AVI

GROWING GREAT BRANDS

2010
ANNUAL REPORT






AVI Limited: ISIN: ZAE000049433 Share code: AVI
Registration number: 1944/017201/06
("AVI" or "the Group" or "the Company")

AVI

www.avi.co.za

GROWING GREAT BRANDS

ADMINISTRATION AND PRINCIPAL SUBSIDIARIES

ADMINISTRATION

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ISIN: ZAE000049433

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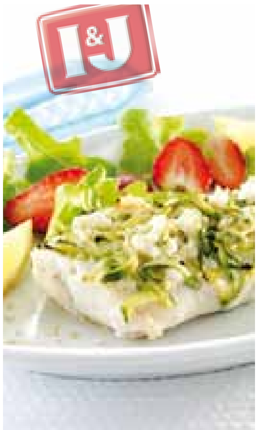
BASTION GRAPHICS



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CHAIRMAN AND CEO'S REVIEW

OVERVIEW

Consumer demand staged a modest recovery during the financial year albeit off a low base. The further reduction in interest rates provided partial relief to South Africa's generally highly indebted consumers and the stabilisation in residential housing prices helped rebuild personal balance sheets.

Consumer credit extension remained constrained with retail banks remaining cautious through the financial year. It seems logical that it will take a number of years before credit extension returns to the levels seen in recent years.

The rate of unemployment increased during the financial year and despite small gains in the overall rate of growth of the economy in the second semester jobs continued to be lost. In addition, a number of other external factors contributed to make 2010 a very challenging year for AVI which were:

- The impact of the global market crisis on demand generally and its impact on South African growth rates, which have fallen consistently since 2008.
- The weakening of the Euro and the impact of the economic crisis in Europe affecting demand for and margins of I&J's fish products.
- The ongoing malaise in Argentina with respect to the overvalued currency and disruptive labour markets.
- The impact of emerging market capital flows, which have supported the value of the Rand impacting export revenues albeit providing some relief to the inflationary pressures of the prior year.
- The sustained high prices of some key commodities and other inputs albeit partially offset by a stronger Rand during the second semester.

In the face of these challenges and the substantial impact of I&J's decline in profitability it was pleasing to deliver an improvement in headline earnings per share from continuing operations of 14%, rising from 174,7 cents per share in the prior year to 198,7 cents per share in the year under review.

Our closing paragraph, in the prior year's annual report, highlighted our view that market conditions would remain challenging and our focus for the coming year would be on ensuring continued profit growth through internal initiatives as well as prudent pricing to sustain volumes. On balance this strategy has been successfully delivered evidenced by the fact that we have been able to lift operating profit margins in this constrained market.

Many consumers, particularly the middle classes who are an important market for our brands, evidently remain financially distressed. Recognising this, the retailers emphasised discounting, increased promotional activity and a stronger focus on house-brands. As producers, we had to carefully manage pricing to hold volumes and shares. In some cases we elected to retain margin and accept, to a limited extent, declines in share while in other cases a rebalancing of prices within categories was implemented to drive volumes.

There are clear signs that our ongoing focus on recruiting strong leadership, cost control, manufacturing efficiency, quality and procurement has paid dividends. In addition, management has been deliberate in focusing on larger opportunities with respect to innovation, which has provided an important momentum to earnings in the financial year.

OPERATIONAL REVIEW

Group revenue from continuing operations rose by 2,3% from R7,46 billion to R7,63 billion for the year, although I&J's revenue declined materially by R215,8 million due to a combination of lower export selling prices, a stronger Rand and lower volumes following the reduction in the hake total allowable catch. The rest of our businesses achieved an overall

Angus Band
Chairman

increase in revenue of 6,6% through a combination of higher volumes or the annualised impact of price increases taken in the prior year.

Following a prolonged period of margin squeeze caused by a combination of commodity and other input cost increases and constrained demand in our food and beverage categories, the consolidated gross profit margin for the year improved to 41,4%, a level similar to that last achieved in the 2008 financial year. This was largely attributable to improvements in Indigo and Spitz, supported by higher coffee margins and a strong second half recovery in Snackworks' profitability resulting from lower commodity costs and improved factory efficiencies.

Selling and administration costs increased by 7,2%. This included the set-up costs of the AVI trade marketing operations, which were brought in-house during the year so as to improve on-shelf availability. Operating profit of R941,0 million was 3,6% higher than the R908,5 million achieved last year, despite a decrease of R163,6 million in I&J's operating profit and the operating profit margin was 12,3%, marginally higher than the 12,2% achieved in the prior year which, given the impact of I&J, is considered a very positive outcome.

Lower debt levels flowing from AVI's strong cash generation and lower interest rates resulted in a material decrease in net finance charges from R125,0 million in the prior year to R93,1 million.

Cash generated by operating activities increased 4,4% to R1,17 billion. Proceeds on disposals at R11,5 million were lower than the R103,4 million realised last year. Material cash outflows during the period under review were capital expenditure of R337,3 million, dividends of R272,4 million, taxation of R260,7 million and interest paid of R106,5 million. Net debt at the end of June 2010 was R310,1 million, which was R236,6 million lower than the corresponding figure at the end of June 2009.

There were no material capital items in the year to June 2010. In the prior year capital items of R17,1 million before tax largely comprised a R26,4 million profit on the sale of an I&J property and a R23,8 million profit on the disposal of a non-core subsidiary that packed private label teas and coffees partially offset by impairments of intangible assets in the retail juice and Nina Roche footwear businesses.

AVI's share of earnings from joint ventures increased from R15,3 million to R40,0 million, reflecting a substantially improved performance from I&J's Australian joint venture with Simplot. Simplot benefited from a better factory performance and also performed well in the Australian retail sector during the year.

The Board remains committed to selling I&J's Argentinian subsidiary, Alpesca. An impairment provision of R76,5 million has been raised to recognise the possibility that the ongoing sale process may result in a consideration below the carrying value of the operating assets.

Alpesca's operating results during the year have been compromised by lower hake export prices, the weak

Euro and material labour disruptions. Consequently this business made an operating loss of R50,6 million compared to an operating profit of R4,6 million last year.

A total dividend of 100 cents per share has been declared in line with AVI's dividend policy of a two times cover on diluted headline earnings per share from continuing operations, which represents an increase of 14%.

In addition, in view of AVI's relatively low level of gearing and strong cash generation capability, the Board has proposed a special payment to shareholders out of share premium of 75 cents per share, which is subject to shareholder approval at the annual general meeting in October 2010.

SUSTAINABILITY

There is a growing awareness that sustainability is a broader canvas and both consumers and shareholders are increasingly concerned about the ongoing impact of business on the future of humankind and our planet. These anxieties are well founded and it is incumbent on AVI to widen the scope of our focus in this regard. The questions of energy efficiency, the origin of our raw materials and other pertinent issues, which are relevant to sustainability, will be given greater focus in the coming year.

With respect to the medium and long-term continuity of AVI, the Company has a well-established governance framework that allows us to identify and actively manage those issues that may materially affect our sustainability. A key pillar of AVI's commitment to sustainability is the Group's Code of Conduct and Ethics policy. This policy, which was updated in the financial year, is actively communicated to all employees and is published on our website for wider stakeholder access.

The Board has noted the new Companies Act, whose passage into law has yet to be finalised, as well as the publication of the King 3 Code. The appropriate internal review work has been completed. Over the coming year Board and committee charters will be updated and amendments made to the Group's governance processes to ensure that AVI complies or in some cases, where relevant, adequately explains why non-compliance is appropriate. The Board as well as its sub-committees have reviewed their performance against their existing charters and are satisfied that they have fulfilled their mandates.

AVI's primary exposure to scarce resources that could materially impact its business is the performance of the fishing resources in South Africa and Argentina. Both operations have long-term hake fishing rights and these resources are currently performing well in terms of catch effort. The South African deep-sea and inshore trawl hake fisheries have been recertified in meeting the Marine Stewardship Council's ("MSC") environmental standard for sustainable fishing. This certification gives assurance to buyers and consumers that their seafood comes from a well-managed and sustainable resource and is crucial in recognised export markets in Europe and elsewhere.

Essential to the continuity of South Africa's standing as a supplier of fish products from an accredited resource is the effectiveness of the country's marine and coastal management structures. The deep-sea hake sector is a meaningful foreign currency earner and its many employees depend on South Africa's continued access to international markets. Recent changes to ministerial reporting lines and personnel have created somewhat of a leadership vacuum and we believe that it is essential that the industry and government work together to ensure that our international good standing is not compromised.

Transformation remains a focus within this framework. Last year our ongoing efforts resulted in improvements to our rating in terms of the BBBEE Codes of Good Practice to a level 6. We have

Simon Crutchley
Chief Executive Officer

continued to focus on improving this and anticipate increasing AVI's rating to a level 5 in the coming year. It remains essential that we remain committed to the whole framework to ensure we succeed equally across all facets of the Codes of Good Practice in coming years.

The development of our people remains a priority. The various learning initiatives ranged from entry-level adult basic education and training to executive development. The Group spent an amount equivalent to 1,76% of its total payroll costs on people development in comparison with 1,69% in the previous year.

The Company regards the health and safety of its employees as a basic employee right. While legislative compliance is the minimum acceptable standard, continual improvements are driven through a risk management framework that includes on-site safety expertise and which is supported by annual independent reviews. The Group's DIFR (standard disabling injury frequency rate) has remained at just above 1 for the past two years.

There is further detail on the subject of sustainability in the corporate governance and sustainability sections of this report.

BOARD AND SENIOR MANAGEMENT

There have been several changes to the composition of the Board of directors during the year. Mike Bosman and Andy Kawa were appointed as independent non-executive directors on 1 March and 15 July 2010 respectively, bringing with them diverse and relevant skills and experience. Two other non-executives, Sean Jagoe and Pinky Moholi, resigned during the year. We are grateful to them both for their contributions to AVI.

We were delighted to welcome two new business unit managing directors to AVI during this calendar year. Ronald Fasol joined I&J in November 2009 and Geoff Whyte joined Snackworks in July 2010. Both bring a wealth of relevant experience and we look forward to the contribution that they will make.

OBJECTIVES AND STRATEGY

In June 2010, the Board met for two days to fully review AVI's objectives and strategies. This meeting, which is held at regular intervals, aims to ensure that our objectives and enabling strategies remain relevant and appropriate to current and future circumstances as they are envisioned. Key themes considered were:

- The macro environment including political risk and business risk.
- The appropriateness of and the earnings growth potential of the current brand portfolio.
- The effectiveness and efficiency of the current business structure.
- A review of internal opportunities for cost reduction, efficiencies and other improvements.
- Opportunities for domestic, regional and international expansion.
- An assessment of our progress across a range of stakeholder issues.

The review concluded that AVI's current objectives and strategies remain broadly appropriate. A number of key areas were prioritised as deserving of greater focus and will get the necessary attention in the coming year.

A synopsis of AVI's objectives and strategies are listed below.

OBJECTIVES

- To be recognised as South Africa's leading manager of food, beverage and fashion brands.
- To consistently outperform our peer group.
- To extract value from our corporate structure such that the sum is greater than the parts.
- To sustain an impeccable corporate reputation with all stakeholders.

STRATEGIES

- Manage all brand portfolios to their long-term financial potential.
- Exit brands or categories whose prospects appear poor over the medium term.
- Sustain the relevance of our brand portfolio with retail partners and consumers.
- To seek, cultivate and retain first-class, commercially minded talent in each business unit.
- To acquire or develop brands in categories with superior growth and profit potential.
- Seek alliances where appropriate.

AVI's future earnings are underpinned by the quality and continuity of our brand portfolio. We are fortunate to have many dedicated and talented managers who seek the correct balance between current earnings and the necessary investment to maintain brand value and sustain future earnings. In the financial year over R550,0 million was expensed in marketing support and R337,3 million was spent on capital projects.

Our focus on improving manufacturing efficiencies has and continues to deliver savings and enhance capacity, which is being used both to grow volumes with concomitant operating leverage and also to ensure that our product quality upholds our brand promise. A number of capital proposals to expand capacity in categories, where demand exceeds supply or where improvements to cost and quality can be made, have been approved. Entyce will invest R73,8 million to expand our spray-drying capabilities and by doing so extend capacity and product formats in both creamer and coffee. Indigo Brands will add substantially to its aerosol can capacity with a new R40,7 million fully automated filling line. Snackworks is investing R27,8 million in pumpable shortening technology in its biscuit facilities, which will enhance product quality and consistency and substantially lower both procurement and operational costs.

A number of similar projects have been conceived during the year and based on merit are likely to be approved in the coming year. These projects will support our growing focus on ensuring that our brands can be enjoyed by a broader customer base by lowering production costs in tandem with smaller pack formats at lower unit selling prices. This will both enhance our brands' penetration into informal and wholesale channels domestically and also provide momentum for growth in regional markets where GDP per capita incomes are lower than in South Africa.

OUTLOOK

Our financial year came to a close during the final weeks of FIFA's 2010 World Cup which was, by all accounts, the most successful tournament to date and underscores South Africa's inherent capabilities and potential. The infrastructure development that underpinned this event boosted our economic growth materially over the preceding three years.

Future revenue growth is however substantially dependent on the strength of our underlying economy and longer-term GDP growth. Essential to this is the continuity and improvement of civil society and the vital role that government, in its widest sense, plays in providing the correct amalgam of leadership, effective administration, law making, and predictability of economic policy. A better life for poor and underprivileged South Africans, of which there are many millions, remains improbable without sustained economic growth.

While business obviously cannot act as a substitute for government, it can play a role in confronting these issues in constructive partnership. In our view it is becoming an imperative that business, through its representative organisations, actively engage government to seek sustainable solutions to issues such as:

- The ongoing crisis in the quality and delivery of basic education.
- The infection of our society by endemic crime and corruption, both civil and criminal.
- Ineffective public service delivery and policy implementation.
- The possible restriction of media freedom.
- The need for an acceleration of the government's infrastructure programme so as to provide a growth and employment impetus for the country.

Accepting the general view that consumer spending is showing mixed signs of recovery, the extent to which consumer demand in AVI's categories will grow during the next year remains uncertain. We believe that the somewhat variable demand, low economic growth and tough price competition which characterised the 2010 financial year could prevail for much of the new financial year.

I&J's results will remain depressed should weak prices for seafood products and the strong Rand continue to prevail. Further cost reduction initiatives implemented in the second half of the year under review and continuing into the 2011 financial year will produce benefits, but will not be sufficient to offset the adverse impact of current exchange rates.

In our other operations, there are a number of exciting and material profit growth opportunities, which we will develop in the coming year. These range from ongoing efficiency improvements to capacity expansion and growth in new formats using our strong brand portfolio. The Board has already approved several major capital projects in support of this and further projects are being finalised.

The Board remains confident of AVI's ability to compete effectively in these tough and volatile trading conditions and continues to pursue organic profit growth while remaining vigilant for strategic acquisition opportunities.

ACKNOWLEDGEMENTS

We remain indebted to all of AVI's people. Their diverse skills, enthusiasm for our brands and good sense continues to be the significant reason for our progress this financial year. Equally the ongoing support of all our customers, suppliers and service providers is acknowledged and appreciated.

Angus Band
Chairman

Simon Crutchley
Chief executive officer

OPERATIONAL REVIEW

ENTYCE BEVERAGES

Revenue of R2,2 billion was 5,7% higher than in 2009 due largely to higher realised prices resulting from price increases taken during the 2009 financial year as well as additional creamer sales volumes. The gross profit margin for the year showed some recovery with an improvement from 41,0% to 42,1%, with the higher selling prices and reductions in most raw material costs largely offset by higher black tea prices. Selling and administration costs were well managed and operating profit margin increased from 12,9% to 15,4%. Operating profit increased by 26,2%, from R271,3 million to R342,4 million.

Tea

Tea revenue grew 8,6% due largely to higher prices resulting from price increases taken during the prior year. Volumes were slightly lower due to the sale of a non-core subsidiary that packed private label teas and coffees in December 2008. Excluding the volumes attributable to this subsidiary, volumes increased 5,9%.

The gross profit margin declined slightly because of continued high black tea prices through the year, combined with the impact of long foreign exchange positions taken at the beginning of the year when the Rand was much weaker. The year was characterised by a high level of promoting and discounting in the face of strong competition in the category and more constrained consumer demand with some down trading evident. In this environment Entyce spent less on above-the-line advertising which, together with good cost management, helped offset the lower gross margin. Operating profit margin was maintained in line with last year.

The successful launches of the new Five Roses 100s flip-top box and Five Roses African Blend, have supported our brand performance in tougher times. Entyce has also improved the proposition of the affordable Trinco brand with revisions to the blend and packaging.

Coffee

Coffee revenue for the year increased by 9,5% as a result of higher prices partially offset by lower sales volumes following the disposal of a non-core subsidiary that packed private label teas and coffees in December 2008. Excluding the volumes attributable to this subsidiary, volumes increased by 2,6%. The category enjoyed better pricing for most of the year while softer robusta coffee bean prices, including the impact of a stronger Rand, resulted in improved gross profit margins. The affordable brewed brands, which have higher gross margins, enjoyed the best volume growth which also contributed to higher profit margins and profit growth. Selling and administration costs were well controlled and operating profit from this category improved materially in 2010.

Brand activities in 2010 included the launch of Frisco Strong, as well as the re-launch of our premium House of Coffees range in new packaging and with a simplified range.

Creamer

Creamer revenue increased by 6,6% due mainly to higher sales volumes, partially offset by lower average selling prices. The tactical price discounts implemented in January 2009 only started being unwound towards the end of the year. They have achieved their objective of maintaining volumes and market share in the face of aggressive competition from cheaper formulations, and the effect of lower gross margins was more than offset by leverage from higher volumes. Lower commodity costs in the second half of the year, including the benefit of a stronger Rand, also offset the impact of lower selling prices. Operating profit margins improved slightly on last year.

The Board has approved a R73,8 million capital project to expand Entyce's creamer capacity, with commissioning expected early in the 2012 financial year.

Juice

Cold beverages revenue, consisting of the Quali Juice and Real Juice brands, was 3,6% higher than last year due to higher selling prices, offset by lower sales volumes, following the closure of the inland regions (Gauteng, KwaZulu-Natal and Free State) during the first quarter of last year with related once-off costs of R5,5 million. Gross profit margin improved with better selling prices, the more efficient Cape-based factory and lower commodity costs. Selling and administration costs reduced, and together with improved margins, this resulted in an operating profit of R5,4 million for the year compared to a loss of R16,6 million last year. We are optimistic that ongoing focus on procurement and factory optimization will support the improved positions our brands have achieved during the year, and realise further growth in operating profits.

Out of Home – Ciro Beverage Solutions and Sir Juice

Excluding the catering wholesale customers transferred to Entyce and Snackworks, revenue grew 9,6%. However, profit margins were under pressure from reduced demand and regional competition, as well as a higher fixed-cost base relative to the reduced customer portfolio. Overall this business performed credibly in a tough trading environment to record an operating profit for the year of R28,2 million compared to R30,6 million achieved last year on a like-for-like basis.

Capital expenditure

Entyce's capital expenditure of R94,8 million in 2010 has focused on replacement and enhancement of packaging capabilities and capacity in addition to normal ongoing requirements.

	2010 Rm*	2009 Rm*	2008 Rm*	2007 Rm*	2006 Rm*	Change 2010 vs 2009 %
REVENUE	2 217,9	2 099,0	1 940,2	1 684,0	1 516,3	5,7
OPERATING PROFIT	342,4	271,3	231,8	214,1	189,7	26,2
OPERATING MARGIN (%)	15,4	12,9	11,9	12,7	12,5	19,4
CAPITAL EXPENDITURE	94,8	83,2	78,6	46,5	39,5	14,0

**The Out of Home business comprising Ciro Beverage Solutions and Sir Juice, is now reported within the Entyce business unit. This is in line with the decision to incorporate the catering wholesale customer-base, a material portion of the Out of Home business, into Entyce and Snackworks at the beginning of 2010. Prior years have been restated accordingly.*

SNACKWORKS

Revenue of R2,08 billion was 2,2% higher than 2009 due largely to higher biscuit sales volumes. Gross profit margins improved with a strong second-half recovery led by softer commodity prices and a stronger Rand. Selling and administration costs were tightly controlled resulting in a pleasing improvement in operating profit margin from 9,5% to 11,2%. Operating profit increased from R192,5 million to R232,8 million.

Biscuits

Revenue for the year was 4,7% higher than last year due to a 7,7% increase in volumes, partially offset by lower realised prices. Biscuit demand responded well to the lower price points implemented during the second half of last year as well as tactical discounting to encourage consumption in the face of an underlying decline in demand in this category. The gross profit margin improved materially in the second half of the year, due to lower commodity costs and improved factory performance. This more than offset a poor first-half result, resulting in an increase in the gross profit margin for the year. Selling and administration costs were lower than last year with marketing spend pulled back due to the emphasis on promotions and discounting. The operating profit margin improved in line with better gross margins and volume leverage, consequently operating profit grew materially, contributing the bulk of Snackworks' profit growth for the year.






Snacks

The snacks category had flat volumes and selling prices for the year, but managed to deliver an operating profit slightly higher than last year. This was largely due to lower commodity prices and extra business from the 2010 World Cup offset by poor potato supply in the first half. The corn range (Cheese Curls, Flings and Big Korn Bites) continues to perform well, however the potato crisp segment remains profit-constrained by aggressive competition.

Capital expenditure

Snackworks' capital expenditure of R46,6 million was mostly focused on replacement and upgrading of packaging equipment, as well as the installation of pumpable shortening capabilities that will reduce raw material costs and improve product quality. This will be commissioned mid-way through the next financial year.

Snackworks
That's Good Times!

	2010 Rm*	2009 Rm*	2008 Rm	2007 Rm	2006 Rm	Change 2010 vs 2009 %
REVENUE	**2 080,9**	2 036,8	1 677,2	1 394,2	1 279,7	2,2
OPERATING PROFIT	**232,8**	192,5	185,8	156,8	127,0	20,9
OPERATING MARGIN (%)	**11,2**	9,5	11,1	11,2	9,9	17,9
CAPITAL EXPENDITURE	**46,6**	44,8	58,3	47,3	59,2	4,1

**Sales of Snackworks products to the catering wholesale customer-base, previously serviced by Ciro, were transferred to Snackworks at the beginning of 2010. 2009 has been restated accordingly.*

CHILLED & FROZEN CONVENIENCE BRANDS

Revenue for this category decreased by 9.1% and operating profit decreased by 53.9% from R261,0 million to R120,2 million with the operating profit margin declining from 13.6% to 6.9%. The main contributor was I&J's South African operations which were heavily impacted by lower export prices, the strengthening Rand and reduced volumes.

I&J continuing operations (excluding Alpesca)

Revenue for the year from I&J's continuing operations decreased by R215,8 million to R1,38 billion. This was due largely to lower export selling prices in key European markets due to reduced demand and increased supply from other fish resources, a stronger Rand and lower volumes following the reduction in the hake total allowable catch. Reduced export

Chilled and frozen convenience brands

	2010 Rm*	2009 Rm*	2008 Rm*	2007 Rm*	2006 Rm	Change 2010 vs 2009 %
REVENUE	**1 741,7**	1 916,3	1 775,4	1 690,8	1 678,7	(9,1)
OPERATING PROFIT	**120,2**	261,0	194,9	139,1	27,3	(53,9)
OPERATING MARGIN (%)	**6,9**	13,6	11,0	8,2	1,6	(49,3)
CAPITAL EXPENDITURE	**50,2**	74,4	40,4	63,3	80,7	(32,5)

Excludes Alpesca – now classified as discontinued.

opportunity has also resulted in increased hake supply into the domestic market, and downward pressure on local prices, particularly in the whole fish channel. Operational performance in 2010 was good. In addition to lower fuel prices, lower maintenance costs and good fishing conditions, factory performance was maintained at improved levels established over the last few years, and further cost reduction initiatives were implemented in the second half of the year. Selling and administration costs were materially higher than last year due to foreign exchange losses and retrenchment costs of R10,5 million. Operating profit decreased by R163,6 million, from R237,8 million in 2009 to R74,3 million in 2010.

Denny

Denny has had a good year supported by better volume and quality of production – particularly in the second half which was badly disrupted in 2009 by production problems at the Deodar farm. Lower consumption in the Out of Home channel has resulted in pressure on prices in this channel and the retail channel, however Denny has used its extra volume to promote actively and gain market share. The Denny brand has performed particularly well, outperforming the various house brands that this business supplies. Raw material costs have declined with more active supplier management and the benefit of a stronger Rand on imported peat. Operating profit increased from R23,2 million to R45,9 million.

Simplot joint venture

In addition to the operating profit shown above, I&J's joint venture with Simplot (Australia) Pty Limited ("Simplot") yielded a profit of R40,4 million compared to R15,1 million last year. Simplot benefited from better factory performance and also performed well in the Australian retail sector during the year.

Capital expenditure

The major areas of capital expenditure in 2010 were an upgrade of the Woodstock processing facility and vessel refurbishments. Total capital expenditure for continuing operations was R50,2 million.

Discontinued operation: Alpesca

Alpesca's operating results during the year were compromised by lower hake export prices, the weak Euro and material labour disruptions. In addition, the Peso/US Dollar exchange rate has remained artificially strong, giving little compensation for high local cost inflationary pressures. The shrimp operation improved from a loss of R19,0 million in 2009 to a loss of R4,6 million in 2010 due to improved catch rates and selling prices, but this was insufficient to offset the decline in the hake operation. Consequently, this business made an operating loss of R50,6 million compared to an operating profit of R4,6 million last year.

An impairment of R76,5 million was raised in 2010 to recognise the possibility that I&J may accept a price below Alpesca's carrying value. The impairments in 2009 relate to the carrying value of Alpesca's shrimp vessels.

Alpesca's hake quota for calendar year 2010 has increased to 20 880 tons, 5% up on the prior year. In addition, the Alpesca fleet will be permitted to fish in a new area where rights are still being finalised; which is expected to give access of up to a further 5 000 tons.

I&J total operations

Revenue and operating profit derived by I&J from each fishing resource was as follows:

	REVENUE		OPERATING PROFIT	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
FISHING RESOURCE				
SOUTH AFRICA	**1 381,8**	1 597,6	**74,3**	237,8
ARGENTINA	**329,4**	428,8	**(50,6)**	4,6
TOTAL	**1 711,2**	**2 026,4**	**23,7**	**242,4**

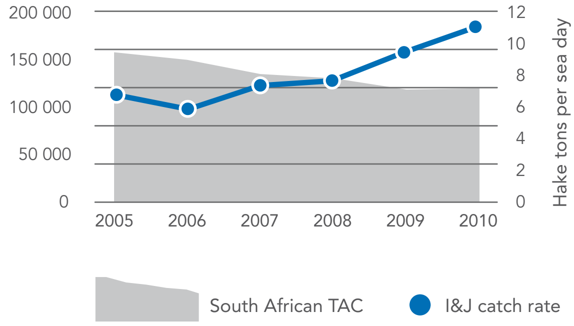
RSA hake resource

Following a prolonged period of reductions in the South African hake total allowable catch ("TAC"), 2010 sees a small increase of 1%. I&J's quota allocation has remained constant at 28,0% resulting in an increase from 33 199 tons to 33 550 tons.

The RSA hake quota for calendar years 2005 to 2010 is summarized in the table below.

Since 2007, the South African hake resource has shown an encouraging increase in total bio-mass. Material improvements in catch rates over the last few years are a further indicator of improving health of the resource. While MCM's management of the resource is appropriately conservative, the small increase in TAC in 2010 is encouraging and it is hoped that a further increase for 2011 will be justified.

South African hake TAC and I&J catch rates (hake tons per sea day)



South African hake quota (tons)

	2010 Tons	2009 Tons	2008 Tons	2007 Tons	2006 Tons	2005 Tons
TOTAL ALLOWABLE CATCH ("TAC")	**119 861**	118 578	130 532	135 000	150 000	158 000
I&J	**33 550**	33 199	36 531	37 755	41 950	46 830
%	**28,0**	28,0	28,0	28,0	28,0	29,6

FASHION BRANDS

Revenue increased 13,1% to R1,58 billion in 2010 due to strong volume growth in footwear and the impact of price increases in the prior year in both the footwear and personal care categories. Operating profit rose 30,2% to R255,4 million due to a significantly improved performance from Spitz supported by continued growth in Indigo.

Fashion brands	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 2010 vs 2009 %
REVENUE	**1 583,7**	1 400,6	1 253,3	1 058,1	868,6	13,1
OPERATING PROFIT	**255,4**	196,2	206,3	208,4	165,6	30,2
OPERATING MARGIN (%)	**16,1**	14,0	16,5	19,7	19,1	15,0
CAPITAL EXPENDITURE	**138,6**	49,4	89,3	55,0	26,4	180,6

PERSONAL CARE

Indigo Cosmetics' revenue for the year increased 9,9% to R802,8 million due largely to selling price increases, the most material being increases implemented in April 2009. Growth in sales volumes slowed during the year with the annualising impact of several years of strong growth. Domestic sales volumes were 2,1% up on last year, however, overall volumes were slightly lower due to reduced exports into Africa where volumes have been impacted by the strong Rand. Indigo has continued to perform strongly in deodorant sprays where it has gained further market share across the Yardley, Lenthéric and Coty brands. Profit margins improved slightly, and operating profit increased 10,8%, from R94,5 million to R104,7 million.

Capital expenditure

Capital expenditure jumped to R127,2 million with the purchase of the adjoining property in Epping for R88,5 million. This has contributed about R6 million to Indigo's 2010 operating profit through lower rental costs, net rental profit and a once-off release of the lease straight-lining provision. The AVI Board has approved R40,7 million to install a new high-capacity, fully-automated aerosol line, which is expected to be commissioned early in the 2012 financial year.

indigo cosmetics

Personal care

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 2010 vs 2009 %
REVENUE	**802,8**	730,2	623,5	555,9	476,8	9,9
OPERATING PROFIT	**104,7**	94,5	73,4	63,3	50,5	10,8
OPERATING MARGIN (%)	**13,0**	12,9	11,8	11,4	10,6	0,8
CAPITAL EXPENDITURE	**127,2**	26,8	24,9	17,3	16,9	374,3

OPERATIONAL REVIEW
continued

SPITZ CARVELA KURT GEIGER Tosoni

FOOTWEAR AND APPAREL

Revenue in the footwear and apparel category increased by 16,5% to R780,9 million, while operating profit grew 48,2% to R150,7 million. The majority of this growth is attributable to Spitz, which has achieved good leverage in 2010, following a rapid expansion phase.

Spitz's revenue for the year increased 16,2% to R732,2 million. Overall footwear volumes grew 12,8% as demand for the core Carvela, Lacoste and Kurt Geiger brands remained strong, and the Tosoni brand was re-introduced. Revenue also increased due to the price increase on Carvela longlife taken at the end of last year. Gross profit margin for the year improved due to price increases, with limited benefit from the stronger Rand, taking into account hedged positions at the beginning of the year. The increase in gross profit, combined with a stable fixed-cost base, resulted in material operating leverage; and operating profit grew 38,2% from R114,2 million to R157,8 million. The operating profit margin increased from 18,1% to 21,6%.

Nina Roche and Gant both recorded improvements in 2010, but are still making operating losses. Nina Roche margins were depressed by the need to price stock competitively with European markets, where equivalent prices have declined with the strong Rand. Gant is achieving good volume growth, but is still constrained by its scale relative to the fixed-cost structure. New stores and further growth in wholesale customers, together with ongoing focus on reducing the cost base, are expected to yield positive results in 2011.

Spitz store information

	2010	2009
AVERAGE STORE AREA (m^2)	**15 465**	15 749
STORE AREA AT YEAR END (m^2)	**15 330**	16 224
SALES DENSITY (R000/m^2)	**47,3**	40,0

Capital expenditure

Capital expenditure of R11,4 million covers store relocations and refurbishments. Spitz is expected to open between four to five new stores next year, depending on availability of suitable premises, and invest in the expansion of Kurt Geiger clothing which will result in higher capital expenditure.

Footwear and apparel

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 2010 vs 2009 %
REVENUE	**780,9**	670,4	629,8	502,2	391,8	16,5
OPERATING PROFIT	**150,7**	101,7	132,9	145,1	115,1	48,2
OPERATING MARGIN (%)	**19,3**	15,2	21,1	28,9	29,4	27,0
CAPITAL EXPENDITURE	**11,4**	22,6	64,4	37,7	9,5	(49,6)


LACOSTE GANT nina roche JIMMY CHOO

FINANCIAL REVIEW

CONTINUING OPERATIONS

Revenue from continuing operations rose by 2,3% from R7,46 billion to R7,63 billion for the year. I&J's revenue declined by R215,8 million due to a combination of lower export selling prices, a stronger Rand and lower volumes following the reduction in the hake total allowable catch. The rest of our businesses achieved an overall increase in revenue of 6,6% through a combination of higher volumes or the annualising impact of price increases taken in the prior year. The consolidated gross profit margin for the year improved from 39,9% to 41,4% due mainly to improvements in Indigo and Spitz supported by higher Coffee margins and a strong second half recovery in Biscuits profitability resulting from lower commodity costs and improved factory performance. Selling and administration costs increased by 7,2% and operating profit of R941,0 million was 3,6% higher than the R908,5 million achieved last year, despite a decrease of R163,6 million in I&J's operating profit.

Lower interest rates and lower debt levels resulted in a decrease in net finance charges from R125,0 million to R93,1 million.

AVI's share of earnings from joint ventures increased from R15,3 million to R40,0 million reflecting improved performance from I&J's Australian joint venture with Simplot. Simplot benefited from better factory performance and also performed well in the Australian retail sector during the year.

Headline earnings increased by 14,3% from R520,4 million to R595,0 million and headline earnings per share increased by 13,7% to 198,7 cents per share.

There were no material capital items in the year to June 2010. In the prior year capital items of R17,1 million before tax largely comprised a R26,4 million profit on the sale of an I&J property and a R23,8 million profit on the disposal of a non-core subsidiary that packed private label teas and coffees partially offset by impairments of intangible assets in the retail juice and Nina Roche footwear businesses.

Cash generated by operating activities increased 4,4% to R1,17 billion. Capital expenditure increased from R257,8 million in the prior year to R337,3 million which includes R88,5 million to acquire a property adjacent to Indigo's site in Cape Town that will support the long-term growth of this operation. Proceeds on disposals of R11,5 million were lower than the R103,4 million realised last year which included the disposals of an I&J property and a non-core subsidiary. Other material cash out-flows during the period were dividends of R272,4 million, taxation of R260,7 million and interest paid of R106,5 million. Net debt at the end of June 2010 was R310,1 million compared to R547,7 million at the end of June 2009.

Segmental review – continuing operations

Year ended 30 June

	Segmental revenue			Segmental operating profit		
	2010 Rm	2009 Rm	Change %	**2010 Rm**	2009 Rm	Change %
Food & beverage brands	**6 040,5**	6 052,1	(0,2)	**695,4**	724,8	(4,1)
Entyce	**2 217,9**	2 099,0	5,7	**342,4**	271,3	26,2
Snackworks	**2 080,9**	2 036,8	2,2	**232,8**	192,5	20,9
Chilled & frozen convenience brands	**1 741,7**	1 916,3	(9,1)	**120,2**	261,0	(53,9)
Fashion brands	**1 583,7**	1 400,6	13,1	**255,4**	196,2	30,2
Personal care	**802,8**	730,2	9,9	**104,7**	94,5	10,8
Footwear & apparel	**780,9**	670,4	16,5	**150,7**	101,7	48,2
Corporate	**6,7**	9,7		**(9,8)**	(12,5)	
Group	**7 630,9**	7 462,4	2,3	**941,0**	908,5	3,6

Note: The Out of Home business, comprising Ciro Beverage Solutions and Sir Juice, is now reported within the Entyce and Snackworks segments. This is in line with the decision to incorporate the catering wholesale customer base, a material portion of the Out of Home business, into the existing Entyce and Snackworks structures that service the wholesale channel. Comparatives have been restated accordingly.

Definitions

Number of ordinary shares in issue
Total issued ordinary share capital.

Weighted average number of ordinary shares in issue
The time weighted average number of ordinary shares in issue, excluding shares held by AVI share trusts and subsidiaries.

Earnings per ordinary share
- Earnings and headline earnings respectively for the year in cents divided by the weighted average number of ordinary shares in issue.
- Diluted earnings and diluted headline earnings per ordinary share are calculated taking account of the unexercised share options as disclosed in the directors' report on pages 53 to 56, duly adjusted to take account of the shares to be issued at fair value calculated in accordance with IAS 33. Calculations are presented in note 30 of the annual financial statements.

Dividend cover
Headline earnings per share from continuing operations divided by the dividends declared to ordinary shareholders of the Company in respect of the results for the year.

Financial ratios
- Operating margin:
  Operating profit as a percentage of revenue.
- Return on capital employed:
  Operating profit before capital items from continuing operations, as a percentage of average capital employed. Capital employed is total equity plus net interest-bearing debt.
- Net working capital:
  Inventories and trade receivables, less trade payables.
- Free cash flow:
  Cash available from operating activities and investments, less net capital expenditure incurred to maintain operations.
- Free cash flow per ordinary share:
  Free cash flow for the year in cents divided by the weighted average number of ordinary shares in issue.
- EBITDA:
  Operating profit before capital items and depreciation and amortisation
- Net debt/(cash):
  Financial liabilities and borrowings and current borrowings less cash and cash equivalents
- Interest cover ratio:
  EBITDA divided by net finance costs
- Net debt/total equity ratio:
  Net debt divided by total equity

Key statistics for continuing operations

	2010	2009	2008	2007	2006
Financial ratios (%)					
– operating margin	**12,3**	12,2	12,0	12,0	9,6
– return on capital employed	**29,2**	28,3	26,8	26,2	22,9
– net working capital as a percentage of revenue	**17,5**	16,8	19,7	17,3	14,7
– EBITDA	**1 131,8**	1 095,9	965,4	852,3	685,5
Liquidity					
– free cash flow (Rm)	**608,8**	391,9	204,1	231,4	297,0
– free cash flow per ordinary share (cents)	**203,3**	131,6	66,7	73,7	95,1
– net debt/equity ratio	**11,0**	25,1	30,8	8,4	12,4
– interest cover ratio	**12,2**	8,8	15,1	36,7	20,5
Employees at 30 June	**10 846**	8 923	8 796	8 073	9 408
Revenue – continuing operations (Rm)	**7 630,9**	7 462,4	6 660,6	5 851,9	5 375,6
Revenue per employee (R000)	**703,6**	836,3	757,2	724,9	571,4

Share statistics – five-year summary

	2010	2009	2008	2007	2006
Number of ordinary shares in issue ('000)	**343 482**	342 638	342 638	342 638	316 150
Weighted average number of ordinary shares in issue ('000)	**299 493**	297 806	306 082	313 775	312 373
Share performance – continuing operations (cents per share)					
Earnings	**197,0**	180,8	162,9	147,5	103,4
Diluted earnings	**190,0**	177,5	161,4	146,7	102,7
Headline earnings	**198,7**	174,7	159,0	138,4	107,2
Diluted headline earnings	**191,7**	171,5	157,6	137,6	106,6
Dividends declared	**100,0**	88,0	80,0	73,0	53,0
Dividend cover	**2,0**	2,0	2,0	2,0	2,0
Market price per share (cents)					
– at year end	**2 210**	1 700	1 295	1 971	1 380
– highest	**2 699**	2 200	2 254	2 354	1 810
– lowest	**1 684**	1 150	1 245	1 380	1 321
– volume weighted average	**2 071**	1 699	1 821	1 841	1562
Total market capitalisation at closing prices (Rm)	**7 591,0**	5 824,9	4 437,2	6 753,0	4 362,9
Price earnings ratio[1]	**11,1**	9,7	8,1	14,2	12,9
Value of shares traded (Rm)	**4 244,9**	4 362,4	4 764,2	3 608,0	3 469,9
Value traded as a percentage of average capitalisation (%)	**59,1**	78,7	80,6	60,0	70,3
Number of shares traded (millions)	**205,0**	256,8	261,6	196,0	222,1
Liquidity – number traded as percentage of shares in issue at year end (%)	**59,7**	75,0	76,3	57,2	70,3
Average weekly Rand value traded (Rm)	**83,2**	83,5	91,5	69,0	66,7

[1]*Calculated based on the published headline earnings per share and the share price at year end.*

Value-added statement

	2010		2009	
	Rm	%	Rm	%
VALUE ADDED				
Revenue	7 960,3		7 891,2	
Cost of materials and services	4 929,5		5 080,8	
Value added by operations	3 030,8	101	2 810,4	99
Capital items (gross)	(84,8)		(12,9)	
	2 946,0	98	2 797,5	99
Investment and other income	56,2	2	37,7	1
	3 002,2	100	2 835,2	100
VALUE DISTRIBUTED AND RETAINED				
Employees				
Salaries, wages and other benefits	1 707,8	57	1 498,0	53
Providers of capital	505,9	17	511,0	18
Dividends paid to Group shareholders	272,4	9	247,2	9
Interest paid	112,9	4	155,4	5
Operating lease expenses	120,6	4	108,4	4
Government	403,0	13	382,9	14
Taxation	403,0	13	382,9	14
Re-invested in the Group	385,5	13	443,3	16
Depreciation	202,9	7	182,3	7
Future growth	182,6	6	261,0	8
	3 002,2	106	2 835,2	100

FINANCIAL REVIEW
continued

Group at a glance

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 10 vs 09 %
AVI (continuing operations)						
Revenue	**7 630,9**	7 462,4	6 660,6	5 851,9	5 375,6	2,3
Operating profit	**941,0**	908,5	798,7	702,3	517,3	6,7
Operating margin (%)	**12,3**	12,2	12,0	12,0	9,6	4,1
Capital expenditure	**337,3**	257,7	271,4	233,9	215,1	30,9
Entyce beverages (including Out of Home)*						
Revenue	**2 217,9**	2 099,0	1 940,2	1 684,0	1 516,3	5,7
Operating profit	**342,4**	271,3	231,8	214,1	189,7	26,2
Operating margin (%)	**15,4**	12,9	11,9	12,7	12,5	19,4
Capital expenditure	**94,8**	83,2	78,6	46,5	39,5	14,0

**The Out of Home business comprising Ciro Beverage Solutions and Sir Juice, is now reported within the Entyce business unit. This is in line with the decision to incorporate the catering wholesale customer base, a material portion of the Out of Home business, into Entyce and Snackworks at the beginning of 2010. Prior years have been restated accordingly.*

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 10 vs 09 %
Snackworks**						
Revenue	**2 080,9**	2 036,8	1 677,2	1 394,2	1 279,7	2,2
Operating profit	**232,8**	192,5	185,8	156,8	127,0	20,9
Operating margin (%)	**11,2**	9,5	11,1	11,2	9,9	17,9
Capital expenditure	**46,6**	44,8	58,3	47,3	59,2	4,1

***Sales of Snackworks products to the catering wholesale customer base previously serviced by Ciro were transferred to Snackworks at the beginning of 2010. 2009 has been restated accordingly.*

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 10 vs 09 %
Chilled & frozen convenience brands***						
Revenue	**1 741,7**	1 916,3	1 775,4	1 690,8	1 678,7	(9,1)
Operating profit	**120,2**	261,0	194,9	139,1	27,3	(53,9)
Operating margin (%)	**6,9**	13,6	11,0	8,2	1,6	(49,3)
Capital expenditure	**50,2**	74,4	40,4	63,3	80,7	(32,5)

****2007 to 2010 excludes Alpesca which is now classified as discontinued.*

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 10 vs 09 %
Fashion brands						
Revenue	**1 583,7**	1 400,6	1 253,3	1 058,1	868,6	13,1
Operating profit	**255,4**	196,2	206,3	208,4	165,6	30,2
Operating margin (%)	**16,1**	14,0	16,5	19,7	19,1	15,0
Capital expenditure	**138,6**	49,4	89,3	55,0	26,4	180,6
Personal care						
Revenue	**802,8**	730,2	623,5	555,9	476,8	9,9
Operating profit	**104,7**	94,5	73,4	63,3	50,5	10,8
Operating margin (%)	**13,0**	12,9	11,8	11,4	10,6	0,8
Capital expenditure	**127,2**	26,8	24,9	17,3	16,9	374,3
Footwear & apparel						
Revenue	**780,9**	670,4	629,8	502,2	391,8	16,5
Operating profit	**150,7**	101,7	132,9	145,1	115,1	48,2
Operating margin (%)	**19,3**	15,2	21,1	28,9	29,4	27,0
Capital expenditure	**11,4**	22,6	64,4	37,7	9,5	(49,6)

Group balance sheets – five-year summary

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	**1 340,4**	1 205,1	1 164,8	1 241,7	1 182,4
Intangible assets and goodwill	**923,4**	925,4	986,2	1 052,1	1 041,7
Investments	**304,1**	276,8	312,8	245,9	263,0
Deferred tax asset	**60,0**	74,4	89,1	121,6	100,8
	2 627,9	2 481,7	2 552,9	2 661,3	2 587,9
Current assets					
Inventories and biological assets	**918,4**	950,0	873,0	760,8	578,2
Trade and other receivables including derivatives	**1 189,5**	1 170,1	1 178,7	1 058,6	883,2
Cash and cash equivalents	**589,3**	516,6	174,9	317,1	335,8
Assets classified as held-for-sale	**293,2**	398,7	493,0	30,5	26,3
	2 990,4	3 035,4	2 719,5	2 167,0	1 823,5
Total assets	**5 618,3**	5 517,1	5 272,5	4 828,3	4 411,4
EQUITY AND LIABILITIES					
Capital and reserves					
Attributable to equity holders of AVI	**2 954,1**	2 675,9	2 518,8	2 680,4	2 339,9
Non-controlling interests	**(19,8)**	(23,3)	(17,5)	(18,4)	(8,5)
Total equity	**2 934,3**	2 652,6	2 501,3	2 662,0	2 331,4
Non-current liabilities					
Financial liabilities, borrowings and operating lease straight-line liabilities	**65,1**	544,1	409,7	196,6	212,8
Employee benefits	**292,8**	295,9	293,5	286,2	269,2
Deferred taxation	**113,6**	110,3	154,0	144,6	130,1
	471,5	950,3	857,2	627,4	612,1
Current liabilities					
Current borrowings	**848,1**	639,3	536,3	344,1	411,5
Trade and other payables including derivatives	**1 183,4**	1 092,9	1 048,1	1 117,5	1 000,2
Corporate taxation	**17,3**	13,4	73,4	66,9	56,2
Liabilities classified as held-for-sale	**163,7**	168,6	256,2	10,4	–
	2 212,5	1 914,2	1 914,0	1 538,9	1 467,9
Total equity and liabilities	**5 618,3**	5 517,1	5 272,5	4 828,3	4 411,4

Group income statements – five-year summary

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm
CONTINUING OPERATIONS					
Revenue	**7 630,9**	7 462,4	6 660,6	5 851,9	5 375,6
Operating profit before capital items	**941,0**	908,5	798,7	702,3	517,3
Income from investments	**16,2**	22,4	22,5	25,3	16,5
Finance costs	**(109,3)**	(147,4)	(86,5)	(48,5)	(49,7)
Equity accounted profit/(loss) of joint ventures	**40,0**	15,3	17,2	(21,4)	(12,3)
Capital items	**(7,2)**	17,1	13,7	34,2	(10,9)
Profit before taxation	**880,7**	815,9	765,6	691,9	460,9
Taxation	**287,2**	276,7	265,8	237,1	143,1
Profit after taxation	**593,5**	539,2	499,8	454,8	317,8
Non-controlling interests (excluding capital items)	**3,5**	0,7	1,4	(8,1)	(5,1)
Earnings attributable to owners of AVI	**590,0**	538,5	498,4	462,9	322,9
Capital items after non-controlling interests and tax	**5,0**	(18,1)	(11,8)	(28,5)	12,1
Headline earnings	**595,0**	520,4	486,7	434,4	335,0

Group statement of cash flows – five-year summary

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm
CONTINUING OPERATIONS					
Operating activities					
Cash generated by operations before working capital changes	**1 171,7**	1 086,6	1 022,8	864,6	660,2
(Increase)/decrease in working capital	**(5,8)**	30,0	(354,7)	(165,4)	(36,5)
Cash generated by operations	**1 165,9**	1 116,6	668,1	699,2	623,7
Interest paid	**(106,5)**	(140,5)	(91,0)	(47,7)	(29,7)
Taxation paid	**(260,7)**	(392,9)	(247,4)	(255,2)	(186,4)
Net cash available from operating activities	**798,7**	583,2	329,7	396,3	407,6
Investing activities					
Cash flow from investments	**16,0**	21,2	29,6	24,0	17,0
Acquisition of property, plant and equipment	**(337,3)**	(257,8)	(271,6)	(233,8)	(215,1)
Proceeds on disposals of property, plant and equipment	**11,5**	68,2	47,4	76,4	4,9
Intangible assets purchased	**–**	–	–	–	(19,2)
Investments – net disposals/(acquisitions)	**18,8**	57,1	(37,8)	(360,1)	(230,6)
Net cash used in investing activities	**(291,0)**	(111,3)	(232,4)	(493,5)	(443,0)
Financing activities					
Capital returned to shareholders	**–**	–	(549,7)	–	–
Net increase in shareholder funding	**47,0**	9,0	4,7	7,1	10,1
Long-term borrowings – net (repaid)/raised	**(1,3)**	191,1	308,8	(4,5)	54,2
(Decrease)/increase in short-term funding	**(169,2)**	(14,1)	206,2	257,3	(7,1)
Dividends paid	**(272,4)**	(247,2)	(233,4)	(199,5)	(179,2)
Net cash (used in)/from financing activities	**(395,9)**	(61,2)	(263,4)	60,4	(122,0)
DISCONTINUED OPERATIONS	**(18,2)**	(65,3)	22,8	15,2	37,3
Increase/(decrease) in cash and cash equivalents	**93,6**	345,4	(143,3)	(21,6)	(120,1)
Cash and cash equivalents at beginning of period	**529,7**	204,8	317,1	335,8	448,7
	623,3	550,2	173,8	314,2	328,6
Translation of cash equivalents of foreign subsidiaries at beginning of year	**(25,3)**	(20,5)	31,0	2,9	7,2
Cash and cash equivalents at end of year	**598,0**	529,7	204,8	317,1	335,8
Attributable to:					
Continuing operations	**589,3**	516,6	174,9	317,1	335,8
Discontinued operations	**8,7**	13,1	29,9		

CORPORATE GOVERNANCE REPORT

FRAMEWORK

AVI Limited ("the Company") is a public company incorporated in South Africa under the provisions of the Companies Act 61 of 1973, as amended ("the Companies Act 1973"), and is listed on the JSE Limited ("the JSE").

The Company's Board of directors ("the Board") is committed to ensuring that the Company is governed appropriately. The Board recognises the responsibility of the Company to conduct its affairs with prudence, transparency, accountability, fairness and in a socially responsible manner. The Company complies with the principles of the Code of Corporate Practices and Conduct as recommended in the King Report on Corporate Governance in South Africa 2002 ("King II"), as well as with the spirit and form of the JSE Listings Requirements.

King II's succeeding framework was published during September 2009 as the King Report on Governance for South Africa 2009 ("King III"). The Company is required to consider the King III recommendations from the outset of its 2011 financial year (commencing on 1 July 2010) and it will report on their application in its 2011 annual report. During the year under review the Company undertook a comprehensive review of the provisions of King III, during which it assessed the Company's current practices against the key elements of each principle and identified key areas for application or explanation which will be incorporated into the Group's governance and management systems over the course of the new financial year, where appropriate.

During the year ahead the Board will continue to prepare itself for the changes that will be brought about by the Companies Act 71 of 2008 ("the Companies Act 2008") and the regulations thereto. The commencement date of the Companies Act 2008 is yet to be announced. It is however anticipated that it will commence in the financial year ahead and therefore the Company continues to monitor developments.

BOARD GOVERNANCE STRUCTURE

The general powers of the Board and the directors are conferred in the Company's Articles of Association. Terms of reference for the Board are set out in the Company's board charter which is reviewed periodically. The board charter is modelled on the charter principles recommended by King II, and will be reviewed to ensure that it encompasses, where appropriate, additional principles recommended by King III. The charter covers the powers and authority of the Board and provides a clear and concise overview of the responsibilities and accountability of the Board members, both collectively and individually, including the policy and procedures for appointments to the Board as assisted by the Remuneration Committee. The board charter is available on request from the company secretary.

The Board has adopted a unitary structure and no individual member of the Board has unfettered powers of decision making. The responsibility for running the Board and executive responsibility for the conduct of the business are differentiated in the board charter. Accordingly the roles of the Chairman of the Board and of the Chief Executive Officer are separated, with Mr Angus Band and Mr Simon Crutchley holding these positions, respectively.

Directorate

As at 30 June 2010 the Board comprised three executive directors and seven non-executive directors. All of the non-executive directors are independent in terms of King II's standards. The non-executive directors have the required knowledge, skills and independence of thought to pass sound judgement on the various key issues relevant to the business of the Company, independent of the Company's management. Consideration is given to gender and racial diversity, as well as diversity in business, geographic and academic backgrounds, when appointing directors. Tailored induction programmes are run to familiarise newly appointed directors with the Group's operations. The particulars of the directors are set out in the Board of directors' section of the annual report.

During the year under review Mr Sean Jagoe and Mrs Pinky Moholi resigned as independent non-executive directors with effect from 2 November 2009 and 24 March 2010, respectively, owing to work commitments. Mr Mike Bosman and Mrs Andy Kawa were appointed as independent non-executive directors on 1 March 2010 and 15 July 2010, respectively, which appointments will be considered by the shareholders at the Company's annual general meeting on 20 October 2010.

At least one-third of the Board's members retire each year at the annual general meeting in terms of the Company's Articles of Association. Retiring directors are eligible for re-election.

Board and director assessment

The Board is required to assess its performance against its charter requirements on an annual basis. The assessment was done and it was found that in all material respects the Board complied with these requirements. In addition, the chairman continued to monitor and manage the participation of the Board's members, and considered the development requirements, if any, of each director.

In addition, during the year under review, the Board independently considered the performance of the Chairman and Chief Executive Officer. The Chairman and the Chief Executive Officer did not participate in the Board's discussions regarding their own performance.

Board meetings

During the year under review the Board met formally on four occasions to conduct the normal business of the Company. Attendance at these meetings is summarised in the table below.

Name	4/9/2009	24/11/2009	5/3/2010	10/6/2010
AWB Band	in attendance	in attendance	in attendance	in attendance
MH Buthelezi	in attendance	in attendance	in attendance	in attendance
SL Crutchley	in attendance	in attendance	in attendance	in attendance
OP Cressey	in attendance	in attendance	in attendance	in attendance
JR Hersov	in attendance	in attendance	in attendance	in attendance
SD Jagoe	in attendance	resigned	resigned	resigned
RS Katzen	in attendance	in attendance	in attendance	in attendance
GR Tipper	in attendance	in attendance	in attendance	in attendance
A Nühn	not in attendance	in attendance	in attendance	not in attendance
NT Moholi	in attendance	not in attendance	in attendance	resigned
KE Macilwaine	in attendance	in attendance	in attendance	in attendance
MJ Bosman	not yet in office	not yet in office	in attendance	not in attendance

in attendance / not in attendance / not yet in office / resigned

In addition to these formal meetings the Board met with executive management of the Company on 24 March 2010 to consider the medium-term objectives of the Company. Furthermore as a prelude to the Board meeting of 10 June 2010 the Board met with executive management of the Company's subsidiaries on 9 and 10 June 2010 and reviewed their performance for the past year and considered their objectives, strategies and budgeted performance for the year ahead.

Company secretary

The acting company secretary for the year under review was Ms Vivien Crystal. Ms Crystal had been appointed in an acting capacity on 1 January 2008 pending the appointment of a permanent replacement for the previous company secretary.

All directors have unlimited access to the advice and services of the company secretary, who is accountable to the Board for ensuring that Board procedures are complied with and that sound corporate governance and ethical principles are adhered to.

The company secretary's principal responsibilities to the Board and to the individual directors are to:
- guide them in the discharge of their duties and responsibilities;
- provide information, advice and education on matters of ethics and good governance; and
- ensure that their proceedings and affairs, and those of the Company, are properly administered in compliance with all relevant legislation, including the JSE Listings Requirements.

BOARD COMMITTEES

The Board is assisted in the discharge of its duties and responsibilities by the Audit Committee and the Appointments and Remuneration Committee. The ultimate responsibility at all times, however, resides in the Board and it therefore does not abdicate its responsibilities to these committees.

These committees act within formalised terms of reference which have been approved by the Board and which will be reviewed to reflect the Company's application, where appropriate, of the principles embodied in King III and the statutory requirements of the Companies Act 2008. The terms of reference set out the committees' purpose, membership requirements, duties, and reporting procedures. Relevant legislative requirements, such as those incorporated in the Companies Act 1973, are incorporated in the sub-committee charters. Board committees, and the members thereof, may take independent professional advice at the Company's expense.

When appropriate, ad hoc committees are formed to facilitate the achievement of specific short-term objectives.

There is full disclosure, transparency and reporting from these committees to the Board at each Board meeting, and the chairpersons of the committees avail themselves at the annual general meeting to respond to shareholders' queries.

Audit Committee

Until March 2010 the Audit Committee comprised Mr Humphrey Buthelezi (the chairman) and Mr Gavin Tipper, both of whom are independent non-executive directors. During March 2010, Mr Mike Bosman, an independent non-executive director, was appointed as a member of the Audit Committee. The Company's external auditors, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group's head of internal audit and other senior executives attend the Audit Committee meetings by invitation.

Each operating subsidiary has an internal review committee which monitors risk management and compliance activities. These committees are chaired by the Company's Chief Financial Officer and meet at least twice a year with the external auditors, the Group's head of internal audit and the relevant financial and managing directors in attendance. Audit Committee members attend the subsidiary internal review meetings by open invitation. There is a formal reporting line from the various internal review committees into the Audit Committee via the Company's Chief Financial Officer.

The Audit Committee met three times during the year under review. The attendance of the members is reflected in detail in the table below:

Name	27/8/ 2009	17/11/ 2009	24/2/ 2010
MH Buthelezi	●	●	●
GR Tipper	●	●	●
MJ Bosman	• • •	• • •	• • •

● in attendance • • • not yet in office

The Audit Committee is responsible for the management of key financial and operating control risks and in particular assists the Board in the following matters:

- monitoring the financial reporting process;
- recommending the appointment of an independent registered auditor and determining the terms of engagement and approving fees for audit and non-audit work undertaken;
- monitoring the operation and effectiveness of internal control systems, including information technology controls;
- overseeing the internal audit function, monitoring its effectiveness, and reviewing corrective action;
- overseeing the effective operation of a risk management process that incorporates insurance, health and safety, and environmental issues;
- implementing sound corporate governance policies;
- reviewing and recommending to the Board for approval the interim and annual financial statements, the going concern status of the Company, interim and final dividends and other special payments to shareholders;
- considering and satisfying itself, on an annual basis, of the expertise and experience of the Chief Financial Officer.

KPMG Incorporated was reappointed as the Company's external auditors by shareholders at the Company's annual general meeting on 21 October 2009. With specific reference to the non-audit services provided by the external auditor, at the recommendation of the Audit Committee, the Board has resolved that the auditors shall not:

- function in the role of management;
- audit their own work; and
- serve in an advocacy role for the Company.

In accordance with the requirements of the Corporate Laws Amendment Act of 2006, all non-audit specific service engagements with the external auditors were pre-approved by the Audit Committee. Dedicated internal audit resources continued to be provided via a service provision arrangement with Ernst & Young Incorporated.

The Audit Committee discharged the functions ascribed to it in terms of the Companies Act 1973 and the JSE Listings Requirements as reported in the director's report. It also complied in all material respects with its mandate and responsibilities prescribed in the applicable charter.

Appointments and Remuneration Committee ("Remcom")

At the outset of the year under review the members of Remcom were Mr Sean Jagoe (the chairman), Mr Angus Band, and Mr Gavin Tipper. Mr Sean Jagoe resigned as a director of the Company and a member of Remcom on 2 November 2009. Mrs Andy Kawa was appointed as a member of

Remcom on 3 September 2010. The Company's Chief Executive Officer and human resources executive attend relevant parts of Remcom meetings by invitation.

The committee met four times during the year under review and the attendance detail is reflected in the table below:

Name	6/8 2009	10/9 2009	21/10 2009	19/5 2010*
SD Jagoe	●	●	●	//////
AWB Band	●	●	●	●
GR Tipper	●	●	●	○
A Kawa	• • •	• • •	• • •	• • •

● in attendance ○ not in attendance
• • • not yet in office ////// resigned

**There was no quorum for this meeting and all recommendations were subsequently circulated to the committee members for approval.*

Remcom assists the Board by overseeing the following activities:

- ensuring that the Company's directors and the Group's senior executives are competitively rewarded for their individual contributions to the Group's overall performance. Remcom therefore ensures that the remuneration of the senior executive members of the Group is set by a committee of Board members who have no personal interest in the outcomes of their decisions and who will give due regard to the interests of shareholders and to the financial and commercial health of the Company;
- succession planning for, and approving the appointment of, senior executives within the Group;
- recommending an appropriate remuneration and reward framework (including salaries, benefits, share options and incentive schemes) to ensure that the Group's employees are appropriately engaged and retained. The framework considers guaranteed remuneration, short-term and long-term incentives, and benefits;
- reviewing the composition of the Board and its committees with respect to size, diversity, skills and experience; and
- recommending the appointment of directors to shareholders.

Remcom complied in all material respects with its mandate and responsibilities prescribed in the applicable charter.

DEALINGS IN JSE SECURITIES

The Company and its directors comply with the JSE Listings Requirements in respect of trading in Company shares. In terms of the Company's closed-period policy, all directors and staff are precluded from dealing in Company shares during closed periods, until the release of the Group's interim and final results, respectively. The same arrangements apply for closed periods during other price-sensitive transactions for directors, officers and participants in the share incentive schemes and staff who may have access to price-sensitive information. A pre-approval policy and process for all dealings in Company shares by directors and selected key employees is strictly followed. Details of directors' and the company secretary's dealings in Company shares are disclosed through the Stock Exchange News Services ("SENS").

The company secretary regularly disseminates written notices to inform the directors, executives, and employees regarding insider trading legislation, and advises them of closed periods.

INVESTOR RELATIONS AND COMMUNICATION WITH STAKEHOLDERS

The Company strives to be transparent, open and to have clear communications with all of its relevant stakeholders. In this regard, the Company seeks to continually improve upon its communication efforts through relevant disclosure of financial and other information. Reports, announcements and meetings with investment analysts and journalists, as well as the Company website, are useful conduits for information.

All Board members are expected to attend the Company's annual general meeting, and shareholders can use this opportunity to direct any questions they may have. A summary of the proceedings of general meetings and the outcome of voting on the items of business are available on request.

KEEPING ABREAST OF LEGISLATIVE REQUIREMENTS

The Company's internal legal advisers and company secretary keep the Company abreast of generic and industry specific legislative and regulatory developments such as King III, the Companies Act, 71 of 2008, the Regulations relating to the Labelling and Advertising of Foodstuffs in terms of the Foodstuffs, Cosmetics and Disinfectants Act, 1972 and the Protection of Personal Information Bill published in August 2009. During the year under review the Company completed a Group-wide education programme on the Consumer Protection Act, 68 of 2008 and employed dedicated and skilled persons in some of the larger subsidiaries to specifically ensure compliance with this legislation. The Company is furthermore engaged with the Consumer Goods Council of South Africa in the preparation of an Industry Code for the Consumer Goods and Services Industry in terms of section 82 of the Consumer Protection Act.

PARTICIPATION IN INDUSTRY FORUMS

The Company and its subsidiaries participate in various forums that represent the interests of an industry or sector of the economy, including the Consumer Goods Council of South Africa, the Aerosol Manufacturers' Association of South Africa and the Responsible Fisheries' Alliance. Care is taken to ensure that proceedings at these forums do not contravene competition regulations.

REMUNERATION, SHORT AND LONG-TERM INCENTIVES, RETIREMENT AND MEDICAL FUND BENEFITS

Once the Board has approved the Company's remuneration and reward policy, Remcom is entrusted with its implementation.

Remuneration levels are set with reference to independent salary surveys on a regular basis, taking cognisance of specific skill requirements. At least once every two years Remcom appoints an independent remuneration consultant to review the remuneration paid to the Group's executive management as well as selected positions within the next levels of management. The salary curve for each band is also compared to published industry statistics. Where bargaining units exist within the operations, negotiations take place with recognised unions.

The Company endeavours to remunerate its employees that are regarded as established performers from the market median to the upper quartile, depending on their individual contributions to the Company. Employees that are clear out performers may be remunerated from the upper quartile to above; while employees that are regarded as under performers are paid below the median and are actively managed. This approach recognises both the market forces in play and the heightened requirement to attract and retain talented employees. Assessments against the market are done in respect of total remuneration as well as the component parts.

Annual or short-term incentives are based on both the financial achievement of the subsidiary to which an employee is accountable and on individual performance measured against the achievement of key performance indicators. Executive management recommends annual incentives to Remcom for approval. Remcom retains the absolute discretion to authorise incentives.

The annual incentives payable to executive management, for targeted levels of performance, range between 20% and 60% of the cost to company, as deemed appropriate by Remcom and determined with reference to market norms. The actual incentive payment for the year under review for executive management was 47% of the total remuneration cost to company of this group of employees, excluding the cost of the incentives.

Long-term share incentive schemes remain a material part of the Group's reward framework. The schemes are designed to ensure that appropriate employees are retained over a medium to long-term period, rewarded adequately for their efforts, and that their interests are aligned with the interests of shareholders.

The share incentive schemes currently in operation at the Company were all approved by shareholders. There are currently four share incentive schemes in place – the AVI Limited Share Incentive Scheme, its successor the AVI Limited Executive Share Incentive Scheme, the AVI Limited Out-Performance Scheme and the Black Staff Empowerment Share Scheme. The participants, and their level of participation, are all approved by Remcom.

In addition to the Company's long-term incentive schemes, the Group's subsidiary companies operate so-called "phantom share schemes" which enables the Company to reward appropriate employees for the results that their efforts generate within the subsidiaries in which they are employed. Notional shares in the subsidiaries are granted to deserving employees that are either within the top three levels of management or that are regarded as key skills that require retention. The value of the shares is calculated based on the Company's price earnings ratio and the audited headline earnings of the relevant subsidiary Company, with constraints to ensure that the schemes do not reward undeserved outcomes. Remcom approves the allocations annually.

During 2006 specific approval was granted by shareholders for the shares made available for the Black Staff Empowerment Share Scheme and a maximum of 6% of the issued share capital of the Company may be allocated to the other share incentive schemes. In addition no individual may accumulate more than 2% of the issued share capital. The current allocations to share schemes, excluding the Black Staff Empowerment Share Scheme, represent 2,4% of the issued share capital of the Company. Details of share options issued are set out in the directors' report.

Non-executive directors are remunerated in line with market-related rates for the time required to discharge their ordinary responsibilities on the Board and its sub-committees. A portion of the fees is paid as a retainer with the balance being paid for attendance of normal scheduled meetings. For extraordinary ad hoc services rendered that fall outside their ordinary duties, the non-executive directors are remunerated by way of a market related hourly fee, subject to authorisation by Remcom.

Non-executive directors are not appointed under service contracts, their remuneration is not linked to the Company's financial performance and they do not qualify for participation in any share incentive schemes. Details of remuneration and fees of directors can be viewed in the directors' report.

Defined contribution pension and provident fund arrangements exist throughout the Group. Retirement funding contributions are charged against expenditure when incurred. The assets of such retirement funds are managed separately from the Group's assets by boards of trustees. The trustees are both Company and employee elected, and where appropriate the boards have pensioner representation. The boards of trustees oversee the management of the funds and ensure compliance with all relevant legislation.

The Anglovaal Group Medical Scheme, a restricted membership scheme, offers medical benefits for the employees of participating employers in the Group. The scheme is managed by a board of trustees elected by members (including pensioners) and employer companies and administered by Discovery Health. The board of trustees is assisted by an audit and investment committee and a committee of management. As with the Group's retirement funds, the assets of the scheme are managed separately from those of the Group. The board of trustees ensures compliance with all relevant legislation and, in particular, manages the relationship with the Council of Medical Schemes.

INTRODUCTION AND OVERVIEW

Sustainable development enables corporate citizens to prosper in a responsible manner and within a framework that safeguards both their and future generations' long-term sustainability. It requires the identification and active management of those issues that could materially affect the long-term successful existence of the enterprise in the context of all stakeholders – shareholders, consumers, employees, customers, suppliers, government, and local communities.

AVI Limited ("the Company") has a well-run governance framework that enables it to identify and manage those material sustainability issues that exist, or that may come to exist. The Company also operates in a manner that ensures that the needs of the present generation of stakeholders are met, without compromising future generations. Matters are monitored and managed, for example, by the appropriate diversity committee, health and safety committee, internal review committee or the audit committee. Executives within the Group, however, remain responsible for specific matters and are held accountable for their successful implementation and management.

Matters that are deemed to be of a material nature, or that require heightened focus, are elevated to the Company's board of directors. A senior resource co-ordinates the Group's efforts and ensures that sufficient focus is given by the operations to those matters that are deemed to be of importance.

The Company considers its sustainability responsibilities under the following three broad categories:

- Ethics – ethics are at the foundation of an effective and sustainable organisation that must be able to operate without censure or compromise in the long term. Ethics are central to the Company's culture and therefore the behaviour of its employees. They assist in establishing a willingness to accept and embrace broader issues in our society, forming the basis of the Company's interactions with its stakeholders.

- Scarce resources – in order to ensure that future generations have access to the scarce resources on which the Company is reliant, and the Company's viability is not compromised in the long term, the Group is intent on carefully managing those scarce resources relevant to its operation. In addition to managing the very specific risk relating to its finite hake fishing resources, the Company is committed to the application of sustainable practices across its operations.

- Transformation and good corporate citizenship – the Company recognises the moral, social and economic imperative to embrace and support transformation in South Africa and to be regarded as a valuable participant in the South African economy and society. The Company also recognises the need to be, and to be seen as, a good corporate citizen that is desirable to do business with.

ETHICS

The Company has a well-established Code of Ethics that applies to all directors and employees and provides clear guidance on what is considered to be acceptable conduct. This code requires all directors and employees to maintain the highest ethical standards and ensure that the Company's affairs are conducted in a manner which is beyond reproach. This code is communicated to all new employees and published on the intranet for access at all times by employees. The code is reviewed periodically to ensure that it continues to meet the Company's needs and is currently being reviewed to ensure that it includes, where appropriate, any relevant additional standards or principles recommended by the King Report on Corporate Governance for South Africa 2009 ("King III"), which recommendations are required to be reported on by the Company at the end of its 2011 financial year.

In order to ensure compliance with the Code of Ethics the Company has a formal governance framework. Within the governance framework material issues are highlighted in management reports that are reviewed by the operating executives. If appropriate, matters are elevated to the Company's Board of directors. This formal framework is supported by the Group's internal audit function, which is responsible for investigating identified areas of concern and reporting their findings to the Chief Financial Officer of the Group. The Group continues to subscribe to "Tip-offs Anonymous", an independent hotline service that facilitates confidential reporting on fraud and other unethical conduct. During the year under review the Company also appointed a Group treasury and risk manager, a function that was previously incorporated in the Group financial manager's role. The treasury and risk manager has given, and will continue to give,

I&J subscribes to responsible and sustainable fishing practices.

heightened focus to risk management throughout the Group. More recently the Company has appointed a Group security manager, whom has the experience and the capacity to proactively and comprehensively investigate relevant areas of concern or matters arising.

In addition to the formal framework, it is imperative to promote a culture that is consistent with the ethical values that the Group aspires to. This is achieved through the example set by executive management, consistent enforcement of these values and the careful selection of employees that display the desired attributes and values.

SCARCE RESOURCES

The Company's primary exposure to scarce resources that could materially impact its business is the performance of its fishing resources on the shores of South Africa and Argentina. Although the Argentinian operation is being held for sale, its value to prospective purchasers is materially underpinned by its access to hake quotas and the performance of the Argentinian hake resource. Both operations have secured long-term hake fishing rights at levels that can support economic returns provided that the resources remain healthy.

In South Africa access to marine resources is managed by Marine and Coastal Management ("MCM"), which reports into the Department of Agriculture, Forestry and Fisheries. MCM sets an industry-wide annual quota or "Total Allowable Catch" ("TAC") for each species under its management. MCM, in response to its concern over the viability of the South African hake resource has decreased the industry-wide TAC by 24% over the past five years. Since 2007 however the South African hake resource has shown an encouraging increase in total bio-mass and continues to do so. As a result I&J's quota for 2010 was increased by 1,06% to 33 550 tons. Material improvements in catch rates over the last few years are a further indicator of improving health of the resource.

I&J strives to lead the way with initiatives to manage fishing effort and protect breeding areas off the South African coast. Effort control measures introduced in 2008 are being monitored and I&J remains committed to engaging with MCM to ensure compliance and enforcement thereof.

The South African deep sea and inshore trawl hake fisheries have recently been recertified for a further five years for meeting the Marine Stewardship Council ("MSC") environmental standard for sustainable fishing. This certification gives assurance to buyers and consumers that their seafood comes from a well managed and sustainable resource and is increasingly relevant in I&J's export markets.

I&J continues to have good working relations with the World Wildlife Fund which has resulted in the development of projects such as the responsible fisheries training programme and initiatives to reduce the incidental mortality of sea birds, as well as the formation in recent years of the Responsible Fisheries Alliance. The alliance continues to ensure that all stakeholders understand and support the implementation of an Ecosystem Approach to Fisheries management in South Africa's fisheries, which seeks to protect and enhance the health of marine ecosystems on which life and human benefits depend, including promoting responsible fisheries practices, influencing policy on fishery governance, skills development and facilitating high quality ecological, socio-economic and governance related research. I&J furthermore subscribes to the WWF's Southern African Sustainable Seafood Initiative ("SASSI") which was initiated in November 2004 to promote the use of fish which has been procured from sustainable sources and to inform and educate participants in the seafood trade, from wholesalers to restaurants through to seafood lovers. I&J has been invited to become a participant organisation, undertaking, *inter alia*, to source the seafood in which they trade from sustainable sources.

The Argentinian hake resource is managed in a similar way to the South African resource, with the additional imposition of restricted fishing areas for part of the year. Fifteen year fishing rights were granted in Argentina effective from 2010 and Alpesca has been awarded 7,2% of the TAC. The Argentinian TAC was increased for the 2010 calendar year, resulting in a 5% increase in Alpesca's quota to 20 880 tons.

In addition to the Group's concern about fishing resources, the Group is acutely aware of the need to manage all finite resources and is committed to finding ways to reduce usage and to supplement or replace non-renewable resources with more sustainable resources wherever possible. During the year ahead the Company will enhance its co-ordination of the various related activities across the Group and will improve the centralised reporting of this.

TRANSFORMATION

The Company recognises the moral, social and economic imperative to embrace and support transformation in South Africa and to be a valuable participant in the South African economy and society. A transformed company in the South African context is not only one that has a workforce that is representative of the country's racial and gender demographics and that operates with a bias towards broad-based empowerment opportunities, but one that also embraces diversity.

The Company continues to progress its transformation and remains intent on providing a workplace that encourages diversity. Transformation is considered in the context of broad-based black economic empowerment ("BBBEE") and is measured against the generic BBBEE scorecard. A central senior manager actively co-ordinates the Group's efforts and ensures that the subsidiaries are well educated on the various facets of transformation. The subsidiaries' progress is monitored and they are centrally assisted in the implementation of various initiatives. During the year under review significant time and funds were invested in progressing the transformation plans that had been developed during the previous years. The progress of these plans was reviewed at half year and revised activities were agreed upon, where necessary.

As a result of the Group's collective efforts the Company's consolidated BBBEE rating has improved markedly from June 2008 to June 2009 to June 2010, from a level 7 (at 40,13 points) to a level 6 (at 46,15 points) to an improved level 6 (at 53,7 points). The most significant contributions to this improvement came from progress in the skills development and preferential procurement areas.

During the year under review executive management presented a comprehensive review of the Company's transformation initiatives and its BBBEE goals to the Company's board. The areas of progress made in the various elements of the generic BBBEE scorecard were highlighted, as were areas for improvement in the short and medium terms. The Board committed further resources and funding to the transformation agenda. Furthermore the Board sanctioned the Company to revise the AVI Black Staff Empowerment Share Scheme ("the Scheme") so that it may be recognised as an ownership scheme for the Company's BBBEE scorecard calculation. This issue is clarified in the subject below.

Also during the year under review the first tranche of shares held by black employees in the I&J empowerment share scheme vested, and payments totaling R4 398 917 were made to 731 shareholder employees. This creation of economic benefit in the hands of previously disadvantaged employees contributes not only to the wellbeing of the employees themselves but also to the communities in which they live.

Ownership

The Scheme, which was launched during January 2007, has placed 7,7% of the Company's total issued share capital or 26 million ordinary AVI shares in a trust for the benefit of its eligible black employees. In aggregate they will benefit from growth in the share price over a seven-year period, with the first tranche vesting after five years. To date approximately 6 700 employees have benefited as participants. There are also early vesting provisions for participants that have left the Company's employ in a manner that classifies them as so-called "good leavers". At the end of the year under review 475 good leavers had received a net benefit, in total, of R9 877 950.

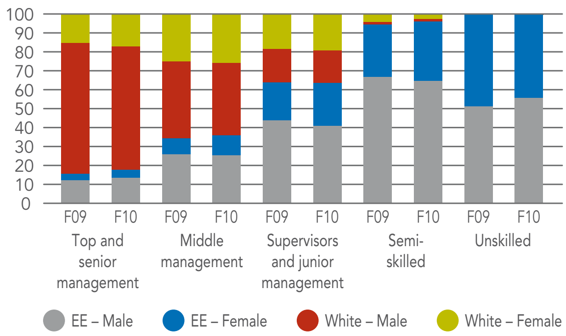
As reported above, the Company does not get ownership recognition for the Scheme in its current BBBEE scorecard calculation due to the manner in which the Scheme has been constructed. Changes to the Scheme that could address this shortcoming were evaluated during the year under review and presented to the Board at its meeting on 5 March 2010. The proposed amendments to the Scheme were approved by the Board for recommendation to shareholders at the annual general meeting on 20 October 2010.

The salient features of the proposed changes to the Scheme are set out in the Notice of the Annual General Meeting. Shareholders will be asked to consider the proposed amendments and, if deemed favourable, to approve such by way of an ordinary resolution, the objective of which is to secure recognition of the Scheme for BBBEE purposes, thereby visibly supporting the Company's transformation agenda.

Management control and employment equity

During the year under review the Company has furthered its efforts to appoint, develop and retain black employees, especially where representation is required in the senior management and executive bands. The Company's employment equity efforts, that are expected to continue to show success in the medium term, remain behind training, developing and mentoring black employees with the objective of preparing them for more senior roles. While

AVI employment equity demographics



demographic compositions seem similar year-on-year, these have shown improvement with key senior roles being populated with talented black candidates. Progress made by the Group in the area of employment equity (as per the BBBEE Codes) over the past two years is material and mostly as a result of focused recruitment of suitable black candidates and the progression of black staff. This remains an area of focus in the year ahead.

Skills development

Focus on skills development was significantly bolstered in the previous year with the appointment of a senior learning and development manager to address the diverse learning and development needs across the Group. This continued into the year under review. This central service has made material progress by successfully originating relevant learning opportunities for a broad community of employees, reviewing current learning services and requirements and their alignment to the Group's needs, assisting the Group to develop their employees in an appropriate manner and progressing the Company's transformation agenda. Considerable time has been spent building relationships with the Food and Beverage Sector Education and Training Authority in order to successfully access discretionary grants. At present the Group has 350 learners on adult basic education and training programmes, as well as learnerships and apprenticeships, with 160 of these having access to discretionary grant funding. Significant resources and funds were spent on assessing and developing managerial and executive employees.

In addition to the central learning and development function, the individual Group companies devoted considerable time and funds to skills development programmes. During the year under review the Group spent approximately R18,4 million, an amount equivalent to 1,76% of its total payroll costs, on skills development (in comparison with 1,69% in the previous year), while simultaneously improving the relevance of the skills development initiatives.

Preferential procurement

Preferential procurement remained an area of particular focus during the year under review as is evidenced by the improvement of the Group BBBEE score for this element from 54% to 79%. The collaboration of specialist procurers in the Group has played a large role in this on-going improvement in the Group's preferential procurement performance

The Learn to Earn initiative assists the unemployed with skills training to become economically active.

and continues to create opportunities for further improvements in the year ahead. It is also the intention of the Company to appoint a central Group procurement executive during the year ahead to better access Group-wide commercial opportunities. This will have the added benefit of centralising some of the preferential procurement initiatives.

The Group continues to engage with suppliers regarding their transformation needs and to require its suppliers to register on the Department of Trade and Industry IT portal, which provides a single national catalogue of vendors and their BBBEE profiles. Where opportunities are readily available, suppliers with a higher BBBEE rating than their competitors continue to be favoured.

GOOD CORPORATE CITIZENSHIP

The Company recognises the benefits of being a good corporate citizen with a commitment to contribute to sustainable economic, social and environmental development through working with employees, their families, the local communities and society at large to improve quality of life, and being an organisation that is desirous to do business with.

The Company is concerned with all matters that affect consumers and has during the past year given the Board and all affected employees a sound working knowledge of the Consumer Protection Act as well as ensured that the Company's trading practices are compliant with the provisions of this legislation. The Company is furthermore working with the Consumer

Goods Council of South Africa to formulate an Industry Code for the Consumer Goods and Services Industry in terms of Section 82 of the Consumer Protection Act. The Company has also familiarised itself with the Regulations relating to the Labelling and Advertising of Foodstuffs in terms of the Foodstuffs, Cosmetics and Disinfectants Act and will comply with appropriate requirements.

Health, safety and wellness

The Company provides a healthy and safe work environment to its employees as a basic right and recognises that a healthy and safe workplace enhances employee morale and productivity. It is also recognised that a healthy and safe workplace is essential to the food handling industry and ensures that consumers are protected and quality assured.

Health and safety requirements are firstly monitored and reviewed within the risk management framework of the Group and legislative compliance is required as a minimum standard. The requisite health and safety committees are in place and training occurs on an ongoing basis. These on-site committees deal with issues as and when required, and if necessary they elevate matters to the internal review committees that they report to. If necessary, matters are referred to the Company's board of directors. There are also various supplementary health and wellness initiatives that form part of the Company's employee engagement framework.

The Company's safety record is viewed against the industry standard disabling injury frequency rate ("DIFR"), which measures the percentage of employees that suffer a disabling injury for every 200 000 man hours worked. A disabling injury is an injury that causes an employee to miss a shift following the one on which they were injured. At a Group level the Company achieved a DIFR of 1,12 for the year. Although this rating is very acceptable by industry standards, it reflects deterioration from the rating in the previous year of 1,03 (but remains an improvement on FY08's rating of 1,20). As Group-wide statistics can mask events, the Company reports on all fatalities. During the year under review, sadly and regretfully an employee of Sir Juice was fatally injured during a vehicle collision while on a delivery run. An investigation revealed that the deceased was not wearing his safety belt at the time of the collision. Sir Juice has reinforced its efforts to ensure that its effected employees comply with all traffic regulations and safety protocols.

The high safety standards adopted by the operations are enhanced by accreditation with independent standard-regulating authorities. The material manufacturing and food handling sites have achieved and maintained Hazard Analysis and Critical Control Point Certification. The Company's tea, coffee, biscuit and cosmetics manufacturing sites are ISO 9001 certified (which relates to their quality management systems) with the Durban tea factory and the biscuit factories also being ISO 14001 certified (which relates to their environmental management systems). In addition the Denny Farms have EUREPGAP certification for Good Agricultural Practices (a standard of the Global Partnership for Safe and Sustainable Agriculture), and the I&J Woodstock and Blockbusters sites have BRC (British Retail Consortium for Global Standards) and SABS 1841 (Control of Quantity – Trade Metrology Act) certification.

All of the Group's sites continue to be reviewed annually by Alexander Forbes Risk Management and continual improvement is driven through risk committees at each site.

The Company is also a Top 50 subscriber to the Food Safety Initiative which operates under the auspices of the Consumer Goods Council of South Africa. It takes all reasonable steps to collaborate with stakeholders to ensure that food produced, distributed and marketed in South Africa meets with the highest standards of food safety and nutrition and complies with legal requirements or recognised codes of good practice.

The Company continues to recognise the detrimental social and economic impact that HIV/AIDS is having in South Africa. Policies and practices have evolved over the years that have included the placement of permanent clinics at the larger sites; knowledge, attitude and practices surveys; awareness and education programmes; voluntary counselling and testing programmes; individual case management; the provision of universal precautions to prevent accidental transmission in the workplace; and the dispensing of free condoms.

Following the success of the group-wide HIV/AIDS voluntary counselling and testing ("VCT") programme that was introduced in 2007, the Company continues to offer this service to all sites on an annual basis and it was re-run at some sites during 2010, such as the tea and coffee factories and Snackworks' biscuit factory at Westmead. The VCT programme achieves the objectives of raising awareness, increasing significantly the number of employees that know their HIV status and providing the Company with detailed information per site so that its efforts are appropriately focused.

The Company's larger sites have active primary health care clinics either on a full-time or part-time basis. They are well equipped and managed by appropriate medical professionals. These clinics play a material role in the day-to-day healthcare management of the Company's lower income earning employees, and in a number of instances provide an out-reach programme for immediate family members.

The employee wellness programme, managed by ICAS and introduced throughout the Group during April 2009, is being well used by the various companies within the Group, the Company's employees and their immediate families. During the year three family trauma debriefing sessions, with 10 participants, were conducted to assist with the trauma of domestic violence, armed robberies and a homicide. Four group trauma debriefing sessions were conducted on Group sites to assist 116 employees with the traumatic responses associated with issues varying from the death of a colleague to a critical incident at work. At the time of reporting 16 high-risk cases continue to be closely monitored by the ICAS counsellors. The employee wellness programme extends beyond healthcare, and among other services, gives the Company's employees and their immediate family member access to financial and legal advisory services.

In addition to the formal employee wellness programme, a number of sites such as the tea, coffee, creamer and juice factories, partnered with ICAS in presenting to employees on various subjects, for example Wellness Day, World Aids Day, TB & HIV, and Good Disability Case Management.

Corporate social investment

The Company's corporate social investment ("CSI") programme is aimed at bringing about positive social and economic changes to historically disadvantaged communities to enhance the environment within which the Company operates. On an annual basis an amount of approximately 1% of the Group's pre-tax profits achieved in the previous year is set aside for this purpose. The areas of focus are broadly education and skills development; sports, arts and culture; the environment and health and welfare. Grants are managed through various established structures within the Group but mostly through the AVI Community Investment Trust. This trust is served by elected employees who have shown an interest in CSI and an ability to manage the CSI programme. All material projects are properly vetted and monitored by the trustees to review that they achieve what was initially intended.


The Women Development Bank Micro Financing Programme assists with the economic development of women in impoverished Eastern Cape communities.

During the year under review approximately R10 million was spent on the Company's CSI programme. In addition, Snackworks continued to fund the Bakers Mini Cricket Sport Development Programme (which has subsequently been discontinued, at the behest of Cricket South Africa). Including this initiative, the total CSI contribution was in excess of R17,5 million during the year.

The greatest portion of the Company's CSI funding was spent on education and skills development. The Company supported a large group of senior scholars and channelled further support into a more focused group of tertiary students in the following manner:

- The scholars were supported through the Star Schools programme. Building on the success of this project in previous years, 450 underprivileged grade 10, 11 and 12 learners from 27 schools were sponsored to attend the Star Schools programme, which provided them with additional schooling in Mathematics, Science and English. The sponsors (including the Company) paid for the hire of educators, stationery and learning material, transport, venue hire and sustenance for the scholars, while the scholars were required to attend lectures on weekends and during their holidays. This continued to be a successful programme, with the 2009 Star School matriculants achieving a 91% pass rate, in comparison to a national average of 62,5%. Furthermore 62% of the Star Schools' scholars obtained a university exemption, in comparison to a national average of 19,6%.

- The Company provided full bursaries to 24 disadvantaged students to further their higher

I&J supports the National Sea Rescue Institute's "Waterwise" initiative.

Nelisiwe Thabethe and Lindokuhle Mathenjwa, two of 24 students from disadvantaged backgrounds receiving full bursaries to further their higher education from AVI. Some of the students currently receiving bursaries were also previous beneficiaries of AVI's Star Schools programme.

education at various universities, technikons and colleges. The students have been selected based on their financial means, academic results and preferred fields of study, 11 of which were introduced to the Company as top performing Star Schools scholars. In order to facilitate these students' introduction into the tertiary education environment, the Company trained 13 of its employees to mentor them. Each student has a mentor to facilitate his/her engagement with their learning institution and to bridge his/her relationship with the Company. The students were also given short-term employment with the Company, twice during the year, during their vacations. Studietrust assists the Company to run this programme.

Other CSI initiatives worthy of mention that the Group supported during the year were:

- A Micro Financing Programme. The Women Development Bank's – Micro Finance ("WDB-MF") programme is based on the principles of, and supported by, the Grameen Bank of Bangladesh which gives micro loans and basic support to poor rural women to help them out of poverty. WDB-MF began its pilot programme in South Africa in Acornhoek, Mpumalanga. It currently has branches in Mpumalanga, Limpopo, KwaZulu-Natal and the Eastern Cape. The Company has sponsored the Eastern Cape branch for the past three years. In South Africa the programme currently reaches 80 000 women who have borrowed over R80 million and the successes experienced in India have begun to be replicated. During the year under review the Eastern Cape branch employed six people and loaned approximately R12 million to approximately 950 beneficiaries, while experiencing insignificant arrear payments.

- HeartWorks runs skills and personal development courses for male and female long-term prisoners based in Gauteng who are due to be released back into the community. The prisoners' families are invited to attend at the workshops, and support and guidance is provided to the prisoners on their release and reintegration into the community. HeartWorks is playing an important role in society by alleviating the cycle of crime and by enhancing the skills pool.

- Learn to Earn in the Khayelitsha and Hermanus areas. This initiative assists the unemployed with skills training to become economically active.

- Rural Education Access Programme ("REAP"). During 2009 REAP supported 351 students spread across 20 higher education institutions. The students were all selected from the rural areas of South Africa where the majority of their family members are unemployed and the only income is by access to a social government grant. The students were supported by counsellors and mentors, taken on experiential field trips and were given extra learning opportunities. For the academic year 2009 the students achieved a pass rate of 80%.

- St Mary's Hospital, Westmead, Durban. The hospital provides home-based care and a drop-in centre for residents in the surrounding areas, which population has an HIV/AIDS prevalence. The Company sponsors 1 of 7 drop-in centres where children can be dropped off to be cared for by a volunteer day mother. The children are provided with a place of safety, nourishing meals and basic educational stimulation.

- Red Cross War Memorial Children's Hospital, Cape Town. The Group has supported this hospital for many years. During the year under review, it provided funds for the upgrade to the paediatric burns unit which treats approximately 3 500 child burn victims every year and is currently the only specialised and dedicated burns unit in Africa.

- War Against Malnutrition, Tuberculosis And Hunger ("WARMTH"). This feeding scheme has established and supports 43 community kitchens in underprivileged communities around Cape Town. WARMTH provides low cost meals to approximately 5 000 people per day. I&J sponsors three kitchens operated by local women in the community who also receive business and financial skills training in addition to lifestyle skills training.

- National Sea Rescue Institute ("NSRI"). I&J supports NSRI's "waterwise" initiative which teaches children what to do in an emergency and how to "breathe for their buddy" whilst waiting for the emergency services to arrive.

The Company has also been involved in or made donations to a number of smaller but important initiatives, such as Heartlines, the Peninsula School Feeding Association, the Jewish National Fund, "Look Good, Feel Better" (funded by Indigo Cosmetics to assist women facing the trauma and stress of cancer), the Centre for Early Childhood Development, Light House Community Kitchens, The Bateleurs, and Chevrah Kadisha.

Environmental practices

The Company pursues responsible environmental practices. This involves compliance with all applicable environmental legislation and the practice of responsible environmental management related to inputs (material, energy and water) and outputs (emissions, effluents and waste) affecting ecosystems and communities. An independent party conducts annual environmental audits at each manufacturing site. The audit measures the impact that the particular operation has on its environment and reviews compliance with legislation and Group policy.

HeartWorks plays an important role in society by alleviating the cycle of crime and enhancing the skills pool through its skills and personal development courses for long-term prisoners who are due to be released back into the community.

During the year under review some of the Group's achievements were:

- Environmental controls – Snackworks' Westmead factory has a close working relationship with the local municipality enabling responsible and pro-active management of the site's effluent discharge. In recognition of this relationship, Westmead was chosen as the sole representative within KwaZulu-Natal for the pilot process of a new electronic permit management system in conjunction with the local municipality supported by the Swedish government.

- Energy conservation – Energy efficient Variable Speed Drives were retrofitted on a number of lines in place of older Direct Current Motors at the biscuit factories and additional LPG metering and control stations were fitted to the main gas ovens at the Westmead factory. Entyce Beverages is investing measures to improve steam-boiler coal consumption and emissions, as well as energy consumption per kilogram produced.

- Fuel consumption – On-going focus on optimisation of delivery routes and consideration of distribution networks throughout the Group, remain a key focus with a view to reducing fuel consumption.

During the next reporting period, as part of the Company's overall review of the recommendations and principles embodied in King III, the Company will centrally identify key areas of environmental impact for further consideration and reporting on, including issues which impact on climate change and relate to overall responsible and sustainable environmental practices, such as greenhouse gas emissions, electricity demand, resource efficiency, waste and pollution management.

Standing left to right: Kim E Macilwaine, Mike J Bosman, Owen P Cressey, Gavin R Tipper, Simon L Crutchley, Adriaan Nühn, James R Hersov.

Seated left to right: Robert S Katzen, Angus WB Band, M Humphrey Buthelezi.

BOARD OF DIRECTORS

Simon L Crutchley (47)
Chief Executive Officer
Qualifications: BBusSci (UCT)
Directorships: AVI Limited

Simon was a co-founder of Otterbea International (Pty) Limited, an international trading business based in South Africa. He was appointed managing director of Consol Limited in 1997 and oversaw the successful turnaround of that company. He joined the Board of AVI Limited in 1999, was appointed Business Development Director in 2002 and Chief Executive Officer in October 2005.

Owen P Cressey (43)
Chief Financial Officer
Qualifications: DipAcc (Natal), CA(SA)
Directorships: AVI Limited

Owen was admitted as a chartered accountant in 1990 and held senior financial management posts in the Anglo American Group. Owen joined AVI in September 2005 as Group Financial Manager. He was appointed to the Board of AVI Limited as Chief Financial Officer in May 2006.

Robert S Katzen (42)
Business Development Director
Qualifications: BAcc (Wits), CA(SA)
Directorships: AVI Limited

After completing his articles at Coopers & Lybrand, Rob joined its corporate finance division in 1993. He was appointed corporate finance manager for the Anglovaal Limited Group in 1995 and held this position until the final restructuring of the group in 1999, when he was appointed to the Board of AVI Limited as Finance Director. He held this position until appointed Business Development Director of AVI Limited on 1 May 2006. Rob currently holds the position of acting managing director of a subsidiary, Ciro Beverage Solutions.

Angus WB Band (58)
Chairman
Qualifications: BA, BAcc (Wits), CA(SA)
Directorships: Chairman: AVI Limited; Director of Liberty Group Limited, Liberty Holdings Limited and chairman of Aveng Limited

Angus joined AVI as an Executive Director in 1997 and was appointed chief executive officer of National Brands Limited in 1998 and Group Chief Executive Officer of AVI Limited in 1999. He is currently Chairman of AVI Limited and Aveng Limited and a director of Liberty Holdings Limited.

Adriaan Nühn (57)
Qualifications: BBusAdmin (Hogere Economische School, Eindhoven, The Netherlands), MBA (Univ of Puget Sound, Washington)
Directorships: AVI Limited, Alpinvest Partners NV, Macintosh Retail Group NV, Leaf BV, Sligro Food Group BV and Heiploeg NV

Adriaan started his career as a financial analyst with Xerox Corporation, after which he spent ten years with Richardson Vicks Proctor and Gamble in Belgium, South Africa, Sweden and Austria. He thereafter spent 17 years with the Sara Lee Corporation, the last five years of which he was CEO and chairman of the board of management of Sara Lee International. Adriaan was appointed to the AVI Board in November 2007.

Gavin R Tipper (45)
Qualifications: BCom, BAcc (Wits), MBA (UCT), CA(SA)
Directorships: AVI Limited, Interwaste Holdings Limited, Coronation Investments & Trading Limited, York Timber Holdings Limited and chairman of CIREF Limited, an AIM London listed company

Gavin completed his articles with KPMG in 1987. He went on to hold the position of technical partner at the firm before joining Coronation Holdings Limited in 2001 as chief operating officer. Coronation Holdings, and its successor company Coronation Investments and Trading, of which he is an executive director, operate in the financial markets. Gavin was appointed to the AVI Board during March 2007 where he also serves as a member of the audit committee and chairman of the remuneration committee. He also serves on a number of other boards.

James R Hersov (45)
Qualifications: MA (Cantab)
Directorships: AVI Limited, Veracity Worldwide LLC

James was co-founder and joint managing director of Otterbea International (Pty) Limited from 1989 to 1994. In 1994 he was appointed as a director and member of the executive committee of Anglovaal Limited. He was appointed to the Board of Aveng Limited in 1999 and also served as a member of the audit and risk committee until 2008. He has also served as a director of Control Instruments Group Limited and Wesbank.

M Humphrey Buthelezi (45)
Qualification: CA(SA) Directorships: AVI Limited, Wozani Berg Gasoline (Pty) Limited and subsidiaries

Humphrey completed his articles with Deloitte in 1990 and qualified in 1991. He ran his own audit practice for a period of eight years and then served as an audit partner at Ernst & Young for three years. Humphrey is actively involved in the petroleum industry where he is the executive chairman of Wozani Berg Gasoline (Pty) Limited. In march 2010, he was co-opted at the SABC Limited to serve on the Finance, Investment and Procurement Committee and the Risk Committee. He also currently serves on the public sector audit committees of the City of Tshwane (Pretoria) Metro and MapppSeta and previously served at the Competition Commission and Tribunal, ITAC and Umgeni Water Board. Humphrey was appointed to the AVI Board in July 2004 where he also serves as the chairman of the audit committee.

Kim E Macilwaine (53)
Qualifications: BA (Business Studies) (Hons) UK
Directorships: AVI Limited

Kim joined Unilever (UK) in 1979 and spent the next 25 years working for the Unilever Group. He was managing director and chairman of the Unilever Food business in South Africa from 1996 to 2004. Kim was appointed to the AVI Board in March 2009.

Michael J Bosman (49)
Qualifications: BCom Marketing
Directorships: AVI Limited, One Digital Media (Pty) Limited

Mike is the CEO of One Digital Media. He was previously the Group CEO of TBWA, which included South Africa's top-ranked creative advertising agency TBWA Hunt Lascaris, chairman of several other communication companies in the TBWA group, and executive director of FCB Worldwide, an advertising agency group based in New York. Mike was appointed to the AVI Board on 1 March 2010 and serves as a member of the audit committee.

Andisiwe Kawa (48)
Qualifications: MBA (Wharton, University of Pennsylvania), MA, Ed M (Columbia University), BSc (University of Transkei)
Directorships: AVI Limited, Interwaste Holdings Limited, Aquarius Platinum (South Africa) (Pty) Limited, Chuma Holdings (Pty) Limited, Imara S P Reid (Pty) Limited, Sentula Mining Limited, Zingwenya Investments (Pty) Limited

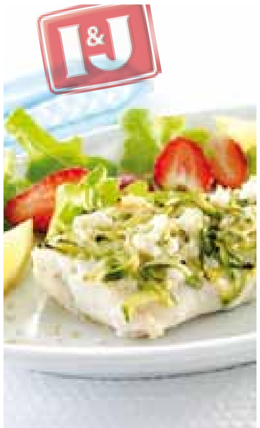
Andy holds a Masters Degree in Business Administration from the Wharton School, a Masters Degree in Education and Masters in Art from Columbia University, and a Bachelor of Science Degree from the University of Transkei. She is currently the chairman of Interwaste Holdings and of Chuma Holdings, vice-chairman of the Jewellery Council of South Africa and serves on the boards of Aquarius Platinum SA, Sentula Mining and Imara Capital SA. Andy previously held senior positions in strategy and finance in the USA, UK and South Africa. She has worked in several fields including services, mining and banking. Andy was appointed to the AVI Board on 15 July 2010 and serves as a member of the remuneration committee.

Andisiwe Kawa

AVI Limited: ISIN: ZAE000049433 Share code: AVI
Registration number: 1944/017201/06
("AVI" or "the Group" or "the Company")

AVI

GROWING GREAT BRANDS

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THE NOTICE OF ANNUAL GENERAL MEETING HAS BEEN ENCLOSED AS A SEPARATE DOCUMENT WITH THIS REPORT

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements and Group annual financial statements which appear on pages 50 to 130 were authorised for issue by the Board of directors on 3 September 2010 and are signed on their behalf.

AWB Band
Non-executive chairman

SL Crutchley
Chief executive officer

CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 268G(d) of the Companies Act, 1973, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies for the financial year ended 30 June 2010, all such returns required of a public company in terms of the Companies Act, 1973, and that all such returns are true, correct and up to date.

VA Crystal
Company secretary
Illovo, Johannesburg
3 September 2010

INDEPENDENT AUDITORS' REPORT

To the members of AVI Limited

We have audited the Group annual financial statements and the annual financial statements of AVI Limited, which comprise the balance sheets at 30 June 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 50 to 130.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of AVI Limited at 30 June 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per MCA Hoffman
Chartered Accountant (SA)
Registered Auditor
Director
3 September 2010

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

DIRECTORS' REPORT

Business of the Company and Group

AVI Limited ("the Company"), which is registered and incorporated in the Republic of South Africa and listed on the JSE Limited ("JSE"), is a branded consumer products company. The Company registration number is 1944/017201/06. The Group currently comprises trading subsidiaries that manufacture, process, market and distribute branded consumer products in the food, beverage, footwear, apparel and cosmetics sectors.

Directors' responsibilities relating to the annual financial statements

The Company's directors are responsible for the preparation and fair presentation of the Group annual financial statements and separate parent annual financial statements, comprising the balance sheets at 30 June 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Group and Company's ability to continue as a going concern and there is no reason to believe they will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the Group annual financial statements and separate parent annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Audit Committee report in terms of section 270A(1)(f) of the Corporate Laws Amendment Act (the Act)

The AVI Audit Committee has discharged the functions delegated to it in terms of the AVI Audit Committee charter and ascribed to it in terms of the Act.

During the period under review, the AVI Audit Committee among others:

(a) met on three separate occasions to review inter alia the year end and interim results of the AVI Group, as well as to consider regulatory and accounting standard compliance in so far as the same pertained to the Audit Committee and the AVI Group respectively;
(b) considered and satisfied itself that the external auditors KPMG Inc are independent;
(c) approved the external auditors' budgeted fees for the 2010 financial year and nominated KPMG Inc for appointment as the Group auditors for 2011;
(d) determined the non-audit-related services which the external auditors are permitted to provide to AVI and reviewed the policy for the use of the external auditors for non-audit-related services. All non-audit-related service agreements between the AVI Group and the external auditors are pre-approved;
(e) resolved to continue to co-source the internal audit function with Ernst & Young during the year;
(f) confirmed the internal audit charter and audit plan for the 2010 and 2011 financial years;
(g) reviewed the IT Governance structure for the AVI Group;
(h) confirmed adequate whistle-blowing facilities were in place throughout the AVI Group and reviewed and considered action taken with regard to incidence reports;
(i) held separate meetings with management, the external and internal auditors to discuss any problems and reservations arising from the year end audit and other matters that they wished to discuss;
(j) conducted a self-evaluation exercise into the effectiveness of the Audit Committee and reviewed the Audit Committee charter; and
(k) ensured that the Audit Committee complied with the membership criteria specified in the Act.

Furthermore, in terms of paragraph 3.84(h) of the JSE Listings Requirements, the AVI Audit Committee evaluated and satisfied itself as to the appropriateness of the expertise and experience of the Company's financial director.

For further details regarding the AVI Audit Committee, shareholders are referred to the Corporate Governance Report on page 31.

Financial

The results of operations for the year are set out in the statement of comprehensive income on page 79.

Revenue and operating profit before capital items were generated from the Group's defined segments as follows:

	2010 Rm	2009 Rm
REVENUE		
Continuing operations		
Branded consumer products	**7 624,2**	7 452,7
Corporate	**6,7**	9,7
	7 630,9	7 462,4
Discontinued operations		
Alpesca	**329,4**	428,8
Total	**7 960,3**	7 891,2
OPERATING PROFIT/(LOSS) BEFORE CAPITAL ITEMS		
Continuing operations		
Branded consumer products	**950,8**	921,0
Corporate	**(9,8)**	(12,5)
	941,0	908,5
Discontinued operations		
Alpesca	**(50,6)**	4,6
Total	**890,4**	913,1

Details of this analysis are provided in the segmental report, which follows the directors' report.

A five-year summary of Group balance sheets, income statements and statement of cash flows is presented on pages 26 to 28.

Corporate activity

Information regarding the Company's interest in subsidiaries and details regarding associated companies, joint ventures and other investments is given on pages 115 to 117.

There were no significant changes to investments.

Share capital

Details of the Company's authorised and issued share capital are given in note 8 to the annual financial statements on page 93.

Issues and redemptions during the year

A summary of the movement in the number of ordinary shares in issue during the year is given in note 8 to the financial statements on page 93.

General authority for the Company to acquire its own shares

The directors consider that it will be advantageous for the Company to have a general authority to acquire its own shares. Such authority will be utilised if the directors consider that it is in the best interests of the Company and shareholders to effect any such acquisitions having regard to prevailing circumstances and the cash resources of the Company at the appropriate time. Accordingly, shareholders will be asked to approve such general authority at the annual general meeting on 20 October 2010.

Dividends

Dividends, paid and proposed, are disclosed in note 31 to the annual financial statements on page 108.

Directorate

There were the following changes to the Board in the year under review. Mr SD Jagoe resigned on 2 November 2009, Mrs NT Moholi resigned on 24 March 2010 and Mr M Bosman and Ms A Kawa were appointed on 1 March 2010 and 15 July 2010 respectively.

In terms of the Company's Articles of Association, Messrs AWB Band, JR Hersov and GR Tipper retire at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election. In addition the appointment of Mr M Bosman and Mrs A Kawa during the year needs to be approved at the forthcoming annual general meeting.

Interests of the directors

The interests of the directors in the issued listed securities of the Company as at 30 June 2010 and 30 June 2009, being ordinary shares of 5 cents each, are as follows:

	Direct number	Beneficial indirect number	% of total
At 30 June 2010			
AWB Band	**200 861**	**–**	**0,1**
SL Crutchley	**520 951**	**–**	**0,2**
RS Katzen	**151 293**	**–**	**0,1**
Total	**873 105**	**–**	**0,4**
At 30 June 2009			
AWB Band	346 861	–	0,1
SL Crutchley	539 545	–	0,2
RS Katzen	551 293	–	0,2
Total	1 437 699	–	0,5

Share incentive schemes

The interests of the directors are given on page 58 in the directors' remuneration report.

A summary of the movements in share incentive instruments is set out in the tables below.

Date of grant	Exercise price R	Instruments[1] outstanding at 30 June 2009 number	Exercised number	Relinquished number	**Instruments[1] outstanding at 30 June 2010 number**
THE AVI SHARE INCENTIVE SCHEME					
September 2001	6,21	36 049	(36 049)	–	**–**

[1]Includes options, scheme shares and any vested but unexercised rights.

The options and/or scheme shares were available to be exercised as follows: 25% on the second anniversary of the date of granting of rights, 25% on the third anniversary, 25% on the fourth anniversary and 25% on the fifth anniversary. Any options and/or scheme shares not exercised on the tenth anniversary of such date of granting of rights will lapse.

Date of grant	Exercise price per share R	Instruments[1] outstanding at 30 June 2009 number	Granted number	Exercised number	Relinquished number	Instruments[1] outstanding at 30 June 2010 number
THE AVI EXECUTIVE SHARE INCENTIVE SCHEME						
10 January 2003	8,18	12 499	–	–	(3 831)	**8 668**
1 July 2003	8,53	18 550	–	–	(6 372)	**12 178**
1 January 2004	9,55	44 771	–	(12 406)	(13 802)	**18 563**
1 July 2004	10,02	162 182	–	(123 755)	(8 368)	**30 059**
31 May 2005	12,62	842 277	–	(594 451)	(78 237)	**169 589**
10 October 2005	15,19	108 467	–	(55 345)	(26 671)	**26 451**
1 April 2007	19,39	382 054	–	(107 336)	(2 644)	**272 074**
1 October 2007	21,12	413 697	–	–	(279 152)	**134 545**
1 April 2008	16,26	1 513 810	–	–	(74 108)	**1 439 702**
1 October 2008	15,80	391 441	–	–	(91 737)	**299 704**
1 April 2009	15,91	1 800 364	–	–	(53 206)	**1 747 158**
1 October 2009	18,99	–	325 623	–	(25 076)	**300 547**
1 April 2010	23,94	–	1 311 759	–	–	**1 311 759**
		5 690 112	1 637 382	(893 293)	(663 204)	**5 770 997**

[1]*Includes options, immediate shares and any vested but unexercised rights.*

The options and/or immediate shares are available to be exercised in their entirety in all cases three years after the effective date of granting of rights. Any options and/or immediate shares not exercised on the tenth anniversary (options issued before 2007) or fourth anniversary (issued after 2006) of such date will lapse. Exercises in any period prior to vesting in the third year represent the portion allowed to be exercised on retirement, death, disability or retrenchment.

Date of grant	Exercise price per share R	Instruments outstanding at 30 June 2009 number	Granted number	Exercised number	Relinquished number	Instruments outstanding at 30 June 2010 number
THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN						
January 2003	8,21	10 451	–	–	–	**10 451**
January 2004	9,79	27 724	–	(18 211)	–	**9 513**
January 2005	12,62	116 916	–	(97 175)	–	**19 741**
October 2005	13,21	161 989	–	(161 989)	–	**–**
January 2006	16,32	61 984	–	(27 915)	–	**34 069**
April 2006	16,32	576 593	–	(576 593)	–	**–**
May 2006	16,85	69 332	–	(69 332)	–	**–**
October 2006	15,91	163 105	–	(163 105)	–	**–**
April 2007	19,39	604 371	–	(48 350)	–	**556 021**
		1 792 465	–	(1 162 670)	–	**629 795**

The above scheme is a cash-settled scheme in a subsidiary that is accounted for in terms of IFRS 2 – *Share-Based Payments*, since the share appreciation rights are directly linked to the AVI Ltd share price. The rights are available to be exercised in their entirety in all cases three years after the grant date. Any rights not exercised on the tenth anniversary (issued before 2007) or on the fourth anniversary (issued after 2006) of such date will lapse.

The AVI Out-Performance Scheme

The AVI Out-Performance Scheme ("OPS") replaces the former AVI Equity Participation Scheme. The maximum number of instruments in aggregate, which may be allocated in terms of the scheme shall not exceed 3% of AVI's issued share capital from time to time unless otherwise agreed by the Board and sanctioned by shareholders in general meeting.

Overview of scheme principles

The scheme is based on a total shareholder return ("TSR") measure. TSR is the increase in value of shares after the notional reinvestment of all distributions. Allocations of scheme shares are made to designated employees in conjunction with the identification of the peer group against which that tranche will be measured.

At the measurement date in respect of each tranche:

- AVI's TSR and the TSR of each peer in the peer group for that tranche will be determined;
- the TSR of each peer in the peer group will be ranked in ascending order in 10 performance deciles;
- depending on the peer group decile within which AVI's TSR will be ranked, between 0 times and 3,6 times the number of the scheme shares allocated to the participant will vest. No shares vest if AVI's TSR is ranked below the 40th peer group decile.

The Trust will deliver to each participant that number of AVI shares which shall have vested in respect of that participant. The cost of acquiring such AVI shares may be funded by way of contributions from employer companies in respect of participants who are their employees. The participants will not be required to pay the Trust for the delivery of AVI shares.

As the allocation of scheme shares is a notional allocation, the scheme shares so allocated will not attract any dividends or voting rights in the hands of participants until vested. On vesting the shares will rank *pari passu* in all respects with AVI shares.

Date of grant	Grant price R	Instruments outstanding at 30 June 2009 number	Granted number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2010 number**
OUT-PERFORMANCE SCHEME						
31 October 2007	21,35	421 419	–	–	–	**421 419**
1 October 2008	15,65	1 388 687	–	–	–	**1 388 687**
1 October 2009	18,61	–	696 169	–	–	**696 169**
		1 810 106	696 169	–	–	**2 506 275**

All instruments vest three years after grant date. Instruments are converted to shares only if the performance requirements are met on the measurement date.

AVI Black Staff Empowerment Scheme

Date of grant	Grant price R	Exercise price[1] R	Instruments outstanding at 30 June 2009 number	Granted number[2]	Excercised number	Relinquished number	**Instruments outstanding at 30 June 2010 number**
THE AVI BLACK STAFF EMPOWERMENT SCHEME TRUST							
January 2007	15,51	17,54	15 299 948	48 524	(1 831 313)	(842 525)	**12 674 634**
October 2007	19,58	22,27	1 330 246	140 657	(15 416)	(204 639)	**1 250 848**
April 2008	16,49	18,47	1 213 944	163 800	(87 595)	(154 206)	**1 135 943**
October 2008	15,68	16,66	1 030 020	654 834	(3 139)	(181 449)	**1 500 266**
April 2009	16,16	16,65	2 006 822	128 266	(101 465)	(279 364)	**1 754 259**
October 2009	18,48	18,68	–	3 633 295	(1 461)	(366 903)	**3 264 931**
April 2010	23,47	23,54	–	1 440 789	–	(35 143)	**1 405 646**
			20 880 980	6 210 165	(2 040 389)	(2 064 229)	**22 986 527**

[1]The exercise price is calculated at 30 June 2010 in terms of the Trust deed, which sets the purchase price as an amount equal to the sum of:
- *the grant price, plus*
- *an amount equal to a portion of the interest on the Trust loan attributable to such shares calculated to the date of exercise of the right to purchase; less*
- *any dividends received by the Trust in respect of the shares up to the date of exercise of the right to purchase.*

[2]During 2010 a complete review of payroll records was conducted, and employees who were entitled to participate in the earlier tranches but had not been advised of this were granted rights.

Participants have been granted a Right to Purchase from the Trust ordinary AVI shares in three equal tranches after the fifth, sixth and seventh anniversary of acceptance of the offer by the participant. The right to purchase is subject to the express condition that the participant is still an employee at the relevant exercise date. Allocations will occur semi-annually in April and October each year, but not later than the end of 2011. The Scheme shall terminate by no later than 12 years from inception. Exercises in any period prior to vesting on the fifth, sixth and seventh anniversary represent the portion allowed to be exercised upon retirement, death, disability or retrenchment.

Restrictions

Sufficient ordinary shares in the authorised and unissued capital of the Company were placed under the control of the directors with specific authority to allot and issue them in terms of the Company's existing share incentive schemes ("the Schemes"). The total number of share instruments, options or instruments convertible into ordinary shares which may be allocated for purposes of the Schemes may not exceed 10 279 154 ordinary shares in respect of the AVI Executive Share Incentive Scheme or 10 279 154 ordinary shares in respect of the Out-Performance Scheme. Each participant may not acquire share instruments or options under the Schemes which would amount in aggregate to more than 2% (presently 6 869 643 ordinary shares) of the total issued ordinary share capital of the Company. The total number of share instruments and options outstanding as at 30 June 2010 is 5 770 997 and 2 506 275 in respect of the AVI Executive Share Incentive Scheme and Out-Performance Scheme respectively, which, in total, equates to 2,4% of the issued share capital. The AVI Black Staff Empowerment Scheme Trust is not subject to these restrictions.

Material shareholders

The Company does not have a holding company.

Ordinary shares

The beneficial holders of 3% or more of the issued ordinary shares of the Company at 30 June 2010, according to the information available to the directors were:

	Number of ordinary shares	%
Public Investment Corporation	51 748 022	15,07
Liberty Group	41 147 393	11,98
AVI Black Staff Empowerment Scheme	24 447 591	7,12
Investec	21 791 358	6,34
AVI Investment Services (Pty) Ltd	17 234 352	5,02
Coronation Fund Managers	11 446 452	3,33

Special resolutions passed by the Company and registered by the Registrar of Companies

The following special resolution has been passed by the Company since the previous directors' report dated 4 September 2009 to the date of this report.

- To authorise the Company or any of its subsidiaries to acquire ordinary shares issued by the Company in terms of the Companies Act and Listings Requirements of the JSE.

Post-reporting date events

No significant events, outside the ordinary course of business, have occurred since the reporting date.

Share Incentive Scheme interests

Name	Date of grant	Exercise price per share R	Instruments[1] outstanding at 30 June 2009 number	Granted number	Exercised number	**Instruments[1] outstanding at 30 June 2010 number**
THE AVI LIMITED SHARE INCENTIVE SCHEMES						
SL Crutchley	27 September 2001	6,21	21 406	–	(21 406)	**–**
	1 July 2004	10,02	114 285	–	(114 285)	**–**
	31 May 2005	12,62	211 953	–	(211 953)	**–**
	1 April 2008	16,26	508 155	–	–	**508 155**
	1 April 2009	15,91	590 823	–	–	**590 823**
	1 April 2010	23,94	–	431 913	–	**431 913**
RS Katzen	1 April 2008	16,26	153 911	–	–	**153 911**
	1 April 2009	15,91	209 555	–	–	**209 555**
OP Cressey	10 October 2005	15,19	47 508	–	(47 508)	**–**
	1 October 2007	21,12	114 168	–	–	**114 168**
	1 October 2008	15,80	231 661	–	–	**231 661**
	1 October 2009	18,99	–	212 020	–	**212 020**
			2 203 425	643 933	(395 152)	**2 452 206**

[1]Includes options and unexercised scheme shares.

- *Unless specifically noted, all options are vested or vest three years after grant date, and lapse on the tenth anniversary (issued before 2007) or on the fourth anniversary (issued after 2006) of the grant date.*
- *None of the non-executive directors have share incentive scheme interests.*
- *The shareholdings of the directors are given in the directors' report.*

Name	Date of grant	Exercise price per share R	Instruments outstanding at 30 June 2009 number	Granted number	Exercised number	**Instruments outstanding at 30 June 2010 number**
THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN						
SL Crutchley	1 October 2005	13,21	161 989	–	(161 989)	**–**
	1 April 2006	16,32	209 099	–	(209 099)	**–**
	1 April 2007	19,39	314 595	–	–	**314 595**
RS Katzen	1 April 2006	16,32	120 634	–	(120 634)	**–**
	1 April 2007	19,39	129 738	–	(18 050)	**111 688**
OP Cressey	1 May 2006	16,85	69 332	–	(69 332)	**–**
	1 October 2006	15,91	123 743	–	(123 743)	**–**
			1 129 130	–	(702 847)	**426 283**

The above scheme is a cash-settled scheme in a subsidiary that is accounted for in terms of IFRS 2 – *Share-Based Payments*, since the share appreciation rights are directly linked to the AVI Ltd share price. The options are exercisable in their entirety three years after the grant date. Any rights not exercised on the tenth anniversary (issued before 2007) or on the fourth anniversary (issued after 2006) of such date will lapse.

Name	Date of grant	Grant price per share R	Instruments outstanding at 30 June 2009 number	Granted number	Exercised number	**Instruments outstanding at 30 June 2010 number**
THE AVI OUT-PERFORMANCE SCHEME						
SL Crutchley	31 October 2007	21,35	98 810	–	–	**98 810**
	1 October 2008	15,65	250 549	–	–	**250 549**
	1 October 2009	18,61	–	141 859	–	**141 859**
RS Katzen	31 October 2007	21,35	43 414	–	–	**43 414**
	1 October 2008	15,65	90 218	–	–	**90 218**
	1 October 2009	18,61	–	58 631	–	**58 631**
OP Cressey	31 October 2007	21,35	45 175	–	–	**45 175**
	1 October 2008	15,65	124 197	–	–	**124 197**
	1 October 2009	18,61	–	65 560	–	**65 560**
			652 363	266 050	–	**918 413**

All instruments vest three years after grant date. Instruments are converted to shares if the performance requirements are met on the measurement date.

Emoluments

Paid to directors of the Company by the Company and its subsidiaries.

	2010						
	Salary R000	Bonus and performance-related payments R000	Pension fund contri-butions R000	Gains on exercise of share options R000	Other benefits and allowances R000	**Total R000**	2009 R000
EXECUTIVE DIRECTORS							
SL Crutchley	3 765	2 902	402	4 386	89	**11 544**	5 550
RS Katzen	1 885	1 171	199	994	98	**4 347**	3 348
OP Cressey	1 874	1 341	223	1 635	169	**5 242**	2 974
	7 524	5 414	824	7 015	356	**21 133**	11 872
NON-EXECUTIVE DIRECTORS' AND COMMITTEE FEES							
AWB Band (Chairman)						**612**	667
MH Buthelezi						**315**	241
JR Hersov						**175**	186
SD Jagoe[1]						**82**	252
KE Macilwaine						**175**	47
NT Moholi[2]						**95**	116
A Nuhn						**263**	367
GR Tipper						**288**	236
M Bosman[3]						**52**	–
A Kawa[4]						**–**	–
NJM Canca[5]						**–**	64
PM Goss[6]						**–**	136
						2 057	2 312
						23 190	14 184

[1]*Resigned 2 November 2009.*
[2]*Resigned 24 March 2010.*
[3]*Appointed 1 March 2010.*
[4]*Appointed 15 July 2010.*
[5]*Resigned 12 November 2008.*
[6]*Retired 30 June 2009.*

Details relating to the Group's remuneration practices are set out in the Corporate Governance report on pages 29 to 34.

SEGMENT REPORTING

	Continuing operations							
	Entyce		Snackworks		Chilled & Frozen Convenience Brands		Personal Care	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Revenue from customers	**2 217,9**	2 099,0	**2 080,9**	2 036,8	**1 741,7**	1 916,3	**802,8**	730,2
Total segment revenue	**2 226,5**	2 134,4	**2 094,1**	2 058,0	**1 741,7**	1 916,3	**809,6**	737,3
Intersegment revenue	**(8,6)**	(35,4)	**(13,2)**	(21,2)	**–**	–	**(6,8)**	(7,1)
Segment result								
Operating profit/(loss) before capital items	**342,4**	271,3	**232,8**	192,5	**120,2**	261,0	**104,7**	94,5
Share of equity-accounted earnings of JVs	**–**	–	**–**	–	**40,0**	15,3	**–**	–
Operating profit from ordinary activities	**342,4**	271,3	**232,8**	192,5	**160,2**	276,3	**104,7**	94,5
Income from investments	**29,3**	73,7	**7,9**	16,5	**25,4**	44,0	**5,3**	8,5
Interest expense	**43,6**	70,1	**25,9**	39,4	**49,9**	47,7	**18,2**	16,9
Taxation	**88,7**	93,8	**63,4**	46,1	**42,9**	95,1	**25,9**	28,7
Segment profit/(loss) before capital items	**239,4**	181,1	**151,4**	123,5	**92,8**	177,5	**65,9**	57,4
Capital items (after tax)								
Profit for the year								
Segment assets	**1 319,9**	1 160,2	**1 090,7**	984,0	**1 942,5**	1 892,5	**627,8**	540,8
Segment liabilities	**966,1**	1 113,3	**703,7**	601,0	**1 068,8**	1 011,4	**456,1**	428,1
Additions to property, plant and equipment	**94,8**	83,2	**46,6**	44,8	**50,2**	74,4	**127,2**	26,8
Depreciation and amortisation	**40,8**	47,2	**41,3**	28,0	**58,5**	55,3	**18,7**	21,5
Impairment losses/(reversals)	**(0,5)**	20,6	**3,3**	–	**1,1**	2,5	**–**	–
Number of employees at year end	**1 201**	1 224	**2 440**	2 323	**3 193**	3 195	**422**	411

	2010		2009	
	Rm	**%**	Rm	%
TOTAL OPERATIONS				
Segmental revenue by market				
The Group's consolidated revenue by geographic market, regardless of where goods were produced, was as follows:				
South Africa	**6 472,1**	**81,3**	6 254,9	79,3
International operations	**686,3**	**8,6**	729,1	9,2
Exports from South Africa	**801,9**	**10,1**	907,2	11,5
	7 960,3	**100,0**	7 891,2	100,0
Analysis of non-current assets* by geographic area				
South Africa	**2 261,9**	**91,4**	2 128,1	92,0
Other African countries	**5,0**	**0,2**	5,9	0,3
Europe	**0,1**	**0,0**	0,1	0,0
Australia	**208,3**	**8,4**	178,7	7,7
	2 475,3	**100,0**	2 312,8	100,0

** Comprises non-current assets less deferred tax assets and other investments.*
*** Includes AVI Field Marketing Services. Costs attributable to AVI Field Marketing Services have been allocated to the appropriate segments.*

						Discontinued operations			
Footwear & apparel		Corporate & consolidation		Total		Alpesca		Total	
2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
780,9	670,4	**6,7**	9,7	**7 630,9**	7 462,4	**329,4**	428,8	**7 960,3**	7 891,2
780,9	670,4	**64,8**	63,7	**7 717,6**	7 580,1	**329,4**	428,8	**8 047,0**	8 008,9
–	–	**(58,1)**	(54,0)	**(86,7)**	(117,7)	**–**	–	**(86,7)**	(117,7)
150,7	101,7	**(9,8)**	(12,5)	**941,0**	908,5	**(50,6)**	4,6	**890,4**	913,1
–	–	**–**	–	**40,0**	15,3	**–**	–	**40,0**	15,3
150,7	101,7	**(9,8)**	(12,5)	**981,0**	923,8	**(50,6)**	4,6	**930,4**	928,4
4,2	6,5	**(55,9)**	(126,8)	**16,2**	22,4	**–**	–	**16,2**	22,4
15,9	23,9	**(44,2)**	(50,6)	**109,3**	147,4	**3,6**	8,0	**112,9**	155,4
47,1	23,8	**21,4**	(9,8)	**289,4**	277,7	**(9,0)**	3,1	**280,4**	280,8
91,9	60,5	**(42,9)**	(78,9)	**598,5**	521,1	**(45,2)**	(6,5)	**553,3**	514,6
				(5,0)	18,1	**(76,6)**	(24,3)	**(81,6)**	(6,2)
				593,5	539,2	**(121,8)**	(30,8)	**471,7**	508,4
328,5	377,2	**20,1**	171,9	**5 329,5**	5 126,6	**288,8**	390,5	**5 618,3**	5 517,1
247,8	346,9	**(920,9)**	(803,5)	**2 521,6**	2 697,2	**162,4**	167,3	**2 684,0**	2 864,5
11,4	22,6	**7,1**	6,0	**337,3**	257,8	**5,1**	5,8	**342,4**	263,6
25,4	29,8	**6,0**	5,6	**190,7**	187,4	**18,9**	27,0	**209,6**	214,4
2,7	12,4	**–**	–	**6,6**	35,5	**76,5**	30,0	**83,1**	65,5
759	723	**2 831****	1 047**	**10 846**	8 923	**1 250**	1 244	**12 096**	10 167

The Out of Home business, comprising Ciro Beverage Solutions and Sir Juice, is now reported within the Entyce and Snackworks segments. This is in line with the decision to incorporate the catering wholesale customer base, a material portion of the Out of Home business into the existing Entyce and Snackworks structures that service the wholesale channel. Comparatives have been restated accordingly.

Basis of segment presentation

The segment information has been prepared in accordance with IFRS 8 – *Operating Segments* (IFRS 8) which defines requirements for the disclosure of financial information of an entity's operating segments.

IFRS 8 – *Segment Reporting* requires segmentation based on the group's internal organisation and reporting of revenue and operating income based upon internal accounting presentation. During the 2009 financial year the Group early adopted the standard.

Identification of reportable segments

The Group discloses its reportable segments according to the entity components that management monitor regularly in making decisions about operating matters. The reportable segments comprise various operating segments primarily located in South Africa.

The revenue and operating assets are further disclosed within the geographical areas in which the group operates. Segment information is prepared in conformity with the basis that is reported to the CEO, who is the chief operating decision maker, in assessing segment performance and allocating resources to segments. These values have been reconciled to the consolidated financial statements. The basis reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment revenue excludes value added taxation and includes intersegment revenue. Net revenue represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis.

Segment operating profit before capital items represents segment revenue less segment operating expenses, excluding capital items included in note 21.

Segment expenses include direct and allocated expenses. Depreciation and amortisation have been allocated to the segments to which they relate.

The segment assets comprise all assets of the different segments that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

Reportable segments

Entyce

Revenue in this segment is derived from the sale of tea, coffee, creamer, and chilled fruit juice, primarily in South Africa.

Ciro Beverage Solutions, which is now reported as part of Entyce, is the leading retail and food services supplier of premium ground coffee and beverage service solutions to the out-of-home consumption market including airports, hotels, caterers, restaurants and corporates. Sir Juice adds a premium short-life juice offering.

Snackworks

The principal activity within this segment is the sale of a full range of sweet and savoury biscuits and baked and fried potato and maize snacks primarily in South Africa.

Chilled & Frozen Convenience Brands

I&J processes, markets and distributes premium quality value-added seafood in local and international markets (mainly Europe and Australia). Denny is South Africa's largest producer of fresh and processed mushrooms, with a growing range of convenience foods and sauces.

Out-of-Home

The Out-of-Home business, comprising Ciro Beverage Solutions and Sir Juice, is now reported within the Entyce and Snackworks segments. This is in line with the decision to incorporate the catering wholesale customer base, a material portion of the Out-of-Home business, into the existing Entyce and Snackworks structures that service the wholesale channel. Comparatives have been restated accordingly.

Fashion brands

Fashion brands provides personal care, footwear and apparel offerings. Indigo Cosmetics creates, manufactures and distributes leading cosmetic and toiletry products that range from mass market to bridge fragrances. Some product is exported. Spitz, Nina Roche and Gant retail a portfolio of owned and licensed footwear and apparel brands in South Africa.

Corporate

The corporate office provides strategic direction, as well as financial, treasury, legal and information technology services to the autonomous subsidiaries. Other entities in this segment comprise the various staff scheme share trusts.

Geographical segments

The Group’s operations are principally located in South Africa. The South American assets comprise a disposal group held-for-sale, previously included in the Chilled & Frozen Convenience Brands segment.

Major customers

The Group’s most significant customers, being two South African retailers, individually contribute to more than 10% of the Group’s revenue in the Entyce, Snackworks and Chilled & Frozen Convenience Brands segments.

ACCOUNTING POLICIES

AVI Limited (the "Company") is a South African registered company. The consolidated financial statements of the Company for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations adopted by the International Accounting Standards Board ("IASB"), the AC 500 Standards as issued by the Accounting Practices Board and in the manner required by the Companies Act of South Africa.

Basis of preparation

The annual financial statements are prepared in millions of South African Rand ("Rm"), which is the Company's functional currency, on the historical cost basis, except for the following assets and liabilities which are stated at their fair value:

- derivative financial instruments and biological assets; and
- non-current assets and disposal groups held-for-sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

Note 1 – useful lives and residual values of property, plant and equipment
Note 2 – useful lives and impairment tests on intangible assets
Note 3 – utilisation of tax losses
Note 7 – estimated fair value less cost to sell of disposal groups
Note 11 – measurement of defined benefit obligations

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, other than the changes in policy detailed below:

Presentation of financial statements

The Group applies revised IAS 1 – *Presentation of Financial Statements (2007),* which became effective for the Group as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there was no impact on the financial results or earnings per share.

Accounting for business combinations

The Group has adopted IFRS 3 *Business Combinations (2008)* and IAS 27 *Consolidated and Separate Financial Statements (2008)* in the financial year commencing 1 July 2009. All business combinations occurring on or after

1 July 2009 will be accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings.

Basis of consolidation

Subsidiaries

The Group financial statements include the financial statements of the Company and its subsidiaries. Where an investment in a subsidiary is acquired or disposed of during the financial year its results are included from, or to, the date control commences or ceases.

Subsidiaries are those entities over which the Group has power to, directly or indirectly, exercise control over the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

Associated companies and joint ventures

An associated company is an enterprise over whose financial and operating policies the Group has the ability to exercise significant influence, but not control. A joint venture is an enterprise over whose financial and operating policy decisions the Group has the ability to exercise joint control in terms of a contractual arrangement.

The Group's share of post-acquisition comprehensive income of associated companies is equity accounted from the date that significant influence commences to the date that significant influence ceases. The Group's attributable share of post-acquisition reserves of joint ventures is equity accounted from the date that joint control commences to the date that joint control ceases.

Where the Group's share of losses of an associated company or joint venture exceeds the carrying amount, the investment is carried at nil. Additional losses are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of associates or joint ventures.

Eliminations on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associated companies and joint ventures are eliminated to the extent of the Group's interest in these enterprises. Unrealised losses on transactions with associated companies and joint ventures are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill

All business combinations taking place prior to 1 July 2009 are accounted for by applying the "purchase method". Those business combinations taking place from 1 July 2009 are accounted for by applying the "acquisition method". Goodwill represents amounts arising on the acquisition of subsidiaries, businesses and joint ventures. The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in expenses.

The Group measures any non-controlling interest at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable assets. This election is made on a transaction-by-transaction basis.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Negative goodwill arising on an acquisition is recognised directly in profit and loss as a capital item.

Premiums and discounts arising on subsequent purchases from, or sales to, non-controlling interests in subsidiaries

Following the presentation of non-controlling interests in equity, any increases and decreases in ownership interests in subsidiaries without a change in control are recognised as equity transactions in the consolidated financial statements. Accordingly, any premiums or discounts on subsequent purchases of equity instruments from, or sales of equity instruments to, non-controlling interests are recognised directly in the equity of the parent shareholder.

Business combinations involving entities under common control

Business combinations involving entities or businesses under common control comprise business combinations where both entities remain under the ultimate control of the Group before and after the combination, and that control is not transitory. The assets and liabilities in common control transactions within the Group are transferred at existing carrying value.

Black economic empowerment ("BEE") transactions

BEE transactions involving the disposal or issue of equity interests in subsidiaries are only recognised when the accounting recognition criteria have been met.

Although economic and legal ownership of such instruments may have transferred to the BEE partner, the derecognition of such equity interests sold or recognition of equity instruments issued in the underlying subsidiary by the parent shareholder is postponed until the accounting recognition criteria have been satisfied.

A dilution in the earnings attributable to the parent shareholders (in the interim period until accounting recognition criteria have been met) is adjusted for in the diluted earnings per share calculation by an appropriate adjustment to the earnings used in such calculation.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset, that requires a substantial period of time to prepare for its intended use, are capitalised.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash balances on hand, deposits held on call with banks, net of overdrafts forming part of the Group's cash management, all of which are available for use by the Group unless otherwise stated. Cash and cash equivalents are measured at amortised cost.

Capital items

Capital items are items of income and expense relating to the acquisition, disposal or impairment of investments, businesses, property, plant and equipment and intangible assets.

Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group's business that is abandoned or disposed of pursuant to a single plan and which represents a separate major line of business or geographical area of operation that can be distinguished physically, operationally and for financial reporting purposes.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation the comparative profit and loss is restated as if the operation had been discontinued from the start of the previous period.

Dividends payable

Dividends payable and any Secondary Tax on Companies pertaining thereto are recognised in the period in which such dividends are declared.

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the Group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary levels at the reporting date.

Defined contribution plans

The Group provides defined contribution plans for the benefit of employees, the assets of which are held in separate funds. These funds are funded by payments from employees and the Group. The Group's contributions to defined contribution plans are charged to the profit and loss in the year to which they relate.

Defined benefit obligations

The Group's obligation to provide post-retirement medical aid benefits are defined benefit obligations. The projected unit credit method is used to determine the present value of the defined benefit obligations, the related current service cost and, where applicable, the past service cost.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately.

Actuarial gains and losses in respect of defined benefit obligations are recognised as income or an expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous financial year exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date before deducting plan assets; and
- 10% of the fair value of any plan assets at that date.

The amount recognised is the excess determined above, divided by the expected average remaining working lives of the employees participating in that plan.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than post retirement and pension plans is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

That benefit is discounted to determine its present value and the fair value of any related assets is deducted. The calculation of benefits is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Share-based payment transactions

Group share-based payment transactions

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity settled in the financial statements of the subsidiary, provided the share-based payment is classified as equity settled in the consolidated financial statements of the parent.

The subsidiary recognises the services acquired with the share-based payment as an expense and recognises a corresponding increase in equity as a capital contribution from the parent for those services acquired. The parent recognises in equity the equity-settled share-based payment and recognises a corresponding increase in the investment in subsidiary.

Equity settled

The fair value of share options granted to Group employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

Cash settled

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employee becomes unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised in profit or loss.

Black economic empowerment transactions

Where goods or services are considered to have been received from black economic empowerment partners as consideration for equity instruments of the Group, these transactions are accounted for as share-based payment transactions, even when the entity cannot specifically identify the goods or services received.

Group share scheme recharge arrangements

A recharge arrangement exists whereby the cost of acquiring shares issued in accordance with certain share schemes granted by the holding company shall be funded by way of contributions from employer companies in respect of participants who are their employees. The recharge arrangement is accounted for separately from the underlying equity-settled share-based payment upon initial recognition, as follows:

- The subsidiary recognises a recharge liability and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a recharge asset and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

Subsequent to initial recognition the recharge arrangement is remeasured at fair value at each subsequent reporting date until settlement date to the extent vested. Where the recharge amount recognised is greater than the initial capital contribution recognised by the subsidiary in respect of the share-based payment, the excess is recognised as a net capital distribution to the parent. The amount of the recharge in excess of the capital contribution recognised as an increase in the investment in subsidiary is deferred and recognised as dividend income by the parent when settled by the subsidiary.

Financial instruments

Measurement

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs when the Group becomes a party to the contractual arrangements. Subsequent to initial recognition these instruments are measured as detailed below:

Financial assets

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Investments

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit and loss.

Other investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains or losses, which are recognised in profit and loss. When these investments are disposed of, the cumulative gain or loss previously recognised directly in equity is recognised in profit and loss as a capital item. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit and loss.

Trade and other receivables

Trade and other receivables are stated at amortised cost using the effective interest method less impairment losses.

Cash and cash equivalents

Cash and cash equivalents initially are measured at fair value. Fair value adjustments are recognised in profit and loss. Due to their short-term nature, the amortised cost approximates its fair value.

Financial liabilities

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities other than derivative instruments are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss over the period of the borrowings on an effective interest method.

Trade and other payables

Trade and other payables are stated at amortised cost using the effective interest method.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments

The Group uses derivative financial instruments to manage its exposure to risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative instruments are measured at fair value. Fair value is determined by comparing the contracted rate to the current rate of an equivalent instrument with the same maturity date.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of derivative financial instruments that are not part of a hedging relationship are recognised in profit and loss in the year in which the change arises.

Hedging

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income.

When the hedged firm commitment or forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability.

Where the hedging instrument or hedge relationship is terminated or no longer meets the criteria for hedge accounting but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in profit and loss when the underlying transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in profit and loss immediately.

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit and loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to South African Rand, being the functional currency of the Company and presentation currency of the Group, at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the financial year are translated to South African Rand at the rates ruling at that date. Gains or losses on translation are recognised in profit and loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to South African Rand at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Rand at approximate foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity – foreign currency translation reserve. The foreign currency translation reserve applicable to a foreign operation is released to profit and loss upon disposal of that foreign operation.

Impairment of non-financial assets

The carrying amounts of the Group's assets other than deferred tax assets, biological assets, inventories and financial assets which are separately assessed and provided against where necessary, are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

For goodwill and intangible assets that have an indefinite useful life the recoverable amount is estimated at least annually.

The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in profit and loss as a capital item, when the carrying amount exceeds the recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised, and when the indication of impairment no longer exists.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Intangible assets

Intangible assets, excluding goodwill, acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Where the useful life of an intangible asset is assessed as indefinite, the intangible asset is not amortised, but is tested annually for impairment.

Subsequent expenditure on acquired intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands, is recognised in profit and loss as an expense when incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is based on the first-in, first-out method or a weighted average cost basis whichever is applicable, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of items transferred from biological assets is their fair value less point-of-sale costs at the date of transfer.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Biological assets

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in profit and loss. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

Investments in subsidiary companies

Investments in subsidiary companies are stated at cost, less impairment losses.

Lease payments

Operating lease payments

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases with fixed escalation clauses are recognised in profit and loss on a straight-line basis over the term of the lease.

Finance lease payments

Leases that transfer substantially all of the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest method to determine the lease finance cost, which is recognised in the profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Assets held-for-sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. Immediately before classification as held-for-sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss as capital items. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Vessels

Major vessel reconstructions are capitalised where such reconstruction extends the useful life of a vessel. The reconstruction is written off over the remaining expected useful life of the vessel.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that additional future economic benefits embodied within the item will flow to the Group and the cost of such item can be measured reliably. All other costs are recognised in profit and loss as an expense when incurred.

Depreciation

Land is not depreciated. Freehold buildings, plant and equipment are depreciated on a straight-line basis over their expected useful lives to an estimated residual value. The current estimated useful lives are as follows:

• Buildings		40 – 50 years
• Plant and machinery		3 – 20 years
• Motor vehicles	– trucks	3 – 8 years
	– other	3 – 5 years
• Furniture and equipment		3 – 10 years
• Vessels	– hull	20 years
	– other components	5 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Residual values, depreciation methods and useful lives of all assets are reassessed annually. In addition, depreciation of an item of property, plant and equipment is to begin when it is available for use and ceases at the earlier of the date it is classified as held-for-sale or the date that it is derecognised upon disposal.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and has either started to implement the plan or announced its main features to those affected by it.

Revenue recognition

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably.

Goods and services

Revenue from the sale of goods is measured at the fair value of the consideration received or receivables, net of returns, allowances, trade discounts and value-added tax. Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services, including the distribution of third-party products, is recognised over the period that the services are rendered. Revenue from operating lease arrangements are recognised in profit and loss on a straight-line basis over the term of the lease.

Recognition of income from investments

Dividends

Dividends are recognised when the right to receive payment is established, with the exception of dividends on cumulative preference share investments which are recognised on a time proportion basis in the period to which they relate.

Interest

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset.

Share capital

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in profit and loss as interest expense.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity. Consideration received when own shares held by the Group are re-issued is presented as a change in equity and no profit or loss is recorded.

Where loans advanced by the holding company to a subsidiary to acquire treasury shares are to be repaid principally by the buy back of such shares, the loan is classified as an equity instrument by the holding company.

Taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation

Current taxation comprises tax payable calculated on the basis of the estimated taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years.

Deferred taxation

Deferred taxation is provided using the balance sheet method based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the reporting date.

Deferred taxation is charged to profit and loss except to the extent that it relates to a transaction that is recognised directly in equity, in which case it is recognised in equity, or a business combination that is an acquisition, in which case it is recognised as an adjustment to goodwill. The effect on deferred taxation of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary taxation on companies

Secondary taxation on companies ("STC") is recognised in the year dividends are declared, net of dividends received. A deferred taxation asset is recognised on unutilised STC credits when it is probable that such unused STC credits will be utilised in the future.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible redeemable preference shares, share options and equivalent equity instruments granted to employees and BEE transactions that have not yet met the accounting recognition criteria.

New standards and interpretations in issue not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2010. These include the following standards and interpretations that are applicable to the business of the Group, and have not been applied in preparing these consolidated financial statements:

- *IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions*
  The amendment is effective for the Group for the year ending 30 June 2011, with no restatement of comparatives required.

The amendment requires an entity that receives the goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This applies even if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. The entity that has the obligation to settle the transaction will account for the arrangement as equity-settled if it has to settle in its own equity instruments. Any other settlement arrangement will be accounted for as cash-settled.

The amendment is not expected to impact the Group's results significantly.

- *IAS 32 – Financial Instruments: Presentation*
  The amendment is effective for the Group for the year ending 30 June 2011, with no restatement of comparatives required.

  The amendment to IAS 32 allows rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants *pro rata* to all its existing owners of the same class of its own non-derivative equity instruments.

  The amendment is not expected to impact the Group's results significantly.

- *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments*
  The interpretation is effective for the Group for the year ending 30 June 2011, with restatement of comparatives required.

  IFRIC 19 addresses the accounting treatment for the extinguishment of financial liabilities with equity instruments. Equity instruments issued to a creditor to extinguish all or part of a financial liability would represent "consideration paid". The equity instruments will be measured on initial measurement at their fair value, unless such fair value cannot be reliably measured, in which case the fair value of the financial liability will be used. The difference between the carrying amount of the financial liability (or part thereof) extinguished and the initial measurement amount of the equity instruments shall be recognised in profit or loss.

  The interpretation is not expected to impact the Group's results significantly.

- *IAS 24 – Related-party Disclosure*
  The revised statement is effective for the Group for the year ending 30 June 2012, with restatement of comparatives required.

  IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities. The definition of a related party has been amended with the result that a number of new related-party relationships have been identified. Government-related entities will be exempted from presenting certain related-party disclosures, although information concerning the nature of the relationship and details of any significant balances and transactions will still be required.

  Management has not assessed the impact of the revision in detail but does not expect any significant impact on the financial results.

- *IFRS 9 – Financial Instruments*
  The revised statement is effective for the Group for the year ending 30 June 2014, with restatement of comparatives required subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

The amendment is not expected to impact the Group's results significantly.

IASB 2009 annual improvements project
The 2009 IASB annual improvements project was published on 24 April 2009 with the amendments to IFRS embodied therein being effective for the Group for the year ended 30 June 2011. Management has not assessed the impact of the improvements in detail but does not expect any significant impact on the Group's results following the addition of applicable improvements.

IASB 2010 annual improvements project
The 2010 IASB annual improvements project has been published with the amendments to IFRS embodied therein being effective for either the Group's 30 June 2011 or 30 June 2012 year-ends. Management has not assessed the impact of the improvements in detail but does not expect any significant impact on the Group's results following the addition of applicable improvements.

BALANCE SHEETS

As at 30 June 2010	Notes	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
ASSETS					
Property, plant and equipment	1	**1 340,4**	1 205,1	**–**	–
Intangible assets and goodwill	2	**923,4**	925,4	**–**	–
Investments in subsidiaries	36,37	**–**	–	**1 591,8**	1 462,3
Investments in joint ventures	38	**211,5**	182,3	**–**	–
Other investments	39	**92,6**	94,5	**198,4**	203,6
Deferred taxation	3	**60,0**	74,4	**0,3**	0,4
		2 627,9	2 481,7	**1 790,5**	1 666,3
Current assets					
Inventories	4	**864,9**	900,8	**–**	–
Biological assets	5	**53,5**	49,2	**–**	–
Derivatives		**2,1**	17,4	**–**	–
Current tax assets		**49,3**	71,4	**–**	–
Trade and other receivables	6	**1 138,1**	1 081,3	**339,7**	595,1
Cash and cash equivalents		**589,3**	516,6	**0,5**	1,5
Assets classified as held-for-sale	7	**293,2**	398,7	**–**	–
		2 990,4	3 035,4	**340,2**	596,6
Total assets		**5 618,3**	5 517,1	**2 130,7**	2 262,9
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	**17,1**	17,1	**17,1**	17,1
Share premium	8	**166,8**	153,9	**166,8**	153,9
Treasury shares	8	**(682,0)**	(710,5)	**–**	–
Treasury share loan to subsidiary		**–**	–	**(276,0)**	(291,7)
Premium on transactions with non-controlling interests		**(2,7)**	(2,7)	**–**	–
Reserves	9	**73,2**	37,8	**83,6**	56,6
Retained earnings		**3 381,7**	3 180,3	**2 120,5**	2 213,6
Non-controlling interest		**(19,8)**	(23,3)	**–**	–
Total equity		**2 934,3**	2 652,6	**2 112,0**	2 149,5
Non-current liabilities					
Financial liabilities and borrowings	10	**51,3**	532,2	**–**	–
Employee benefits	11	**292,8**	295,9	**–**	–
Operating lease straight-line liability	12	**13,8**	11,9	**–**	–
Deferred taxation	3	**113,6**	110,3	**–**	–
		471,5	950,3	**–**	–
Current liabilities					
Current borrowings	13	**848,1**	532,1	**–**	–
Other financial liabilities including derivatives	14	**30,0**	107,2	**5,6**	101,0
Trade and other payables	15	**1 153,4**	1 092,9	**13,1**	12,4
Corporate taxation		**17,3**	13,4	**–**	–
Liabilities classified as held-for-sale	7	**163,7**	168,6	**–**	–
		2 212,5	1 914,2	**18,7**	113,4
Total equity and liabilities		**5 618,3**	5 517,1	**2 130,7**	2 262,9

STATEMENTS OF COMPREHENSIVE INCOME

Year ended 30 June 2010	Notes	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
CONTINUING OPERATIONS					
Revenue	16	7 630,9	7 462,4	–	–
Cost of sales		4 473,5	4 485,5	–	–
Gross profit		3 157,4	2 976,9	–	–
Selling and administrative expenses		2 216,4	2 068,4	4,5	9,9
Operating profit/(loss) before capital items	17	941,0	908,5	(4,5)	(9,9)
Income from investments	18	16,2	22,4	237,4	846,4
Finance costs	19	109,3	147,4	0,7	0,9
Share of equity accounted profit of joint ventures	20	40,0	15,3	–	–
Capital items	21	(7,2)	17,1	0,6	(115,2)
Profit before taxation		880,7	815,9	232,8	720,4
Taxation	22	287,2	276,7	13,8	6,2
Profit from continuing operations		593,5	539,2	219,0	714,2
DISCONTINUED OPERATIONS					
Revenue	16	329,4	428,8	–	–
Operating (loss)/profit before capital items		(50,6)	4,6	–	–
Finance costs	19	3,6	8,0	–	–
Capital items	21	(77,6)	(30,0)	–	–
Loss before taxation		(131,8)	(33,4)	–	–
Taxation	22	(10,0)	(2,6)	–	–
Loss from discontinued operations		(121,8)	(30,8)	–	–
Profit for the year		471,7	508,4	219,0	714,2
Other comprehensive income/(expense), net of tax:		8,4	(133,6)	–	–
Foreign currency translation differences		(31,0)	(79,4)	–	–
Cash flow hedging reserve		54,9	(76,2)	–	–
Income tax on other comprehensive (expense)/income		(15,5)	22,0	–	–
Total comprehensive income for the year		480,1	374,8	219,0	714,2
Profit attributable to:					
Owners of AVI		468,2	507,7		
Non-controlling interest		3,5	0,7		
		471,7	508,4		
Total comprehensive income attributable to:					
Owners of AVI		476,6	374,0		
Non-controlling interest		3,5	0,8		
		480,1	374,8		
Basic earnings per share from continuing operations (cents)	30	197,0	180,8		
Diluted earnings per share from continuing operations (cents)	30	190,0	177,5		
Basic earnings per share from total operations (cents)	30	156,3	170,5		

Details of the headline earnings and dividends declared per ordinary share are given in notes 30 and 31 to the financial statements on pages 106 to 108.

STATEMENTS OF CASH FLOWS

Year ended 30 June 2010	Notes	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
CONTINUING OPERATIONS					
Cash flows from/(utilised by) operating activities					
Cash generated by/(utilised in) operations	23	**1 171,7**	1 086,6	**(4,5)**	(9,9)
(Increase)/decrease in working capital	24	**(5,8)**	30,0	**255,4**	(579,4)
Cash generated by/(utilised in) operating activities		**1 165,9**	1 116,6	**250,9**	(589,3)
Interest paid		**(106,5)**	(140,5)	**–**	(0,9)
Taxation paid	25	**(260,7)**	(392,9)	**(13,7)**	–
Net cash available from/(utilised in) operating activities		**798,7**	583,2	**237,2**	(590,2)
Investing activities					
Cash flow from investments		**16,0**	21,2	**242,6**	846,4
– interest received		**16,0**	21,2	**–**	0,1
– dividends received		**–**	–	**242,6**	846,3
Acquisition of property, plant and equipment		**(337,3)**	(257,8)	**–**	–
Proceeds from disposals of property, plant and equipment		**11,5**	68,2	**–**	–
Investments – net disposals/(acquisitions)		**18,8**	57,1	**(197,3)**	(23,4)
– subsidiaries and businesses (net of cash acquired)	27	**–**	35,2	**–**	(21,0)
– increase in amounts owing by subsidiary companies		**–**	–	**(197,3)**	–
– associated companies, joint ventures and other investments	28	**18,8**	21,9	**–**	(2,4)
Net cash utilised in investing activities		**(291,0)**	(111,3)	**45,3**	823,0
Financing activities					
Treasury share loan repaid by subsidiary from dividends received		**–**	–	**15,7**	14,3
Increase in shareholder funding	29	**47,0**	9,0	**12,9**	–
Long-term borrowings (repaid)/raised		**(1,3)**	191,1	**–**	–
– raised		**–**	200,0	**–**	–
– (repaid)		**(1,3)**	(8,9)	**–**	–
Short-term funding repaid		**(169,2)**	(14,1)	**–**	–
Dividends paid	26	**(272,4)**	(247,2)	**(312,1)**	(284,5)
Net cash used in financing activities		**(395,9)**	(61,2)	**(283,5)**	(270,2)
DISCONTINUED OPERATIONS					
Cash flows from operating activities		**14,2**	3,6	**–**	–
Cash flows generated by/(used in) investing activities		**5,7**	(4,3)	**–**	–
Cash flows used in financing activities		**(38,1)**	(64,6)	**–**	–
		(18,2)	(65,3)	**–**	–
Increase/(decrease) in cash and cash equivalents		**93,6**	345,4	**(1,0)**	(37,4)
Cash equivalents at the beginning of year		**529,7**	204,8	**1,5**	38,9
Net decrease as a result of the translation of the cash equivalents of foreign subsidiaries		**(25,3)**	(20,5)	**–**	–
Cash and cash equivalents at end of year		**598,0**	529,7	**0,5**	1,5
Continuing operations*		**589,3**	516,6	**0,5**	1,5
Discontinued operations*		**8,7**	13,1	**–**	–

** Cash flows between continuing and discontinued operations are eliminated on consolidation. These amounted to a R13,8 million (2009: R48,5 million) net cash flow from continuing operations in discontinued operation in 2010.*

STATEMENTS OF CHANGES IN EQUITY

Year ended 30 June 2010	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	Premium on transactions with non-controlling interest Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
GROUP								
Balance at beginning of year	171,0	(710,5)	37,8	3 180,3	(2,7)	2 675,9	(23,3)	2 652,6
Total comprehensive income for the year								
Profit for the year	–	–	–	468,2	–	468,2	3,5	471,7
Other comprehensive income								
Foreign currency translation differences	–	–	(31,0)	–	–	(31,0)	–	(31,0)
Cash flow hedging reserve	–	–	39,4	–	–	39,4	–	39,4
Total other comprehensive income for the year	–	–	8,4	–	–	8,4	–	8,4
Total comprehensive income for the year	–	–	8,4	468,2	–	476,6	3,5	480,1
Transactions with owners recorded directly in equity								
Contribution by and distribution to owners								
Share-based payments	–	–	27,0	–	–	27,0	–	27,0
Dividends paid	–	–	–	(272,4)	–	(272,4)	–	(272,4)
Issue of ordinary shares to Company's Share Trust	12,9	(12,9)	–	–	–	–	–	–
Own ordinary shares sold by Company's Share Trusts	–	41,4	–	5,6	–	47,0	–	47,0
Total transactions with owners	12,9	28,5	27,0	(266,8)	–	(198,4)	–	(198,4)
Balance at end of year	183,9	(682,0)	73,2	3 381,7	(2,7)	2 954,1	(19,8)	2 934,3

	Share capital and premium Rm	Treasury share loan* Rm	Reserves Rm	Retained earnings Rm	Total Rm
COMPANY					
Balance at beginning of year	171,0	(291,7)	56,6	2 213,6	2 149,5
Total comprehensive income for the year					
Profit for the year	–	–	–	219,0	219,0
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners					
Share-based payments	–	–	27,0	–	27,0
Dividends paid	–	–	–	(312,1)	(312,1)
Issue of ordinary shares to Company's Share Trust	12,9	–	–	–	12,9
Amounts repaid by subsidiary from dividends received	–	15,7	–	–	15,7
Total transactions with owners	12,9	15,7	27,0	(312,1)	(256,5)
Balance at end of year	183,9	(276,0)	83,6	2 120,5	2 112,0

** Loan to subsidiary to acquire treasury shares to be repaid primarily by the delivery of such shares and therefore classified as an equity instrument.*

STATEMENTS OF CHANGES IN EQUITY continued

Year ended 30 June 2009	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	Premium on trans-actions with non-con-trolling interest Rm	Total Rm	Non-controll-ing interest Rm	Total equity Rm
GROUP								
Balance at beginning of year	171,0	(719,8)	150,5	2 919,8	(2,7)	2 518,8	(17,5)	2 501,3
Total comprehensive income for the year								
Profit for the year	–	–	–	507,7	–	507,7	0,7	508,4
Other comprehensive income								
Foreign currency translation differences	–	–	(79,4)	–	–	(79,4)	–	(79,4)
Cash flow hedging reserve	–	–	(54,2)	–	–	(54,2)	–	(54,2)
Total other comprehensive income for the year	–	–	(133,6)	–	–	(133,6)	–	(133,6)
Total comprehensive income for the year	–	–	(133,6)	507,7	–	374,1	0,7	374,8
Transactions with owners recorded directly in equity								
Contribution by and distribution to owners								
Share-based payments	–	–	20,9	–	–	20,9	–	20,9
Dividends paid	–	–	–	(247,2)	–	(247,2)	–	(247,2)
Own ordinary shares sold by Company's Share Trusts	–	9,3	–	–	–	9,3	–	9,3
Total transactions with owners	–	9,3	20,9	(247,2)	–	(217,0)	–	(217,0)
Change in ownership interests in subsidiary								
Disposal of subsidiary	–	–	–	–	–	–	(6,5)	(6,5)
Balance at end of year	171,0	(710,5)	37,8	3 180,3	(2,7)	2 675,9	(23,3)	2 652,6

	Share capital and premium Rm	Treasury share loan* Rm	Reserves Rm	Retained earnings Rm	Total Rm
COMPANY					
Balance at beginning of year	171,0	(306,0)	35,7	1 783,9	1 684,6
Total comprehensive income for the year					
Profit for the year	–	–	–	714,2	714,2
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners					
Share-based payments	–	–	20,9	–	20,9
Dividends paid	–	–	–	(284,5)	(284,5)
Amounts repaid by subsidiary from dividends received	–	14,3	–	–	14,3
Total transactions with owners	–	14,3	20,9	(284,5)	(249,3)
Balance at end of year	171,0	(291,7)	56,6	2 213,6	2 149,5

** Loan to subsidiary to acquire treasury shares to be repaid primarily by the delivery of such shares and therefore classified as an equity instrument.*

	Group 2010						
	Land Rm	Buildings Rm	Plant and machinery Rm	Motor vehicles, furniture and equipment Rm	Vessels Rm	Equip-ment subject to finance leases Rm	Total Rm
1. Property, plant and equipment							
Cost							
At beginning of year	35,6	292,6	1 159,2	612,7	442,0	5,3	2 547,4
Additions	52,8	66,0	98,4	105,0	15,1	–	337,3
Disposals	–	(0,5)	(22,7)	(26,8)	(3,9)	–	(53,9)
Realignment of currencies	–	(0,2)	(0,2)	(0,4)	–	–	(0,8)
Reclassification of assets	–	1,0	–	–	–	(1,0)	–
Transfer to assets held-for-sale	–	–	(0,5)	–	(2,9)	–	(3,4)
At end of year	88,4	358,9	1 234,2	690,5	450,3	4,3	2 826,6
Accumulated depreciation and impairment charges							
At beginning of year	–	60,2	694,7	360,6	221,6	5,2	1 342,3
Disposals	–	(0,2)	(20,2)	(21,9)	(3,4)	–	(45,7)
Realignment of currencies	–	–	(0,1)	(0,3)	–	–	(0,4)
Reclassification of assets	–	1,0	–	–	–	(1,0)	–
Transfer to assets held-for-sale	–	–	(0,1)	–	(2,9)	–	(3,0)
Depreciation charge for the year	–	8,3	75,0	73,8	29,2	0,1	186,4
Impairment (release)/charge for the year	–	–	(0,5)	6,0	1,1	–	6,6
At end of year	–	69,3	748,8	418,2	245,6	4,3	1 486,2
Net carrying value							
At beginning of previous year	38,0	236,8	443,0	255,2	191,2	0,6	1 164,8
At end of previous year	35,6	232,4	464,5	252,1	220,4	0,1	1 205,1
At end of current year	88,4	289,6	485,4	272,3	204,7	–	1 340,4

	Group 2009						
	Land Rm	Buildings Rm	Plant and machinery Rm	Motor vehicles, furniture and equip-ment Rm	Vessels Rm	Equip-ment subject to finance leases Rm	Total Rm
1. Property, plant and equipment continued							
Cost							
At beginning of year	38,0	291,2	1 099,5	569,3	392,9	6,5	2 397,4
Additions	–	11,0	105,8	82,8	58,2	–	257,8
Disposals	(1,1)	(2,5)	(18,0)	(37,1)	(7,5)	(2,8)	(69,0)
Applicable to subsidiaries sold	(1,3)	(7,2)	(16,6)	(2,0)	–	–	(27,1)
Realignment of currencies	–	–	(0,2)	(0,4)	–	–	(0,6)
Reclassification of assets	–	0,2	(0,4)	0,2	(1,6)	1,6	–
Transfer to assets held-for-sale	–	(0,1)	(10,9)	(0,1)	–	–	(11,1)
At end of year	35,6	292,6	1 159,2	612,7	442,0	5,3	2 547,4
Accumulated depreciation and impairment charges							
At beginning of year	–	54,4	656,5	314,1	201,7	5,9	1 232,6
Disposals	–	(0,5)	(18,0)	(33,1)	(7,0)	(0,8)	(59,4)
Applicable to subsidiaries sold	–	(0,8)	(8,3)	(1,6)	–	–	(10,7)
Realignment of currencies	–	–	(0,6)	(0,3)	–	–	(0,9)
Transfer to assets held-for-sale	–	–	(6,8)	–	–	–	(6,8)
Depreciation charge for the year	–	7,1	70,5	79,0	25,6	0,1	182,3
Impairment charge for the year	–	–	1,4	2,5	1,3	–	5,2
At end of year	–	60,2	694,7	360,6	221,6	5,2	1 342,3
Net carrying value							
At beginning of previous year	45,1	269,6	460,5	196,7	269,8	–	1 241,7
At end of previous year	38,0	236,8	443,0	255,2	191,2	0,6	1 164,8
At end of current year	35,6	232,4	464,5	252,1	220,4	0,1	1 205,1

	Group 2010 Rm	Group 2009 Rm
1. Property, plant and equipment continued		
Land comprises:		
Freehold	**88,4**	35,6

During the year ended 30 June 2010 the Group's footwear & apparel segment conducted an assessment of the useful life of furniture and equipment forming part of its walnut stores. Given the hard-wearing nature of the furniture and equipment the useful life was extended from five years to six years. The effect of this change on the depreciation expense, recognised in selling and administrative expenses, in the current and future periods is as follows:

	2010 Rm	2011 Rm	2012 Rm	Later Rm
(Decrease)/increase in depreciation expense	(3,5)	(3,6)	(2,9)	10,0

- The current estimated useful lives of property, plant and equipment are reflected under accounting policies on page 73.
- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2010 was R83,0 million (2009: R57,9 million).
- The original cost of fully depreciated plant and equipment that was still in use at 30 June 2010 was R652,5 million (2009: R593,0 million).
- Property, plant and equipment, with a carry value of R24,7 million (2009: R26,1 million) has been ceded as security for interest-bearing borrowings.
- Impairment losses during the year arose due to identified obsolescence on, damage to and underperformance of items of plant, equipment, vehicles, and vessels.
- A register containing details of properties is available for inspection by shareholders or their duly authorised agents during business hours at the registered office of the Company.

2. Intangible assets and goodwill

	Group 2010				
	Goodwill Rm	Fishing rights Rm	Trade-marks and licence agreements Rm	Customer relationships and contracts Rm	Total Rm
Cost					
At beginning of year	630,1	4,7	337,1	16,0	987,9
Goodwill adjustment on contingent purchase consideration	2,3	–	–	–	2,3
At end of year	632,4	4,7	337,1	16,0	990,2
Accumulated amortisation and impairment charges					
At beginning of year	36,4	0,8	19,6	5,7	62,5
Amortisation charge for the year	–	0,3	2,6	1,4	4,3
At end of year	36,4	1,1	22,2	7,1	66,8
Net carrying value					
At beginning of previous year	570,2	4,2	398,9	12,9	986,2
At end of previous year	593,7	3,9	317,5	10,3	925,4
At end of current year	596,0	3,6	314,9	8,9	923,4

Useful lives

The fishing rights are being amortised over the initial quota allocation period of 15 years.

Trademarks comprise well-established growing brands. With the exception of trademarks with a carrying value of R2,2 million (2009: R2,3 million) that are being amortised over a period of 25 years, the remainder of the portfolio of brands are considered to have indefinite useful lives and are not amortised. Customer relationships are amortised over a period of two years. Licence agreements and customer contracts are amortised over a period of 10 years.

- Trademarks with a carrying value of R30,0 million (2008: R30,0 million) have been ceded as security for interest-bearing borrowings.

	Goodwill Rm	Fishing rights Rm	Trade-marks and licence agreements Rm	Customer relationships and contracts Rm	Total Rm
	Group 2009				

2. Intangible assets and goodwill continued

	Goodwill Rm	Fishing rights Rm	Trade-marks and licence agreements Rm	Customer relationships and contracts Rm	Total Rm
Cost					
At beginning of year	588,7	4,7	404,2	16,0	1 013,6
Goodwill adjustment on contingent purchase consideration	(6,2)	–	–	–	(6,2)
Other adjustments*	47,6	–	(67,1)	–	(19,5)
At end of year	630,1	4,7	337,1	16,0	987,9
Accumulated depreciation and impairment charges					
At beginning of year	18,5	0,5	5,3	3,1	27,4
Amortisation charge for the year	–	0,3	2,8	2,0	5,1
Impairment charge for the year	17,9	–	11,5	0,6	30,0
At end of year	36,4	0,8	19,6	5,7	62,5
Net carrying value					
At beginning of previous year	569,3	104,7	376,7	1,4	1 052,1
At end of previous year	570,2	4,2	398,9	12,9	986,2
At end of current year	593,7	3,9	317,5	10,3	925,4

**Other adjustments comprise the rectification of an inconsistency in the basis of determination of the fair value of intangible assets acquired through business combinations. The corrected valuation resulted in a net movement between intangible assets and goodwill and deferred tax liabilities of R19,5 million. The reclassification had no income statement effect.*

2. Intangible assets and goodwill continued

Cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill net of impairment losses:

	Group	
	2010 Rm	2009 Rm
A&D Spitz	**449,2**	449,2
Denny Mushrooms	**101,6**	101,6
House of Coffees	**15,3**	15,3
Baker Street Snacks	**12,5**	12,5
	578,6	578,6
Multiple units without significant goodwill	**17,4**	15,1
	596,0	593,7

Goodwill arises on the acquisition of assets that did not meet the criteria for recognition as other intangible assets at the date of acquisition.

Impairment tests

The carrying amounts of goodwill and trademarks with an indefinite useful life are reviewed at least annually on the basis of forecast profits of the cash-generating units and forecast sales of branded products. Management forecasts typically cover a three-year period and thereafter a reasonable rate of growth is applied based on market conditions. Goodwill impairment tests are performed using a discounted cash flow model and trademarks on a relief from royalty method. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital of similar businesses in the same sector and of similar size and range between 13% and 17% (2009: 13% and 19%) depending on the business' risk profile. Perpetuity growth rates were set at 5% (2009: 5%). Royalty rates used are determined with reference to industry benchmarks and profitability of products.

Impairment tests were also conducted on other intangible assets with impairment indicators.

Impairment losses

In 2009 the carrying values of the Real Beverage retail Juice and Nina Roche retail business units were determined to be higher than their recoverable amounts on the fair value less cost to sell basis. Impairment losses of R15,6 million and R10,6 million respectively were recognised, which were first allocated to goodwill and thereafter to trademarks. The remaining impairments related to underperforming brands.

During the year ended 30 June 2010 no further impairment losses were required.

3. Deferred taxation

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
Balance at beginning of year, being a net (asset)/liability	**(9,1)**	30,2	**(0,4)**	(6,6)
Charge to income statement:	**(16,5)**	8,3	**0,1**	6,2
– current year – temporary differences	**(13,5)**	5,8	**–**	–
– deferred taxation on STC credits	**1,5**	4,7	**0,1**	6,2
– prior year over provision	**(4,5)**	(2,2)	**–**	–
Subsidiaries disposed of	**–**	(1,3)	**–**	–
Realignment of currencies recognised directly in equity	**2,0**	4,0	**–**	–
Reserve movements in respect of cash flow hedging recognised directly in equity	**15,5**	(22,0)	**–**	–
Reclassification of fair value of intangible assets (see note 2)	**–**	(19,5)	**–**	–
Movement in foreign taxes	**–**	(8,8)	**–**	–
Balance at end of year, being a net asset	**(8,1)**	(9,1)	**(0,3)**	(0,4)
– Continuing operations	**53,6**	35,9		
– Discontinued operations	**(61,7)**	(45,0)		
Balance at end of year comprises:				
Accelerated capital allowances	**147,9**	138,9	**–**	–
Intangible assets temporary differences	**81,5**	82,6	**–**	–
Provisions and other temporary differences:	**(132,4)**	(120,8)	**–**	–
– post-retirement medical aid	**(84,2)**	(83,5)	**–**	–
– leave pay and bonus accruals	**(39,3)**	(33,9)	**–**	–
– other deductible temporary differences	**(8,9)**	(3,4)	**–**	–
Cashflow hedge reserve	**(6,2)**	(22,4)	**–**	–
Unused tax losses	**(36,2)**	(39,9)	**–**	–
Unused credits in respect of STC	**(1,0)**	(2,5)	**(0,3)**	(0,4)
	53,6	35,9	**(0,3)**	(0,4)
Deferred taxation is recognised at the following rates:				
South African operations – 28% (2009: 28%)	**54,3**	37,5	**–**	–
Foreign operations at average rate – 29,9% (2009: 30,4%)	**0,3**	0,9	**–**	–
Secondary taxation on companies – 10,0% (2009: 10,0%)	**(1,0)**	(2,5)	**(0,3)**	(0,4)
	53,6	35,9	**(0,3)**	(0,4)
Reflected as:				
Deferred taxation asset	**60,0**	74,4	**0,3**	0,4
Deferred taxation liability	**113,6**	110,3	**–**	–

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3. Deferred taxation continued

Deferred tax assets recognised on unused tax losses, except as noted below, were recognised as management considered it probable that future taxable profits will be available against which they can be utilised. The probable utilisation of the losses was based on budgeted and forecast results of subsidiary companies within three to five years depending on the stability of the business. The tax losses do not expire under current tax legislation.

	Group	
	2010 Rm	2009 Rm
The estimated losses which are available for the reduction of future taxable income are:	**264,5**	292,0
of which has been taken into account in calculating deferred taxation:	**129,3**	142,4
The shareholders' interest in the estimated tax losses not yet recognised is therefore	**135,2**	149,6

Deferred tax assets have not been recognised in respect of those losses where it is not probable, under current circumstances, that future taxable income will be available to utilise the benefits in the foreseeable future.

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
4. Inventories				
Raw materials	**243,8**	256,4	**–**	–
Consumable stores	**53,4**	53,6	**–**	–
Work in progress	**21,6**	19,9	**–**	–
Manufactured finished goods	**327,1**	306,7	**–**	–
Merchandise – finished goods purchased for resale	**219,0**	264,2	**–**	–
	864,9	900,8	**–**	–

	Mushrooms Rm	Abalone Rm	Total Rm

5. Biological assets

	Mushrooms Rm	Abalone Rm	Total Rm
Balance at 1 July 2008	13,7	30,9	44,6
Increase due to purchases	0,4	19,4	19,8
Transferred for processing and sold	(43,3)	(37,6)	(80,9)
Harvested items moved to inventory	(0,8)	–	(0,8)
Gain arising from change in fair value due to physical change	44,4	20,0	64,4
Gain arising from change in fair value less estimated point of sale costs attributable to price changes	–	2,3	2,3
Effect of movements in exchange rates	–	(0,2)	(0,2)
Balance at 30 June 2009	14,4	34,8	49,2
Balance at 1 July 2009	**14,4**	**34,8**	**49,2**
Increase due to purchases	**0,4**	**20,0**	**20,4**
Transferred for processing and sold	**(80,1)**	**(38,0)**	**(118,1)**
Harvested items moved to inventory	**(1,6)**	**–**	**(1,6)**
Gain arising from change in fair value due to physical change	**82,4**	**22,5**	**104,9**
Gain arising from change in fair value less estimated point of sale costs attributable to price changes	**–**	**(1,1)**	**(1,1)**
Effect of movements in exchange rates	**–**	**(0,2)**	**(0,2)**
Balance at 30 June 2010	**15,5**	**38,0**	**53,5**
	Kilograms	**Animals**	
Standing volume	**184 609**	**7 056 360**	
Volume harvested/sold in current year	**9 375 142**	**1 655 200**	

6. Trade and other receivables

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
Trade accounts	**1 122,7**	997,4	**–**	–
Other receivables	**38,3**	93,5	**339,7**	595,1
Prepayments	**31,4**	25,8	**–**	–
	1 192,4	1 116,7	**339,7**	595,1
Allowance for credit notes and discounts	**44,5**	27,1	**–**	–
Impairment losses allowance	**9,8**	8,3	**–**	–
	1 138,1	1 081,3	**339,7**	595,1

	Group		Company	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm
7. Assets and liabilities classified as held-for-sale				
Assets	**293,2**	398,7	**–**	–
– continuing operations	**4,4**	8,2	**–**	–
– discontinued operations	**288,8**	390,5	**–**	–
Liabilities	**(163,7)**	(168,6)	**–**	–
– continuing operations	**(1,3)**	(1,3)	**–**	–
– discontinued operations	**(162,4)**	(167,3)	**–**	–
7.1 Continuing operations				
Assets				
Property, plant and equipment	**4,4**	8,2	**–**	–
	4,4	8,2	**–**	–
Liabilities				
Trade and other payables	**(1,3)**	(1,3)	**–**	–
	(1,3)	(1,3)	**–**	–

Assets held-for-sale comprise property, plant and equipment surplus to requirements of continuing operations to be realised principally through sale.

7.2 Assets and liabilities of discontinued operation classified as held-for-sale

The discontinued operations represent the Argentinian hake and shrimp operations conducted by Alpesca s.a., a wholly owned subsidiary of Irvin & Johnson Holding Company (Pty) Ltd.

	Alpesca	
	2010 Rm	2009 Rm
Assets		
Property, plant and equipment	**119,0**	134,9
Intangible assets	**55,8**	58,9
Deferred tax	**61,7**	45,0
Inventories	**35,2**	42,3
Trade and other receivables	**74,4**	76,3
Cash and cash equivalents	**8,7**	13,1
Non-current asset held-for-sale	**10,5**	20,0
Impairment of assets of discontinued operation*	**(76,5)**	–
Total assets	**288,8**	390,5
Liabilities		
Non-current borrowings	**(3,0)**	(24,4)
Provisions	**(24,7)**	(28,1)
Short-term borrowings	**(51,6)**	(69,7)
Trade and other payables	**(83,1)**	(45,1)
Total liabilities	**(162,4)**	(167,3)

7. Assets and liabilities classified as held-for-sale continued

7.2 Assets and liabilities of discontinued operation classified as held-for-sale continued

Impairment loss

* At 30 June 2010 a detailed impairment evaluation of the Alpesca hake and shrimp assets was conducted. Based on the evaluation performed an impairment of $10 million (R76,5 million) has been raised in respect of the hake assets to recognise the possibility that the sale process may result in a consideration below the carrying value of the operating assets.

The Board remains committed to the disposal of Alpesca. There has been a higher level of interest by prospective buyers in recent months and a disposal should be completed during the next financial year.

	Group and Company	
	2010 Rm	2009 Rm

8. Share capital and premium

	Group and Company 2010 Rm	Group and Company 2009 Rm
Share capital		
Authorised		
Ordinary share capital		
960 000 000 (2009: 960 000 000) ordinary shares of 5 cents each	**48,0**	48,0
Preference share capital		
10 000 000 (2009: 10 000 000) convertible redeemable preference shares of 20 cents each	**2,0**	2,0
Total authorised share capital	**50,0**	50,0
Issued		
343 482 129 (2009: 342 638 463) ordinary shares of 5 cents each	**17,1**	17,1
Total issued share capital	**17,1**	17,1
Share premium		
Balance at beginning of year	**153,9**	153,9
Premium on issue of ordinary shares to Company's Share Trusts	**12,9**	–
Balance at end of year	**166,8**	153,9
Total issued share capital and premium	**183,9**	171,0

	Group 2010 Rm	Group 2009 Rm
Treasury shares		
Balance at beginning of year	**(710,5)**	(719,8)
Issue of ordinary shares to Company's Share Trust	**(12,9)**	–
Net own ordinary shares sold by the Company's Share Trusts and subsidiary during the year	**41,4**	9,3
Balance at end of year	**(682,0)**	(710,5)

	Group and Company 2010 Number	Group and Company 2009 Number
8. Share capital and premium continued		
The number of ordinary shares in issue is summarised as follows:		
Issued shares	**343 482 129**	342 638 463
Less: Shares held by the Company's Share Trusts and subsidiary	**42 244 542**	44 370 401
At end of year	**301 237 587**	298 268 062

9. Reserves

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
The balance at the end of the year comprises:				
Capital redemption reserve fund	**3,5**	3,5	**3,5**	3,5
Cash flow hedging reserve	**(17,3)**	(56,7)	**–**	–
Foreign currency translation reserve	**6,9**	37,9	**–**	–
Share-based payments reserve	**80,1**	53,1	**80,1**	53,1
	73,2	37,8	**83,6**	56,6

- **Capital redemption reserve fund**
  Represents the fund that is required in terms of the Companies Act of South Africa to maintain the capital base of the Company. This is effected by a transfer from retained earnings following the redemption of any preference shares at their par value.

- **Cash flow hedging reserve**
  The reserve represents the Group's portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions falling due in the future.

- **Foreign currency translation reserve**
  The reserve comprises the cumulative foreign exchange differences arising as a result of the translation of the operations of foreign operations.

- **Share-based payments reserve**
  The reserve comprises the fair value of equity instruments granted to Group employees. The fair value of the instrument is measured at grant date using generally accepted valuation techniques after taking into account the terms and conditions upon which the instruments were granted.

	Group		Company	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm

10. Financial liabilities and borrowings

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
Loan secured by cession of rights under an international trademark licensing agreement	13,3	15,8	–	–
Finance lease liabilities	16,5	21,1	–	–
Total secured loans	29,8	36,9	–	–
Deferred purchase consideration	3,4	–	–	–
Unsecured loans	529,6	542,2	–	–
Total borrowings	562,8	579,1	–	–
Amount repayable within one year included in current borrowings (note 13)	511,5	46,9	–	–
	51,3	532,2	–	–

Interest rates and years of repayment

	Group						
			Repayable during the year ending 30 June				
	Rate of interest %	Total borrow-ings 2010 Rm	2011 Rm	2012 Rm	2013 Rm	2014 Rm	2015 onwards Rm
Secured loans	12 – 13	13,3	2,7	3,1	3,5	4,0	–
Finance lease liabilities	5 – 13	16,5	5,4	6,7	4,4	–	–
Deferred purchase consideration	0	3,4	3,4	–	–	–	–
Unsecured loans		529,6	500,0	–	–	–	29,6
	0	7,0	–	–	–	–	7,0
	8 – 9	500,0	500,0	–	–	–	–
	9 – 10	22,6	–	–	–	–	22,6
		562,8	511,5	9,8	7,9	4,0	29,6

10. Financial liabilities and borrowings continued

	Rate of interest %	Total borrowings 2009 Rm	Repayable during the year ending 30 June 2010 Rm	2011 Rm	2012 Rm	2013 Rm	2014 onwards Rm
Secured loans	12 – 13	15,8	2,4	2,7	3,2	3,5	4,0
Finance lease liabilities	8 – 13	21,1	4,7	5,4	6,6	4,4	–
Unsecured loans		542,2	39,8	502,4	–	–	–
	0 – 5	19,5	19,5	–	–	–	–
	9 – 10	502,4	–	502,4	–	–	–
	13	20,3	20,3	–	–	–	–
		579,1	46,9	510,5	9,8	7,9	4,0

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
The borrowings are in the following currencies:				
South African Rand	**562,8**	566,6	**–**	–
Australian Dollars	**–**	12,5	**–**	–
	562,8	579,1	**–**	–

	Group 2010 Rm	Group 2009 Rm
11. Employee benefits		
Post-retirement medical aid		
The Group has an obligation to provide certain post-retirement medical aid benefits to certain eligible employees and pensioners. The entitlement to these benefits for current employees is dependent upon the employee remaining in service until retirement age.		
The actuarial valuation of the post-retirement medical aid contributions liability was performed at 1 January 2010 and projected to 30 June 2010.		
The principal actuarial assumptions used were:		
Discount rate 9,00% (2009: 7,25%)		
Medical inflation 7,50% (2009: 5,75%)		
Actuarially determined present value of unfunded obligations	**372,1**	345,6
Unrecognised actuarial loss	**(66,0)**	(41,9)
Net liability in balance sheet	**306,1**	303,7
Balance at beginning of year	**303,7**	296,9
Transfer from profit and loss – operating profit	**25,6**	27,7
– Current service cost	**1,7**	2,2
– Interest cost	**24,1**	26,6
– Actuarial gain recognised	**(0,2)**	(1,1)
Contribution paid	**(23,2)**	(20,9)
Balance at end of year	**306,1**	303,7
Amount payable within one year included under trade and other payables (note 15)	**(24,3)**	(22,1)
	281,8	281,6
Share-based payment obligations		
– cash settled	**3,0**	11,5
– earnings-linked performance bonuses	**8,0**	2,8
	11,0	14,3
	292,8	295,9

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11. Employee benefits continued

Assumed healthcare cost inflation rates have a significant effect on the actuarially determined defined benefit obligation. A one percentage point change in assumed healthcare cost inflation rates would have the following effects:

	One percentage point increase Rm	One percentage point decrease Rm
Effect on present value of the actuarially determined defined benefit obligation:	44,1	(37,0)
Effect on the aggregate service and interest cost	4,4	(3,7)

Historical information	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm
Present value of the defined benefit obligation	372,1	345,6	327,4	312,2	293,2
Actuarial (gain)/loss recognised	(0,2)	(1,1)	2,9	0,7	0,6

	Group 2011 Rm
Expected 2011 expense	
Current service cost	1,7
Interest cost	32,1
Actuarial loss recognised	4,1
Transfer from profit and loss – operating profit	37,9

	Group		Company	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm
12. Operating lease straight-line liability				
Balance at beginning of year	11,9	21,2	–	–
Recognised in profit and loss	1,9	(9,3)	–	–
Balance at end of year	13,8	11,9	–	–
13. Current borrowings				
Overdrafts and other current borrowings	336,6	485,2	–	–
Current portion of interest-bearing borrowings (note 10)	511,5	46,9	–	–
	848,1	532,1	–	–

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
14. Other financial liabilities including derivatives				
FEC cash flow hedge liability	**22,8**	100,2	**–**	–
Fuel oil swap	**3,7**	–	**–**	–
Interest rate swap cash flow hedge liability	**3,5**	7,0	**–**	–
Liability for impairment loss in subsidiary for recapitalisation	**–**	–	**5,6**	101,0
	30,0	107,2	**5,6**	101,0
15. Trade and other payables				
Trade accounts	**599,2**	612,1	**–**	–
Earnings linked performance bonuses	**26,5**	13,7	**–**	–
Other payables and accrued expenses	**503,4**	445,0	**13,1**	12,4
Post-retirement liabilities falling due within one year (note 11)	**24,3**	22,1	**–**	–
	1 153,4	1 092,9	**13,1**	12,4

16. Revenue

	Group 2010 Rm	Group 2009 Rm
Group revenue comprises the following excluding value added tax:		
Sale of goods	**7 919,7**	7 851,9
Services, fees and royalties	**40,6**	39,3
	7 960,3	7 891,2
	7 960,3	7 891,2
Continuing operations	**7 630,9**	7 462,4
Discontinued operations	**329,4**	428,8

A segmental and geographical analysis of Group revenue is given on pages 60 and 61 in the segmental report.

17. Operating profit/(loss) before capital items – continuing operations

	Group 2010 Rm	Group 2009 Rm
In arriving at the operating profit/(loss) before capital items, the following have been taken into account:		
Amortisation	**4,3**	5,1
– fishing rights	**0,3**	0,3
– trademarks	**2,6**	2,8
– customer relationships	**1,4**	2,0
Auditors' remuneration		
– fees for audit	**10,8**	12,7
– fees for other services	**1,7**	0,7
– taxation services and consultations	**1,3**	0,4
– other	**0,4**	0,3
Depreciation of property, plant and equipment	**186,4**	182,3
– buildings	**8,3**	7,1
– plant, equipment and vehicles	**148,8**	149,5
– vessels	**29,2**	25,6
– equipment subject to finance lease	**0,1**	0,1
Employment costs (see note 33)	**1 516,9**	1 281,5
Foreign exchange losses	**0,8**	17,0
Operating lease expenses	**120,6**	108,4
– property	**108,9**	95,7
– plant, equipment and vehicles	**11,7**	12,7
Write downs of inventory to net realisable value	**3,0**	7,6
Remuneration for services	**39,5**	39,9
– administrative, financial, managerial and secretarial fees	**28,8**	28,7
– technical fees	**10,7**	11,2
Research and development costs	**47,6**	37,3

	Company 2010 Rm	Company 2009 Rm
Auditors' remuneration		
– fees for audit	**0,2**	0,1
Administrative, financial, managerial and secretarial fees	**0,3**	0,2

Note
Details of the directors' remuneration is given in the directors' remuneration report on page 59.

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
18. Income from investments				
Dividends – unlisted companies	**–**	–	**237,4**	846,3
Interest	**16,2**	22,4	**–**	0,1
	16,2	22,4	**237,4**	846,4
Dividends were received from				
– subsidiary companies	**–**	–	**233,5**	812,4
– other investments	**–**	–	**3,9**	34,0
	–	–	**237,4**	846,4
19. Finance costs				
Borrowings	**(112,9)**	(155,4)	**(0,7)**	(0,9)
Continuing operations	**(109,3)**	(147,4)		
Discontinued operations	**(3,6)**	(8,0)		
20. Share of equity-accounted profit of joint ventures				
Equity-accounted profit of principal joint venture	**40,4**	15,8		
Equity-accounted loss of non-principal joint venture	**(0,4)**	(0,5)		
	40,0	15,3		
21. Capital items				
Net (deficit)/surplus on disposal of investments, properties, vessels and plant and equipment (note 30)	**(1,7)**	52,6	**–**	–
Impairment of investments in subsidiaries	**–**	–	**(5,6)**	(115,2)
Reversal of impairment of investment in subsidiary	**–**	–	**6,2**	–
Impairment of assets (note 30)	**(83,1)**	(65,5)	**–**	–
	(84,8)	(12,9)	**0,6**	(115,2)
– Continuing operations	**(7,2)**	17,1	**0,6**	(115,2)
– Discontinued operations	**(77,6)**	(30,0)	**–**	–
Attributable taxation (note 22)	**3,2**	6,7	**–**	–
	(81,6)	(6,2)	**0,6**	(115,2)

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	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
22. Taxation				
South African normal taxation	**241,1**	222,9	**–**	–
Deferred taxation	**(13,5)**	5,8	**–**	–
Foreign taxation	**24,2**	9,7	**–**	–
Capital gains taxation	**0,1**	1,0	**–**	–
Secondary Tax on Companies				
– current	**28,2**	22,5	**13,7**	–
– deferred	**1,5**	4,7	**0,1**	6,2
Prior year under/(over) provisions				
– current	**0,1**	9,7	**–**	–
– deferred	**(4,5)**	(2,2)	**–**	–
	277,2	274,1	**13,8**	6,2
Dealt with as follows:				
In respect of profit before capital items	**280,4**	280,8	**13,8**	6,2
In respect of capital items (note 21)	**(3,2)**	(6,7)	**–**	–
	277,2	274,1	**13,8**	6,2
– Continuing operations	**287,2**	276,7		
– Discontinued operations	**(10,0)**	(2,6)		

	2010 %	2009 %	2010 %	2009 %
Reconciliation of rate of taxation (continuing operations)				
Standard rate of company taxation	**28,0**	28,0	**28,0**	28,0
Increase/(reduction) in effective rate as a result of:				
– Capital gains tax	**–**	0,1	**–**	–
– Disallowable expenditure	**2,5**	5,1	**0,6**	4,9
– Effect of foreign taxes	**0,2**	0,1	**–**	–
– Exempt income	**(0,8)**	(2,7)	**(28,6)**	(32,9)
– Secondary Tax on Companies	**3,4**	3,3	**5,9**	0,9
– Tax losses incurred but not capitalised	**0,6**	1,7	**–**	–
– Recognition of previously unrecognised deferred tax asset	**(0,8)**	–	**–**	–
– Taxable unrealised forex losses	**–**	(1,3)	**–**	–
– Prior year under/(over) provisions	**(0,5)**	0,9	**–**	–
– Other	**–**	(1,3)	**–**	–
Effective rate of taxation for the year (continuing operations)	**32,6**	33,9	**5,9**	0,9

22. Taxation continued

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Reconciliation of rate of taxation (discontinued operations)				
Standard rate of company taxation	**28,0**	28,0	**–**	–
(Reduction)/increase in effective rate as a result of:				
– Disallowable expenditure	**(24,0)**	(48,1)	**–**	
– Effect of foreign taxes	**6,2**	40,9	**–**	–
– Exempt income	**–**	3,3	**–**	–
– Impairment of assessed losses	**(0,7)**	(16,3)	**–**	–
– Prior year over provisions	**(1,9)**	–	**–**	–
Effective rate of taxation for the year (discontinued operations)	**7,6**	7,8	**–**	–

	2010 Rm	2009 Rm	2010 Rm	2009 Rm
23. Cash generated by/(utilised in) operations				
Operating profit/(loss) before capital items	**941,0**	908,5	**(4,5)**	(9,9)
Adjustment for:				
– non-cash items:	**230,7**	178,1	**–**	–
– depreciation of property, plant and equipment	**186,4**	182,3	**–**	–
– amortisation of intangible assets	**4,3**	5,1	**–**	–
– foreign currency translations	**(7,8)**	(1,7)	**–**	–
– equity settled share-based payments	**27,0**	20,9	**–**	–
– movements in provisions and other	**20,8**	(28,5)	**–**	–
Continuing operations	**1 171,7**	1 086,6	**(4,5)**	(9,9)
24. (Increase)/decrease in working capital				
Decrease/(increase) in inventories and biological assets	**38,2**	(83,6)	**–**	–
(Increase)/decrease in trade and other receivables	**(82,9)**	30,4	**255,4**	(584,4)
Increase in trade and other payables	**38,9**	83,2	**–**	5,0
Continuing operations	**(5,8)**	30,0	**255,4**	(579,4)

The net movement on working capital has been adjusted to take account of the foreign exchange differences and other known non-cash items. Subsidiaries have been included from the effective dates of the respective acquisitions or excluded from the effective dates of the respective disposals.

	Group		Company	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm
25. Taxation paid				
Amount owing at beginning of year	13,4	73,4	–	–
Amount overpaid at beginning of year (including discontinued operations)	(86,6)	(25,5)	–	–
Net amount owing at beginning of year	(73,2)	47,9	–	–
Charge per income statement (including discontinued operations)	277,2	274,1	13,8	6,2
Other direct movements	(6,9)	5,9	–	–
Deferred taxation included therein (note 3)	16,5	(8,3)	(0,1)	(6,2)
	286,8	271,7	13,7	–
Disposal of subsidiary	–	(1,8)	–	–
Realignment of currencies	0,2	1,9	–	–
Amount owing at end of year	(17,3)	(13,4)	–	–
Amount pre-paid at end of year – discontinued operations	14,9	15,2	–	–
Amount pre-paid at end of year	49,3	71,4	–	–
Net amount prepaid at end of year	46,9	73,2	–	–
Amount paid during year	260,7	392,9	13,7	–
26. Dividends paid				
Per statement of changes in equity	272,4	247,2	312,1	284,5

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm

27. Disposal/acquisition of subsidiaries and businesses

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
Disposal of subsidiary			–	(21,0)
Net assets of subsidiaries and businesses disposed/(acquired):				
Property, plant and equipment	–	16,4		
Non-controlling interest	–	(6,5)		
Working capital	–	10,2		
Cash and cash equivalents	–	14,9		
Taxation – deferred and corporate	–	(3,2)		
Long-term borrowings	–	(5,5)		
Profit on disposal	–	23,8		
	–	50,1	–	–
Net cash and cash equivalents included in acquisitions	–	(14,9)		
Total disposal consideration net of cash acquired	–	35,2	–	–
Deferred purchase consideration at beginning of year	–	(7,2)		
Imputed interest and goodwill adjustment	**(3,4)**	7,2		
Deferred purchase consideration at end of year	**3,4**	–		
Cash flow on disposals	–	35,2	–	(21,0)

Effective 12 December 2008, National Brands Limited disposed of a non-core subsidiary that packed private label teas and coffees for R35,2 million (net of cash disposed of).

There were no acquisitions or disposals during the year.

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
28. Investments in joint ventures and other investments				
Cost of acquisitions and loans advanced	**–**	–	**–**	(2,4)
Loans repaid	**18,8**	21,9	**–**	–
	18,8	21,9	**–**	(2,4)
29. Increase in shareholder funding				
Net sale of own ordinary shares by the Company's Share Trusts	**47,0**	9,0	**12,9**	–

30. Earnings and headline earnings

The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 299 493 387 (2009: 297 806 357) ordinary shares in issue.

The diluted earnings and headline earnings per share are calculated on 310 453 132 (2009: 303 400 679) ordinary shares.

	Group			
	2010		2009	
	Gross Rm	**Net of tax and non-controlling interests Rm**	Gross Rm	Net of tax and non-controlling interests Rm
Determination of headline earnings				
Earnings		**468,2**		507,7
Attributable to:				
Continuing operations		**590,0**		538,5
Discontinued operations		**(121,8)**		(30,8)
Adjustment for capital items	**(84,8)**	**(81,6)**	(12,9)	(6,2)
Net (deficit)/surplus on disposal of investments, properties, vessels and plant and equipment	**(0,6)**	**(0,2)**	28,8	28,6
Net deficit on disposal of asset held-for-sale of disposal group	**(1,1)**	**(0,1)**	–	–
Net surplus on disposal of subsidiaries	**–**	**–**	23,8	22,7
Impairment of plant, equipment and vessels	**(6,6)**	**(4,8)**	(5,2)	(3,8)
Impairment of intangible assets and goodwill	**–**	**–**	(30,0)	(29,1)
Impairment of assets classified as held-for-sale	**–**	**–**	(0,3)	(0,3)
Impairment of disposal group held-for-sale	**(76,5)**	**(76,5)**	(30,0)	(24,3)
Headline earnings		**549,8**		513,9
Attributable to:				
Continuing operations		**595,0**		520,4
Discontinued operations		**(45,2)**		(6,5)
		549,8		513,9

30. Earnings and headline earnings continued

	Group 2010 Number	Group 2009 Number
Reconciliation of weighted average number of ordinary shares		
Issued shares at beginning of year	342 638 463	342 638 463
Effect of own shares held by trusts and subsidiary	(44 370 401)	(45 117 569)
Effect of treasury shares sold in July – September	187 069	–
Effect of treasury shares sold in October – December	621 981	204 315
Effect of treasury shares sold in January – March	34 128	51 999
Effect of treasury shares sold in April – June	382 147	29 149
Weighted average number of ordinary shares	299 493 387	297 806 357
Effect of share options outstanding during the year in Incentive Scheme Trusts	859 443	479 154
Effect of share options outstanding during the year in the Black Staff Empowerment Scheme Trust[1]	2 023 787	–
Effect of Out Performance Scheme instruments outstanding during the year	8 076 515	5 115 168
Weighted average diluted number of ordinary shares	310 453 132	303 400 679

[1]For determining the dilutive effect of these options, the IFRS 2 share-based payment charge not yet expensed is added to the exercise price.

	Group 2010 cents	Group 2009 cents
Headline earnings per ordinary share	183,6	172,6
Attributable to:		
Continuing operations	198,7	174,7
Discontinued operations	(15,1)	(2,1)
Diluted headline earnings per ordinary share	177,1	169,4
Attributable to:		
Continuing operations	191,7	171,5
Discontinued operations	(14,6)	(2,1)
Earnings per ordinary share	156,3	170,5
Attributable to:		
Continuing operations	197,0	180,8
Discontinued operations	(40,7)	(10,3)
Diluted earnings per ordinary share	150,8	167,3
Attributable to:		
Continuing operations	190,0	177,5
Discontinued operations	(39,2)	(10,2)

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
31. Dividends paid				
Ordinary shares				
No 68 of 47 cents, paid 6 October 2008		139,8		161,1
No 69 of 36 cents, paid 6 April 2009		107,4		123,4
No 70 of 52 cents, paid 5 October 2009	**155,4**		**178,2**	
No 71 of 39 cents, paid 6 April 2010	**117,0**		**134,0**	
	272,4	247,2	**312,2**	284,5
Dividend No 72 of 61 cents in respect of the year ended 30 June 2010 was declared on 3 September 2010 and is payable on 4 October 2010. This will be at the following cost after taking account of the ordinary shares in issue at the date of approval of the annual report.	**183,7**		**209,5**	

	Group	
	2010 Rm	2009 Rm
32. Commitments and contingent liabilities		
Commitments		
Capital commitments		
Capital expenditure authorised by the directors		
Property, plant and equipment		
– contracted for	**93,9**	52,2
– not contracted for	**153,9**	36,5
	247,8	88,7
It is anticipated that this expenditure will be financed by cash resources, cash generated from activities and existing borrowing facilities.		
Other contractual commitments have been entered into in the normal course of business.		
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**73,3**	74,8
Between two and five years	**154,5**	177,9
After five years	**60,8**	44,2
	288,6	296,9

32. Commitments and contingent liabilities continued

Contingent liabilities

Company

The Company has signed a deed of suretyship with Rand Merchant Bank in respect of the performance of the obligations of a subsidiary company, Indigo Cosmetics (Proprietary) Limited, with regard to the repayment of the secured loan of R13,3 million (2009: R15,8 million) referred to in note 10. The Company has signed limited guarantees with certain major banks in respect of funding advanced by the banks to some of the Company's subsidiaries.

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
33. Employee benefits				
Employment costs	**1 707,8**	1 498,0	**–**	–
Short-term employment benefits	**1 503,4**	1 343,9	**–**	–
Termination benefits	**18,5**	6,3	**–**	–
Share-based payments			**–**	
– equity settled	**27,0**	20,9	**–**	–
– cash settled	**0,4**	3,4	**–**	–
Earnings-linked performance bonuses	**33,1**	(1,3)	**–**	–
Post retirement medical aid costs	**25,6**	27,7	**–**	–
Retirement benefits	**99,8**	97,1	**–**	–
Continuing operations	**1 516,9**	1 281,5	**–**	–
Discontinued operations	**190,9**	216,5	**–**	–

Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 12 096 (2009: 10 167) employees, 5 937 (2009: 6 179) are members of defined contribution Group pension and provident funds or state-administered funds in other jurisdictions. South African funds are governed by the Pension Funds Act 1956, as amended. Other funds are governed by the respective legislation of the country concerned. The contribution paid by the Group companies for retirement benefits are charged to profit and loss as they are incurred, and amounted to R99,8 million (2009: R97,1 million).

Share-based payments

Details of equity instruments granted to employees are set out on pages 53 to 56 of the directors' report. Senior management in the subsidiaries participate in company specific earnings-linked performance bonus schemes which are accounted for in terms of IAS 19 – *Employee Benefits*. Management and staff of AVI Financial Services participate in a cash-settled share-based payment plan linked to the share price of AVI Limited, which is accounted for in terms of IFRS 2 – *Share-Based Payments*. Equity instruments that where granted after 7 November 2002 and not yet vested by 1 January 2005 have been measured and recognised in accordance with the principles contained in IFRS 2 – *Share-Based Payments*. The fair value of the equity instruments are measured using the Black-Scholes model. The fair value of equity instruments issued under the Out-Performance Scheme are measured using the Black-Scholes model as well as the Monte Carlo valuation methodology which is used to project the TSR performance of the Group against a predefined peer group. The contractual life of the equity instruments is used as an input into the model. The equity instruments are granted under a service condition and the expected attrition is considered in estimating the number of options expected to vest.

The fair value of the estimated number of options expected to vest is expensed over the vesting period of the underlying equity instrument. In the event of accelerated vesting, the remaining fair value of the vested instruments is expensed in the period of vesting. The fair value of share appreciation rights is determined using the Black-Scholes model at grant date and is re-measured at each reporting date and settlement date.

	2010	2009

33. Employee benefits continued

ASSUMPTIONS APPLIED IN ARRIVING AT FAIR VALUE OF INSTRUMENTS ISSUED DURING THE YEAR

	2010	2009
EQUITY INSTRUMENTS ISSUED BY THE SHARE INCENTIVE TRUSTS		
Fair value at grant date	**R3,98 – R5,00**	R3,53 – R3,03
Share price	**R18,61 – R23,94**	R15,80 – R15,91
Exercise price	**R18,61 – R23,94**	R15,80 – R15,91
Expected volatility	**26,8% – 27,3%**	33,4% – 25,2%
Option life	**3,5 years**	3,5 years
Dividend yield	**3,73% – 5,16%**	4,74% – 4,91%
Risk-free interest rate	**8,28% – 7,86%**	8,84% – 8,18%
EQUITY INSTRUMENTS ISSUED BY THE BLACK STAFF EMPOWERMENT SCHEME TRUST		
Weighted average fair value at grant date	**R3,64 – R5,12**	R1,41 – R2,26
Share price at grant date	**R18,48 – R23,47**	R15,68 – R16,16
Weighted average exercise price	**R19,78 – R26,95**	R19,94 – R20,92
Expected volatility (weighted average volatility)	**29,85% – 30,77%**	30,46% – 31,64%
Option life (weighted average life)	**6,0 years**	6,0 years
Dividend yield	**3,73% – 5,16%**	4,74% – 4,91%
Risk-free interest rate	**7,95% – 8,28%**	8,84% – 8,18%
EQUITY INSTRUMENTS ISSUED BY THE OUT PERFORMANCE SCHEME TRUST		
Fair value at grant date	**R4,66**	R12,79
Share price	**R18,61**	R15,65
Option life	**3 years**	3 years
Dividend yield	**4,6%**	5,5%
Risk- free interest rate	**8,28%**	9,29%
Expected mean TSR performance	**16%**	17%
RIGHTS ISSUED BY THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN		
Fair value at measurement date (year-end)	–	R1,79
Share price	–	R17,48
Exercise price	–	R17,65
Expected volatility (Weighted averaged volatility)	–	24,2%
Option life	–	3,5 years
Dividend yield	–	5,0%
Risk-free interest rate	–	8,47%

The expected volatility is based on the average volatility over a period of six months prior to grant date or measurement date.
The R157 bond rate was used to determine a risk-free interest rate at grant date or measurement date.

	2010 Rm	2009 Rm
33. Employee benefits continued		
EMPLOYEE EXPENSES		
Equity settled		
Options granted	**5,3**	3,3
Instruments granted under the Out Performance Scheme	**8,9**	5,8
Equity instruments granted to all black employees	**12,8**	11,8
	27,0	20,9
Cash settled		
Share appreciation rights – AVI Financial Services	**0,4**	3,4

34. Black Economic Empowerment ("BEE") transactions

Irvin & Johnson Holding Company (Proprietary) Limited ("I&J")

The Company sold 20% of its shareholding in I&J to Main Street 198 (Proprietary) Limited ("Main Street") in November 2004. Main Street is jointly owned by Mast Fishing Investment Holdings (Proprietary) Limited and Tresso Trading 946 (Proprietary) Limited, two broad-based black empowered companies with strong commitment to the South African fishing industry. The proceeds on disposal amounted to R160,8 million and the consideration was funded by the Company subscribing for cumulative redeemable preference shares in Main Street.

AVI further increased the BEE shareholding in I&J by donating 1% and selling 4% of its shareholding in I&J to a company owned by the South African black employees of I&J and its subsidiaries, Richtrau No 53 (Proprietary) Limited ("Richtrau"), on 1 May 2005. The proceeds on disposal amounted to R18,0 million and the consideration was funded by the Company subscribing for a cumulative redeemable preference share in Richtrau. The value generated by this shareholding will vest to those employee shareholders remaining in the employ of I&J and its subsidiaries after 30 April 2010.

Post the implementation of these transactions the effective direct BEE shareholding in I&J is 25%.

Accounting recognition of the disposal of shares

Notwithstanding that the BEE transactions have been completed and that the BEE shareholders have beneficial ownership and voting control over their 25% shareholdings, the accounting recognition in the Group's consolidated financial statements of the disposal of shares to the BEE companies requires deferral until the redemption of the preference shares subscribed for to finance the purchase of such shares, as the shares in I&J serve as security for the cumulative liability on the preference shares.

34. Black Economic Empowerment ("BEE") transactions continued

The preference share liability of each company, including arrear preference dividends, was as follows:

	Company	
	2010 **Rm**	2009 Rm
Main Street 198 (Proprietary) Limited	**230,5**	212,9
Richtrau 53 (Proprietary) Limited	**18,0**	18,0

The recognition of the preference dividend income in AVI Limited is capped at the earnings attributable to the minority shareholders (refer note 39).

Application of IFRS 2 – *Share-based Payments*, IAS 19 – *Employee Benefits* and IAS 39 – *Financial Instruments*

The Group has adopted the recommendations of IFRIC 8 – *Scope of IFRS 2* and the interpretation issued by SAICA AC 503 – *Accounting for BEE transactions* on the following bases, consistent with the prior year:

- The sale of the 20% interest to Main Street was an equity instrument that was considered to have fully vested in the hands of the participants before 1 January 2005. Under the exemption offered by IF*RS 1 – First-time Adoption of IFRS* the transaction was not accounted for as a share-based payment. The Main Street 198 shareholders' agreement provides for the payment of ordinary dividends equal to 5% of dividends received from I&J on an annual basis. Furthermore the shareholder's agreement provides for put and call options determined by a fixed formula. The put option is classified as a derivative financial instrument and is accounted for at fair value (currently Rnil (2009: Rnil).
- The Richtrau shareholders' agreement provides for the payment of ordinary dividends equal to 10% of dividends received from I&J on an annual basis. Furthermore, upon employee vesting conditions being met, Richtrau has undertaken to repurchase ordinary shares from the employees at a price based on the earnings performance of I&J less the remaining redeemable preference share liability of Richtrau. AVI Limited has undertaken to provide funding for the repurchase commitments of Richtrau if required. Accordingly the arrangement has been accounted as an employee benefit under the requirements of IAS 19 with an income of R0,9 million recognised in the current year (2009 expense: R4,1 million).

	Group		Company	
	2010	2009	**2010**	2009
	Rm	Rm	**Rm**	Rm

35. Related party transactions

Transactions with Group entities				
Administration fees paid to a subsidiary	**–**	–	**0,3**	0,2
Dividends received from subsidiaries (see note 18)	**–**	–	**233,5**	812,4
Loans to/from subsidiary companies (see note 36)	**–**	–	**507,1**	420,2
Liability for impairment loss in subsidiary for recapitalisation	**–**	–	**(5,6)**	(101,0)
Treasury share loan to subsidiary classified as equity instrument	**–**	–	**276,0**	291,7
Call account maintained with treasury division of subsidiary	**–**	–	**338,3**	594,6
Other receivables from subsidiaries	**–**	–	**1,5**	0,4
Other payables to subsidiaries	**–**	–	**11,0**	10,6
Director's fees payable	**–**	–	**–**	0,5
Loans to joint ventures (see note 38)	**44,8**	58,8	**–**	–
Trade receivables from joint ventures	**12,1**	12,1	**–**	–
Royalties received from joint ventures	**11,9**	11,9	**–**	–
Sales to joint ventures	**92,2**	113,6	**–**	–

Details of the principal subsidiaries, joint ventures and other investments are given on pages 115 to 117.

Transactions with key management personnel

The directors of the Company, directors of any of its subsidiaries and business unit management with executive responsibility have been identified as the key management personnel of the Group.

The key management personnel costs are as follows:

	Group	
	2010	2009
	Rm	Rm
Short-term employee benefits	**90,0**	95,3
Post-employment benefits	**5,1**	3,8
Termination benefits	**6,3**	5,9
Equity compensation benefits	**34,1**	17,9
	135,5	122,9

Executives also participate in the Company's share option schemes, details of which are given in the directors' report on pages 53 to 56.

	Company 2010 Rm	Company 2009 Rm
36. Subsidiaries		
Company's aggregate interest in the profits and losses after taxation of subsidiaries		
Profits after non-controlling interests at subsidiary company level	**605,4**	642,0
Losses after non-controlling interests at subsidiary company level	**(72,2)**	(53,8)
Investment in subsidiaries		
Unlisted – shares in owned subsidiaries	**1 288,7**	1 288,7
Borrowings by subsidiary companies	**637,1**	455,5
	1 925,8	1 744,2
Share-based payments capitalised	**80,1**	53,1
Impairment allowance	**(138,1)**	(43,3)
Treasury share loan to subsidiary classified as equity	**(276,0)**	(291,7)
Total interest in subsidiaries	**1 591,8**	1 462,3

37. Principal subsidiary companies

Name of company and nature of business	Class	Issued permanent capital 2010 Rm	Issued permanent capital 2009 Rm	Group effective percentage holding 2010 %	Group effective percentage holding 2009 %	Book value of Company's interest: Shares 2010 Rm	Shares 2009 Rm	Indebtedness to/(by) the Company 2010 Rm	Indebtedness to/(by) the Company 2009 Rm
A&D Spitz (Pty) Limited – retailer of branded shoes and fashion accessories	Ord	**–**	–	**100**	100	**576,6**	576,6	**–**	–
AVI Investment Services (Pty) Limited – investment company	Ord	**–**	–	**100**	100	**–**	–	**305,6**	291,7
Denny Mushrooms (Pty) Limited – producer and marketer of mushrooms	Ord	**–**	–	**100**	100	**137,1**	137,1	**4,5**	4,5
Hampton Sportswear (Pty) Limited – retailer of branded apparel	Ord	**–**	–	**100**	100	**20,7**	20,7	**–**	–
Irvin & Johnson Holding Company (Pty) Limited – international integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord	**–**	–	**75**	75	**319,1**	319,1	**–**	–
Indigo Cosmetics (Pty) Limited – manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord	**–**	–	**100**	100	**–**	–	**124,0**	124,0
National Brands Limited – manufacturers and marketers of branded food and beverage products	Ord	**3,5**	3,5	**100**	100	**227,1**	227,1	**–**	–
Nina Roche Shoe Collection (Pty) Limited – retailer of branded shoes and fashion accessories	Ord	**–**	–	**100**	100	**–**	–	**14,2**	14,2
The Real Juice Co Holdings (Pty) Limited – manufacturers and distributors of ready-to-drink beverages	Ord	**–**	–	**75**	75	**8,1**	8,1	**188,8**	21,1
						1 288,7	1 288,7	**637,1**	455,5
Impairment allowance									
– Real Juice Co						**(8,1)**	(8,1)	**(115,8)**	(21,1)
– Nina Roche						**–**	–	**(14,2)**	(14,2)
Share-based payments capitalised						**80,1**	53,1	**–**	–
						1 360,7	1 333,7	**507,1**	420,2

Apart from Real Juice Co and Nina Roche, the directors' valuation of each of the investments in subsidiary companies, all of which are unlisted, is not less than their respective carrying values. All companies are incorporated in South Africa.

38. Joint ventures

	Number of shares held Group 2010	2009	Group effective percentage holding 2010 %	2009 %
PRINCIPAL JOINT VENTURE				
Name of company and nature of business				
Joint venture				
– equity accounted, financial year end 31 August				
Simplot Seafood, Snacks and Meals division				
(unincorporated and operates in Australia, managed by Simplot Australia (Pty) Ltd)				
– food processing, trading and distribution	–	–	40	40

		Group 2010 Rm	2009 Rm
GROUP CARRYING VALUE OF JOINT VENTURES			
Shares at cost		25,2	25,2
Capital loans		44,8	58,8
		70,0	84,0
Share of post-acquisition reserves		141,5	98,3
Total carrying value		211,5	182,3
I&J's proportionate share of assets and liabilities of Simplot Seafood, Snacks and Meals division			
Property, plant and equipment		50,9	48,4
Current assets		221,0	198,8
Non-current liabilities – non-interest-bearing	– Group companies	(17,9)	(23,5)
	– Other	(25,7)	(34,1)
Current liabilities	– Group companies	–	(4,8)
	– Other	(61,7)	(63,1)
Share of net assets		166,6	121,7
Summarised financial information in respect of the principal joint venture			
I&J's proportionate share of revenue and expenditure was:			
Revenue		645,9	618,7
Expenditure		605,5	602,9
Profit before taxation		40,4	15,8
Taxation		–	–
Profit after taxation, reflected as share of equity-accounted earnings of joint venture		40,4	15,8
I&J's proportionate share of the cash flow generated was:			
Cash generated by operating activities		33,9	22,9
Cash utilised in investing activities		(4,7)	(0,9)
Cash effects of financing activities		(16,8)	(16,0)
Net increase in cash and cash equivalents		12,4	6,0
Capital commitments			
– contracted for		–	–
– not contracted for		16,9	5,8
		16,9	5,8

39. Other investments

	Number of shares held				Group effective percentage holding	
	Group		Company			
	2010	2009	2010	2009	2010 %	2009 %
PRINCIPAL OTHER INVESTMENTS						
Name of company and nature of business						
Main Street 198 (Pty) Limited						
– Cumulative redeemable convertible "A" preference shares*	800	800	800	800	100	100
Richtrau No 53 (Pty) Limited						
– Cumulative redeemable preference shares*	1	1	1	1	100	100

	Rm	Rm	Rm	Rm
Other investments comprise:				
Preference share investments in the empowerment consortia, including dividends accrued	–	–	192,5	197,7
Insurance cell captive fund – net bank deposits and investments	91,1	93,1	5,9	5,9
Loan receivable	1,5	1,4	–	–
	92,6	94,5	198,4	203,6

Notes

** The 25% black empowerment shareholding in I&J is held by two investment nominee companies. AVI has subscribed for preference shares in Main Street 198 (Proprietary) Limited and Richtrau No 53 (Proprietary) Limited, the investment nominee companies owned by these empowerment investors, to fund the acquisition of the I&J shares. The net preference share investment represents the original subscription price plus arrear preference dividends, less a capping allowance to limit the recognition of preference dividend income to the equivalent attributable earnings of I&J (refer note 34).*

Insurance cell captive fund

The Group consolidates its attributable share of an insurance cell captive managed on behalf of the Group by Guardrisk Insurance Company Limited. The net assets reserved within the cell captive are to be utilised against insurance claims arising within the Group not covered by third-party insurances.

None of the investments are listed on a stock exchange.

The directors' valuation of each of the unlisted investments is not less than their respective carrying values.

A register disclosing full details of all companies in which the Group has investments is available for inspection by members or their duly appointed authorised agents during business hours at the registered office of the Company.

40. Financial risk management

40.1 Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing financial risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The AVI Group treasury, together with the relevant business unit executives, is responsible for developing and monitoring the relevant financial risk management policies.

The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees management's monitoring of compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the financial risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

40.2 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors the return on average capital employed, which the Group defines as operating profit before capital items from continuing operations divided by average total shareholders' equity plus net debt.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target, which is determined by the AVI Board, is to achieve a return on average capital employed at 120% of the weighted average cost of capital, which was estimated at 11,75% (2009: 12,5%). In 2010 the return was 29,2% (2009: 28,3%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 9,72% (2009: 13,15%).

From time to time the Group purchases its own shares in the market under general authority granted by shareholders; the timing of these purchases depends on market prices. Primarily the shares are part of a programme to return capital to shareholders, but some may be used for issuing shares under the Group's share option programmes. Buying decisions are made under specific mandates from the executive directors.

There were no changes in the Group's approach to capital management during the year.

40. Financial risk management continued

40.2 Capital management continued

The Company and some of its subsidiaries are subject to and comply with the following capital reporting covenants required by some of the Group's bankers:

- consolidated net debt to EBITDA less than 3,0
- consolidated EBITDA to net finance costs greater than 2,5.

Internal debt limits used by executive management on a day-to-day basis are more conservative than the above.

40.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents and loans receivables and other investments.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically there is concentration of credit risk in the South African market.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount; these limits are reviewed annually or when conditions arise that warrant a review. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Most of the Group's customers have been transacting with the Group for over three years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's retailer and wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis. Overdue accounts are put on hold until payments are received to return them within limits.

Most goods sold are subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Cash and cash equivalents, loan receivables and other investments

The majority of the Group's investments are in liquid securities with counterparties that have sound credit ratings. Where considered necessary security is sought. Management does not expect any counterparty to fail to meet its obligations.

40. Financial risk management continued

40.3 Credit risk continued

Guarantees

The Group's policy is to provide limited financial guarantees in respect of banking facilities for wholly owned subsidiaries. At 30 June 2010 guarantees were in place for AVI Financial Services (Proprietary) Limited and National Brands Limited, Nina Roche Shoe Collection (Proprietary) Limited and Hampton Sportswear (Proprietary) Limited (2009: AVI Financial Services (Proprietary) Limited and National Brands Limited).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group Carrying amount		Company Carrying amount	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Other investments	**92,6**	94,5	**198,4**	203,6
Other financial assets including derivatives	**2,1**	17,4	**–**	–
Trade and other receivables*	**1 106,7**	1 055,5	**339,7**	595,1
Cash and cash equivalents	**589,3**	516,6	**0,5**	1,5
Total	**1 790,7**	1 684,0	**538,6**	800,2

**Excludes prepayments.*

The maximum exposure to credit risk for trade receivables for the Group at the reporting date by geographic region was:

	Group Carrying amount	
	2010 Rm	2009 Rm
South Africa	**898,8**	784,4
Europe	**120,4**	135,3
Australasia	**8,2**	8,0
Rest of Africa	**50,8**	42,6
Total	**1 078,2**	970,3

The maximum exposure to credit risk for trade receivables for the Group at the reporting date by type of customer was:

	Group Carrying amount	
	2010 Rm	2009 Rm
Wholesale customers	**291,8**	282,0
Retail customers	**704,4**	651,9
Manufacturers and processors	**0,2**	0,1
End-user customers and direct sales	**81,8**	36,3
Total	**1 078,2**	970,3

The Group's most significant customers, being two South African retailers, accounted for 32,1% of the trade receivables carrying amount at 30 June 2010 (2009: 30,3%).

40. Financial risk management continued

40.3 Credit risk continued

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2010 Rm	Impairment 2010 Rm	Gross 2009 Rm	Impairment 2009 Rm
Not past due	**994,4**	**(0,8)**	880,8	(0,9)
Past due 0 – 30 days	**31,8**	**(0,2)**	54,8	(3,7)
Past due 31 – 120 days	**42,5**	**(4,5)**	25,7	(0,2)
Past due more than 121 days < 1 year	**6,8**	**(2,7)**	8,4	(2,9)
Past due more than 1 year	**2,7**	**(1,6)**	0,6	(0,6)
Total	**1 078,2**	**(9,8)**	970,3	(8,3)

Based on historical default rates, the Group believes that a nominal impairment allowance is appropriate in respect of trade receivables not past due.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010 Rm	2009 Rm
Balance as at 1 July	**(8,3)**	(8,3)
Impairment loss recognised in profit and loss	**(4,3)**	(4,3)
Impairment allowance on discontinued operation	**0,1**	0,2
Impairment loss no longer required and released to income	**1,6**	3,8
Impairment loss allowance utilised	**1,1**	0,3
Balance as at 30 June	**(9,8)**	(8,3)

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

40. Financial risk management continued

40.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group actively manages short-term funding requirements via the Group treasury with regular forecasts. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of eight weeks, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- R1 290 million treasury facilities that can be drawn down to meet short-term financing needs. These facilities are overnight call borrowings. Interest is payable at the quoted overnight borrowing rate applicable on the date of advance.
- R500 million three-year term debt that has been negotiated at a subsidiary level, which if required is renewable. Interest is payable at the one month JIBAR borrowing rate reset monthly plus a negotiated margin.
- R163 million overdraft facilities available to the subsidiaries that are unsecured. Interest is payable at the prime lending rate if the facilities are used.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Group	Carrying amount Rm	Contractual cash flows Rm	6 months or less Rm	6 – 12 months Rm	+1 – 2 years Rm	+2 – 5 years Rm	More than 5 years Rm
30 June 2010							
Non-derivative financial liabilities							
Secured bank loans	13,3	17,3	2,1	2,2	4,4	8,6	–
Finance lease liabilities	16,5	20,8	3,7	3,9	13,2	–	–
Deferred purchase consideration	3,4	3,4	3,4	–	–	–	–
Unsecured loans	529,6	564,2	20,4	514,2	–	–	29,6
Trade and other payables*	1 102,6	1 102,6	1 102,6	–	–	–	–
Overdraft and current borrowings	336,6	336,6	336,6	–	–	–	–
Total	2 002,0	2 044,9	1 468,8	520,3	17,6	8,6	29,6
30 June 2009							
Non-derivative financial liabilities							
Secured bank loans	15,8	21,7	2,2	2,2	4,3	13,0	–
Finance lease liabilities	21,1	28,1	3,7	3,7	7,5	13,2	–
Unsecured loans	542,2	625,0	56,3	30,1	538,6	–	–
Trade and other payables*	1 057,1	1 057,1	1 057,1	–	–	–	–
Overdraft and current borrowings	485,2	485,2	475,1	10,1	–	–	–
Total	2 121,4	2 217,1	1 594,4	46,1	550,4	26,2	–
Company							
30 June 2010							
Non-derivative financial liabilities							
Trade and other payables*	13,1	13,1	13,1	–	–	–	–
Liability for impairment loss in subsidiary for recapitalisation	5,6	5,6	5,6	–	–	–	–
	18,7	18,7	18,7	–	–	–	–
30 June 2009							
Non-derivative financial liabilities							
Trade and other payables*	12,4	12,4	12,4	–	–	–	–
Liability for impairment loss in subsidiary for recapitalisation	101,0	101,0	101,0	–	–	–	–
	113,4	113,4	113,4	–	–	–	–

*Excludes performance bonuses and post-retirement liabilities.

40. Financial risk management continued

40.4 Liquidity risk continued

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur. They are expected to impact profit or loss in the same periods.

Group	Carrying amount Rm	Contractual cash flows Rm	6 months or less Rm	6 – 12 months Rm	+1 – 2 years Rm	+2 – 5 years Rm	More than 5 years Rm
30 June 2010							
Interest rate swaps used for hedging	**(3,5)**	**(9,9)**	**(9,9)**	**–**	**–**	**–**	**–**
FECs used for hedging							
– imports	**(22,8)**	**(535,3)**	**(367,9)**	**(167,4)**	**–**	**–**	**–**
– exports	**2,1**	**34,3**	**8,8**	**25,5**	**–**	**–**	**–**
Total	**(24,2)**	**(510,9)**	**(369,0)**	**(141,9)**	**–**	**–**	**–**
30 June 2009							
Interest rate swaps used for hedging	(7,0)	(7,9)	(2,9)	(2,7)	(2,3)	–	–
FECs used for hedging							
– imports	(90,3)	(549,9)	(402,4)	(147,5)	–	–	–
– exports	14,3	71,2	71,2	–	–	–	–
Total	(83,0)	(486,6)	(334,1)	(150,2)	(2,3)	–	–

40.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity input prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys foreign currency derivatives in order to manage foreign exchange risks. Such transactions are carried out within the guidelines set by the Group treasury. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

The Group also enters into interest rate and fuel oil swaps to manage a portion of its exposure to fluctuations in interest rates and the oil price on diesel fuels.

The Group does not enter into commodity contracts other than to meet the Group's expected usage requirements; such contracts are not settled net.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The Group is primarily exposed to the Euro, the United States Dollar and Australian Dollar.

Generally the Group hedges 25% to 75% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months. The Group hedges between 75% and 100% of all trade receivables, trade payables and firm and ascertainable commitments denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, all with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

In respect of transactions not covered by forward exchange contracts or other monetary assets and liabilities denominated in foreign currencies that arise in the normal course, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

The Group's investment in its Argentinian subsidiary is partially hedged by US Dollar-denominated secured bank loans, which mitigates the currency risk arising from the subsidiary's net assets. The Group's investments in other foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

40. Financial risk management continued

40.5 Market risk continued

Exposure to currency risk

The Group's exposure to significant foreign currency risk was as follows based on notional amounts:

	Trade receivables FCm	Cash and cash equivalents FCm	Trade payables FCm	Borrowings FCm	Balance sheet exposure FCm	Estimated forecast sales* FCm	Estimated forecast purchases* FCm	FECs on sales/receivables FCm	FECs on purchases/payables FCm	Net forecast FC exposure FCm
Net exposure										
as at 30 June 2010										
Australian Dollars	**1,3**	**1,7**	**(0,1)**	**–**	**2,9**	**9,8**	**–**	**(2,1)**	**–**	**10,6**
Botswana Pula	**19,3**	**31,0**	**(6,9)**	**–**	**43,4**	**–**	**–**	**–**	**–**	**43,4**
Euro	**12,4**	**28,4**	**(4,9)**	**–**	**35,9**	**41,3**	**(24,3)**	**(2,0)**	**20,7**	**71,6**
US Dollars	**1,5**	**12,1**	**(7,4)**	**–**	**6,2**	**–**	**(71,4)**	**–**	**37,7**	**(27,5)**
Zambian Kwacha	**4 576,5**	**5 605,3**	**–**	**–**	**10 181,8**	**–**	**–**	**–**	**–**	**10 181,8**
Net exposure										
as at 30 June 2009										
Australian Dollars	1,3	2,5	(0,1)	(2,0)	1,7	6,1	–	(1,5)	–	6,3
Botswana Pula	17,6	12,8	(5,6)	–	24,8	–	–	–	–	24,8
Euro	11,2	15,8	(5,3)	–	21,7	32,9	(23,8)	(5,7)	17,4	42,5
US Dollars	4,5	9,4	(6,2)	–	7,7	–	(60,8)	–	43,6	(9,5)
Zambian Kwacha	4 680,0	4 036,9	(2 523,0)	–	6 193,9	–	–	–	–	6 193,9

**Estimated forecast sales and purchases reflect anticipated transactions for the 12 months from 30 June.*

The following significant exchange rates applied during the year:

	Reporting date			
	30 June 2010		30 June 2009	
1FC = x ZAR	**Closing rate**	**Average for the year**	Closing rate	Average for the year
Australian Dollars	**6,4725**	**6,7123**	6,2344	6,6669
Botswana Pula	**1,0850**	**1,1441**	1,1779	1,2661
Euro	**9,3921**	**10,6098**	10,8448	12,3032
US Dollars	**7,6573**	**7,5612**	7,7378	8,9964
Zambian Kwacha	**0,0015**	**0,0016**	0,0016	0,0021

40. Financial risk management continued

40.5 Market risk continued

Sensitivity analysis

A 10% weakening of the Rand against the following currencies at 30 June applied against the net forecast foreign currency exposure for the next 12 months would result in the following changes to operating profit over a 12-month period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Group Profit/(loss)	
	2010 Rm	2009 Rm
Australian Dollars	**6,9**	3,9
Botswana Pula	**4,7**	2,9
Euro	**67,2**	46,1
US Dollars	**(21,1)**	(7,4)
Zambian Kwacha	**1,5**	1,0
Net effect	**59,2**	46,5

A 10% strengthening of the Rand against the above currencies at 30 June would have had the equal but opposite effect to the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

The Group, being strongly cash generative, adopts a policy of ensuring that most of its exposure to changes in interest rates on borrowings is on a floating rate basis. Where economical, interest rate swaps may be entered into on a portion of debt.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group Carrying amount		Company Carrying amount	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Fixed rate instruments				
– financial liabilities	**20,3**	22,8	**–**	–
Total	**20,3**	22,8	**–**	–
Variable rate instruments				
– financial assets	**682,7**	618,9	**193,0**	197,7
– financial liabilities	**(879,1)**	(1 041,5)	**–**	–
Interest rate swap – fixed rate	**200,0**	200,0	**–**	–
Total	**3,6**	(222,6)	**193,0**	197,7

Fair value sensitivity analysis for fixed rate instruments

The Group accounts for fixed rate instruments on an amortised cost basis and therefore a change in interest rates at the reporting date would not affect profit or loss.

40. Financial risk management continued

40.5 Market risk continued

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date, calculated on the closing balances and using simple interest for 12 months, would have decreased profit by the amounts shown below. A decrease of 100 basis points would have had the equal but opposite effect to the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Group Profit/(loss)		Company Profit/(loss)	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Variable rate instruments				
– financial assets	**6,8**	6,2	**1,9**	2,0
– financial liabilities	**(8,8)**	(10,4)	**–**	–
– Interest rate swap – fixed rate	**2,0**	2,0	**–**	–
Net cash flow sensitivity	**–**	(2,2)	**1,9**	2,0

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
41. Finance income and expense				
Recognised in profit or loss				
Finance income				
Interest income on cash and cash equivalents, loans and receivables and other investments at amortised cost	**16,2**	22,4	**–**	0,1
Dividend income	**–**	–	**3,9**	33,9
Total	**16,2**	22,4	**3,9**	34,0
Finance costs				
Interest expense on borrowings	**112,9**	155,4	**0,7**	0,9
Total	**112,9**	155,4	**0,7**	0,9
Recognised directly in other comprehensive income				
Foreign currency translation differences for foreign operations	**(31,0)**	(79,4)		
Change in fair value of cash flow hedges	**54,9**	(76,2)		
Income tax on other comprehensive income	**(15,5)**	22,0		
Total	**8,4**	(133,6)		
Recognised in				
Hedging reserve	**39,4**	(54,2)		
Translation reserve	**(31,0)**	(79,4)		
Total	**8,4**	(133,6)		

42. Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values

	Carrying amount as at 30 June 2010				Carrying amount as at 30 June 2009			
	Total carrying amount Rm	Derivatives at fair value Rm	Loans and receivables at amortised cost Rm	Total fair value Rm	Total carrying amount Rm	Derivatives at fair value Rm	Loans and receivables at amortised cost Rm	Total fair value Rm
Assets								
Other investments								
– Bank deposits	91,1	–	91,1	91,1	93,1	–	93,1	93,1
– Loan receivables	1,5	–	1,5	1,5	1,4	–	1,4	1,4
Other financial assets								
– Forward exchange contracts	2,1	2,1	–	2,1	17,4	17,4	–	17,4
Trade and other receivables								
– Trade accounts	1 068,4	–	1 068,4	1 068,4	962,0	–	962,0	962,0
– Other receivables	38,3	–	38,3	38,3	93,5	–	93,5	93,5
Cash and cash equivalents	589,3	–	589,3	589,3	516,6	–	516,6	516,6
Total	1 790,7	2,1	1 788,6	1 790,7	1 684,0	17,4	1 666,6	1 684,0

	Carrying amount as at 30 June 2010				Carrying amount as at 30 June 2009			
	Total carrying amount Rm	Derivatives at fair value Rm	Amortised cost Rm	Total fair value Rm	Total carrying amount Rm	Derivatives at fair value Rm	Amortised cost Rm	Total fair value Rm
Liabilities								
Financial liabilities and borrowings								
– Secured loans	13,3	–	13,3	13,3	15,8	–	15,8	15,8
– Finance leases	16,5	–	16,5	16,5	21,1	–	21,1	21,1
– Unsecured loans	533,0	–	533,0	533,0	542,2	–	542,2	542,2
Short-term borrowings								
– Bank overdraft	336,6	–	336,6	336,6	485,2	–	485,2	485,2
Other financial liabilities								
– Forward exchange contracts	22,8	22,8	–	22,8	100,2	100,2	–	100,2
– Fuel oil swap	3,7	3,7	–	3,7	–	–	–	–
– Interest rate swaps	3,5	3,5	–	3,5	7,0	7,0	–	7,0
Trade and other payables								
– Trade payables	599,2	–	599,2	599,2	612,1	–	612,1	612,1
– Other payables and accrued expenses	503,4	–	503,4	503,4	445,0	–	445,0	445,0
Total	2 032,0	30,0	2 002,0	2 032,0	2 228,6	107,2	2 121,4	2 228,6

42. Financial assets and liabilities continued

Accounting classifications and fair values continued

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2010.

The different levels have been defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30 June 2010				
Other financial assets	**–**	**2,1**	**–**	**2,1**
Other financial liabilities	**–**	**(30,0)**	**–**	**(30,0)**
	–	**(27,9)**	**–**	**(27,9)**
30 June 2009				
Other financial assets	–	17,4	–	17,4
Other financial liabilities	–	(107,2)	–	(107,2)
	–	(89,8)	–	(89,8)

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values

	Carrying amounts as at 30 June 2010			Carrying amounts as at 30 June 2009		
	Total carrying amount Rm	Loans and receivables at amortised cost Rm	Total fair value Rm	Total carrying amount Rm	Loans and receivables at amortised cost Rm	Total fair value Rm
Assets						
Other investments						
– Bank deposits	**5,9**	**5,9**	**5,9**	5,9	5,9	5,9
– Preference shares	**192,5**	**192,5**	**192,5**	197,7	197,7	197,7
Trade and other receivables						
– Other receivables	**339,7**	**339,7**	**339,7**	595,1	595,1	595,1
Cash and cash equivalents	**0,5**	**0,5**	**0,5**	1,5	1,5	1,5
Total	**538,6**	**538,6**	**538,6**	800,2	800,2	800,2

	Carrying amounts as at 30 June 2010			Carrying amounts as at 30 June 2009		
	Total carrying amount Rm	Amortised cost Rm	Total fair value Rm	Total carrying amount Rm	Amortised cost Rm	Total fair value Rm
Liabilities						
Short-term borrowings						
– Liability for impairment loss in subsidiary for recapitalisation	**5,6**	**5,6**	**5,6**	101,0	101,0	101,0
Trade and other payables						
– Other payables and accrued expenses	**13,1**	**13,1**	**13,1**	12,4	12,4	12,4
Total	**18,7**	**18,7**	**18,7**	113,4	113,4	113,4

42. Financial assets and liabilities continued

Accounting classifications and fair values continued

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

The fair value of forward exchange contracts is marked to market by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of fuel oil swaps is calculated by comparing the contracted fixed rate to the present value of the current floating forward rate for a similar instrument at the measurement date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 25 June 2010

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	1 602	41,4	807 059	0,24
1 001 – 10 000 shares	1 556	40,3	5 415 701	1,58
10 001 – 100 000 shares	427	11,1	14 222 788	4,14
100 001 – 1 000 000 shares	227	5,9	82 621 481	24,05
1 000 001 shares and over	50	1,3	240 415 100	69,99
Total	**3 862**	**100**	**343 482 129**	**100**

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Distribution of shareholders				
Assurance Companies	15	0,4	10 234 900	3,0
Close Corporations	29	0,8	87 940	0,0
Collective Investment Schemes	159	4,1	83 061 503	24,2
Custodians	45	1,2	25 264 356	7,4
Foundations and Charitable Funds	40	1,0	2 322 018	0,7
Hedge Funds	3	0,1	228 552	0,1
Insurance Companies	13	0,3	1 471 824	0,4
Investment Partnerships	17	0,4	153 619	0,0
Managed Funds	2	0,1	107 069	0,0
Medical Aid Funds	16	0,4	1 628 823	0,5
Organs of State	7	0,2	51 748 022	15,1
Private Companies	92	2,4	1 265 537	0,4
Public Companies	17	0,4	37 415 379	10,9
Public Entities	1	0,0	134 330	0,0
Retail Shareholders	2 679	69,4	8 950 418	2,6
Retirement Benefit Funds	200	5,2	69 641 269	20,3
Scrip lending	11	0,3	1 866 034	0,5
Share Schemes	2	0,1	25 028 422	7,3
Stockbrokers and Nominees	34	0,9	499 273	0,1
Treasury	1	0,0	17 234 152	5,0
Trusts	461	11,9	5 122 858	1,5
Unclaimed Scrip	18	0,5	15 831	0,0
Total	**3 862**	**100**	**343 482 129**	**100**

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Shareholder type				
Non-public shareholders	19	0,49	136 013 056	39,60
Directors and associates	4	0,10	873 105	0,25
Public Investment Corporation	7	0,18	51 748 022	15,06
Liberty Group	5	0,12	41 147 393	11,98
AVI Black Staff Empowerment Scheme	1	0,03	24 447 591	7,12
AVI Investment Services (Pty) Ltd	1	0,03	17 234 352	5,02
AVI Limited Executive Share Purchase Trust	1	0,03	562 593	0,17
Public shareholders	3 843	99,51	207 469 073	60,40
Total	**3 862**	**100**	**343 482 129**	**100**

	Total shareholding	% of issued capital
Beneficial shareholders with a holding greater than 3% of the issued shares		
Public Investment Corporation	51 748 022	15,07
Liberty Group	41 147 393	11,98
AVI Black Staff Empowerment Scheme	24 447 591	7,12
Investec	21 791 358	6,34
AVI Investment Services (Pty) Ltd	17 234 352	5,02
Coronation Fund Managers	11 446 452	3,33
Total	**167 815 168**	**48,86**

SHAREHOLDERS' DIARY

Reports and profit statements	2010
Half-year interim report announcement in press	Tuesday, 9 March
Results announcement in press	Tuesday, 7 September
Annual financial statements posted	Tuesday, 28 September

Final dividend on ordinary shares

Dividend declared	Friday, 3 September
Details of dividend announcement on SENS	Monday, 6 September
Details of dividend announcement in press	Tuesday, 7 September
Last day to trade cum dividend on the JSE Limited ("JSE")	Thursday, 23 September
First trading day ex dividend on the JSE	Monday, 27 September
Record date	Friday, 1 October
Payment date	Monday, 4 October

In accordance with the requirements of STRATE Limited, no share certificates may be dematerialised or rematerialised between Monday, 27 September 2010 and Friday, 1 October 2010, both days inclusive.

Dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant ("CSDP") or broker credited on Monday, 4 October 2010.

Annual general meeting

Wednesday, 20 October