



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

**UNAUDITED CONDENSED GROUP INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED  
31 DECEMBER 2019**

**Condensed group statement of financial position**

	Unaudited 6 Months 31 Dec 2019 R	Audited 12 Months 30 Jun 2019 R	Unaudited 6 Months 31 Dec 2018 R
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>69,091,902</b>	<b>73,112,368</b>	<b>50,888,144</b>
Property, plant and equipment	36,864,250	37,781,113	46,246,221
Right of use asset	30,159,949	31,870,915	-
Intangible assets	80,594	80,594	80,594
Deferred tax	1,987,109	3,379,746	4,561,329
<b>Current assets</b>	<b>61,133,924</b>	<b>50,980,070</b>	<b>46,067,585</b>
Inventories	29,747,223	10,700,414	14,770,540
Trade and other receivables	22,991,931	24,065,118	24,965,415
Loan to shareholders	7,827,619	15,291,574	4,767,471
Cash and cash equivalents	567,151	922,964	1,564,158
<b>Total Assets</b>	<b>130,225,826</b>	<b>124,092,438</b>	<b>96,955,729</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	<b>30,311,697</b>	<b>26,730,630</b>	<b>23,719,227</b>
Share capital	21,293,071	21,293,071	21,293,071
Retained income	9,018,626	5,437,559	2,426,156
<b>Non-current liabilities</b>	<b>44,802,066</b>	<b>47,524,674</b>	<b>24,822,034</b>
Lease liabilities	25,213,659	26,468,692	2,594,953
Other financial liabilities	14,357,146	15,621,903	16,590,183
Deferred income	5,231,261	5,434,079	5,636,897
<b>Current liabilities</b>	<b>55,112,063</b>	<b>49,837,134</b>	<b>48,414,468</b>
Provisions	1,248,646	1,055,690	1,693,268
Trade and other payables	44,117,073	38,217,117	37,567,313
Lease liabilities	2,105,708	2,327,599	1,854,501
Other financial liabilities	2,219,187	2,101,201	1,998,427
Deferred income	405,637	405,637	405,637
Bank overdraft	5,015,812	5,729,890	4,895,322
<b>Total Equity and Liabilities</b>	<b>130,225,826</b>	<b>124,092,438</b>	<b>96,955,729</b>

Net asset value per share (cents)	29.73	26.21	23.26
Tangible net asset value per share (cents)	29.65	26.13	23.18
Shares in issue at period end	101,973,333	101,973,333	101,973,333

### Condensed group statement of comprehensive income

	Unaudited 6 Months 31 Dec 2019 R	Audited 12 Months 30 June 2019 R	Unaudited 6 Months 31 Dec 2018 R
<b>Revenue</b>	<b>93,124,573</b>	<b>177,106,210</b>	<b>92,184,215</b>
Cost of sales	(56,875,727)	(105,297,561)	(55,060,243)
<b>Gross profit</b>	<b>36,248,846</b>	<b>71,808,649</b>	<b>37,123,972</b>
Other operating income	267,227	911,736	73,297
Operating expenses	(29,753,520)	(60,402,360)	(31,594,087)
<b>Operating profit</b>	<b>6,762,553</b>	<b>12,318,025</b>	<b>5,603,182</b>
Investment revenue	695,392	1,801,742	347,989
Finance costs	(2,484,241)	(5,816,389)	(1,681,780)
<b>Profit before taxation</b>	<b>4,973,704</b>	<b>8,303,378</b>	<b>4,269,392</b>
Taxation	(1,392,637)	(2,376,993)	(1,195,410)
<b>Profit for the period</b>	<b>3,581,067</b>	<b>5,926,385</b>	<b>3,073,982</b>
<b>Attributed to:</b>			
Equity holders of the company	<b>3,581,067</b>	<b>5,926,385</b>	<b>3,073,982</b>
<b>Per share information (cents)</b>			
Earnings per share	3.51	5.81	3.01
Diluted earnings per share	3.51	5.81	3.01

### Condensed group statement of changes in equity

	Unaudited 6 Months 31 Dec 2019 R	Audited 12 Months 30 Jun 2019 R	Unaudited 6 Months 31 Dec 2018 R
<b>Share capital and share premium</b>			
Opening balance	21,293,071	21,293,071	21,293,071
Changes during the year	-	-	-
<b>Closing balance</b>	<b>21,293,071</b>	<b>21,293,071</b>	<b>21,293,071</b>
<b>Retained income</b>			
Opening balance	5,437,559	(647,826)	(647,826)
IFRS9 adjustment	-	159,000	-
Profit for the period	3,581,067	5,926,385	3,073,982
<b>Closing balance</b>	<b>9,018,626</b>	<b>5,437,559</b>	<b>2,426,156</b>
<b>Total</b>	<b>30,311,697</b>	<b>26,730,630</b>	<b>23,719,227</b>

## Condensed Group statement of cash flows

	Unaudited 6 months 31 Dec 2019 R	Audited 12 Months 30 June 2019 R	Unaudited 6 months 31 Dec 2018 R
<b>Cash flows from operations</b>	<b>(3,299,554)</b>	<b>16,769,544</b>	<b>2,436,657</b>
Interest received	-	14,013	-
Interest paid	(2,484,241)	(5,568,438)	(1,568,012)
<b>Cash generated from / (utilised in) operating activities</b>	<b>(5,783,796)</b>	<b>11,215,119</b>	<b>868,644</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	(93,592)	(1,227,713)	(1,360,730)
Advances to shareholders		(10,684,209)	-
Advances to shareholder repaid	8,511,581	3,490,047	1,119,186
<b>Cash generated from/(utilised in) investing activities</b>	<b>8,417,989</b>	<b>(8,421,875)</b>	<b>(241,545)</b>
<b>Cash flows from financing activities</b>			
Long term loan received	-	5,000,000	5,000,000
Repayment of other financial liabilities	(1,146,770)	(2,597,180)	(411,390)
Payment of lease liabilities	(1,129,158)	(2,463,715)	(1,007,599)
<b>Cash generated from/(utilised in) financing activities</b>	<b>(2,275,928)</b>	<b>(60,895)</b>	<b>3,581,011</b>
<b>Net increase in cash and cash equivalents</b>	<b>358,265</b>	<b>2,732,349</b>	<b>4,208,111</b>
Cash and cash equivalents at beginning of period	(4,806,926)	(7,539,275)	(7,539,275)
<b>Cash and cash equivalents at period end</b>	<b>(4,448,661)</b>	<b>(4,806,926)</b>	<b>(3,331,164)</b>
<b>Cash flows from operations</b>			
Profit before taxation for the year	4,973,704	8,303,378	4,269,392
Finance income	(695,392)	(1,801,742)	(347,989)
Finance costs	2,484,241	5,816,389	1,686,158
Depreciation	2,023,723	3,827,118	1,156,600
Movement in provisions	192,956	303,712	941,291
Loss/(profit) on disposal of assets	(2,302)	123,922	110,852
Government grants	(202,818)	(405,636)	(202,818)
(Increase)/decrease in inventories	(19,046,809)	1,943,848	(2,126,278)
(Increase /decrease in trade receivables	1,073,187	(5,309,469)	(6,368,766)
Increase in trade payables	5,899,956	3,968,024	3,318,216
	<b>(3,299,554)</b>	<b>16,769,544</b>	<b>2,436,657</b>

## **COMMENTARY**

The Board of Directors ("the Board") of AH-Vest, presents the results for the half year ended 31 December 2019. Net revenue has increased to R93.1 million for the half year ended 31 December 2019 (HY2020), compared to R92.2 million for the half year ended 31 December 2018 (HY2019), a marginal increase of 1%. Sales for this period were flat as the business experienced some challenges with electricity supply and other operational/supply chain disruptions. Undertakings by Eskom to provide adequate electricity to the business did not materialise. The business has now started the process of installing the electricity and running cables for at least 8km distance at its own cost to salvage the situation.

Gross profit margins remained stable with a slight decrease to 39% from 40% in the prior period (HY2019). This can be attributed to marginal increase in costs.

Operating expenses have decreased by 6% from R31.6 million to R29.8 million from the prior period. The improvement in operating expenses is largely attributed to improved operational efficiency.

Finance costs increased by 48% from R1.76 million to R2.5 million from the prior period. This increase is attributed to an increase in lease liability interest after the adoption of IFRS 16 accounting standard dealing with operating leases.

Profit before taxation increased by 16.5% from R4.3 million to R5 million from the prior period. This was due to the improvement in sales of higher margin products as well as cost containment.

Profit after taxation increased by 16.5% from R3.1 million to R3.6 million from the prior period.

Inventory increased by 101% from R14.7 million (FY2019) to R29.7 million. This was mainly due to increased procurement of raw materials. Tomato paste, a key raw material in the business is a seasonal raw material and the business procures it to last until the next tomato season starts around June of the following year. A significant amount was purchased in this period to secure the supply.

Loan to shareholder decreased by 48.8% from R15.2 million (FY2019) to R7.8 million. This was mainly due to settlement of this loan by way of supply of tomato paste by the parent company.

The lease obligations have decreased by 5% from R28.8 million (FY2019) to R27.3 million. This was mainly due to repayments in the year under review.

Provisions have increased by 18% from R1 million (FY2019) to R1.2 million. 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 HY2020 it will reflect the full calendar year provision compared to FY2019 which only reflected six months' provision.

Other financial liabilities relate to a term loan which has decreased by 6.5% from R17.7 million (FY2019) to R16.6 million due to repayments effected.

## **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.

Tin Can Man (Pty) Limited is also a related party as it is a 100% subsidiary of Eastern Trading (Pty) Limited. Transactions between AH-Vest and these related parties are disclosed in the table below;

<b>Related Party Transactions and Balances</b>	<b>Unaudited 6 months 31 Dec 2019 R</b>	<b>Audited 12 Months 30 June 2019 R</b>	<b>Unaudited 6 months 31 Dec 2018 R</b>
<b>Transactions with Eastern Trading (Pty) Ltd</b>			
Purchase of goods	21,621,125*	13,765,953	5,569,032
Revenue from sale of goods	(9,142,018)	(11,232,136)	(8,524,385)
Rent paid	1,500,000	3,000,000	1,500,000
Administration and management fees paid	2 065 766	3,960,066	2,065,766
Transport	6 949 430	14,975,139	6,502,661
Interest received	(695,392)	(1,787,729)	(347,989)
Energy and operating costs	2,458,185	6,114,493	3,977,388
*Purchase of goods from Eastern Trading in the period under review was much higher than for the 12 months ended 30 June 2019 due to more tomato paste being purchased to secure supply until the upcoming season. In the prior year the business also imported paste from an unrelated foreign supplier.			
<b>Balances with Eastern Trading (Pty) Ltd</b>			
Loan	7,827,619	15,291,574	4,767,471
Trade receivables	-	2,916,233	-
<b>Transactions with Tin Can Man (Pty) Ltd</b>			
Purchase of goods	3,907,773	12,936,431	5,209,333
<b>Key management remuneration</b>			
Executive directors' remuneration	2,563,622	4,918,489	2,454,635
Non-executive directors' remuneration	263,655	281,750	88,400

#### **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), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the JSE Listings Requirements.

The results have been prepared by the Financial Director, 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 condensed unaudited financial results.

#### **ACCOUNTING POLICIES**

The interim 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 2019. 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 2019.

## 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 7% is set out below:

	31 December 2019	30 June 2019	31 December 2018
Customer A	44%	42%	50%
Customer B	15%	15%	18%
Customer C	7%	7%	7%
<b>Total</b>	<b>66%</b>	<b>64%</b>	<b>75%</b>

The Company's overall dependence on its top three customers decreased by 9 percentage points from the prior comparative financial period. 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.

## HEADLINE EARNINGS

	31 December 2019 R	30 June 2019 R	31 December 2018 R
<b>Headline earnings reconciliation:</b>			
Profit attributed to equity holder of the company	3,581,067	5,926,385	3,073,982
Adjustments:			
Loss/(Profit) on disposal of property plant and equipment	-	123,922	110,852
Loss/(Profit) on disposal of right of use asset	(2,302)	-	-
Taxation thereon	644	(34,698)	(31,039)
<b>Headline earnings</b>	<b>3,579,409</b>	<b>6,015,609</b>	<b>3,153,795</b>
Headline earnings per share	3.51	5.90	3.09
Diluted headline earnings per share	3.51	5.90	3.09
Weighted average shares in issue	101,973,333	101,973,333	101,973,333
Diluted weighted average shares in issue	101,973,333	101,973,333	101,973,333

## ACQUISITIONS AND DISPOSALS OF PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment decreased by a net amount of R0.9 million (-2.4%). Capital expenditure was negligible during the period. There were no disposals during the period under review. Depreciation for the period was R1.1 million

## CONTINGENCIES

In the 30 June 2019 SENS we published the following note : "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. The Department made an application to the Labor 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".

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 is of the view that this matter will not be continuing and considers the matter closed.

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

### **ISSUE AND REPURCHASE OF SHARES**

There were no new share issues or 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.

Whilst we are aware that the COVID-19 situation is evolving, we have a robust business model and are confident that the business will be able to withstand this disruption having, in anticipation, already taken proactive measures to minimise costs and maximise production into the period of the lockdown as our customers remain open for business in this difficult period. We are in touch with our suppliers to make sure that we keep costs under control to avoid any disruptive price increases along the supply chain.

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. Management continues to assess the impact of COVID-19 on the business and adapting its activities accordingly while adhering to the latest guidelines issued by the government.

### **SUBSEQUENT EVENTS**

On the 15th of March 2020, the President of the Republic of South Africa declared the COVID-19 outbreak a national disaster. Further to this, the President then announced a mandatory lock down for 21 days except for essential services from midnight on the 26 March 2020 to the 16<sup>th</sup> April 2020. Food manufacturing has been classified as an essential service exempted from the lockdown, and the business is continuing with its manufacturing activities.

The business has activated its disaster management procedures and has implemented enhanced food, employee and visitor safety protocols in order to operate under the threat of the COVID-19 conditions. Management has endeavoured to ensure that the supply chain into the business remains operational to sustain production throughout the lockdown period and is in constant communication with suppliers to ensure uninterrupted supply.

As a key player in the food chain of South Africa's food and FMCG market, the business is focused on ensuring continued availability of our products with minimal disruption to our operations. Management applauds the pro-active and swift decision taken by the South African government to enforce a 21-day nationwide lockdown and the relevant legislation and regulations that have been promulgated to support the enforcement.

### **FAIR VALUES**

The Company does not currently carry any assets or liabilities at fair value which required any disclosure on its fair value measurement. The directors are of the opinion that the carrying amount of the financial assets and financial liabilities approximate their fair values due to the short-term nature thereof. Remaining long term borrowings bear interest at market related interest rates which results in the carrying amount approximating its fair value.

## **DIVIDENDS**

No dividends were declared during the period. (HY2019: Nil)

## **FUTURE PROSPECTS**

Ongoing load shedding, increasing labour costs, the weak Rand and the uncertainty created because of COVID-19 in the country continues to weigh down on business sentiment.

The Company continues to focus on growing its exports in strategically targeted countries, promoting its authentically South African brands. The Company is optimistic about continued growth prospects for the future but is cautious of the new challenges presented by the global COVID-19 pandemic.

## **CHANGES TO THE BOARD**

Following Mr. Ismail Darsot's decision to retire as Chief Executive Officer with effect from 24 January 2020, Mr Muhammed Naasif Darsot, an executive director of the Company since 2012 and the Sales and Marketing Director of the Darsot Group was appointed as CEO with effect from 24 January 2020.

Mr Ismail Darsot continues to hold the position of Executive Chairman.

### **IE Darsot**

*Executive Chairman*

**Johannesburg**

### **MN Darsot**

*Chief Executive Officer*

## **30 March 2020**

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**Executive Directors:** IE Darsot (Chairman); MNI Darsot (CEO); 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

### **Auditors**

Nexia SAB&T

### **Transfer secretaries**

Computershare Investor Services Proprietary Limited

### **Company Secretary**

Light Consulting (Pty) Ltd t/a Arbor Capital Company  
Secretarial