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

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

Condensed group statement of financial position

	Reviewed Year Ended 30 June 2019 R	Audited Year Ended 30 June 2018 R
Assets		
Non-current Assets	**73 112 369**	**53 249 737**
Property, plant and equipment	45 172 304	47 412 404
Right of use of asset - lease	24 479 725	-
Intangible assets	80 594	80 594
Deferred tax	3 379 746	5 756 739
Current Assets	**50 980 071**	**37 240 398**
Inventories	10 700 414	12 644 262
Trade and other receivables	24 065 119	18 596 649
Loan to shareholder	15 291 574	5 886 657
Cash and cash equivalents	922 964	112 830
Total Assets	**124 092 440**	**90 490 135**
Equity and Liabilities		
Capital and Reserves	**26 730 627**	**20 645 245**
Share capital	21 293 071	21 293 071
Retained earnings/(Accumulated loss)	5 437 556	(647 826)
Non-current Liabilities	**47 524 674**	**21 649 621**
Lease liabilities	26 468 692	3 667 047
Other financial liabilities	15 621 903	12 142 859
Deferred income	5 434 079	5 839 715
Current Liabilities	**49 837 139**	**48 195 269**
Provisions	1 055 690	751 978
Trade and other payables	38 217 121	34 249 097
Lease liabilities	2 327 600	2 206 980
Other financial liabilities	2 101 201	2 929 472
Deferred income	405 637	405 637
Bank overdraft	5 729 890	7 652 105
Total Equity and Liabilities	**124 092 440**	**90 490 135**
Net asset value per share (cents)	26.21	20.25
Net tangible asset value per share (cents)	26.13	20.17
Shares in issue at period end	101 973 333	101 973 333

Condensed group statement of comprehensive income

	Reviewed Year Ended 30 June 2019 R	Audited Year Ended 30 June 2018 R
Revenue	**177 106 210**	**155 779 317**
Cost of sales	(105 297 562)	(94 098 530)
Gross profit	**71 808 648**	**61 680 787**
Other operating income	911 736	634 213
Operating expenses	(60 402 362)	(58 666 835)
Operating profit	**12 318 022**	**3 648 165**
Investment revenue	1 801 742	1 145 324
Finance costs	(5 816 389)	(3 403 274)
Profit before taxation	**8 303 375**	**1 390 215**
Taxation	(2 376 993)	(307 125)
Profit for the year	**5 926 382**	**1 083 090**
Attributed to:		
Equity holders of the company	**5 926 382**	**1 083 090**
Per share information (cents)		
Earnings per share	5.81	1.06
Headline earnings per share	5.90	1.05
Diluted earnings per share	5.81	1.06
Diluted headline earnings per share	5.90	1.05
Weighted average shares in issue	101 973 333	101 973 333
Diluted weighted average shares in issue	101 973 333	101 973 333

Condensed group statement of changes in equity

	Reviewed Year Ended 30 June 2019 R	Audited Year Ended 30 June 2018 R
Share capital and share premium		
Opening balance 1 July	21 293 071	21 293 071
Changes during the year	-	-
Closing balance at year end	**21 293 071**	**21 293 071**
Retained earnings/(Accumulated loss)		
Opening balance	(647 826)	(1 730 916)
IFRS9 adjustment	159 000	-
Profit for the year	5 926 382	1 083 090
Closing balance at year end	**5 437 556**	**(647 826)**
Total balance at 30 June	**26 730 627**	**20 645 245**

Consolidated group statement of cash flows

	Reviewed Year Ended 30 June 2019 R	Audited Year Ended 30 June 2018 R
Cash flows from operations	**16 769 541**	**11 270 454**
Interest received	14 013	3 207
Interest paid	(5 568 435)	(3 403 274)
Cash generated from operating activities	**11 215 119**	**7 870 387**
Cash flows from investing activities		
Purchase of property plant and equipment	(1 227 714)	(5 900 744)
Purchase of intangible assets	-	(7 895)
Advances to shareholder	(10 684 209)	(15 960 057)
Advances to shareholder repaid	3 490 047	14 741 469
Cash utilised in investing activities	**(8 421 876)**	**(7 127 227)**
Cash flows from financing activities		
Proceeds from other financial liabilities	5 000 000	-
Repayment of other financial liabilities	(2 597 180)	(2 870 918)
Lease liability payments	(2 463 714)	(2 207 845)
Cash (utilised in)/generated from financing activities	**(60 894)**	**(5 078 763)**
Net increase/(decrease) in cash and cash equivalents	**2 732 349**	**(4 335 603)**
Cash and cash equivalents at beginning of year	(7 539 275)	(3 203 672)
Cash and cash equivalents at end of year	**(4 806 926)**	**(7 539 275)**
Cash flows from operations		
Profit before taxation for the year	8 303 375	1 390 221
Finance income	(1 801 742)	(1 145 324)
Finance costs	5 816 388	3 403 274
Depreciation	3 827 120	2 316 829
Movement in provisions	303 712	(1 477 549)
Loss/(Profit) on disposal of assets	123 922	(16 253)
Government grants	(405 636)	(405 636)
Decrease in inventories	1 943 848	281 570
(Increase)/decrease in trade receivables	(5 309 470)	989 992
Increase in trade payables	3 968 024	5 933 330
	16 769 541	**11 270 454**

COMMENTARY

The Board of Directors ("the Board") of AH-Vest is pleased to present the reviewed results for the year ended 30 June 2019.

Financial Results

Revenue has increased from R155.8m from the year ended 30 June 2018, to R177.1m for the year ended 30 June 2019, an increase of 13.7%. This can be attributed to the increased production capacity as planned in the prior year and an increased market share on our added value brands. The Company also improved its service levels in the period under review from 83% to 87%. The target service level expected by our major customers is 95% and remains the focus of management going forward.

Gross profit margins increased marginally to 40.5% from 39.6% in the prior year. The business managed to maintain its margins by improving its procurement strategy and containing production costs. There was also a significant increase in the sales revenue contribution from the independent sales channels in the period under review.

Management continues to improve on its production capacity and is anticipating a further improvement in performance in the next period. Synergies continue to be realised from the Company's controlling shareholder, the Eastern Trading Group.

The profit before taxation increased from R1.4m to R8.3m, an increase of R6.9m (497.3%). Profit after taxation increased from R1.1m to R5.9m, an increase of R4.8m (447.2%). This was mainly due to a 13.7% increase in turnover, however, operating expenses had an increase of only 3%.

Investment revenue increased from R1.1m to R1.8m an increase of 57.3% mainly due to an increase in interest income.

Operating expenses have increased by 3% compared to the prior year. Operating expenses as a percentage of turnover decreased to 34.1% from 37.7% in the prior year. This was mainly due to the 13.7% increase in turnover and improved efficiencies in the business.

During the year, the Company purchased property plant and equipment for R1.2m compared to R9m in 2018. The expansion programme that has been taking place over the last several years is now coming to an end. The company spent R0.4m on plant and equipment, R0.7m on lease hold improvements to increase the factory space and R0.1m on motor vehicles. Overall the carrying amount of the property plant and equipment decreased by 4.7%.

The right of use asset of R24.5m was recognised from the adoption of IFRS 16 accounting for leases.

Inventories decreased from R12.6m in 2018 to R10.7m a decrease of 15.4% in the period under review. This was due to working capital management, and in response to our major customers who adopted a strategy of reducing their stock holdings. The parent company's local production of tomato paste, our key raw material, meant that the Company has not imported high levels of bulk tomato paste as in previous years.

Trade and other receivables increased from R18.6m to R24m, an increase of 29.4% over the prior period. This was mainly due to a 33% increase in trade debtors caused by increased sales in the last quarter of the period under review.

The Loan to shareholder increased from R5.9m to R15.3m an increase of 159.8%. This was mainly to assist the parent company in financing the tomato out-growers and the purchasing of tomatoes for the season. An amount of R6m has since been settled in the form of tomato paste post year end and more paste will be supplied once the Company has more storage space.

The finance lease and instalment obligations (long and short term) have decreased by 41.5% from R5.9m (2018) to R3.4m. This was mainly due to repayments of R2m and a settlement of R0.5m on leased vehicles disposed of during the year under review.

An additional lease liability of R25.4m (long and short term) was recognised due to the adoption of IFRS 16 as part of total lease liabilities during the period under review.

Deferred income decreased from R6.2m to R5.8m a decrease of 6.5% due to the amortisation of the DTI grant deferred over the useful life of the assets for which the grant was awarded.

Provisions have increased by 40.4% from R0.8m (2018) to R1m in the period under review. The increase was due to an increase in the growth incentive payable to customers as a result of improved sales.

Trade and other payables increased from R34.2m to R38.2m, an increase of 11.6%, in line with the increased production cost due to increased sales.

Other financial liabilities (long and short term) being a term loan have increased by 17.6% from R15.1m (2018) to R17.7m. This was mainly due to additional loan of R5m that was obtained. Repayments made during the period under review were R2.6m.

The bank overdraft decreased by 25.1% from R7.7m (2018) to R5.7m. This was mainly due to an improved cash flow position.

During the year there was an impairment provision of R0.5m for trade and other receivables compared to an adjusted R0.4m in 2018.

SUPPLEMENTARY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The reviewed provisional condensed consolidated financial results are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports 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 SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, to contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2018, except for the changes due to the adoption of the new accounting standards as noted below.

The condensed consolidated financial results 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 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.

New standards and interpretations adopted during the year

The Group has changed its accounting policies following the adoption of the following new accounting standards, including any consequential amendments to other standards.

IFRS 9 – Financial Instruments

IFRS 9 was issued by the IASB in July 2014 and is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for:

1) the classification of financial assets and financial liabilities;
2) the impairment of financial accounting; and
3) general hedge accounting

IFRS 9 replaces the IAS 39 categories of financial assets with three principle classification categories – measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Financial assets held by the Group have been assessed, considering contractual cash flow characteristics and the business models for managing financial assets.

The following Financial Assets: Trade and other receivables; Loan to shareholder; and Cash and cash equivalents have now been categorised as Financial Assets at Amortised Cost. In the previous financial year and in terms of IAS 39, these financial assets were categorised as Loans and Receivables. There has been no change in the categories of the Group’s financial liabilities.

IFRS 9 replaces the “incurred loss” model of IAS 39 with a forward looking “expected credit loss” model to measure impairment losses on financial assets. The majority of the Group’s financial assets are trade receivables; therefore, the Group has adopted the simplified approach to be applied as required by IFRS 9 in measuring the credit loss allowance based on lifetime expected credit losses. A modified retrospective approach in applying IFRS 9 was adopted, whereby no comparative figures are restated, but instead, a cumulative catch-up adjustment was recognised in the opening retained earnings. As a practical expedient, the Group has applied a provision matrix by assessing historical credit losses per aged bucket of trade debtors together with the general economic conditions to estimate expected future losses. The implementation of IFRS 9 resulted in a R159 000 decrease in the credit loss allowance on 1 July 2018, and a R159 000 increase in retained earnings.

IFRS 15 – Revenue from Contracts with Customers

The principle of IFRS 15 is that an entity recognises revenue from contracts with customers to depict the transfer of control of promised goods or services to customers for an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

The implementation of the new standard has not impacted the measurement and timing of the Group’s revenue recognition.

IFRS 16 - Leases

The standard sets out requirements for identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. This standard replaces IAS 17: Leases and its associated interpretative guidance.

In applying IFRS 16, the Group assessed whether its existing contracts contain a lease; recognises right-of-use assets and lease liabilities in the statement of financial position, initially at the present value of the future lease payments; recognises depreciation of right-of-use assets based on the lease contract term; recognises interest on the lease liabilities based on the implied interest rate; and splits cash paid in respect of lease contracts into principal and interest portions, presented in the consolidated statement of cash flows as financing and operating activities respectively.

As part of the modified retrospective transition approach, the Group has elected to apply the practical expedient which allows a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics.

At transition date, the adoption of IFRS 16 resulted in the recognition of right-of-use assets to the value of R25.8m and lease liabilities of R25.8m. This had no impact on retained earnings on 1 July 2018.

Impact of profit or loss	**R**
Increase in depreciation expense	1 323 228
Increase in interest expense	2 560 514
Decrease in rental paid (operating expenses)	(3 000 000)
Decrease in profit before taxation	(883 742)
Decrease in taxation	247 448
Decrease in profit after taxation	(636 294)

Impact on assets, liabilities and equity

Increase in right of use asset	24 479 725
Increase in lease liability	25 363 468
Increase in deferred taxation asset	247 448
Decrease in retained earnings	(636 294)

2. 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 maker.

The Chief Executive Officer of the Group is the chief operating decision maker. He evaluates 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 10% is set out below: -

	2019	**2018**
Customer A	42%	49%
Customer B	15%	19%
Total	**57%**	**68%**

The Group's overall dependence on its top 2 customers decreased by 11 percentage points during the current financial year. This was mainly due to the growth in the independent trade customers. This is a positive outcome as the efforts to market into the non-retail market are bearing fruit and management will continue to focus on growing this side of the business.

3. RELATED PARTY BALANCES AND TRANSACTIONS

Eastern Trading (Pty) Limited is deemed to be a related party because it is the holding company of AH Vest Limited.

Tin Can Man (Pty) Limited is also related party as it is a 100% subsidiary of Eastern Trading (Pty) Ltd.

Transactions with Eastern Trading Company (Pty) Ltd

	30 June 2019 R	30 June 2018 R
Purchase of goods	13 765 953	11 331 002
Revenue from sale of goods	(11 232 136)	(11 337 871)
Rent paid	3 000 000	3 000 000
Administration and management fees paid	3 960 066	3 966 300
Transport	14 975 139	8 672 417
Interest received	(1 787 729)	(1 145 324)
Energy and operating costs	6 114 493	7 063 878
Balances with Eastern Trading Company (Pty) Ltd		
Loan	15 291 574	5 886 657
Trade receivables	2 916 233	2 236 022
Transactions with Tin Can Man (Pty) Ltd		
Purchase of goods	12 936 431	6 719 651
Key management remuneration		
Executive directors' remuneration	4 918 489	5 070 668
Non-executive directors' remuneration	291 750	251 550

4. HEADLINE EARNINGS

Headline earnings reconciliation:	R	R
Profit attributable to equity holders of the company	5 926 382	1 083 090
Adjustments:		
Loss/(Profit) on disposal of property plant and equipment	123 922	(16 253)
Taxation thereon	(34 698)	4 551
Headline earnings	**6 015 606**	**1 071 388**

5. ACQUISITIONS AND DISPOSALS

There were no business acquisitions or disposals during the year under review.

6. ACQUISITIONS AND DISPOSALS OF PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment decreased by a net amount of R2.2m. Capital expenditure was R1.2m. The carrying amount of disposals was R1m. Depreciation for the period was R2.5m.

7. CONTINGENCIES

The Company has a contingent liability of R1 500 000 being a proposed fine by the Department of Labour in terms of section 20(7) of the Employment Equity Act 55 of 1998 ("Act") in accordance with schedule 1 of the Act. 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. The Department is yet to submit its heads of arguments as requested by the Labour Court. The Company has submitted the Employment Equity Plan in dispute, and it has since been gazetted.

The Company is also involved in the other legal matters relating to trading disputes. The amounts involved are not material to the Group.

8. ISSUE AND REPURCHASE OF SHARES

There were no new share issues or share repurchases during the year under review.

9. SUBSEQUENT EVENTS

There were no material subsequent events from the year end to the period of publication of these reviewed results.

10. FAIR RISK MANAGEMENT AND FAIR VALUES

There has been no material change 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 2018.

The Group 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.

11. DIVIDENDS

No dividends were declared during the period. (2018: Nil).

12. AUDITOR'S CONCLUSION

These provisional condensed consolidated financial results have been reviewed by Nexia SAB&T, who have issued an unmodified review conclusion thereon. A copy of the review conclusion is available for inspection at the registered office of the Company.

13. CHANGE IN DIRECTORS

There have been no changes to the Board of Directors of AH-Vest since the publication of the interim financial results for the period ended 31 December 2018.

14. FUTURE PROSPECTS

The Company will continue to focus on extracting efficiencies from the factory and focus on creating new synergies with the sister companies in the Group as it continues to integrate.

The new hot sauce line has now been commissioned and the Company anticipates an improvement in market share in this category in FY2020. The Company has leveraged the parent company's production capabilities to expand the canned vegetable range, launching a range of chakalaka vegetables, a unique 500g can which is produced 'in-house' to deliver a tasty meal and an affordable price, made from South African produce. The Company intends to expand the canned tomato range and to launch a tomato paste single serve sachet. These new products are expected to increase the brand penetration into new markets, both domestically and into the rest of the African continent.

The Company continues to invest in its packaging business and expects greater efficiencies during FY2020.

The Company is committed to growing its exports in strategically targeted countries and to promoting its authentically South African brands and expects the export efforts to gain traction in FY2020. The Company is optimistic about continued growth prospects for the future.

I E Darsot
Johannesburg
11 October 2019

Executive Directors: IE Darsot (Chairman/CEO); MNI Darsot; BI Darsot; SI Darsot; R Darsot; MT Pather; C Sambaza
Non-Executive Directors: H Takolia*; MS Appelgryn*; J Du Plooy* U Speirs (*independent)

Registered address: 15 Misgund Road, Eikenhof, Johannesburg

Designated Advisor
Arbor Capital Sponsors Proprietary Limited
Auditors
Nexia SAB&T

Transfer secretaries
Computershare Investor Services Proprietary Limited
Company Secretary
Arbor Capital Company Secretarial Proprietary Limited