 369	29 129 910
Other income	159 243	1 458 341	797 262
Operating expenses	(28 234 137)	(53 776 617)	(27 271 122)
Operating profit before finance costs	4 279 006	4 526 092	2 656 050
Investment revenue	306 662	714 001	576
Finance costs	(1 366 646)	(3 030 780)	(1 452 883)
Profit before taxation	3 219 023	2 209 313	1 203 742
Taxation	(901 326)	(892 070)	(337 048)
Profit for the period	2 317 697	1 317 243	866 694
Other comprehensive income for the period net of taxation	-	-	-
Total comprehensive income	2 317 697	1 317 243	866 694
Attributed to:			
Equity holders of the company	2 317 697	1 317 243	866 694
Minority interest	-	-	-
Share information			
Basic and diluted earnings per share (cents)	2.27	1.29	0.85
Weighted (and diluted) average shares in issue	101 973 333	101 973 333	101 973 333

Condensed group statement of changes in equity

	Unaudited 6 Months 31 Dec 2017	Audited 12 Months 30 Jun 2017	Unaudited 6 Months 31 Dec 2016
	R	R	R
Share capital and share premium	21 293 071	21 293 071	21 293 071
Retained income/(Accumulated loss)	586 780	(1 730 916)	(2 181 473)
Capital and reserves	21 879 851	19 562 157	19 111 598

Condensed Group statements of Cash Flows

	Unaudited 6 months 31 Dec 2017 R	Audited 12 Months 30 June 2017 R	Unaudited 6 months 31 Dec 2016 R
Net profit before interest and tax	3 219 023	2 209 313	1 203 742
Adjustment for:			
Depreciation	1 445 508	2 822 005	548 421
Interest received	(306 662)	(714 001)	(576)
Finance costs	1 366 646	3 030 781	1 452 883
Increase in trade & other receivables	(8 252 298)	(3 704 108)	(16 662 198)
Increase in trade & other payables	7 720 871	1 855 970	8 059 940
Increase/(Decrease) in provisions & accruals	1 633 407	1 729 424	(69 607)
Increase in inventories	(5 241 581)	(3 477 586)	(3 672 040)
Income related from government grant	(202 818)	(696 910)	(159 552)
Net cash (utilised in)/generated from operations	(5 026 689)	3 054 887	(9 298 985)
Interest income	2 799	957	576
Interest paid	(1 366 646)	(2 785 998)	(1 452 883)
Net cash (utilised in)/generated from operations	(6 390 536)	269 847	(10 751 293)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure	(1 599 927)	(5 095 409)	(1 794 153)
Loan advanced to shareholder	-	(5 465 342)	-
Net cash utilised in investing activities	(1 599 927)	(10 560 751)	(1 794 153)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans from shareholders	-	(10 312 421)	(2 816 162)
Loans received from shareholders	-	244 783	-
Repayment of other financial liabilities	(2 021 784)	-	(507 808)
Government grant received	-	2 393 483	-
Long term loan received	-	17 943 249	20 000 000
Repayment of other financial obligations	(1 421 650)	(724 869)	(714 286)
Net cash (utilised in)/generated from financing activities	(1 671 618)	9 544 224	15 961 744
Net change in cash and cash equivalents	(5 025 117)	(746 681)	3 416 299
Cash and cash equivalents at the beginning of the period	(3 203 672)	(2 456 990)	(2 456 989)
Cash and cash equivalents at the end of the period	(8 228 789)	(3 203 672)	959 110

COMMENTARY

The board is pleased to present the unaudited results for the six-month period ended 31 December 2017.

FINANCIAL PERFORMANCE

Turnover for the six-month period ended 31 December 2017 decreased by R8.9m from R91.5m to R82.6m, representing a decrease of 9.7%. This can be attributed to, but not limited to, the fact that our trade customers have reduced their stock holding significantly and that the company did not participate in "Black Friday" promotions in November 2017.

Cost of sales has decreased by 19% from R62.4m to R50.3m due to improved margins and reduced sales.

Gross margin increased from 32% to 39% over the same period. This can be attributable to the sales mix in the period under review. The company generated additional revenue from value added brands. The company also reduced its labour costs, a benefit being realised from automation over the last few years.

Operating expenses increased from R27.3m to R28.2m, an increase of R963k or 3.5% over the comparative period. This was mainly due to retrenchment costs. The operating expenses as a percentage of turnover increased from 30% to 34% in the current period due to the termination costs.

The profit after taxation has increased by 167% from R0.87m to R2.3m due to improved margins.

Earnings per share increased from 0.85 cents to 2.27 cents, an increase of 167% over the period.

In an effort to improve service levels, inventory levels were increased from R12.9m at the year ended 30 June 2017 to R18.1m at 31 December 2017, an increase of 40.6%. Management will continue to invest in building up stock levels in warehouses across the country.

Trade and other receivables increased by 41% from R20.1m to R28.3m due to early festive season cut off for most customers.

Loans due from shareholder decreased by 51% from R6.2m to R2.8m due to raw materials, such as tomato paste, being supplied by the Eastern Trading group, to reduce the holding company's obligation.

The bank overdraft increased from R3.3m to R8.5m also due to early festive season cut off in December, with the bulk of the cash flows being received soon after the new year

The provisions increased by 73% from R2.2m to R3.9m due to provisions for growth incentives due to customers.

The current asset ratio has remained constant at 0.93 due to tight working capital management.

HEADLINE EARNINGS

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

Headline earnings reconciliation:

Profit attributed to equity holders of the company

2 317 697 1 317 243 866 694

Adjustments:

- - -

Headline earnings

2 317 697 1 317 243 866 694

Share information

Headline and diluted headline earnings per share (cents)

2.27 1.29 0.85

Weighted and diluted average shares in issue

101 973 333 101 973 333 101 973 333

BASIS OF PREPARATION

The condensed Group financial results for the period ended 31 December 2017 included in this announcement have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), and have been prepared in accordance with the presentation and disclosure requirements of IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, and the requirements of the South African Companies Act.

The accounting policies applied in the preparation of the condensed Group financial results are consistent with those applied in the preparation of the previous Group financial results.

The condensed Group financial results are prepared in accordance with the going concern principle under the historical cost basis. These condensed Group financial results are presented in the South African Rand, which is the Group's functional and presentation currency.

These condensed Group financial results incorporate the financial results of the company and its subsidiary. Results of subsidiaries are included from the effective date of acquisition. All significant transactions and balances between group enterprises are eliminated on consolidation.

The preparation of the condensed Group financial results for the period ended 31 December 2017 was supervised by the Financial Director, Mr. C. Sambaza CA (SA) CA (Z).

The Directors take full responsibility for the preparation of the condensed Group financial results for the period ended 31 December 2017.

SIGNIFICANT ACCOUNTING POLICIES

These financial results for the six months ended 31 December 2017 have not been audited or reviewed by the company's auditors, Nexia SAB&T. The accounting policies are in terms of International Financial Reporting Standards (IFRS) and are consistent with those of the previous audited annual financial statements for the year ended 30 June 2017. All new interpretations and standards were assessed and adopted with no material impact.

The directors are currently in the process of determining the detailed impact of adopting IFRS 15 and IFRS 16, and the impact it would have on the financial statements.

DISPOSALS/ACQUISITIONS OF NEW BUSINESS

There have been no disposals or acquisitions during the six months ended 31 December 2017.

DISPOSALS / ACQUISITION OF PROPERTY PLANT AND EQUIPMENT

The major asset acquisitions for the period under review were for:

➤ Motor vehicles	R1.2m
➤ Factory Equipment	R0.54m
➤ Plant and machinery	R0.78m
➤ Leasehold improvements, computer and lab equipment	R0.814m

There were no disposals of non-current assets during the period.

ISSUE AND REPURCHASE OF SHARES

There were no share issues or share repurchases during the six months under review.

DIVIDENDS

No dividends have been declared in respect of the six-month period and the directors are preserving cash and re-investing the cash into the business. (2016: Nil).

CHANGE IN DIRECTORS

During the period under review there were no changes to the board.

SUBSEQUENT EVENTS

The FSB matter was finalised after a constitutional court ruling. The R1 500 000 fine that was imposed by the FSB has since been paid and the matter is now settled.

FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE

There are no financial instruments that have been recognised at fair value. The carrying values of the group's financial instruments however approximates their fair values.

GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the results have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

RELATED PARTY INFORMATION

Related party information relevant to the interpretation of the above results is set out below:

	Unaudited 6 months 31 Dec 2017 R	Audited 12 Months 30 June 2017 R	Unaudited 6 months 31 Dec 2016 R
RELATED PARTY BALANCES			
Loan accounts - Owing by/(to) related parties			
Eastern Trading Proprietary Limited	2 837 656	6 178 386	(7 006 693)
Amounts included in Trade Receivables/(Trade Payables) regarding related parties			
Eastern Trading Proprietary Limited	(2 480 099)	(9 822 855)	3 181 051
Eastern Trading Proprietary Limited	2 553 793	6 178 386	(7 006 693)
RELATED PARTY TRANSACTIONS			
Interest (received from)/paid to related parties			
Eastern Trading Proprietary Limited	(303 863)	(468 261)	500 000
Purchases from / (sales to) related parties			
Eastern Trading Proprietary Limited	(5 325 156)	(12 741 481)	(2 863 471)
Eastern Trading Proprietary Limited	8 637 567	28 031 295	19 704 458
Rent paid to related parties			
Eastern Trading Proprietary Limited	1 500 000	3 000 000	1 500 000
Administration fees paid to related parties			
Eastern Trading Proprietary Limited	2 065 766	4 153 369	2 065 766
Transport/distribution paid to related parties			
Eastern Trading Proprietary Limited	5 280 703	13 080 966	5 412 490
Shared costs paid to related parties			
Eastern Trading Proprietary Limited	3 247 039	10 102 106	1 762 251

SEGMENTAL REPORTING ANALYSIS

No segmental reporting analysis has been presented as the company operates primarily within one product segment, namely food products, and one geographical segment namely South Africa. The company has commenced with its export strategy during the prior comparable period but this information is still not considered material for separate segmental reporting.

An analysis of the revenue of the top three customers is set out below:

Customer Analysis

	31 December 2017	31 December 2016
Customer A	49%	48%
Customer B	20%	18%
Customer C	7%	6%

The major retailers continue to grow albeit at a faster rate than the independent trade. If this situation continues it will result in smaller players being pushed out of the market and a reduction on competition in the marketplace. This is an ongoing challenge that our group faces to sell products produced in our factories.

FUTURE PROSPECTS

The company is steadily improving its production capacity and factory efficiencies and management is satisfied with this performance. The company will be launching a new canned range of AllJoy chakalaka to expand its offerings further into the South African market. The business will realise the benefit of the new product in the next financial year.

The new information system continues to improve the management of the company in making better decisions supported by detailed data.

The Board remains confident that the prospects of the business are bright both locally and internationally.

I E Darsot

Johannesburg

29 March 2018

Directors:

Executive Directors: I Darsot (Chairman and CEO); MN Darsot; B. Darsot; S. Darsot; R. Darsot; MT Pather, C Sambaza (FD)

Non-Executive Directors: H Takolia*; MS Appelgryn*; JJ Du Plooy* (*independent)

Registered address:

15 Misgund Road, Eikenhof, 1872

Designated Advisor

Arbor Capital Sponsors (Pty) Ltd

Auditors

Nexia SAB&T

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Company Secretary

Arbor Capital Company Secretarial (Pty) Ltd
