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")

AUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020 AND DECLARATION OF MAIDEN DIVIDEND

Condensed group statement of financial position

	Audited Year Ended 30 June 2020 R	Audited Year Ended 30 June 2019 R
Assets		
Non-current Assets	**72 825 267**	**73 112 368**
Property, plant and equipment	43 958 084	37 781 113
Right of use of assets	27 729 179	31 870 915
Intangible assets	80 594	80 594
Deferred tax	1 057 410	3 379 746
Current Assets	**52 246 247**	**50 980 070**
Inventories	11 277 423	10 700 414
Loan to shareholder	8 258 620	15 291 574
Trade and other receivables	31 051 007	24 065 118
Cash and cash equivalents	1 659 197	922 964
Total Assets	**125 071 514**	**124 092 438**
Equity and Liabilities		
Equity	**34 853 432**	**26 730 630**
Share capital	21 293 071	21 293 071
Retained income	13 560 361	5 437 559
Non-current Liabilities	**43 674 776**	**47 524 674**
Other financial liabilities	13 770 977	15 621 903
Lease liabilities	24 872 210	26 468 692
Deferred income	5 031 589	5 434 079
Current Liabilities	**46 543 306**	**49 837 134**
Trade and other payables	41 055 358	38 217 117
Other financial liabilities	1 920 188	2 101 201
Lease liabilities	1 632 018	2 327 599
Deferred income	402 491	405 637
Provisions	919 739	1 055 690
Bank overdraft	613 512	5 729 890
Total Equity and Liabilities	**125 071 514**	**124 092 438**
Net asset value per share (cents)	34.18	26.21
Net tangible asset value per share (cents)	34.10	26.13
Shares in issue at period end	101 973 333	101 973 333

Condensed group statement of comprehensive income

	Audited Year Ended 30 June 2020 R	Audited Year Ended 30 June 2019 R
Revenue	**196 492 262**	**177 106 210**
Cost of sales	(122 359 965)	(105 297 561)
Gross profit	**74 132 297**	**71 808 649**
Other income	786 148	911 736
Operating expenses	(60 056 656)	(60 402 360)
Operating profit	**14 861 789**	**12 318 025**
Investment income	588 277	1 801 742
Finance costs	(5 004 928)	(5 816 389)
Profit before taxation	**10 445 138**	**8 303 378**
Taxation	(2 322 336)	(2 376 993)
Total comprehensive income for the year	**8 122 802**	**5 926 385**
Attributed to:		
Equity holders of the Company	**8 122 802**	**5 926 385**
Per share information (cents)		
Earnings per share	7.97	5.81
Headline earnings per share	7.96	5.90
Diluted earnings per share	7.97	5.81
Diluted headline earnings per share	7.96	5.90
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

	Audited Year Ended 30 June 2020 R	Audited Year Ended 30 June 2019 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 income/(Accumulated loss)		
Opening balance	5 437 559	(647 826)
IFRS9 adjustment	-	159 000
Total comprehensive income for the year	8 122 802	5 926 385
Closing balance at year end	**13 560 361**	**5 437 559**
Total balance at 30 June	**34 853 432**	**26 730 630**

Consolidated group statement of cash flows

	Audited Year Ended 30 June 2020 R	Audited Year Ended 30 June 2019 R
Cash generated from operations	**13 653 061**	**16 769 544**
Interest income	-	14 013
Finance costs	(5 004 928)	(5 568 438)
Cash generated from operating activities	**8 648 133**	**11 215 119**
Cash flows from investing activities		
Purchase of property plant and equipment	(732 752)	(1 227 713)
Loans advanced to shareholder	(14 804 873)	(10 684 209)
Loans to shareholder repaid	16 718 338	3 490 047
Cash generated from/(utilised in) investing activities	**1 180 713**	**(8 421 875)**
Cash flows from financing activities		
Proceeds from other financial liabilities	-	5 000 000
Repayment of other financial liabilities	(2 031 939)	(2 597 180)
Payment of lease liabilities	(1 944 296)	(2 463 715)
Cash utilised in financing activities	**(3 976 235)**	**(60 895)**
Net increase in cash and cash equivalents	**5 852 611**	**2 732 349**
Cash and cash equivalents at beginning of year	(4 806 926)	(7 539 275)
Cash and cash equivalents at end of year	**(1 045 685)**	**(4 806 926)**
Cash generated from operations		
Profit before taxation for the year	10 445 138	8 303 378
Interest income	(588 277)	(1 801 742)
Finance costs	5 004 928	5 816 389
Depreciation	4 059 818	3 827 118
Movement in provisions	(135 951)	303 712
(Profit)/Loss on disposal of assets	(2 302)	123 922
Government grants	(405 636)	(405 636)
(Increase)/Decrease in inventories	(577 009)	1 943 848
Increase in trade and other receivables	(6 985 893)	(5 309 469)
Increase in trade and other payables	2 838 241	3 968 024
	13 653 061	**16 769 544**

COMMENTARY

The Board of Directors ("the Board") of AH-Vest is pleased to present the audited results for the year ended 30 June 2020.

Impact of COVID-19

The AH Vest manufacturing facility and depots across the country were classified as essential services and continued to operate during the lockdown period.

The onset of COVID-19 caused significant disruption to our business, resulting in supply chain disruptions from supplier closures, difficulties in importing some key raw materials encountered by our suppliers, as the world supply chain came to a standstill. However, these problems were quickly resolved as suppliers got back into operation. Post the complete national lockdown in April, monthly trading results have significantly improved.

Our primary focus during COVID-19 has been the health and wellness of our staff, the safety of our customers, and the protection of jobs for our employees and those of our supplier's employees. We also undertook numerous initiatives that were targeted at ensuring continuity of operations, safeguarding liquidity, and strengthening the balance sheet. We focused on generating and preserving cash including tight working capital management, the delay of non-essential capital expenditure and costs. Unfortunately, we did not manage to meet customer demand in full as the demand was over-whelming and our working capital was severely constrained.

The Company 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. Specific disclosure has been provided in the notes to these financial statements, however, there has been no material impact. In addition, disclosure has been provided regarding estimates made in applying IFRS, as well as financial instrument risk disclosures, none of which have been materially impacted by COVID-19.

Financial Results

Revenue has increased from R177.1m from the year ended 30 June 2019, to R196.5.m for the year ended 30 June 2020, an increase of 11%. 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 87% to 89% a slight improvement. The target service level expected by our major customers is 95% and remains the target for management going forward.

Gross profit margins decreased from 40.5% to 37.7% in the current year. The business saw a raw material cost creep in the last quarter of the year. This was mainly due to the weakening of the Rand in that same period caused by the COVID-19 pandemic. The raw material costs stabilised after year end as the panic subsided. There was also a significant increase in the sales revenue contribution from the major retail 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 as demand remains strong for the Company's products. Synergies continue to be realised from the Company's controlling shareholder, the Eastern Trading Group, as processes continue to be rationalised as well as improvement in shared services.

The profit before taxation increased from R8.3m to R10.4m, an increase of R2.1m (25.3%). Profit after taxation increased from R5.9m to R8.1m, an increase of R2.2m (37.3%). This was mainly due to a 11% increase in turnover. Operating expenses decreased marginally by 0.6% due to stringent cost containment measures.

Investment revenue decreased from R1.8m to R0.6m a decrease of 67.3% mainly due to decrease in interest income. The interest income is from the shareholder loan which decreased significantly from the prior year.

Operating expenses as a percentage of turnover improved from 34.1% in prior year to 30.6% in the current year. This was mainly due to the 10.9% increase in turnover and improved efficiencies in the business with contained costs.

During the year, the Company purchased property plant and equipment for R6.8m compared to R1.2m in 2019. The Company continued with its expansion as the demand for the company's products continues to grow. The Company spent R6.3m on plant and equipment, R0.1m on lease hold improvements to increase the factory space and R0.2m on motor vehicles. Overall, the carrying amount of the property plant and equipment increased by 16.3%.

The right of use assets that was recognised from the adoption of IFRS 16 accounting for leases in 2019 decreased from R31.9m to R27.7m due to depreciation, disposals and reallocation to property plant and equipment. Depreciation for the period was R2.0m. A motor vehicle with a carrying value of R0.7m was disposed of and motor vehicles with a carrying value of R1.4m were transferred to property, plant and equipment as a result of the finance leases being settled in the current period.

Inventories increased slightly from R10.7m in 2019 to R11.2m an increase of 4.7% in the period under review. This was due to working capital constraints. Revenue increased sharply in the last quarter and the business could not keep up with the orders, hence the Company took the decision to raise additional capital to support the working capital requirements.

Trade and other receivables increased from R24m to R31m, an increase of 29.2% over the prior period. This was mainly due to a 29.2% increase in trade debtors caused by increased sales in the last quarter of the period under review, the lock down had a positive effect on the Company as customers stayed home and ate in, more than usual.

The loan to shareholder decreased from R15.3m to R8.3m a decrease of 45.8%. This loan facility was established to assist the parent company in financing the tomato out-grower scheme in the Limpopo Province and to secure the purchasing of tomatoes by the Company for the season.

The long- and short-term lease liabilities have decreased from R28.8m to R26.5m a decrease of 8% this was mainly due to repayments of the lease liabilities.

Deferred income decreased from R5.8m to R5.4m a decrease of 6.9% due to the amortisation of the dtic grant deferred over the useful life of the assets for which the grant was awarded.

Provisions have decreased by 10% from R1m (2019) to R0.9m in the period under review. The decrease was due to a decrease in the provision growth incentive requirements for certain customers.

Trade and other payables increased from R38.2m to R41m, an increase of 7.3% due to increased production due to increased sales.

Other financial liabilities (long and short term) being a term loan have decreased by 11.3% from R17.7m (2019) to R15.7m. This was due to repayments made during the period under review of R2m. No new loans were taken in this period.

The bank overdraft decreased by 89.5% from R5.7m (2019) to R0.6m. This was mainly due to an improved cash flow position buoyed by improved sales towards the end of the year.

During the year there was an impairment provision of R1m for trade and other receivables compared to 0.5m in 2019. This was to provide for customers that may run into financial difficulties during this challenging time for the economy in general.

SUPPLEMENTARY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The audited 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 audited condensed consolidated financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2019, 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.

Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

- Amendments to IAS 23 Borrowing Costs
- Annual Improvements to IFRS 2015 - 2017 cycle

The effective date of the amendments is for years beginning on or after 01 January 2019.
The group adopted these interpretations for the first time in the 2020 consolidated annual financial statements.
These interpretations had no impact on the 30 June 2020 consolidated annual financial statements.

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 and his executive committee are the chief operating decision makers. They evaluate 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: -

	2020	2019
Customer A	41%	42%
Customer B	13%	15%
Total	**54%**	**57%**

The Group's overall dependence on its top 2 customers decreased by 3 percentage points during the current financial year. This was mainly due to the continued growth in the independent trade. Management's strategy is to continue reducing the concentration risk on the major retailers.

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 2020	30 June 2019
Purchase of goods	23 842 165	13 765 953
Revenue from sale of goods	(30 527 576)	(11 232 136)
Rent paid	3 000 000	3 000 000
Admin and management fees paid	3 830 218	3 960 066
Transport	13 853 804	14 975 139
Interest received	(588 277)	(1 787 729)
Energy and operating costs	4 457 831	6 114 493
Purchase of property, plant and equipment	6 000 000	
Balances with Eastern Trading Company (Pty) Ltd		
Loan	8 258 620	15 291 574
Trade receivables	13 320 345	2 916 233
Transactions with Tin Can Man (Pty) Ltd		
Purchase of goods	4 667 891	12 936 431
Key management remuneration		
Executive directors' remuneration	5 128 043	4 918 489
Non-executive directors' remuneration	567 649	291 750

4. HEADLINE EARNINGS

Headline earnings reconciliation:		
Profit attributable to equity holders of the Company	8 122 802	5 926 385
Adjustments:		
Loss/(Profit) on disposal of property plant and equipment	(2 302)	123 922
Taxation thereon	644	(34 698)
Headline earnings	**8 121 144**	**6 015 609**

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 increased by a net amount of R6.1m. Capital expenditure was R6.8. An amount of R1.4m was transferred from right of use assets being assets that have been paid off. Depreciation for the period was R2m.

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 still has not yet submitted its heads of arguments as requested by the Labour Court almost two years later. The Company has submitted the Employment Equity Plan in dispute and submitted for two subsequent years and they have all been accepted and been gazetted. Management, in consultation with their legal counsel, are therefore of the view that the fine will not be payable and that the matter is now moot.

8. ISSUE AND REPURCHASE OF SHARES

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

9. DIVIDENDS AND DIVIDEND DECLARATION

No dividends were declared during the period (2019: Nil).

Notice is hereby given that a maiden gross cash dividend of 0.79640 cents per share has been declared and is payable to all shareholders recorded in the share register of the Company at the close of business on Friday, 20 November 2020.

The dividend will be subject to the Dividends Tax that was introduced with effect from 1 April 2012. In accordance with the provisions of the Listings Requirements of the Johannesburg Stock Exchange, the following additional information is disclosed:

- the dividend has been declared out of retained earnings;
- the local Dividends Tax rate is 20%;
- the gross local dividend is 0.79640 cents per share for shareholders exempt from Dividends Tax;
- the net local dividend is 0.63712 cents per share for shareholders liable for Dividends Tax;
- the Company has 101 973 333 ordinary shares in issue;
- the Company's income tax reference number is 9770200716

The following dates are applicable to the dividend: The last day to trade in order to be eligible for the dividend will be Tuesday, 17 November 2020. Shares will trade ex-dividend from Wednesday, 18 November 2020. The record date will be Friday, 20 November 2020 and payment will be made on Monday, 23 November 2020.

Share certificates may not be dematerialised / re-materialised between Wednesday, 18 November 2020 and Friday, 20 November 2020, both days inclusive.

10. SUBSEQUENT EVENTS

Other than the declaration of a maiden dividend as noted above, there were no material subsequent events from the year end to the period of publication of these reviewed results.

11. 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 2019.

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.

12. AUDITOR'S OPINION

These audited condensed consolidated financial results have been audited by Nexia SAB&T, who have issued an unmodified audit opinion thereon. A copy of the auditor's report 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 2019.

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 Company is on a road Show to raise R30m additional capital in order to increase working capital to satisfy the growing demand for its products and install some end of line equipment to speed up the throughput of production, improve the service levels to the customers and improve efficiency and buying power.

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 FY2021. During the year under review, the exports increased by 109% from the prior year and management is pleased with this result. The Company is optimistic about continued growth prospects for the future.

IE Darsot
Executive Chairman
Johannesburg
29 October 2020

MNI Darsot
Chief Executive Officer

Executive Directors: IE Darsot (Executive Chairman); MNI Darsot (CEO); BI Darsot; SI Darsot; R Darsot; MT Pather; C Sambaza
Non-Executive Directors: H Takolia*; MS Appelgryn*; JJ Du Plooy* UC 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