



**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 2020**

**Condensed group statement of financial position**

	Unaudited 6 Months 31 Dec 2020 R	Audited 12 Months 30 Jun 2020 R	Unaudited 6 Months 31 Dec 2019 R
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>72,747,588</b>	<b>72,825,267</b>	<b>69,091,902</b>
Property, plant and equipment	42,857,373	43,958,084	36,864,250
Right of use assets	29,809,621	27,729,179	30,159,949
Intangible assets	80,594	80,594	80,594
Deferred tax	-	1,057,410	1,987,109
<b>Current assets</b>	<b>71,160,264</b>	<b>52,246,247</b>	<b>61,133,924</b>
Inventories	17,284,144	11,277,423	29,747,223
Loan to shareholders	13,167,756	8,258,620	7,827,619
Trade and other receivables	39,935,770	31,051,007	22,991,931
Cash and cash equivalents	772,594	1,659,197	567,151
<b>Total Assets</b>	<b>143,907,852</b>	<b>125,071,514</b>	<b>130,225,826</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	<b>39,555,985</b>	<b>34,853,432</b>	<b>30,311,697</b>
Share capital	21,293,071	21,293,071	21,293,071
Retained income	18,262,914	13,560,361	9,018,626
<b>Non-current liabilities</b>	<b>41,251,146</b>	<b>43,674,776</b>	<b>44,802,066</b>
Other financial liabilities	12,452,286	13,770,977	14,357,146
Lease liabilities	23,968,516	24,872,210	25,213,659
Deferred income	4,830,344	5,031,589	5,231,261
<b>Current liabilities</b>	<b>63,100,721</b>	<b>46,543,306</b>	<b>55,112,063</b>
Trade and other payables	47,646,114	41,055,358	44,117,073
Other financial liabilities	2,605,784	1,920,188	2,219,187
Lease liabilities	4,745,843	1,632,018	2,105,708
Deferred income	402,491	402,491	405,637
Provisions	1,338,901	919,739	1,248,646
Bank overdraft	5,274,404	613,512	5,015,812
Deferred tax	1,087,184	-	-
<b>Total Equity and Liabilities</b>	<b>143,907,852</b>	<b>125,071,514</b>	<b>130,225,826</b>
Net asset value per share (cents)	38.79	34.18	29.73
Tangible net asset value per share (cents)	38.71	34.10	29.65
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 2020 R	Audited 12 Months 30 June 2020 R	Unaudited 6 Months 31 Dec 2019 R
<b>Revenue</b>	<b>93,018,439</b>	<b>196,492,262</b>	<b>93,124,573</b>
Cost of sales	(53,489,204)	(122,359,965)	(56,875,727)
<b>Gross profit</b>	<b>39,529,235</b>	<b>74,132,297</b>	<b>36,248,846</b>
Other operating income	1,629,924	786,148	267,227
Operating expenses	(31,820,071)	(60,056,656)	(29,753,520)
<b>Operating profit</b>	<b>9,339,087</b>	<b>14,861,789</b>	<b>6,762,553</b>
Investment revenue	452,083	588,277	695,392
Finance costs	(2,131,908)	(5,004,928)	(2,484,241)
<b>Profit before taxation</b>	<b>7,659,263</b>	<b>10,445,138</b>	<b>4,973,704</b>
Taxation	(2,144,594)	(2,322,336)	(1,392,637)
<b>Profit for the period</b>	<b>5,514,669</b>	<b>8,122,802</b>	<b>3,581,067</b>
<b>Attributed to:</b>			
Equity holders of the company	<b>5,514,669</b>	<b>8,122,802</b>	<b>3,581,067</b>
<b>Per share information (cents)</b>			
Earnings per share	5.41	7.97	3.51
Diluted earnings per share	5.41	7.97	3.51

**Condensed group statement of changes in equity**

	Unaudited 6 Months 31 Dec 2020 R	Audited 12 Months 30 Jun 2020 R	Unaudited 6 Months 31 Dec 2019 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	13,560,361	5,437,559	5,437,559
Dividend declared	(812,116)	-	-
Profit for the period	5,514,669	8,122,802	3,581,067
<b>Closing balance</b>	<b>18,262,914</b>	<b>13,560,361</b>	<b>9,018,626</b>
<b>Total</b>	<b>39,555,985</b>	<b>34,853,433</b>	<b>30,311,697</b>

**Condensed Group statement of cash flows**

	<b>Unaudited 6 months 31 Dec 2020 R</b>	<b>Audited 12 Months 30 June 2020 R</b>	<b>Unaudited 6 months 31 Dec 2019 R</b>
<b>Cash flows from operations (see note below)</b>	<b>3,518,125</b>	<b>13,653,061</b>	<b>(3,299,554)</b>
Interest paid	(1,931,697)	(5,004,928)	(2,484,241)
Dividend paid	(35,063)	-	
<b>Cash generated from/(utilised in) operating activities</b>	<b>1,551,365</b>	<b>8,648,133</b>	<b>(5,783,796)</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	(271,718)	(732,752)	(93,592)
Advances to shareholders	(13,569,173)	(14,804,873)	
Advances to shareholder repaid	8,335,068	16,718,338	8,511,581
<b>Cash (utilised in)/generated from investing activities</b>	<b>(5,505,823)</b>	<b>1,180,713</b>	<b>8,417,989</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities	(822,281)	(2,031,939)	(1,146,770)
Payment of lease liabilities	(770,756)	(1,944,296)	(1,129,158)
<b>Cash utilised in financing activities</b>	<b>(1,593,037)</b>	<b>(3,976,235)</b>	<b>(2,275,928)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,547,495)</b>	<b>5,852,611</b>	<b>358,265</b>
Cash and cash equivalents at beginning of period	1,045,685	(4,806,926)	(4,806,926)
<b>Cash and cash equivalents at period end</b>	<b>(4,501,810)</b>	<b>1,045,685</b>	<b>(4,448,661)</b>
<b>Cash flows from operations</b>			
Profit before taxation for the year	7,659,263	10,445,138	4,973,704
Finance income	(452,083)	(588,277)	(695,392)
Finance costs	2,131,908	5,004,928	2,484,241
Depreciation	2,261,849	4,059,818	2,023,723
Movement in provisions	419,162	(135,951)	192,956
Profit on disposal of assets	-	(2,302)	(2,302)
Government grants	(201,245)	(405,636)	(202,818)
Increase in inventories	(6,006,721)	(577,009)	(19,046,809)
(Increase /decrease in trade receivables	(8,884,765)	(6,985,889)	1,073,187
Increase in trade payables	6,590,757	2,838,241	5,899,956
	<b>3,518,125</b>	<b>13,653,061</b>	<b>(3,299,554)</b>

**COMMENTARY**

The Board of Directors ("the Board") of AH-Vest is pleased to present the results for the half year ended 31 December 2020. Whilst net revenue of R93.0 million for the half year ended 31 December 2020 (HY2021) has remained in line with the R93.1 million for the half year ended 31 December 2019 (HY2020), this was achieved under tough market conditions. This was mainly due to a softening in demand as the effects of the prolonged lockdown took effect on consumers. Major customers curtailed their buying further to conserve cash in their businesses as they managed the uncertainty.

Gross profit margins increased to 42.5% from 38.9% in the prior period (HY2020). This can be attributed to a decrease in production overheads. The factory efficiencies continued to improve during the period under review.

Operating expenses have increased by 6.7% from R29.8 million to R31.8 million from the prior period. The increase in operating expenses is largely attributed to R1.3 million increase in training costs. The business undertook a major training exercise to improve the skills of employees across all departments. Warehouse and distribution costs increased by R1 million mainly due to increase in tariffs underpinned by increased fuel costs.

Finance costs decreased by 16.0% from R2.5 million to R2.1 million from the prior period. This was a combination of reduced interest rates and lower borrowings.

Profit before taxation increased by 54.0% from R5 million to R7.7 million from the prior period. This was due to operating efficiencies resulting in operating cost containment.

Profit after taxation increased by 52.8% from R3.6 million to R5.5 million from the prior period.

Inventory increased by 53.1% from R11.3 million (FY2020) to R17.3 million. Raw materials procured increased to build up for the festive season. Finished goods also increased as a result of the building up of stock levels to assist with better service levels.

The loan to shareholder increased by 59.0% from R8.3 million (FY2020) to R13.2 million. This was mainly due to preparations in securing supply from tomato farmers for the upcoming tomato paste season through the holding company, which produces tomato paste. Shareholders are reminded that this relates to a strategic initiative taken 5 years ago by the holding company to secure this key resource for the group and reduce reliance on imports, which served the Company very well during the 2020 lockdown, also reducing the Company's exposure to fluctuation in exchange rates. The Company now only imports tomato paste in the off season, if required.

The trade and other receivables have increased by 29.0 % from R31 million (FY2020) to R40 million. This was due to increased sales from the festive season compared to end of FY2020.

The lease obligations have increased by 8.3% from R26.5 million (FY2020) to R28.7 million. This was mainly due to the escalation in the property rental on the factory facility in the period under review. The rental agreement is accounted for under IFRS16.

The trade and other payables have increased by 14.6% from R41 million (FY2020) to R47 million. This was due to increased purchases for the festive season production.

Provisions have increased by 44.4% from R0.9 million (FY2020) to R1.3 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 HY2021 it will reflect the full calendar year provision compared to FY2020 which only reflected six months' provision.

Other financial liabilities relate to a medium-term loan which has decreased by 3.8% from R15.7 million (FY2020) to R15.1 million due to repayments effected.

### **Impact of COVID-19**

COVID-19 fortunately did not have a major impact on the business during the period under review except that the customers tightened on their buying patterns resulting in flat growth for this period. The business was fortunate to be in this position as most businesses lost a lot of business due to the pandemic.

We continued to focus on the health and wellness of our staff and the safety of our customers. We continued ensuring continuity of our operations, safeguarding liquidity, and strengthening the balance sheet. Generating and preserving cash in our working capital management was paramount. Non-essential capital expenditure and costs have been deferred.

The group has considered the JSE COVID-19 related guidance notes, as well as the related educational documents prepared by SAICA regarding the impact of COVID-19 on the application of IFRS, in the preparation of these financial statements. Inventory and debtor provisions have been reviewed, without any material movements in income statement adjustments compared to the prior period.

#### 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 and is the entity through which the Company purchases its tomato paste.

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 2020 R</b>	<b>Audited 12 Months 30 June 2020 R</b>	<b>Unaudited 6 months 31 Dec 2019 R</b>
<b>Transactions with Eastern Trading (Pty) Ltd</b>			
Purchase of goods*	4,553,240	23,842,165	21,621,125
Revenue from sale of goods**	(4,400,476)	(30,527,576)	(9,142,018)
Rent paid	1,590,000	3,000,000	1,500,000
Administration and management fees paid	1,797,297	3,830,218	2 065 766
Transport	6,701,689	13,853,804	6 949 430
Interest received	(452,083)	(588,277)	(695,392)
Energy and operating costs	3,112,636	4,457,831	2,458,185
Purchase of Plant and Equipment	-	6,000,000	-
*There was a significant decrease in purchases of goods over the comparative period, as the company imported paste out of season.			
**There was a reduction in the sales of goods in this period due to reduced demand from the prior year.			
<b>Balances with Eastern Trading (Pty) Ltd</b>			
Loan	13,167,756	8,258,620	7,827,619
Trade receivables	8,053,143	13,320,345	-
<b>Transactions with Tin Can Man (Pty) Ltd</b>			
Purchase of goods***	43,373	4,667,891	3,907,773
***There was a significant reduction as the plastic factory was closed due to lack of power at the new premises.			
<b>Key management remuneration</b>			
Executive directors' remuneration	2 576 246	5,128,044	2,563,622
Non-executive directors' remuneration	169,753	567,549	263,655

#### STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The results have been prepared by the 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 2020. 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 2020.

The group has adopted the following amendments to accounting standards, including any consequential amendments to other standards, in the preparation of these interim results, all of which became effective to the group from 1 July 2020:

- Amendments to IAS 1 and IAS 8 – Definition of Material

#### **Amendments to IAS 1 and IAS 8 – Definition of Material**

Amendments were issued by the IASB to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The amendments clarify that materiality will depend on the nature or magnitude of information, or both.

The application of the amendments to IAS 1 and IAS 8 has not impacted the presentation and disclosure of the group's results.

#### **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 and management has concluded that they are not applicable to the business of the group and will therefore have no impact on future financial statements.

### **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 6% is set out below:

	<b>31 December 2020</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Customer A	48%	41%	44%
Customer B	14%	13%	15%
Customer C	7%	6%	7%
<b>Total</b>	<b>69%</b>	<b>60%</b>	<b>66%</b>

The Company's overall dependence on its top three customers increased by 3 percentage points from the prior comparative financial period. This was mainly due to the growth in customer A. Customer B decreased by 1 percentage point and customer C was flat.

## HEADLINE EARNINGS

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

	31 December 2020 R	30 June 2020 R	31 December 2019 R
<b>Headline earnings reconciliation:</b>			
Profit attributed to equity holder of the company	5,514,669	8,122,802	3,581,067
<b>Adjustments:</b>			
Profit on disposal of right of use asset	-	(2,302)	(2,302)
Taxation thereon	-	644	644
<b>Headline earnings</b>	<b>5,514,669</b>	<b>8,121,144</b>	<b>3,579,409</b>
Headline earnings per share	5.41	7.96	3.51
Diluted headline earnings per share	5.41	7.96	3.51
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 2.5% from R44 million (FY2020) to R42.9 million. This was mainly due to depreciation for the period. Capital expenditure was R0.3 million during the six-month period. There were no disposals during the period under review. Depreciation for the period under review was R1.4 million.

## RIGHT OF USE ASSETS

Right of use asset increased by 7.6% from R27.7 million (FY2020) to R29.8 million. This was due to the escalation in the property rental on a lease being accounted for under IFRS16. Depreciation for the period under review was R0.9 million.

## CONTINGENCIES

In the 30 June 2020 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 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".

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 has instructed its attorneys to approach the Department's legal team to withdraw this case in an attempt to resolve this matter, failing which we will approach the courts to ask for a trial date. At the time of releasing this announcement the Department had not responded to our attorneys.

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.

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.

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

## **SUBSEQUENT EVENTS**

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

## **CHANGES TO THE BOARD**

Mr Marci Pather was removed from the board on the 27<sup>th</sup> January 2021 at an Extraordinary General Meeting convened at the request of the major shareholder Eastern Trading Proprietary Limited.

## **FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

There have been no material changes in the Group's financial risk management objectives and policies compared to those disclosed in the consolidated annual financial statements as at and for the year ended 30 June 2020.

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

## **DIVIDENDS**

The company declared a maiden gross cash dividend of 0.79640 cents per share during the period under review attributable to the year ended 30 June 2020, which was paid to shareholders on 23 November 2020. (HY2020: Nil). No interim dividend has been declared.

## **FUTURE PROSPECTS AND STRATEGY**

During 2015, one of the suppliers of the Company, Petcan, was acquired by the holding company ("the Group") in order to improve the supply of plastic bottles and cans to the Company at competitive prices. Towards the end of 2019, the Petcan factory was relocated to the same site as the Company, but Eskom's promised supply of additional electricity to the site was not forthcoming, resulting in Petcan being forced to temporarily cease production and the Company having to source supply elsewhere, at a higher cost.

The Group has recently concluded an agreement with Eskom to install additional power on a self-build basis. This will cost the group in the magnitude of R15m. It is anticipated that this project will be completed within the next 12 months. This should resolve the power problems that have plagued the business for some time and enable the supply of plastic packaging to the Company without interruption in due course.

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.

The steps taken over the past 5 years to relocate the factory, expand product lines and capacity, strengthen the balance sheet, grow revenue and market share, develop new products and achieve sustained operating efficiencies have demonstrated sustained improvement of the bottom line results over the past three years.

From a strategic standpoint, the business is in the process of a capital raising exercise in order to raise R30m, which is intended to be applied to specifically increase organic growth. This will be achieved by initially increasing inventory levels, in particular, so that the Company is able to meet all the orders that it receives whilst growing its export sales, which achieve much better margins than local sales. The Company will also be focusing on the promotion of its new ranges of products, which have initially been well received in the market.

It is the short- to medium- term intention to pursue an acquisition strategy of other food and vertically aligned businesses from both the holding company and other outside opportunities.

Potential related party acquisitions from the holding company will include the tomato paste plant in Limpopo, the Petcan packaging business and the Darsot food business, which focusses primarily on the canned food market. These related party acquisitions will only be pursued once these businesses have been grown to a level where their earnings will be enhancing to the Company, noting that the related party will be precluded from voting on any of these acquisitions.

The long-term intention of the Company is to grow the revenue, on a sensible, profitable, organic and acquisitive basis to in excess of R1 billion.

**IE Darsot**  
Executive Chairman  
Johannesburg

**MNI Darsot**  
Chief Executive Officer

**15 March 2021**

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

**Registered address:** 15 Misgund Road, Eikenhof, Johannesburg

**Designated Advisor**  
AcaciaCap Advisors Proprietary Limited  
**Auditors**  
Nexia SAB&T

**Transfer secretaries**  
Computershare Investor Services Proprietary Limited  
**Company Secretary**  
Light Consulting Proprietary Limited