2011 ANNUAL REPORT

AVI

GROWING GREAT BRANDS

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AVI LIMITED

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

www.avi.co.za

OUR BUSINESS

GROWING GREAT BRANDS

Listed on the Johannesburg Stock Exchange in the Food Products sector, AVI Limited's extensive brand portfolio includes more than 50 brands.

Brands are AVI's lifeblood and we are endowed with a portfolio of remarkable brands, many of which carry a heritage and pedigree built up over decades and some of which occupy a place in our national character. It would not be a stretch to claim that the vast majority of South Africa's population has at some time or another been conscious of, consumed or aspired to own one of our brands. Coupled with this privileged position is an obligation to develop and manage each brand to its fullest potential.

We have structured our business to best suit this end. We have four business units and a shared services structure taking care of: Beverages including Out of Home solutions, sweet and savoury Snacks, Frozen and Convenience Foods, and Fashion brands including Personal Care brands, shoes, apparel and accessories.

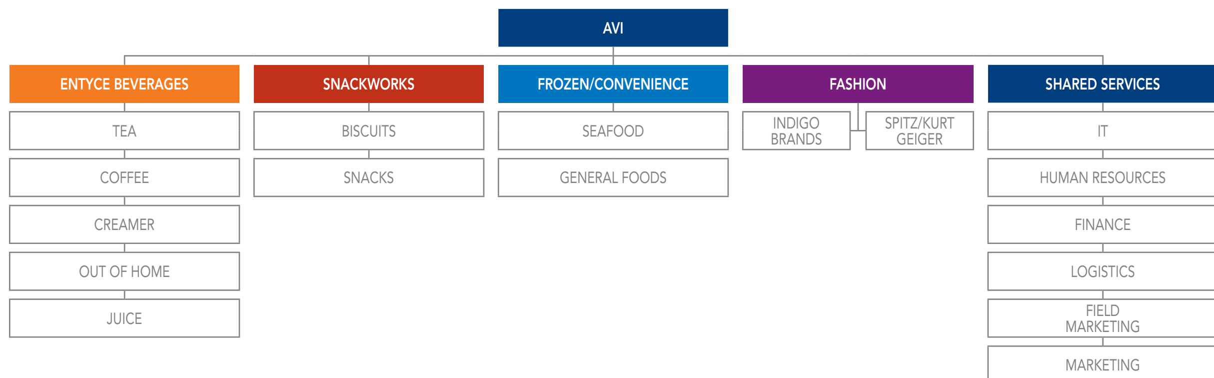
AVI's brands that have grown into great South African favourites include:

- Five Roses, Freshpak, House of Coffees, Frisco, Koffiehuis, Ellis Brown, Ciro and Lavazza in the Beverages category;
- Bakers, Pyotts, Baumann's and Willards in the Biscuits and Snacks category;
- I&J in the Frozen and Convenience Brands category;
- Yardley, Lenthéric, Coty, Carvela, Kurt Geiger, Lacoste, Tosoni and Gant in our Fashion portfolio.

We also have a well-developed shared services structure spanning: IT, Finance, Human Resources, Logistics, Marketing and Field Marketing that allows us to take advantage of our scale and deliver more for less.

With a turnover of R7,7 billion in this last financial year, AVI's brands are a household name in South Africa and growing every day.

OPERATING STRUCTURE



ABOUT THIS REPORT

AVI's annual report covers the economic, environmental and social activities of the Group for the period 1 July 2010 to 30 June 2011 and aims to provide AVI's stakeholders with a transparent, balanced and holistic view of the Group's performance. In addition, where it is informative to add information post 30 June 2011, this has been included and noted.

This report covers the entire Group, comprising Beverages, Snacks, Frozen and Convenience brands, and Fashion brands. Since the release of AVI's annual report for the year ended 30 June 2010, there has been no significant change to the structure, ownership or products and services of the Group. Changes to the structure of the Group during the year have been noted in the directors' report on page 57. Post 30 June 2011, the Company sold Denny with effect from 1 July 2011. Denny has been disclosed as a discontinued operation in the current financial year.

In compiling the report, AVI has considered the Companies Act No. 71 of 2008, as amended; the Listings Requirements of the JSE Limited; the King Report on Governance for South Africa 2009 and the International Financial Reporting Standards ("IFRS") in respect to the annual financial statements. In the year ahead the Company is committed to implementing full integrated reporting as envisaged in the King Report on Governance for South Africa 2009.

Any questions or comments on the report can be forwarded to info@avi.co.za.

OUR BUSINESS HIGHLIGHTS

Operating profit from continuing operations up by **25%** to **R1,1 billion**

Headline earnings per share from continuing operations up **31%** to **248 cents**

Significant fashion brands **profit growth** from increased volumes and improved gross margins

Strong food and beverage brands **profit growth** in competitive environment

Alpesca disposal **completed**

Cash generated from operations up **24%** to **R1,4 billion**

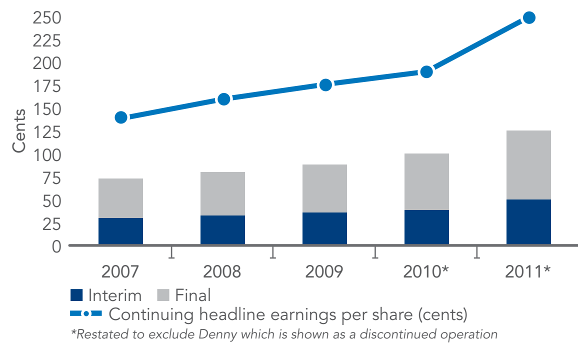
Capital expenditure to support growth **R413 million**

R496 million returned to shareholders via special payment and share buy-back

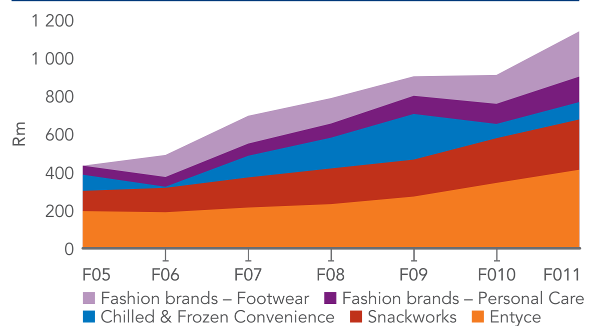
Final dividend of 75 cents per share; total normal dividend up **25%** to **125 cents** per share

BBBEE rating year on year progressed from **53,78%** (level 6) to **68,58%** (level 4)

HEADLINE EARNINGS AND DIVIDENDS PER SHARE



OPERATING PROFIT HISTORY



GROSS PROFIT AND GP MARGIN – CONTINUING OPERATIONS

OPERATING PROFIT AND OP MARGIN – CONTINUING OPERATIONS

AVI

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	Change 2011 vs 2010 %
REVENUE	**7 686,3**	7 271,0	7 462,4	6 660,6	5 851,9	**5,7**
OPERATING PROFIT	**1 122,9**	895,1	908,5	798,7	702,3	**25,4**
OPERATING MARGIN (%)	**14,6**	12,3	12,2	12,0	12,0	**18,7**
CAPITAL EXPENDITURE	**412,7**	329,8	257,7	271,5	233,9	**25,2**

Entyce Beverages

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	Change 2011 vs 2010 %
REVENUE	**2 308,8**	2 217,9	2 099,0	1 940,2	1 684,0	**4,1**
OPERATING PROFIT	**410,9**	342,4	271,3	231,8	214,1	**20,0**
OPERATING MARGIN (%)	**17,8**	15,4	12,9	11,9	12,7	**15,6**
CAPITAL EXPENDITURE	**130,4**	94,8	83,2	78,6	46,5	**37,6**

Snackworks

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	Change 2011 vs 2010 %
REVENUE	**2 159,7**	2 080,9	2 036,8	1 677,2	1 394,2	**3,8**
OPERATING PROFIT	**261,8**	232,8	192,5	185,8	156,8	**12,5**
OPERATING MARGIN (%)	**12,1**	11,2	9,5	11,1	11,2	**8,0**
CAPITAL EXPENDITURE	**117,6**	46,6	44,8	58,3	47,3	**152,4**

Chilled and Frozen
Convenience Brands

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	Change 2011 vs 2010 %
REVENUE	**1 369,3**	1 381,8	1 916,3	1 775,4	1 690,8	**(0,9)**
OPERATING PROFIT	**90,6**	74,3	261,0	194,9	139,1	**21,9**
OPERATING MARGIN (%)	**6,6**	5,4	13,6	11,0	8,2	**22,2**
CAPITAL EXPENDITURE	**40,9**	42,7	74,4	40,4	63,3	**(4,2)**

**2007 to 2011 excludes Alpesca which is classified as discontinued. 2010 and 2011 excludes Denny which is classified as discontinued.*

Fashion brands

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	Change 2011 vs 2010 %
REVENUE	**1 842,6**	1 583,7	1 400,6	1 253,3	1 058,1	**16,3**
OPERATING PROFIT	**368,8**	255,4	196,2	206,3	208,4	**44,4**
OPERATING MARGIN (%)	**20,0**	16,1	14,0	16,5	19,7	**24,2**
CAPITAL EXPENDITURE	**113,3**	138,6	49,4	89,3	55,0	**(18,3)**

CHAIRMAN AND CEO'S REVIEW

ANGUS BAND
Chairman

Overview

The improvement in consumer demand that we had experienced in the previous financial year continued into the first half of the 2011 financial year. This momentum was, however, not sustained in the second half of our financial year and, notwithstanding lower inflation, reduced interest rates and improvements in real wages, demand remained relatively muted.

Economic data suggests that many consumers elected to make purchases of durable goods or reduce debt. In addition, we believe that lower house prices adversely affected personal balance sheets which, together with limited consumer credit extension, the increasing burden of administrated service charges and job losses in the formal sector, all contributed to a constrained consumer spending environment.

The international environment remained volatile which negatively affected many of our input costs, especially soft commodities. The relative and sustained strength of the rand was a mixed blessing in that while it mitigated the impact of rising commodity costs and finished inputs, it also increasingly lowered the cost of imports into South Africa for a host of international competitors in some of our core categories.

In spite of these challenges the financial performance of the Group has remained robust. The relative diversity of our business portfolio, the strength of our brands and market shares as well as the momentum of the prior year's productivity initiatives underpinned a material improvement in all of our key financial metrics. Of these, revenue growth was the most constrained as a result of lower price inflation, the impact on I&J's export realisations of the stronger currency and muted demand which combined to over-shadow the substantial revenue improvements from our fashion brands portfolio.

Gross margin, a key area of focus for all of our businesses, improved materially in the year which was attributable to a combination of lower net input costs, efficiency gains, some volume leverage and the increasing contribution made by the higher gross margin fashion brands portfolio. The operating profit margin benefited from the higher gross margin and in spite of the cost pressures on fixed and administrative costs, operating leverage was well maintained with a consequent improvement in the operating profit margin from 12,3% to 14,6%. This supported a healthy increase in headline earnings per share from continuing operations which increased by 31,1% from 189,4 cents

in the prior year to 248,2 cents per share in the current year.

Our programme of adding capacity, improving efficiencies and pursuing a select set of bigger opportunities continued through the year with the capital expenditure supporting these initiatives exceeding R412,7 million for the period.

The year's financial performance, in a constrained environment, demonstrates that the Group's focus on building our brands at the same time as focusing on costs, manufacturing efficiencies and building an efficient Group shared services support structure is enhancing profitability.

AVI has continued to focus on embedding a safety culture and it was pleasing to see the progress made which saw the disabling injury frequency rate decline from 1,12 for the 2010 year to 0,93 for the 2011 year and to note that there were no fatalities.

Financial review

Group revenue from continuing operations rose by 5,7% from R7,27 billion to R7,69 billion. Higher sales volumes, particularly in the footwear, personal care, creamer and coffee categories, as well as higher selling prices in the biscuit category were the principal drivers of revenue. All business units generated an improved gross margin with the exception of I&J, which was adversely impacted by the strong rand.

Commodity prices, including the benefit of the stronger rand, were in aggregate lower than last year which partially offset increases in packaging and overhead costs and together with some volume leverage underpinned the material improvement in the consolidated gross profit margin, which improved from 41,8% to 44,9% with the gross profit increasing by 13,6% to R3,45 billion. Operating profit improved by 25,4%, from R895,1 million to R1 122,9 million due to the improved gross profit contribution and tight control on general overheads. The consolidated operating profit margin increased from 12,3% to 14,6%.

Lower interest rates and debt levels resulted in a decrease in net finance charges from R85,6 million to R39,8 million. AVI's share of earnings from joint ventures decreased from R40,0 million to R36,1 million due to lower operating profit from I&J's Australian joint venture with Simplot which was a result of a very competitive retail environment in Australia.

Headline earnings from continuing operations increased by 32,3% from R567,6 million to R750,8 million and headline earnings per share increased by 31,1% to 248,2 cents per share.

The capital loss of R21,2 million includes a R12,4 million loss on the disposal of Sir Juice (Pty) Limited which was sold with effect from 1 November 2010, of which R2,9 million is attributable to minorities. Other net capital losses of R8,8 million arose from impairments and disposals of assets in the normal course of business.

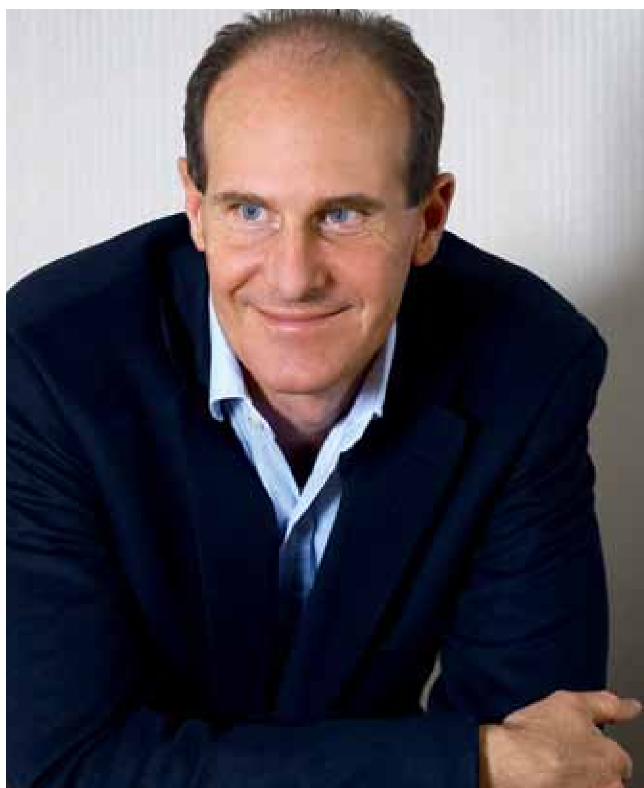
AVI remains highly cash generative with cash generated by operations up by 23,7% to R1,39 billion. Working capital was well controlled, with the net balance at the end of June 2011 slightly lower than a year ago. Capital expenditure increased to R412,7 million with an increase in major projects to improve capacity, technology and efficiency. Other material cash outflows during the period were capital repayments to shareholders of R395,8 million, dividends of R335,6 million and taxation of R330,1 million. Net debt at the end of June 2011 was R246,2 million compared to R310,1 million at the end of June 2010.

A final dividend of 75 cents per share has been declared bringing the total normal dividend for the year to 125 cents (2010: 100 cents). This is slightly higher than AVI's normal dividend policy of a two times cover on diluted headline earnings per share from continuing operations as the AVI Board resolved to include the Denny results in the dividend calculation notwithstanding that Denny was classified as a discontinued operation at the end of the year.

In addition to normal dividends paid during the year of R335,6 million a further R496,5 million was returned to shareholders. A special payment out of share premium of 75 cents per share, amounting to R226,6 million, was paid in November 2010 and a total of R269,9 million was used to buy 9,0 million shares in the open market, of which R100,7 million still had to be settled at year-end.

Discontinued operations

After a long and frustrating disposal process I&J sold its shares in Alpesca to an Argentinian consortium during May 2011 for a consideration of USD10 million plus transfer of loan guarantees of USD4 million. Consequently the Group results for the year ending 30 June 2011 include a capital loss on disposal of R40,8 million after tax which is in addition to the



SIMON CRUTCHLEY
Chief executive officer

impairment of R76,5 million raised in the prior year. AVI's consolidated results include Alpesca's losses for the 10 months to the end of April 2011. The operating loss of R37,5 million was lower than the prior year's full year loss of R50,7 million due to an improved performance from the shrimp operation in the first half.

Following the annual strategic review the Board determined that the Denny business was not well aligned to AVI's key objectives. In July 2011 AVI entered into an agreement to sell Denny with effect from 1 July 2011 for a consideration of R263,5 million, subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities which was received in August 2011.

This transaction will be recorded in the 2012 financial year; however, in compliance with accounting standards Denny has been disclosed as a discontinued operation in the current financial year and the comparative numbers for the year ended 30 June 2010 have been restated accordingly.

Denny's revenue rose by 7,0% to R385,2 million and operating profit increased by 8,9%, from R45,9 million to R50,0 million with the operating profit margin increasing from 12,8% to 13,0%. Denny has performed well in the fresh mushroom category with improved production facilitating more aggressive trading and promotion which have led to higher sales volumes despite increased supply from other growers. However, the value-add business, comprising soups, sauces and canned mushrooms has been impacted by the sustained supply of cheap canned mushroom imports which partially offset the improvement in the fresh mushroom business.

Objectives and strategies

As part of its annual work plan, the Board reviewed AVI's objectives and strategies to assess their relevance to the ever-changing environment. Key to this ongoing assessment is the degree to which they remain relevant to:

- the macro environment including political and business risk;
- the earnings growth potential of the current brand portfolio;
- the effectiveness and efficiency of the current business structure;
- the planned progression of cost reduction, efficiency and other improvement projects;

- the targeted opportunities for domestic, regional and international expansion; and
- an assessment of our progress across a range of stakeholder and governance issues, in particular the impact of the changes in the Companies Act and other reporting requirements.

The Company's key objectives have been reviewed and are summarised as follows:

To develop and sustain a reputation as South Africa's leading consumer brand manager

Brands are AVI's lifeblood and we are endowed with a portfolio of remarkable brands, many of which carry a heritage and pedigree built up over decades and some of which occupy a place in our national character. It would not be a stretch to claim that the vast majority of South Africa's population has at some time or another been conscious of, consumed or aspired to own one of our brands. Coupled with this privileged position is an obligation to develop and manage each brand to its fullest potential.

The strength of our brands is a function of the value they deliver to our consumers which is underpinned by their quality, price and inventiveness. We strive to constantly improve this value by making our products more valuable, more accessible and more desirable and we are committed to supporting the long-term competitiveness of our brands with appropriate investments behind marketing, research and new product development. We view our role not merely in terms of enhancing the position of our brands within a category, but of being a material contributor to the development of the categories themselves. It is not our objective to serve all potential customers, but to service those whose needs are aligned with our business objectives better than anyone else by providing them with the most rewarding consumption experience. A happy consumer is the foundation of the growing volumes, market shares, profit margins and brand loyalty which drive success in the consumer products space.

To consistently outperform our peer group and generate a real total shareholder return of not less than 10% per annum

AVI's financial success is measured first and foremost by the adequacy of returns generated for our shareholder community. Our twin return objectives reflect our goal of being an attractive investment vehicle over the long term, both relative to our peer set and on an absolute basis. The benchmark for success against our relative performance target is to earn top quartile total shareholder returns over successive rolling three-year periods, while that of our absolute performance target is to deliver real combined dividend and share price appreciation exceeding 10% per annum. The achievement of these benchmarks will depend on AVI's ability to service its customers and communities efficiently and effectively. This is not only a strong endorsement of the value added by our organisation but also a key underpin of the ongoing sustainability thereof.

To build sustainable and defensible positions in each of our priority markets and categories

We do not view legacy as an inhibitor of opportunity and are committed to operating in any market or category where our brands, products and organisational competencies endow us with a sustainable advantage over our competitors. We believe that long-term continuing success is a function of focus and the discipline required to recognise where we can and cannot compete effectively.

Practically this perspective demands that we regularly reappraise the extent of our current activities and consider exiting areas where growth or profitability are deemed poor in the long run or where the competitive landscape is changing in ways that inhibit our ongoing success. It also materially shapes the development of our organic and acquisitive growth initiatives by ensuring that the imperative and desire for growth are tempered by a true assessment of any new opportunity and our ability to sustain and enhance our competitiveness in the new market or category over the long term.

To maintain and develop a corporate structure that adds material value to our underlying business portfolio

Our corporate and shared services structures play a meaningful role in defining and enhancing our competitiveness and as such are capable of supporting heightened long-term earnings growth. While we operate in many distinct categories our corporate ethos and enabling structures embrace a "one company" philosophy. They are an effective mechanism for leveraging the strength of our brands and exploiting the efficiency and productivity improvement, process simplification and cost reduction opportunities inherent in their combined scale. They allow us to serve more

consumers in more markets more efficiently and strengthen our importance to our key national retail partners.

To advance our absolute and relative competitiveness in each core category every year

The global consumer products environment is a vibrant space and one in which sustaining the saliency of one's brands has become increasingly challenging. Rapid technological development, increased access to information and the relentless pace of innovation globally have all contributed to the most fluid consumer environment in history. Better informed consumers have ever more demanding expectations from their brands and are faced with a wider portfolio of choices when making their consumption decisions.

Our response to new opportunities, changing consumer preferences and lifestyles, and competitor activity will need to be quicker and more flexible than ever before in the years to come. Ongoing success in this increasingly "winner-takes-all" environment demands a strong commitment to continuous improvement in all areas of our operations.

The development and sustenance of an impeccable corporate reputation with all of our stakeholders

AVI's ongoing standing as a leading South African corporate requires continued focus on ethical management practices to ensure its sustainability. Beyond integrity and transparency in our dealings, with our shareholders, customers, consumers, employees and other stakeholders this also encompasses a commitment to ensuring that AVI plays its role as a corporate citizen to minimise any adverse environmental impact and to improve the living standards and address the ongoing need for transformation in the society in which it operates.

To attract, develop and retain the best talent in the industry

In the fierce competition for skills and talent AVI will actively seek to recruit, nurture and retain exceptional people recognising that they remain our strongest differentiator in developing our leading brand centric culture. We believe that our scale and opportunity reinforces our ability to attract and retain the talented individuals necessary to execute our strategies and cements the quality of functional leadership in an environment characterised by increasing skills shortages and intense competition for human capital.

Investing for growth

AVI has continued to invest to improve capacity and enhance efficiencies across all of its business units. Two major projects were initiated during the year which was the expansion of the warehouse at Isando which is both a capacity and efficiency enhancement initiative which will increase storage capacity from 11 000 pallets to 33 000 pallets at an estimated cost of R92 million of which R25 million had been spent during the year. The second is the replacement of the 15-year-old computer system within the northern shared services hub which is an 18-month programme at a cost of R105 million of which R18 million had been spent by year-end. Both projects are currently on schedule and on budget.

Other capital expenditure amounted to R370 million and was spread across the Group of which the largest items were a new creamer plant for Entyce amounting to R51 million, a new automated aerosol line at Indigo at a cost of R41 million and R42 million in respect of the opening of 12 Kurt Geiger clothing stores and the normal Spitz store refurbishment programme. During the year R604 million was spent on marketing support for our brands.

Corporate governance

AVI's Board remains committed to ensuring that our continued success is achieved with a clear appreciation of the interdependency of the Company with its wider stakeholders including the overarching need for our profitability to be achieved in a sustainable way. Our efforts in this regard are set out in the sustainable development report.

During the year a number of legislative changes and recommendations have required that the Company review the current governance frameworks and structures to ensure that they meet the requirements within the prescribed time-frame.

The recommendations of the King Report (King III) and the requirements of the new Companies Act were carefully reviewed by the Board. Amendments have been made, where necessary, to our governance frameworks, the details of which are set out in the corporate governance report.

Board

The Company has continued to extend the skills and diversity of the Board. Abe Thebyane, Neo Dongwana and Barry Smith all joined the Board as independent non-executive directors during the year. Each brings

important and diverse skills relevant to AVI's business. Humphrey Buthelezi, who joined the Board on 2 July 2004, resigned on 3 December 2010, and Rob Katzen, who joined the Board on 26 June 1999, resigned on 4 March 2011. We are grateful to Humphrey and Rob for their contributions to the Board.

Outlook

South Africa's economic prospects have traditionally been highly correlated to the global economy and in particular the strength of key commodity prices. It is certainly difficult to have strong views as to the trajectory for our own economy and what consumer demand will look like in the coming year, particularly in the light of the latest bout of severe global financial volatility. Our best estimate is that GDP growth will be positive, albeit in low single digits, and employment creation will be weak and that consequently consumer demand will not be materially stronger than that experienced in this past year.

The Board anticipates that the retail environment will remain competitive with our trading partners continuing to focus on offering value to consumers at the same time competing keenly with each other for custom. This environment means that we will need to remain vigilant to ensuring we find a good balance between margin and volumes across our brand portfolio.

We are concerned that in the coming year we will be faced, as we were in the current year, with administered cost inflation that materially exceeds CPI. These pressures continue to erode our and South Africa's competitiveness and will, if sustained, adversely impact consumer spending and employment over the medium term. In the year ahead we are concerned particularly with the proposed tolling of many national and regional routes, the raising of tariffs in harbours to some of the highest levels in the world despite their inefficiency and the sustained increase in the cost of electricity by both Eskom and municipalities.

Together with the rest of the country AVI continues to carry the social and financial burden of an unacceptable level of crime affecting our business and people with a high number of serious incidents recorded and reported on during the past year. While we continue to invest substantially to mitigate against this threat we note with concern the growing cost of securing our people and assets against this continued and unacceptable threat to civil society.

Our key focus will be to continue supporting our market leading brand portfolio by investing both to grow demand and to improve efficiency. The Board has approved a number of important projects for 2012 which add capacity and also improve efficiency and provide opportunities to change our pack formats to enhance our access to certain selling channels and price points. This and the benefits of maturing projects initiated in the prior year, including our strengthened regional focus, should provide some momentum to the coming year.

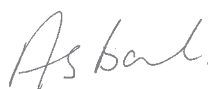
The Group has a material level of forward exchange cover in place to protect the cost of imports and commodity costs which have started to soften, both of which will allow more leeway to manage the balance between price, volume and profitability with the flexibility that constrained trading environments require. I&J has the advantage of increased quota and will benefit materially if the rand weakens against the euro.

The Board is confident that despite prevailing market conditions AVI will continue to deliver profit growth from the current brand portfolio while remaining vigilant for brand acquisition opportunities both regionally and domestically.

The above outlook statements have not been reviewed or reported on by AVI's auditors.

Acknowledgments

Our Company's ongoing performance depends on the hard work and passion of all of AVI's people. We acknowledge and are grateful for their ongoing service to the Company – once again another sound financial year has been underwritten by their diverse skills, daily efforts and passion for our heritage brands. In addition, the partnership and vital contribution of all our consumers, customers, suppliers and service providers is acknowledged and appreciated.



Angus Band
Chairman

Simon Crutchley
Chief executive officer

ENTYCE BEVERAGES

Revenue of R2,3 billion was 4,1% higher than in 2010 largely due to volume growth in the creamer, coffee and tea categories, partially offset by the disposal of Sir Juice during the year. Excluding Sir Juice, revenue increased by 7,5%. Selling price increases in 2011 were muted, with lower raw material costs allowing Entyce to improve profit margins without increasing selling prices. The gross profit margin for the year showed a healthy improvement from 42,1% to 44,6% due to lower raw material costs, volume leverage on fixed costs and efficiency gains at Entyce's manufacturing sites. Selling and administration costs were well managed overall, with the largest increase relative to inflation relating to labour costs, including the impact of additional incentives in line with strong profit growth. Operating profit increased by 20,0% from R342,4 million to R410,9 million and operating profit margin increased from 15,4% to 17,8%.

Tea

Tea revenue grew 3,2%, largely due to a 3,0% growth in sales volumes, highlighting the low inflation environment for the year. The trading environment was challenging with both retailers and competitors targeting real volume growth through aggressive pricing to attract constrained consumers. Brand shares were under pressure, however, Five Roses managed to maintain its value and volume share leadership position and Freshpak gained share off robust growth in rooibos tea. Volumes were particularly strong in the second half with more aggressive price points and increased promotional activity.

The gross profit margin improved in 2011 due mainly to lower raw material prices in the first semester, as well as improved factory efficiency. Gross profit margin in the second semester was healthy, but trended down with rising rooibos tea input costs and more aggressive pricing.

Tea operating profit and operating profit margin increased due to the higher gross profit margin and increased sales volumes.

During the year Entyce focused heavily on product quality, service levels and competitive pricing on key lines for both black and rooibos tea. In addition, there was good innovation with several new lines launched, examples being the Five Roses Classics range (Darjeeling and Assam), Freshpak Functionals (Shape, Digestive and Energy) in composite cans for sealed-in freshness and a Freshpak Junior range targeted at younger consumers.

Coffee

Coffee revenue increased by 8,2% with the increase driven largely by a 7,6% growth in sales volumes. Volume growth was mainly in Frisco and the affordable brewed brands, more specifically Trekker and FG. While some of the instant coffee growth was due to competitor shortages in the first half, volumes in the second half were also higher than last year.

Raw material prices were steady until the second half of the year, when rising arabica and robusta coffee bean prices necessitated a selling price increase in the fourth quarter. Gross profit margin improved with lower raw material costs in the first half, volume leverage and better factory efficiency.

Coffee operating profit and operating profit margin increased materially due to the higher gross profit margin and increased sales volumes.

Brand activity during the year included the launch of the new House of Coffees Confessions range, aimed at younger, entry-level filter coffee drinkers.

Creamer

Creamer revenue increased by 23,1% due mainly to higher sales volumes, partially driven by competitor supply shortfalls during the first half, but with continued strong growth in demand in the second half. This strong volume growth grew Ellis Brown's market share and resulted in good leverage of factory fixed costs which helped offset the cost of higher volumes of outsourced manufacture.

Overall, raw material prices, including the effect of exchange rates, have been steady and the good demand allowed some relaxing of tactical discounts. Consequently gross profit margin for the year improved slightly and, together with higher margins, this resulted in a material improvement in operating profit for the year.

Juice

Cold beverages revenue, consisting of the Quali Juice and Real Juice brands, was 2,6% higher than last year due to a price increase taken in the fourth quarter and volume growth of 1%. Volumes have benefited from continued flavour innovation in the Quali range as well as effective promotions driven by a passionate team. Gross profit margin improved with increased sales through the more profitable Western Cape region, lower raw material costs and more efficient manufacturing. The additional gross profit, together with improvements in distribution and sales activity, resulted in an increase in operating profit from R5,4 million last year to R8,5 million in 2011.

Out of Home – Ciro Beverage Solutions and Sir Juice

Sir Juice was sold with effect from November 2010 at which stage it had realised an operating profit of R2,1 million compared to the 2010 full-year profit of R7,1 million.

Ciro achieved revenue growth of 4,6% for the year as a result of higher selling prices and increased equipment rentals, partially offset by lower demand in the leisure channel, mostly hotels and restaurants, in line with reduced consumer spending in these areas. High coffee bean prices put pressure on gross profit margin and, together with a heavy investment in fixed selling costs to try and drive volumes, led to a decline in operating profit margin from R21,1 million to R15,6 million.

Ciro has continued to develop its market leading training and technical support capabilities during 2011, and also secured several major new customers in the second half, where the roll-out of solutions will continue well into the next financial year. This led to an encouraging improvement in volumes in the last few months of the year and, together with appropriate focus on the fixed cost base, will hopefully lead to a quick return to acceptable levels of profit.

Capital expenditure

Entyce's capital expenditure of R130,4 million in 2011 included R51,5 million of the R73,8 million approved for the new creamer tower, R17,3 million on new vending equipment for Ciro as well as the ongoing replacement and upgrading of packaging lines.

The new creamer tower is on track for commissioning in December 2011.

ENTYCE BEVERAGES	**2011 Rm**	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	**Change 2011 vs 2010 %**
REVENUE	**2 308,8**	2 217,9	2 099,0	1 940,2	1 684,0	1 516,3	**4,1**
OPERATING PROFIT	**410,9**	342,4	271,3	231,8	214,1	189,7	**20,0**
OPERATING MARGIN (%)	**17,8**	15,4	12,9	11,9	12,7	12,5	**15,3**
CAPITAL EXPENDITURE	**130,4**	94,8	83,2	78,6	46,5	39,5	**37,5**

Freshpak
Frisco
TRINCO
Koffiehuis

LAVAZZA
Quali

SNACKWORKS

Revenue of R2,16 billion was 3,8% higher than 2010 due largely to biscuit price increases, offset by lower biscuit sales volumes. The impact of lower volumes was more than offset by the benefit of lower raw material costs, resulting in an improvement in gross profit while the gross profit margin for the year increased from 38,0% to 40,3%. Operating profit grew 12,5% from R232,8 million to R261,8 million and operating profit margin improved from 11,2% to 12,1%.

Biscuits

Revenue for the year was 4,0% higher than last year due mainly to higher selling prices on key lines offset by a 5,3% decrease in volumes. The decrease in volumes has resulted from lower consumer demand due to price increases, the rationalisation of unprofitable products and higher import and local competition.

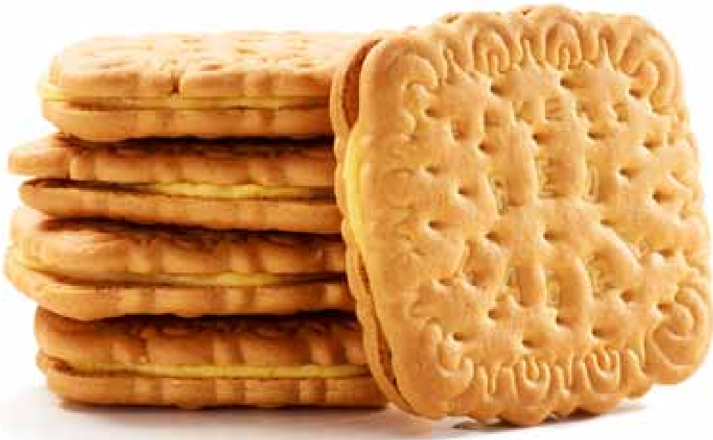
Raw material costs were lower than last year, particularly flour, which more than offset the impact of lower volumes resulting in a higher gross profit margin than in 2010, although softer in the second half due to the impact of rising commodity prices and tactical discounting to support volumes.

Marketing spend in the second half was managed carefully in the context of consumer demand that was more sensitive to pricing than advertisements and also in recognition of the need to reconstitute a more coherent marketing strategy focusing on our very strong Bakers, Pyotts and Provita master brands. Operating profit and profit margin improved materially in 2011 because of the higher gross profit margin, partially offset by lower sales volumes.

Factory performance was a key focus area in 2011 and while the Isando factory made good progress, the Westmead factory had a poor second half. With new management there was sound improvement already by the end of the year and, together with ongoing investment in new technology and replacement of old equipment, this site should make good progress in the next year.

Snacks

Snacks revenue for the year was 3,3% higher than 2010 due to slightly higher volumes and selling prices



achieved. Gross profit margin for the year was slightly higher than last year, however, the second half showed a declining trend with aggressive price competition on potato snacks impacting both volumes and prices while raw material costs were also higher. A more expensive distribution footprint, together with higher sales agency and advertising costs, resulted in a decrease in operating profit for the year.

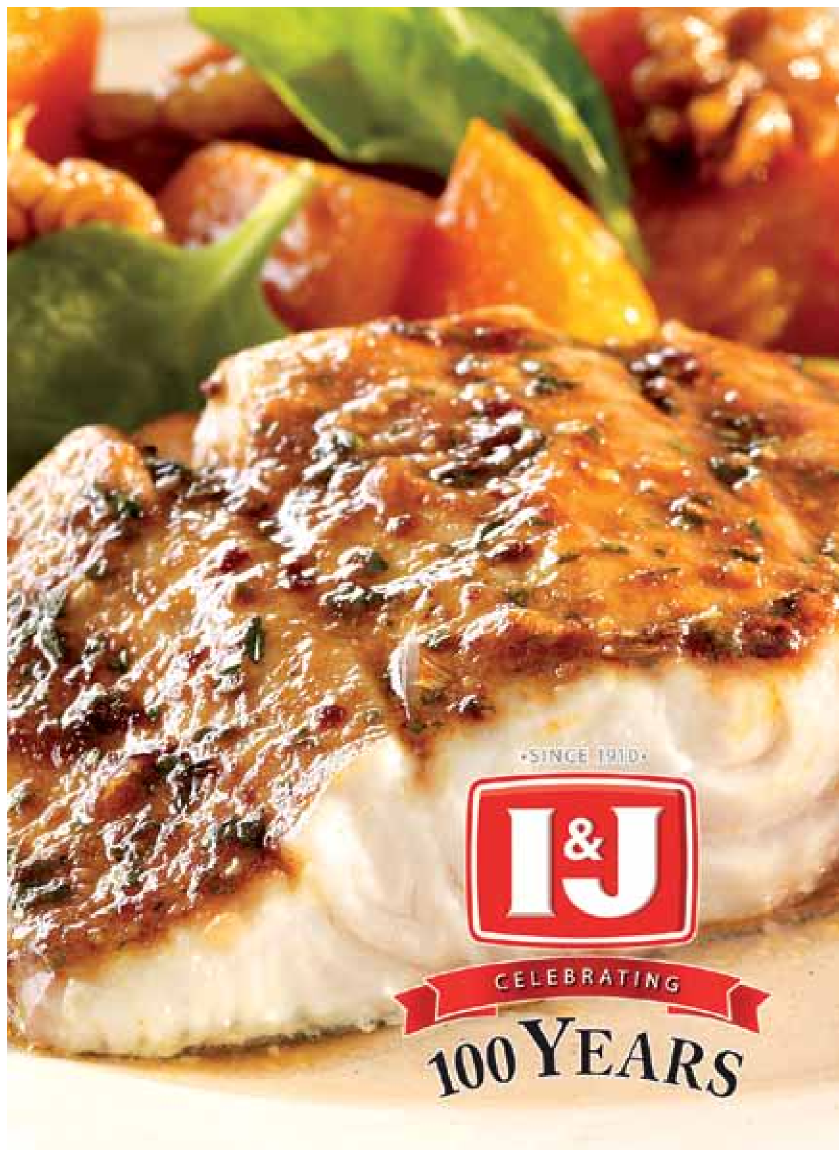
Despite the ongoing pressure on potato snacks, there has been good progress on corn snacks such as Cheese Curls, Flings and Big Korn Bites during the year with overall growth in volumes and market share.

Capital expenditure

Snackworks' capital expenditure of R117,6 million in 2011 included R21,0 million for the installation of pumpable shortening equipment at both biscuit factories and R19,5 million of the R45,0 million approved for automation of the finished goods handling at the Isando factory. Replacement of old and poorly performing equipment remains a priority and will continue for several years to come. This will materially improve the service levels, consistency and profitability of many of the iconic products that live under the Bakers master brand.

Snackworks
That's Good Times!

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 2011 vs 2010 %
REVENUE	**2 159,7**	2 080,9	2 036,8	1 677,2	1 394,2	1 279,7	**3,8**
OPERATING PROFIT	**261,8**	232,8	192,5	185,8	156,8	127,0	**12,5**
OPERATING MARGIN (%)	**12,1**	11,2	9,5	11,1	10,5	9,9	**8,4**
CAPITAL EXPENDITURE	**117,6**	46,6	44,8	58,3	47,3	59,2	**152,5**



CHILLED AND FROZEN CONVENIENCE BRANDS

During the year under review, I&J celebrated its 100th birthday, marking the centenary milestone for the business successfully and sustainably operating and supplying both the South African and international market places.

Revenue for the year from I&J's continuing operations decreased by 0,9% to R1,37 billion. This was due largely to the impact of the stronger rand, offset by improved export selling prices in key European markets. Export markets remain under pressure with reduced demand from customers and increased supply from other fish resources. Reduced export opportunity across the broader South African fishing industry coupled with continued rand strength 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 2011 was good with the increase in fuel prices offset by improved fishing conditions, cost control and the additional quota. In addition, further cost reduction and efficiency measures were delivered through the year across the factories. After a difficult first half, when the year-on-year impact of exchange rates was more pronounced, I&J had a

strong second half and operating profit for the full year increased from R74,3 million to R90,6 million in 2011.

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 R36,1 million compared to R40,0 million last year. Although Simplot's sales volumes improved on prior year, it faced pricing pressure in both the competitive retail and seafood trading sectors. The factory performed well delivering production and yield efficiencies, but selling and administration costs were impacted by increased selling costs required to maintain market share within the competitive Australian market place.

Capital expenditure

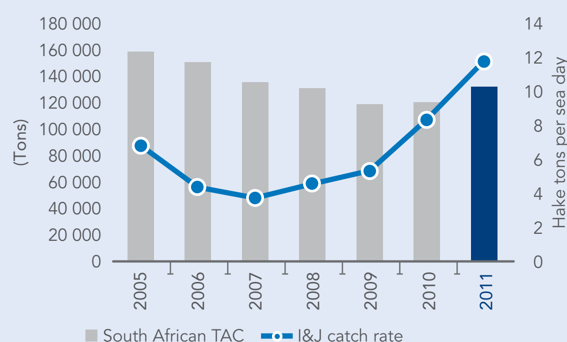
Total capital expenditure for continuing operations was R40,9 million. The major areas of capital expenditure in 2011 related to improvements to the Woodstock processing facility and vessel refurbishments.

RSA hake resource

Following a prolonged period of reductions in the South African hake total allowable catch ("TAC"), 2011 sees a second consecutive increase with the TAC increasing by 10% (1% in 2010). I&J's quota allocation has remained constant at 28% resulting in an increase from 33 550 tons to 36 906 tons. The RSA hake quota for calendar years 2003 to 2011 is summarised in the table below.

Since 2007, the South African hake resource has shown an encouraging increase in total biomass. 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 increase in TAC and catch rates in 2011 is encouraging and it is hoped that further increases will be justified.

South African hake TAC and I&J catch rates



Hake quota

(tons)	**2011**	2010	2009	2008	2007	2006	2005	2004	2003
South Africa	**131 847**	119 861	118 578	130 532	135 000	150 000	158 000	161 000	164 000
I&J	**36 906**	33 550	33 199	36 531	37 755	41 950	46 830	47 456	48 963
%	**28,0**	28,0	28,0	28,0	28,0	28,0	29,6	29,5	29,9

I&J continuing operations

(excluding Alpesca and Denny)	**2011 Rm**	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006* Rm	**Change 2011 vs 2010 %**
REVENUE	**1 369,3**	1 381,8	1 597,5	1 476,8	1 427,2	1 432,5	**(0,9)**
OPERATING PROFIT	**90,6**	74,3	237,9	160,4	112,9	5,8	**22,0**
OPERATING MARGIN (%)	**6,6**	5,4	14,9	10,9	7,9	0,4	**23,1**
CAPITAL EXPENDITURE	**40,9**	42,7	65,5	27,1	35,0	65,7	**(4,3)**

** Includes Alpesca*

Discontinued operations

Alpesca

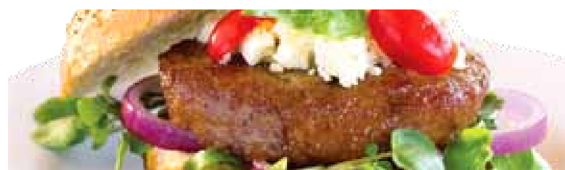
I&J sold its shares in Alpesca to an Argentinian consortium during May 2011 for a consideration of USD10 million plus transfer of loan guarantees of USD4 million. Consequently the Group results for the year ending 30 June 2011 include a capital loss on disposal of R40,8 million after tax. An impairment of R76,5 million was raised in the prior year.

AVI's consolidated results include Alpesca's losses for the 10 months to the end of April 2011. The operating loss of R37,5 million is lower than the prior year loss of R50,6 million due to an improved performance from the shrimp operation in the first half.

Denny

In July 2011 AVI entered into an agreement to sell Denny with effect from 1 July 2011 for a consideration of R263,5 million, subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities which was received in August 2011. This transaction will be recorded in the 2012 financial year, however, in compliance with accounting standards, Denny has been disclosed as a discontinued operation in the current financial year and the comparative numbers for the year ended 30 June 2010 have been restated accordingly.

Revenue rose by 7,0% to R385,2 million and operating profit increased by 8,9%, from R45,9 million to R50,0 million with the operating profit margin increasing from 12,8% to 13,0%. Denny has performed well in the fresh mushroom category with improved production facilitating more aggressive trading and promotion which have led to higher sales volumes despite increased supply from other growers. Raw material costs declined with more active supplier management and changes to different packing materials used, whilst the Company also benefited from a stronger rand on imported peat and spawn. However, the value-add business, comprising soups, sauces and canned mushrooms, has been impacted by the sustained supply of cheap canned mushroom imports which partially offset the improvement in the fresh mushroom business.



Discontinued operations: Denny	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 2011 vs 2010 %
REVENUE	**385,2**	359,9	318,8	298,6	263,6	246,2	**7,0**
OPERATING PROFIT	**50,0**	45,9	23,1	34,5	26,2	21,5	**8,9**
OPERATING MARGIN (%)	**13,0**	12,8	7,2	11,6	9,9	8,7	**1,8**
CAPITAL EXPENDITURE	**9,0**	7,5	8,9	13,3	28,3	15,0	**19,6**

FASHION BRANDS

Revenue rose by 16,3% to R1,84 billion largely because of growth in sales volumes. Gross profit margin improved due to the stronger rand which reduced the cost of imports in both Indigo and Spitz, as well as improved sales mix in Spitz. Operating profit increased by 44,4%, from R255,4 million to R368,8 million with the operating profit margin increasing from 16,1% to 20,0%.

PERSONAL CARE

Indigo brands' revenue for the year increased 10,9% to R890,3 million due largely to aerosol volume growth supported by price increases and promotional activity in the retail and wholesale channels. Overall volumes were up on last year, with domestic volumes growing by 10,8% and exports into Africa growing by 31%. Indigo has continued to perform strongly in deodorant sprays where it has gained further market share,

especially within the Yardley portfolio. Within the female deodorant category Indigo has achieved the milestone of 50% market share at the end of the year up from 47% last year. Despite investment in a new sales and marketing structure to support Indigo's growth ambitions, there was an improvement in the operating profit margin from 13,0% to 14,9% and operating profit increasing by 26,8%, from R104,7 million to R132,7 million.

Capital expenditure

Capital expenditure of R71,5 million for the year includes the majority of the R40,7 million approved for the installation of a new high capacity, automated aerosol line. The line was installed at the end of the year and commissioning commenced in July 2011. The new aerosol line will add capacity and contribute materially to cost reductions and efficiencies in future years.

The prior year capital expenditure of R127,2 million included the purchase of the adjoining property in Epping for R88,5 million.

Fashion brands

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 2011 vs 2010 %
REVENUE	**1 842,6**	1 583,7	1 400,6	1 253,3	1 058,1	868,6	**16,3**
OPERATING PROFIT	**368,8**	255,4	196,2	206,3	208,4	165,6	**44,4**
OPERATING MARGIN (%)	**20,0**	16,1	14,0	16,5	19,4	19,1	**24,1**
CAPITAL EXPENDITURE	**113,3**	138,6	49,4	89,3	55,0	26,4	**(18,2)**

indigo brands

Personal Care

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 2011 vs 2010 %
REVENUE	**890,3**	802,8	730,2	623,5	555,9	476,8	**10,9**
OPERATING PROFIT	**132,7**	104,7	94,5	73,4	63,3	50,5	**26,8**
OPERATING MARGIN (%)	**14,9**	13,0	12,9	11,8	10,9	10,6	**14,3**
CAPITAL EXPENDITURE	**71,5**	127,2	26,8	24,9	17,3	16,9	**(43,8)**

YARDLEY LONDON · LENTHÉRIC LONDON · PARIS · COTY · RIMMEL LONDON · GUESS BY MARCIANO

OPERATIONAL REVIEW continued

FOOTWEAR AND APPAREL

Revenue in the Footwear and Apparel category increased by 22% to R952,3 million, while operating profit grew 56,7% to R236,1 million. The majority of this growth is attributable to Spitz, which has achieved strong volume growth in 2011, following increased consumer demand for footwear and an expansion into mono-branded apparel stores with Kurt Geiger.

Spitz's revenue for the year increased by 23,0% to R900,5 million. There was minimal inflation and footwear volumes grew by 22,3% spearheaded by the core Carvela, Lacoste, Kurt Geiger and Tosoni brands. Gross profit margin for the year improved due to an improved mix of sales and the stronger rand, taking into account hedged positions at the beginning of the year. The increase in gross profit margin, combined with leverage from the high volume growth, resulted in a 51% increase in operating profit from R157,8 million to R238,6 million. The operating profit margin increased from 21,6% to 26,5%.

The overall trading performance of Spitz, as well as the separate performance of the Spitz and Kurt Geiger stores, is summarised alongside.

Gant achieved sound growth in sales volumes and better gross profit margin in 2011. Together with reductions in fixed costs this yielded a break-even operating performance compared to a loss in 2010. Further growth in the year ahead, including a new store, should lead Gant into sustainable profitability.

Capital expenditure

Capital expenditure of R41,8 million was primarily directed at new store openings and refurbishments.

Spitz opened two new stores and refurbished six, while Kurt Geiger opened 12 new doors. Spitz is expected to open four new stores next year and Kurt Geiger 10 new stores, depending on availability of suitable premises. The investment in new doors will result in increased capital expenditure.

Spitz	2011	2010
NUMBER OF STORES	57	56
TURNOVER (Rm)	876	720
AVERAGE (m^2)	15 233	15 147
TRADING DENSITY (R/m^2)	57 480	47 539
CLOSING (m^2)	14 991	15 012

Kurt Geiger	2011	2010
NUMBER OF STORES	15	3
TURNOVER (Rm)	25	12
AVERAGE (m^2)	953	318
TRADING DENSITY (R/m^2)	26 149	38 241
CLOSING (m^2)	1 910	318

All stores	2011	2010
NUMBER OF STORES	72	59
TURNOVER (Rm)	901	732
AVERAGE (m^2)	16 186	15 465
TRADING DENSITY (R/m^2)	55 635	47 348
CLOSING (m^2)	16 901	15 330

Footwear and Apparel	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Change 2011 vs 2010 %
REVENUE	952,3	780,9	670,4	629,8	502,2	391,8	22,0
OPERATING PROFIT	236,1	150,7	101,7	132,9	145,1	115,1	56,7
OPERATING MARGIN (%)	24,8	19,3	15,2	21,1	28,9	29,4	28,5
CAPITAL EXPENDITURE	41,8	11,4	22,6	64,4	37,7	9,5	266,2

SPITZ CARVELA KURT GEIGER

GANT

CARVELA
GENUINE ITALIAN
KURT GEIGER

FINANCIAL REVIEW

Continuing operations

Revenue from continuing operations rose by 5,7% from R7,27 billion to R7,69 billion. This increase is largely attributable to higher sales volumes, particularly in the Footwear, Personal Care, Creamer and Coffee categories, as well as higher selling prices in the biscuit category. Commodity prices, including the benefit of the stronger rand, were in aggregate lower than last year, which offset increases in packaging and overhead costs. These factors resulted in a material improvement in the consolidated gross profit margin which improved from 41,8% to 44,9% with the gross profit increasing by 13,6% to R3,45 billion. All business units generated an improved gross margin with the exception of I&J which was adversely impacted by the strong rand. This improvement reflects lower raw material costs, lower import exchange rates, higher realised selling prices and improved manufacturing performance at some of the factories. Operating profit improved by 25,4%, from R895,1 million to R1 122,9 million due to the material leverage from higher sales volumes and improved gross profit margins, and tight control on general overheads. The consolidated operating profit margin increased from 12,3% to 14,6%.

Lower interest rates and lower debt levels resulted in a decrease in net finance charges from R85,6 million to R39,8 million. AVI's share of earnings from joint ventures decreased from R40,0 million to R36,1 million due to lower operating profit from I&J's Australian joint venture with Simplot, largely as a result of a tough retail environment in Australia.

Headline earnings increased by 32,3% from R567,6 million to R750,8 million and headline earnings per share increased by 31,1% to 248,2 cents per share.

The capital loss of R21,2 million includes a R12,4 million loss on the disposal of Sir Juice (Pty) Limited with effect from November 2010, of which R2,9 million is attributable to minorities. Other net capital losses of R8,8 million arise from impairments and disposals of assets in the normal course of business.

Cash generated by operations increased 23,7% to R1,39 billion. Working capital was well controlled, with the balance at the end of June 2011 slightly lower than a year ago. Capital expenditure increased to R412,7 million with an increase in major projects to improve capacity, technology and efficiency. Other material cash outflows during the period were capital repayments of R395,8 million, dividends of R335,6 million and taxation of R330,1 million. Net debt at the end of June 2011 was R246,2 million compared to R310,1 million at the end of June 2010.

Segmental review – continuing operations

Year ended 30 June

	Segmental revenue			Segmental operating profit		
	2011 Rm	Restated 2010 Rm	Change %	**2011 Rm**	Restated 2010 Rm	Change %
Food & Beverage brands	**5 837,8**	5 680,6	2,8	**763,3**	649,5	17,5
Entyce	**2 308,8**	2 217,9	4,1	**410,9**	342,4	20,0
Snackworks	**2 159,7**	2 080,9	3,8	**261,8**	232,8	12,5
Chilled & Frozen Convenience brands	**1 369,3**	1 381,8	(0,9)	**90,6**	74,3	21,9
Fashion brands	**1 842,6**	1 583,7	16,3	**368,8**	255,4	44,4
Personal Care	**890,3**	802,8	10,9	**132,7**	104,7	26,7
Footwear & Apparel	**952,3**	780,9	21,9	**236,1**	150,7	56,7
Corporate	**5,9**	6,7		**(9,2)**	(9,8)	
Group	**7 686,3**	7 271,0	5,7	**1 122,9**	895,1	25,4

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 59 to 61, 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

	2011*	2010*	2009	2008	2007
Financial ratios (%)					
– operating margin	**14,6**	12,3	12,2	12,0	12,0
– return on capital employed	**35,1**	27,8	28,3	26,8	26,2
– net working capital as a percentage of revenue	**16,5**	17,5	16,8	19,7	17,3
– EBITDA (Rm)	**1 318,4**	1 074,8	1 095,9	965,4	852,3
Liquidity					
– free cash flow (Rm)	**723,4**	597,9	391,9	204,1	231,4
– free cash flow per ordinary share (cents)	**239,1**	199,7	131,6	66,7	73,7
– net debt/equity ratio	**8,9**	11,0	25,1	30,8	8,4
– interest cover ratio	**33,1**	12,6	8,8	15,1	36,7
Employees at 30 June	**9 743**	9 557	8 923	8 796	8 073
Revenue – continuing operations (Rm)	**7 686,3**	7 271,0	7 462,4	6 660,6	5 851,9
Revenue per employee (R'000)	**788,9**	760,8	836,3	757,2	724,9

**The fresh, canned and value-added mushroom business conducted by Denny has been sold with effect from 1 July 2011 and has therefore been disclosed as a discontinued operation in AVI's results for the year ended 30 June 2011. Comparatives for the year ended 30 June 2010 have been restated accordingly.*

Share statistics – five-year summary

	2011*	2010*	2009	2008	2007
Number of ordinary shares in issue ('000)	**349 108**	343 482	342 638	342 638	342 638
Weighted average number of ordinary shares in issue ('000)	**302 548**	299 493	297 806	306 082	313 775
Share performance – continuing operations (cents per share)					
Earnings	**242,9**	187,5	180,8	162,9	147,5
Diluted earnings	**234,8**	180,9	177,5	161,4	146,7
Headline earnings	**248,2**	189,4	174,7	159,0	138,4
Diluted headline earnings	**239,7**	182,9	171,5	157,6	137,6
Dividends declared	**125,0**	100,0	88,0	80,0	73,0
Dividend cover	**2,0**	2,0	2,0	2,0	2,0
Market price per share (cents)					
– at year-end	**3 120**	2 210	1 700	1 295	1 971
– highest	**3 200**	2 699	2 200	2 254	2 354
– lowest	**2 100**	1 684	1 150	1 245	1 380
– volume weighted average	**2 842**	2 071	1 699	1 821	1 841
Total market capitalisation at closing prices (Rm)	**10 892,2**	7 591,0	5 824,9	4 437,2	6 753,0
Price earnings ratio[1]	**12,6**	11,7	9,7	8,1	14,2
Value of shares traded (Rm)	**4 823,8**	4 244,9	4 362,4	4 764,2	3 608,0
Value traded as a percentage of average capitalisation (%)	**48,6**	59,1	78,7	80,6	60,0
Number of shares traded (millions)	**169,8**	205,0	256,8	261,6	196,0
Liquidity – number traded as percentage of shares in issue at year-end (%)	**48,6**	59,7	75,0	76,3	57,2
Average weekly rand value traded (Rm)	**94,6**	83,2	83,5	91,5	69,0

[1]Calculated based on the published headline earnings per share and the share price at year-end.
**The fresh, canned and value-added mushroom business conducted by Denny has been sold with effect from 1 July 2011 and has therefore been disclosed as a discontinued operation in AVI's results for the year ended 30 June 2011. Comparatives for the year ended 30 June 2010 have been restated accordingly.*

Value-added statement (total operations)

	2011		2010	
	Rm	%	Rm	%
VALUE ADDED				
Revenue	8 369,9		7 960,3	
Cost of materials and services	4 988,2		4 929,5	
Value added by operations	3 381,6	113	3 030,8	101
Capital items (gross)	(75,2)		(84,8)	
	3 306,4	110	2 946,0	98
Investment and other income	53,3	2	56,2	2
	3 359,8	112	3 002,2	100
VALUE DISTRIBUTED AND RETAINED				
Employees				
Salaries, wages and other benefits	1 826,5	61	1 707,8	57
Providers of capital	510,4	17	505,9	17
Dividends paid to Group shareholders	335,6	11	272,4	9
Interest paid	63,3	2	112,9	4
Operating lease expenses	111,5	4	120,6	4
GOVERNMENT	458,2	15	403,0	13
Taxation	458,2	15	403,0	13
Re-invested in the Group	564,6	19	385,5	13
Depreciation	202,6	7	202,9	7
Future growth	362,1	12	182,6	6
	3 359,8	112	3 002,2	100

Group at a glance

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	Change 11 vs 10 %
AVI (continuing operations)						
Revenue	**7 686,3**	7 271,0	7 462,4	6 660,6	5 851,9	5,7
Operating profit	**1 122,9**	895,1	908,5	798,7	702,3	25,4
Operating margin (%)	**14,6**	12,3	12,2	12,0	12,0	18,7
Capital expenditure	**412,7**	329,8	257,7	271,5	233,9	25,2
Entyce beverages (including Out of Home)						
Revenue	**2 308,8**	2 217,9	2 099,0	1 940,2	1 684,0	4,1
Operating profit	**410,9**	342,4	271,3	231,8	214,1	20,0
Operating margin (%)	**17,8**	15,4	12,9	11,9	12,7	15,6
Capital expenditure	**130,4**	94,8	83,2	78,6	46,5	37,6
Snackworks						
Revenue	**2 159,7**	2 080,9	2 036,8	1 677,2	1 394,2	3,8
Operating profit	**261,8**	232,8	192,5	185,8	156,8	12,5
Operating margin (%)	**12,1**	11,2	9,5	11,1	11,2	8,0
Capital expenditure	**117,6**	46,6	44,8	58,3	47,3	152,4
Chilled & Frozen Convenience brands*						
Revenue	**1 369,3**	1 381,8	1 916,3	1 775,4	1 690,8	(0,9)
Operating profit	**90,6**	74,3	261,0	194,9	139,1	21,9
Operating margin (%)	**6,6**	5,4	13,6	11,0	8,2	22,2
Capital expenditure	**40,9**	42,7	74,4	40,4	63,3	(4,2)

**2007 to 2011 excludes Alpesca which is classified as discontinued. 2010 and 2011 excludes Denny which is classified as discontinued.*

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	Change 11 vs 10 %
Fashion brands						
Revenue	**1 842,6**	1 583,7	1 400,6	1 253,3	1 058,1	16,3
Operating profit	**368,8**	255,4	196,2	206,3	208,4	44,4
Operating margin (%)	**20,0**	16,1	14,0	16,5	19,7	24,2
Capital expenditure	**113,3**	138,6	49,4	89,3	55,0	(18,3)
Personal Care						
Revenue	**890,3**	802,8	730,2	623,5	555,9	10,9
Operating profit	**132,7**	104,7	94,5	73,4	63,3	26,7
Operating margin (%)	**14,9**	13,0	12,9	11,8	11,4	14,6
Capital expenditure	**71,5**	127,2	26,8	24,9	17,3	(43,8)
Footwear & Apparel						
Revenue	**952,3**	780,9	670,4	629,8	502,2	21,9
Operating profit	**236,1**	150,7	101,7	132,9	145,1	56,7
Operating margin (%)	**24,8**	19,3	15,2	21,1	28,9	28,5
Capital expenditure	**41,8**	11,4	22,6	64,4	37,7	266,7

Group balance sheets – five-year summary

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	**1 459,5**	1 340,4	1 205,1	1 164,8	1 241,7
Intangible assets and goodwill	**759,4**	923,4	925,4	986,2	1 052,1
Investments	**310,0**	304,1	276,8	312,8	245,9
Deferred tax asset	**66,1**	60,0	74,4	89,1	121,6
	2 595,0	2 627,9	2 481,7	2 552,9	2 661,3
Current assets					
Inventories and biological assets	**943,1**	918,4	950,0	873,0	760,8
Trade and other receivables including derivatives	**1 116,9**	1 189,5	1 170,1	1 178,7	1 058,6
Cash and cash equivalents	**380,1**	589,3	516,6	174,9	317,1
Assets classified as held-for-sale	**348,1**	293,2	398,7	493,0	30,5
	2 788,2	2 990,4	3 035,4	2 719,5	2 167,0
Total assets	**5 383,2**	5 618,3	5 517,1	5 272,5	4 828,3
EQUITY AND LIABILITIES					
Capital and reserves					
Attributable to equity holders of AVI	**2 918,9**	2 954,1	2 675,9	2 518,8	2 680,4
Non-controlling interests	**(19,8)**	(19,8)	(23,3)	(17,5)	(18,4)
Total equity	**2 899,1**	2 934,3	2 652,6	2 501,3	2 662,0
Non-current liabilities					
Financial liabilities, borrowings and operating lease straight-line liabilities	**55,8**	65,1	544,1	409,7	196,6
Employee benefits	**286,7**	292,8	295,9	293,5	286,2
Deferred taxation	**76,2**	113,6	110,3	154,0	144,6
	418,7	471,5	950,3	857,2	627,4
Current liabilities					
Current borrowings	**583,0**	848,1	639,3	536,3	344,1
Trade and other payables including derivatives	**1 279,1**	1 183,4	1 092,9	1 048,1	1 117,5
Share buy-back liability	**100,7**	–	–	–	–
Corporate taxation	**16,6**	17,3	13,4	73,4	66,9
Liabilities classified as held-for-sale	**86,0**	163,7	168,6	256,2	10,4
	2 065,4	2 212,5	1 914,2	1 914,0	1 538,9
Total equity and liabilities	**5 383,2**	5 618,3	5 517,1	5 272,5	4 828,3

Group income statements – five-year summary

	2011 Rm*	2010 Rm*	2009 Rm	2008 Rm	2007 Rm
CONTINUING OPERATIONS					
Revenue	**7 686,3**	7 271,0	7 462,4	6 660,6	5 851,9
Operating profit before capital items	**1 122,9**	895,1	908,5	798,7	702,3
Income from investments	**12,9**	11,1	22,4	22,5	25,3
Finance costs	**(52,7)**	(96,7)	(147,4)	(86,5)	(48,5)
Equity-accounted profit/(loss) of joint ventures	**36,1**	40,0	15,3	17,2	(21,4)
Capital items	**(21,2)**	(8,3)	17,1	13,7	34,2
Profit before taxation	**1 098,0**	841,2	815,9	765,6	691,9
Taxation	**363,0**	275,9	276,7	265,8	237,1
Profit after taxation	**735,0**	565,3	539,2	499,8	454,8
Non-controlling interests (excluding capital items)	**3,2**	3,5	0,7	1,4	(8,1)
Earnings attributable to owners of AVI	**731,8**	561,8	538,5	498,4	462,9
Capital items after non-controlling interests and tax	**19,0**	5,8	(18,1)	(11,7)	(28,5)
Headline earnings	**750,8**	567,6	520,4	486,7	434,4

**The fresh, canned and value-added mushroom business conducted by Denny has been sold with effect from 1 July 2011 subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act No 89 of 1998, as amended, which was received on 31 August 2011. Denny has therefore been disclosed as a discontinued operation in AVI's results for the year ended 30 June 2011 and comparatives for the year ended 30 June 2010 in the income statements have been restated accordingly.*

Group statement of cash flows – five-year summary

	2011 Rm*	2010 Rm*	2009 Rm	2008 Rm	2007 Rm
CONTINUING OPERATIONS					
Operating activities					
Cash generated by operations before working capital changes	**1 372,1**	1 105,5	1 086,6	1 022,8	864,6
Decrease/(increase) in working capital	**21,5**	21,3	30,0	(354,7)	(165,4)
Cash generated by operations	**1 393,6**	1 126,8	1 116,6	668,1	699,2
Interest paid	**(50,9)**	(93,9)	(140,5)	(91,0)	(47,7)
Taxation paid	**(330,1)**	(250,3)	(392,9)	(247,4)	(255,2)
Net cash available from operating activities	**1 012,6**	782,6	583,2	329,7	396,3
Investing activities					
Cash flow from investments	**15,0**	13,7	21,2	29,6	24,0
Property, plant and equipment – net investment	**(407,8)**	(320,1)	(189,6)	(224,2)	(157,4)
Investments – net disposals/(acquisitions)	**68,2**	18,8	57,1	(37,8)	(360,1)
Net cash used in investing activities	**(324,6)**	(287,6)	(111,3)	(232,4)	(493,5)
Financing activities					
Capital returned to shareholders	**(395,8)**	–	–	(549,7)	–
Net increase in shareholder funding	**38,4**	47,0	9,0	4,7	7,1
Long-term borrowings – net (repaid)/raised	**–**	(1,3)	191,1	308,8	(4,5)
(Decrease)/increase in short-term funding	**(218,3)**	(145,6)	(14,1)	206,2	257,3
Dividends paid	**(335,6)**	(272,4)	(247,2)	(233,4)	(199,5)
Net cash (used in)/from financing activities	**(911,3)**	(372,3)	(61,2)	(263,4)	60,4
DISCONTINUED OPERATIONS	**26,1**	(29,1)	(65,3)	22,8	15,2
(Decrease)/increase in cash and cash equivalents	**(197,2)**	93,6	345,4	(143,3)	(21,6)
Cash and cash equivalents at beginning of year	**598,0**	529,7	204,8	317,1	335,8
	400,8	623,3	550,2	173,8	314,2
Translation of cash equivalents of foreign subsidiaries at beginning of year	**3,3**	(25,3)	(20,5)	31,0	2,9
Cash and cash equivalents at end of year	**404,1**	598,0	529,7	204,8	317,1
Attributable to:					
Continuing operations	**380,1**	589,3	516,6	174,9	317,1
Discontinued operations	**24,0**	8,7	13,1	29,9	–

**The fresh, canned and value-added mushroom business conducted by Denny has been sold with effect from 1 July 2011 subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act No 89 of 1998, as amended, which was received on 31 August 2011. Denny has therefore been disclosed as a discontinued operation in AVI's results for the year ended 30 June 2011 and comparatives for the year ended 30 June 2010 in the statements of cash flows have been restated accordingly.*

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 – including, but not exhaustively, shareholders and institutional investors, consumers, employees, customers, suppliers, government, unions 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 Company, 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 Company'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. Proper ethics and appropriate values 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 Company 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 and socially responsible citizen with whom it is desirable to do business.

Stakeholder engagement

Stakeholder engagement is an important aspect of the Company's sustainability responsibilities and it formally recognises the material stakeholders with whom it engages on relevant issues. Engagement with these stakeholders takes a variety of forms, depending on the matter at hand, and may vary in frequency. The table below lists the more obvious stakeholders and provides examples of the nature of the engagements that the Company has with them:

Stakeholder type	Nature of engagement
Shareholders, analysts and media	Annual general meeting Distribution of information via the website Press releases and SENS announcements Formal presentation of the half-year and final financial results Annual report Interviews and media briefings Scheduled bi-annual meetings with analysts Ad hoc meetings with analysts and investors as required
Customers and consumers	Daily contact in own and customers' stores Meetings Consumer and product research Marketing campaigns Website Customer care and complaint lines Customer audits
Employees and employee representative bodies (including unions)	Intranet and published newsletters or notices Bi-annual presentations by the chief executive officer to the executive community Presentations and written communication (e.g. newsletters and posters) on material issues and regulations affecting employees Conferences and general staff meetings Performance appraisals Union representative forums Workplace forums such as the employment equity and learning and development forums Ad hoc events
Suppliers	Supplier conferences Visits and meetings Supplier audits Senior operational and procurement staff day-to-day interactions
Communities and non-profit organisations	Corporate social investment programmes Workplace learning and development programmes for unemployed learners Partnerships and sponsorships Ad hoc community engagements in surrounding communities
Business associations	Participation in, or membership of various associations such as Business Against Crime and the Consumer Goods Council of South Africa Participation in association initiatives
Government or regulators	Regular contact with significant industry regulators through business associations

Ethics

The Company has a well-established and comprehensive Code of Conduct and Ethics ("the code") that applies to all directors and employees and provides clear guidance on what is considered to be acceptable conduct. The 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. The code is communicated to all new employees and published on the intranet for access at all times by employees and the website for access by third parties. During the year under review the code was updated to ensure that it continues to meet the Company's needs and that it is aligned with the recommendations in the King Report on Corporate Governance for South Africa 2009 ("King III").

In order to monitor ongoing compliance with the code, 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 Company's internal audit function, which is responsible to investigate identified areas of concern and report their findings to the chief financial officer of the Company. The Company subscribes to "Be Heard", an independent anonymous hotline service that facilitates confidential reporting on fraud and other unethical conduct. A recent communication drive has reminded all employees of this hotline service. In addition, the Company implemented, during the year under review, an in-house incident reporting service that requires employees to report incidents, or potential incidents, which caused, or could have caused, harm to the Company's property or people on the Company's premises. A senior employee actively manages the incident management reporting system and engages with the "Be Heard" service providers. All anonymous reports and other reported incidents are reviewed on a daily basis, and, if appropriate, thoroughly investigated.

In addition to the formal framework, it is imperative to promote a culture that is consistent with the ethical values that the Company 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. The Company continues to communicate formally with suppliers and customers to secure their support for its ethical standards.

Scarce resources

The Company's primary exposure to scarce resources that could materially impact its business is the performance of its fishing resources in South Africa. I&J has secured long-term hake fishing rights at a level that can support economic returns provided that the resource remains healthy.

In South Africa access to marine resources is managed by the Fisheries Branch of the Department of Agriculture, Forestry and Fisheries. The Minister of Agriculture, Forestry and Fisheries sets an industry-wide annual quota or "total allowable catch" ("the TAC") for each species under management. The Fisheries Branch, in its response to its concern over the viability of the South African hake resource decreased the TAC by 24% over the five years to 2010, including a 1,06% increase for 2010. Since 2007, however, the South African hake resource has shown an encouraging increase in total biomass and continues to do so. Material improvements in catch rates over the last few years were a further indicator of improving health of the resource and as a result the TAC for 2011 was increased by 10% over that of 2010. This has resulted in I&J's hake quota for 2011 being increased to 36 906 tons. While the Fisheries Branch's management of the hake resource is appropriately conservative, it is hoped that improved recording and monitoring procedures together with the good performance of the resource will provide a basis for a further increase in the TAC for 2012.

During 2010 the Marine Stewardship Council recertified that the South African hake resources met the requisite environmental standards for sustainable fishing for a further five years. This certification gives assurance to buyers and consumers that the seafood comes from a well-managed and sustainable resource, which is increasingly relevant in I&J's export markets.

I&J continues to strive to lead 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 continues to partner with the Fisheries Branch to ensure compliance and enforcement thereof. I&J has a good working relationship with the World Wildlife Fund South Africa ("WWF-SA") 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. More recently WWF-SA and I&J, together with other major South African fishing companies, have formed the Responsible Fisheries

Alliance ("RFA"). The alliance is intended to ensure that all stakeholders understand and support the implementation of an Ecosystem Approach to Fisheries ("EAF") management in South Africa's fisheries. EAF seeks to protect and enhance the health of marine ecosystems. The goals of the RFA include promoting responsible fisheries practices, influencing policy on fishery governance and supporting skills development in the industry.

Transformation and good corporate citizenship

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 Company'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 advancing the transformation plans that had been developed during the previous years. The progress of these plans was reviewed at half-year, where appropriate, and revised activities were agreed upon, where necessary.

As a result of the Company's collective efforts the Company's consolidated BBBEE rating has improved markedly since first being measured in 2008 at a level 7 (at 40.13 points) to level 5 (at 64.51 points) during the year under review and level 4 (at 68.58 points) by the end of the year under review. In addition, the Company qualifies as a "Value Adding Vendor" as defined in the Codes of Good Practice ("BBBEE Codes") and is entitled to apply a 1.25 multiple to its level 4 BEE procurement recognition level (of 100%), thereby offering its customers an effective 125% procurement recognition. The most significant contributors to the improvement during this period were the progress made in respect of the Company's ownership, preferential procurement, management control and employment equity areas.

The Department of Trade and Industry is in the process of revising the BBBEE Codes and indications are that this will be finalised in the first half of 2012. Draft proposed amendments to the BBBEE Codes have already been published for comment and the Company will keep abreast of developments to enable it to address any new compliance issues that may arise. Also, regulations passed in terms of the Preferential Procurement Policy Framework Act of 2000, will be effective from 7 December 2011 and again, the Company will keep itself appraised of the impact, if any, that this legislation may have on the Company's transformation agenda and practices.

Ownership

The AVI Black Staff Empowerment Share Scheme ("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 9 900 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 "good leavers". By the end of the year under review 925 good leavers had received a total benefit of R25,8 million.

At the annual general meeting held on 20 October 2010, shareholders approved amendments to the Scheme which allowed the Company to secure recognition of the Scheme for BBBEE rating purposes and thereby visibly provide support to the Company's transformation agenda.

At a subsidiary level, during the year under review, the second tranche of shares held by black employees in the I&J empowerment share scheme vested. Payments totalling R3,3 million were made to 692 shareholder employees, bringing the total amount paid to eligible employees for both vestings to R7,6 million. The final tranche of shares will vest in 2012 and the Company is currently investigating ways of extending this direct economic benefit to I&J's eligible employees until 2020.

Management control and employment equity

During the year the Company has furthered its efforts to appoint, develop and retain black employees, especially where representation is required in the middle and 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 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 Company in the area of management control and employment equity (as per the BBBEE Codes) over the past three years is material and mostly as a result of focused recruitment of suitable black candidates and the progression of black staff. This will continue to be an area of focus in the year ahead.

Skills development

The central learning and development service has made material progress during the year under review by successfully originating relevant learning opportunities for a broad community of employees, reviewing current learning services and requirements and enhancing their alignment to the Company's needs, assisting the Company to develop their employees in an appropriate manner and progressing the Company's transformation agenda. Considerable time has been spent building a credible relationship with the Food and Beverage Sector Education and Training Authority in order to successfully access discretionary grants. During the year the Company had 441 learners on adult basic education and training programmes, as well as learnerships, apprenticeships, in-service training and internships, with 329 of these learners having access to discretionary grant funding.

Significant funds have been spent on assessing and developing managerial and executive employees. In particular the Company enhanced its supervisory and first tier management development programmes with a senior management development programme, which is designed to enhance the Company's management capacity and to create clearer career paths for the participating employees. A graduate programme was also launched for former recipients of tertiary education bursaries from the Company.

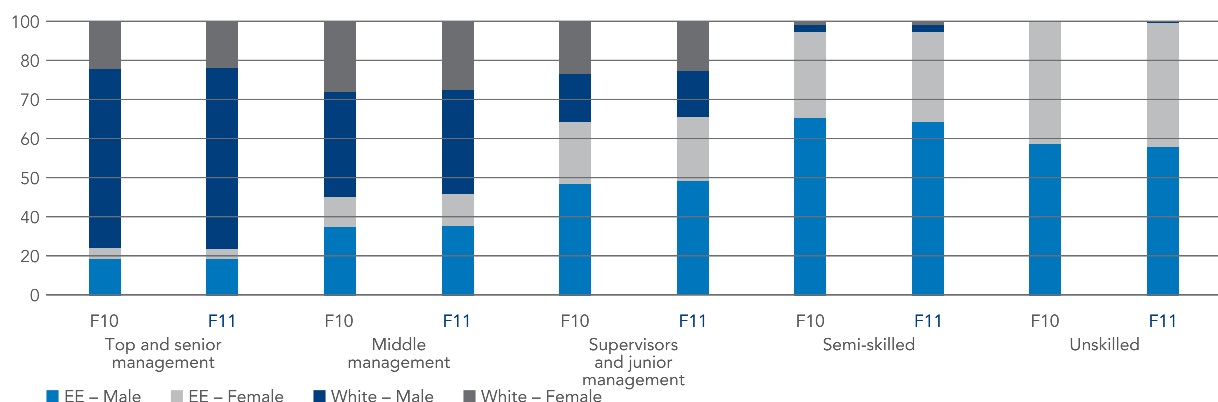
In addition to the central learning and development function, the individual subsidiary companies invested considerable time and funds in skills development programmes. During the year under review the Company spent approximately R24,6 million on recorded skills development initiatives, an amount equivalent to 1,85% of its total payroll costs (in comparison with 1,76% 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 Company's BBBEE score for this element from 80,36% to 95,76%. The collaboration of specialist procurers in the Company and a focus on favouring suppliers with higher BBBEE ratings than their competitors has played a large role in this ongoing improvement in the Company's preferential procurement performance.

The Company continues to engage with suppliers regarding their transformation needs and to require

AVI employment equity demographics (%)



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.

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 it is desirous to do business with.

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 product quality assured.

Health and safety requirements are firstly monitored and reviewed within the risk management framework of the Company, 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 company level the Company achieved a DIFR of 0.93 for the year, a marked improvement over the previous two years' ratings of 1.03 and 1.12 for 2009 and 2010 respectively. During the year the Company reviewed the manner in which it records its employees' injuries as the DIFR methodology does not capture either the insignificance or severity of an injury, nor does it proactively identify potentially harmful situations. To enable the Company to improve its management of workplace health and safety it has introduced a Group-wide incident reporting service which has materially assisted the Company to investigate incidents. It also effectively acts as an early warning system for potential harm that may come to pass.

As Company-wide statistics can mask events, the Company reports annually on all fatalities and it is pleased to report that there were no fatalities during the year under review.

The high safety standards adopted by the operations are continually being 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. With the exception of the Durban tea factory, which converted in the past year from ISO 9001 (a generic quality management system) to ISO 22000 (a food-specific safety quality management system), the Company's tea, coffee, biscuit and cosmetics manufacturing sites remain ISO 9001 certified. The Isando coffee and creamer factory was added to the list of sites that were already ISO 14001 (an environmental management system) certified, namely the Durban tea factory and the biscuit factories, and the Rosslyn snacks' factory achieved ISO 22000 food safety standard certification. 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 "A" listed BRC (British Retail Consortium for Global Standards), Higher Level IFS (International Food Standard) global food safety certification, MSC (Marine Safety Council) Chain of Custody Certification (a sustainability certification) and SABS 1841 (Control of Quantity – Trade Metrology Act) certification. In addition, the Micro laboratory at the Woodstock factory has SANAS 17025 accreditation.

All of the Company's sites are reviewed annually by independent risk management consultants 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 Company-wide HIV/Aids voluntary counselling and testing ("VCT") programme that was introduced in 2007, the Company continues to offer this service to all sites and it was re-run at some of the sites during 2011. 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 healthcare 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 outreach programme for immediate family members.

Utilisation levels of the employee wellness programme, managed by ICAS and introduced throughout the Company during April 2009, remain constant and well used by the various companies within the Company, the Company's employees and their immediate families. The employee wellness programme extends beyond healthcare, and, among other services, gives the Company's employees and their immediate family members access to financial and legal advisory services. The Company and its subsidiaries continue to actively promote the use of the employee wellness programme.

In addition to the formal employee wellness programme, a number of sites held wellness programmes and days on matters such as drug and alcohol awareness; domestic violence; tuberculosis; HIV/Aids and breast cancer awareness.

Corporate social investment

The Company's corporate social investment ("CSI") programme is aimed at bringing about positive social and economic changes to historically disadvantaged

1. Participants in the Learn to Earn skills training initiative.
2. Participants in the Columba 1400 leadership programme.
3. Students on the AVI Tertiary Bursary Programme.

communities to enhance the environment within which the Company operates. The Company achieved 100% for both its enterprise development and socio-economic development scores in the most recent BBBEE rating. On an annual basis an amount of approximately 1% of the Company'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 Company 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.

During the year under review R10,4 million was allocated for the Company's CSI programmes. As at 30 June 2011, R7,2 million of these funds had been disbursed and the balance had been allocated to formal initiatives but not yet spent. The disbursement of these funds continues into the new financial 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:

- 450 scholars were supported through the AVI Star Schools Incubator Programme, which affords grade 10, 11 and 12 children from 27 schools in disadvantaged areas the opportunity to attend additional classes in mathematics, science and English. The Company sponsored three programmes which assisted the scholars who attend school on Saturday mornings and during school holidays. The programme has proven to be very successful with a pass rate of 98% for grade 12 scholars at the end of the 2010 academic year, compared to the national average of 67,8%. Furthermore, 75% of those scholars obtained a university exemption, compared to a national average of 23,5%.
- The Company provided full bursaries to 24 students through its Tertiary Bursary Programme, of which 11 students had previously graduated from the Star Schools Programme. The bursaries assisted these students to further their higher education at various universities, technikons and colleges. The students were selected based on their financial means, academic results and preferred fields of study. In addition, the Company placed five students within the business to complete one year of in-service training required to qualify in their chosen fields.

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

- For the fourth year Spitz partnered with Student-In-Free-Enterprise and Irene Children's Homes to donate obsolete new but "de-branded" stock to disadvantaged communities.
- 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 a high HIV/Aids prevalence. The Company sponsors one of seven 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.
- National Sea Rescue Institute ("the NSRI"). I&J continues to support the NSRI's "Waterwise" initiative which teaches children what to do in an emergency and how to "breathe for their buddy" while waiting for the emergency services to arrive. This initiative targets disadvantaged youths between the ages of 9 and 14.
- Learn-to-Earn in the Khayelitsha and Hermanus areas. This initiative assists the unemployed with market-relevant skills training to become economically active.
- Columbia 1400 youth leadership programme.

The Company has also been involved in or made donations to a number of smaller, but important initiatives, such as HeartWorks, the Peninsula School Feeding Association, the Jewish National Fund, War Against Malnutrition and Tuberculosis, Look Good-Feel Better, Kliptown Community Centre and the Rural Education Access Programme.

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 Company policy.
The Company remains informed on environmental legislation, current and contemplated, for example the

proposed carbon tax envisaged in the Carbon Tax Discussion Paper published by the National Treasury.

During the year under review some of the Company's activities and achievements were:

- **Environmental controls** – As mentioned above, the Isando coffee and creamer factory, the Durban tea factory and the biscuit factories are all ISO 14001 certified. This environmental quality management system enables the factories to identify and control the environmental impact of their activities; continually improve their environmental performance; and implement a systematic approach to setting environmental objectives and targets, to achieving these and to demonstrating that they have been achieved. The Denny farms have EUREPGAP certification for Good Agricultural Practices and I&J has the Marine Safety Council's Chain of Custody Certification for sustainability in the fishing industry.
- **Energy conservation** – Owing to the initiatives started in 2010, the Snackworks' Westmead factory achieved a 3,7% reduction in energy consumption. The factory is also in the planning phase for the installation of electricity, gas and paraffin meters. Entyce Beverages is investigating measures to improve steam-boiler coal consumption and emissions at its factories, as well as energy consumption per kilogram produced. The Isando distribution centre has installed energy saving light fittings and implemented new procedures to control their energy usage.
- **Water conservation** –The Snackworks Isando factory achieved a 9,3% reduction and Entyce Beverages Isando factory achieved a 4% reduction in water consumption.
- **Fuel consumption** – Ongoing focus on optimisation of delivery routes and consideration of distribution networks through the utilisation of routing and scheduling software throughout the Company remains a key issue with a view to reducing fuel consumption and the Company's carbon footprint.
- **Emissions, effluents and waste** – Snackworks made pleasing progress in regard to effluent handling and water treatment, with further initiatives planned for the year ahead. Entyce Beverages is currently investing measures to improve roaster emissions and coffee dust emissions.

During the next reporting period, as part of the Company's more detailed review of specific recommendations and principles embodied in King III and the Global Reporting Initiative ("GRI"), the Company will centrally identify the key areas of environmental impact for measurement, management and reporting, with a view to controlling the impact of and improving performance on material environmental issues, including issues which impact climate change and relate to overall responsible and sustainable environmental practices, such as greenhouse gas emissions, raw materials usage and recycling, resource usage and efficiency (including water and electricity), impacts on biodiversity, emissions, effluents and waste management.

Consumer and product legislation

The Company's internal legal advisers keep the Company abreast of generic and industry-specific consumer and product-related legislative and regulatory developments, both pending and apparent, and ensure that the Board, management and employees are informed and, where necessary, trained on these developments and the implementation thereof.

In the year under review the Company remained focused on the changes brought about by, particularly, the Consumer Protection Act of 2008, the regulations relating to the Labelling and Advertising of Foodstuffs in terms of the Foodstuffs, Cosmetics and Disinfectants Act, 1972, and the regulations in terms of the Agricultural Product Standards, 1990. In particular, regulations and practices relating to specific issues including competitions, returns and lay-bys, consumer complaints, supplier contracts, credit application forms, product recalls, genetically modified organisms, trans fats and labelling received a high level of attention.

Major risks

AVI and its subsidiaries have well-run governance processes and sound systems of internal control which are effective in managing the conventional key areas of business risk such as brand management, manufacturing, financial management and information technology. Other risks that are often more challenging to manage, and pose a greater threat to business success, are summarised below:

Key risks	Comments
Failure to stay in touch with changing consumer perspectives and needs, resulting in lost growth opportunities or erosion of market share	• Product formats and price points are managed flexibly in different parts of the consumer cycle, in line with consumer needs. • Each business unit gives high priority to understanding the risks and opportunities that South Africa's growing black consumer base presents, and responding in a manner appropriate to each category. • The characteristics of our African export geographies are studied carefully so that we can enhance the relevance of our offering in each geography. • New product development is aligned with the points above and actively pursued. • Brand investment is material and consistent, with ongoing efforts to improve the efficiency and effectiveness of this spend.
Availability of experienced and commercially minded business leaders to seek improvement and grow profits	• Over the last few years AVI has established credible and stable management teams in most of our core business units. • The Group has a flexible operating model which provides high transparency to the centre and facilitates effective interaction on key matters when needed. • Remuneration and reward systems provide meaningful wealth generation opportunities for managers who excel.
Changing competitive landscape that impacts profitability	• A volatile currency with the risk of rapid and material weakening has traditionally been an effective protection against import competition, but has proven less so in the last few years and may not be in the future. • A fairly small domestic market reduces the attractiveness of major greenfield investment in South Africa with the risk that surplus capacity will inhibit the ability to generate economic returns on investment. • New suppliers or customers entering the South African FMCG market can present both risks and opportunities. We believe that AVI has sufficient scale and relevance with its strong brand portfolio to be important to new entrants, and to be able to forge mutually beneficial trading relationships. • AVI's best protection in a changing competitive landscape is to continually work to keep our brands and products relevant to consumers, to improve efficiency so that margins can be sustained when prices are constrained, and to be diligent in managing the price/volume/margin equation flexibly as circumstances require.
Over reliance on third-party brands and diminished profitability if licences are not renewed	• Most of AVI's core brands are owned. • Key third-party brands that AVI has access to are the Lacoste brand in Spitz, and the Coty brand in Indigo Brands. We have a long history of strong and successful relationships with both parties and believe that our business units represent compelling opportunities to each licensor that will be difficult for other licensees to match.

Key risks	Comments
Sustaining and growing profit margins	• Top line growth is a continual focus area for all of our businesses and brings with it the opportunity to leverage fixed costs and expand profit margins. While the most notable achievements in this regard have been in our fashion brands businesses, our more mature categories have all maintained or improved their market positions over the last few years, with some of them such as coffee and creamer achieving strong volume growth. • Many of AVI's Key Value Items ("KVIs") enjoy a brand premium because of their long legacy of delivery and quality with consumers. We seek to preserve this premium through retention of product intrinsics and high focus on product quality. We will continue to invest replacement capital expenditure in those parts of our business where it is necessary to sustain efficient and high quality production. • AVI has extensive exposure to foreign exchange and commodity price volatility. These exposures are hedged in a manner that allows selling prices to be managed predictably and responsibly, and historically our businesses with their strong brands have demonstrated the ability to recover lost profit margin fairly quickly after periods of pressure. The notable exception being I&J, which has little ability to compensate for the impact of a strong rand on its material export revenues, but similarly also benefits materially when the rand is weaker. • There remain many opportunities to improve profit margins across the Group over the next few years. These include initiatives such as central procurement, ongoing improvements in logistics and field marketing, new technology and increased automation in our factories.
Social and political environment	• I&J's annual allocation in terms of its long-term fishing rights is dependent on an ongoing review process. If this process becomes politicised and disregards I&J's ownership of an economic right it may result in a reduced allocation of hake quota to I&J. • Ongoing increases in administered charges for electricity, water and property rates create additional cost pressure and reduce competitiveness relative to imports. • In a two-tiered economy we increasingly compete with smaller operators who are not measured or monitored effectively against increasing and onerous legislated requirements. • Inflexible labour legislation reduces competitiveness against imports and increases investment hurdles. • Availability of utilities necessary to run business can be mitigated at extra cost, but reduces competitiveness. AVI has commenced a programme of installing full back-up power generation at key sites. • The imposition of price controls pursuant to a populist political and social agenda could impact parts of AVI's product portfolio. • Dissatisfaction with service delivery by government and municipalities could lead to civil disruption and strikes with a material adverse effect on volumes and profit. • The continued decline of educational standards erodes the supply of essential skills to maintain our medium-term competitiveness. • The emergence of new and ambitious social programmes that place too heavy a burden on organised business and tax-payers to the extent that the availability of capital reduces in South Africa and over time compromises our ability to sustain our current asset base and competitiveness.

Going forward

In the year ahead the Company is committed to integrated sustainability reporting and aims to provide a balanced view of the economic, social and environmental aspects of the Company. To enhance the Company's commitment to and reporting on sustainability matters, there will be focus on:

- embedding the principles and practices of sustainable development into the Company's culture through comprehensive standards, policies and communication;
- formally categorising the material sustainability issues that are relevant to the Company, and defining and implementing the scope and methods of monitoring and reporting on these issues, and establishing a method to set relevant objectives and targets for these issues;
- enhancing the risk framework to identify, track, manage and communicate performance;
- development of an integrated report for the year ending 30 June 2012, including consideration of the necessity for and extent of reporting against the Global Reporting Initiative Framework or any other globally accepted reporting framework, as well as the principles set out in King III; and
- establishing a Social and Ethics Committee in accordance with section 72 of the Companies Act, No 71 of 2008.

Guidelines and standards

The following guidelines and standards were consulted in compiling this annual report:

- The King Report on Corporate Governance for South Africa, 2009.
- The Global Reporting Initiative's guidelines.

Global Reporting Initiative ("GRI") Framework and Index

The GRI Reporting Framework has been identified by the Company as a generally accepted framework for reporting on the Company's economic, environmental and social performance and focuses on the core indicators which are material to the Company.

For the year under review the Company has neither self-assessed nor been formally assessed against the GRI guidelines but has chosen to indicate in the list below which core indicators have, to a greater or lesser extent, been addressed in this annual report, but without intending to declare compliance at any specific application level as understood in terms of the framework.

Disclosures on management approach can be found throughout the report either as an introduction to the relevant sections or as specific disclosures on relevant issues.

As stated above, the Company is committed to formalising its approach to integrated reporting over the next year and will during that process review the advisability and necessity for formal reporting against the GRI Guidelines.

Disclosures

1. Statements from the chairman and chief executive officer.
2. Description of key impacts, risks and opportunities.
3. Name of the Company; primary brands and products; operational structure of the Company; location of the Company's head office; number and names of countries where the Company operates; nature of ownership; markets served; scale of organisation, e.g. number of employees, number of operations, net sales and significant changes (if any) during the reporting period regarding size, structure and ownership.
4. Reporting period, date of most recent previous report and reporting cycle.
5. Contact point for questions regarding the report or its contents.
6. Basis for reporting on joint ventures, subsidiaries, etc. that can significantly affect comparability from period to period.
7. Explanation of the effect of any re-statements (if any) and the reasons for such re-statements.
8. Governance structure of the Company, including number of independent and/or non-executive directors and statement of whether the chairman is also an executive director.
9. Remuneration policy.
10. Board charter and code of conduct addressing governance and including matters such as conflicts of interest, determining qualifications and expertise of Board members, statements of values, Board procedures and evaluation of Board and Board member performance.
11. Commitments to external initiatives and membership of associations.
12. Stakeholder engagement.
13. Economic performance.
14. Environmental practices and commitments to future measurement and management.
15. Total workforce.
16. Commitment to compliance with all labour legislation and good labour practices, including occupational health and safety, training and education, employment equity, freedom from discrimination, and collective bargaining.
17. Corporate social investment.
18. Preferential procurement.
19. Compliance with all applicable legislation.
20. Product responsibility.

BOARD OF DIRECTORS

1. Simon L Crutchley (48)
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.

2. Angus WB Band (59)
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.

3. James R Hersov (46)
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.

4. Owen P Cressey (44)
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.

5. Michael J Bosman (50)
Qualifications: BCom Marketing, CA(SA)
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.

6. Abe M Thebyane (51)
Qualifications: BAdmin from the University of the North; Postgraduate Diploma in HR Management from Wits Business School; Diploma in Company Direction from the Graduate Institute of Management and Technology; MBA from De Montfort University, UK
Directorships: AVI Limited

Abe is Group Executive: Human Resources, Nedbank Group Limited. Previously he was Executive Head: Human Resources, Anglo Platinum Limited and Executive Director: Human Resources, Iscor Limited. In addition, Abe has held senior human resources and business-related positions in various South Africa companies, i.e. General Electric SA (Pty) Limited, Gemini Consulting, etc.

7. Andisiwe Kawa (49)
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 and Zingwenya Investments (Pty) Limited.

Andy holds a master's degree in Business Administration from the Wharton School, a master's 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.

8. Adriaan Nühn (58)
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 six 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.

9. Gavin R Tipper (46)
Qualifications: BCom, BAcc (Wits), MBA (UCT), CA(SA)
Directorships: AVI Limited, Interwaste Holdings Limited, Coronation Investments & Trading Limited and York Timber Holdings Limited.

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.

10. Barry JK Smith (61)
Qualifications: BSc Hons (Mathematics) (Stellenbosch), BSc Hons (Operations Research) (Unisa), MBA (Harvard)
Directorships: AVI Limited

Barry is an executive with experience in the production and marketing of consumer beverages. Until December 2010 he held the position of President of SABMiller Latin America as well as being a member of the executive committee of SABMiller. He held a number of other positions within SABMiller since 1984.

11. Kim E Macilwaine (54)
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.

12. Neo P Dongwana (39)
Qualifications: BCom (Cape Town), BCom Hons (Cape Town), Postgraduate Diploma in Accounting (Cape Town), CA(SA)
Directorships: AVI Limited

Neo is a chartered accountant and was previously a partner in the audit division of Deloitte, where she was the first female partner in the Cape Town office. Neo is also a member of the Independent Regulatory Board for Auditors Education Committee and Monitoring Committee, and a non-executive director of Foodbank, a public benefit organisation.

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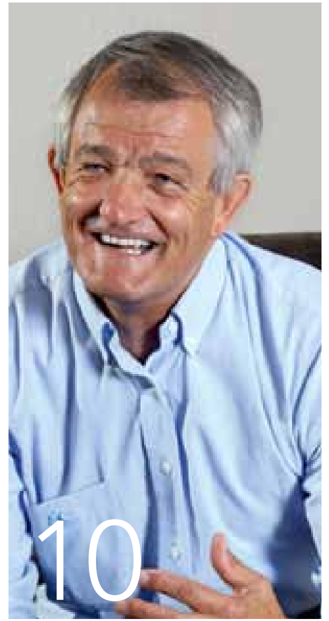
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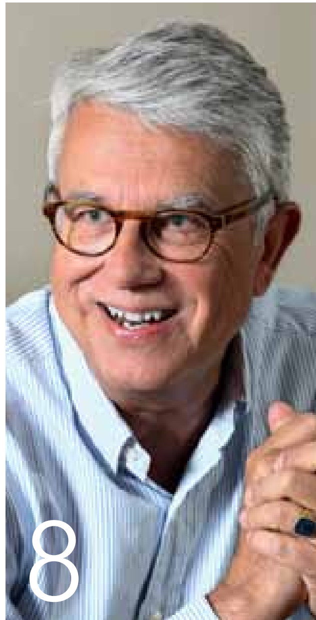
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Framework

AVI Limited ("the Company") is a public company incorporated in South Africa under the provisions of the Companies Act No. 71 of 2008, as amended, and the Regulations thereto ("the Companies Act 2008") 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 Governance for South Africa 2009 ("King III"), as well as with the spirit and form of the obligations that exist in terms of the JSE Listings Requirements.

During the financial year under review a sub-committee was tasked with reviewing the recommendations and principles of King III. It was established that in substance, the Company already applies most of the principles. Where appropriate however the governance structures have been amended. The Company will be focusing on certain initiatives to further strengthen the Group's application of the principles over the course of the new financial year. Material aspects of this will be:

- the enhancement of the risk management framework, including greater oversight of IT governance matters;
- the establishment of a social and ethics committee; and
- the development of an integrated report for the year ending 30 June 2012.

The Companies Act 2008 came into effect on 1 May 2011. To be aligned with this legislation shareholders will be asked, at the Annual General Meeting on 1 November 2011, to appoint the members of the Audit and Risk Committee, consider special resolutions on directors' fees and the provision of financial assistance, and approve an amended Memorandum of Incorporation.

Board governance structure

The general powers of the Board and the directors are conferred in the Company's Memorandum of Incorporation. Terms of reference for the Board are set out in the Company's board charter which is reviewed periodically. During the year under review the charter was amended and updated in line with the recommendations and principles of King III and the provisions of the Companies Act 2008. 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, Nomination and Appointments 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 2011 the Board comprised two executive directors and ten non-executive directors. All of the non-executive directors are independent as defined by King III and 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 Humphrey Buthelezi resigned as an independent non-executive director with effect from 3 December 2010 and Mr Rob Katzen resigned as an executive director with effect from 4 March 2011. Mr Abe Thebyane was appointed as an independent non-executive director on 3 December 2010 and Mr Barry Smith and Mrs Neo Dongwana were appointed as independent non-executive directors on 15 March 2011. These appointments will be considered by shareholders at the Company's annual general meeting on 1 November 2011.

At least one-third of the Board's members retire each year at the annual general meeting in terms of the Company's Memorandum of Incorporation. 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. 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	3/9/2010	26/11/2010	4/3/2011	8/6/2011
AWB Band	✓	✓	✓	✓
MJ Bosman	✓	✓	✓	✓
MH Buthelezi	✓	✓		
SL Crutchley	✓	✓	✓	✓
OP Cressey	✓	✓	✓	✓
NP Dongwana				✓
JR Hersov	✓	✓	✓	✓
RS Katzen	✓	✓		
A Kawa	✓	✓	✗	✓
KE MacIlwaine	✓	✓	✓	✓
A Nühn	✗	✓	✓	✓
BJK Smith				✓
AM Thebyane			✓	✗
GR Tipper	✓	✓	✓	✓

Key: ✓ = in attendance; ✗ = not in attendance;
■ = not yet in office; □ = resigned

In addition to these formal meetings and as a prelude to the Board meeting of 8 June 2011 the Board met with executive management of the Company's subsidiaries on 7 and 8 June 2011 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 period 1 July 2010 to 30 April 2011 was Ms Vivien Crystal, a Group legal resource who had assumed the role in 2009 in an acting capacity pending the appointment of a permanent replacement for the previous company secretary. Ms Sureya Naidoo was permanently appointed to the position on 1 May 2011.

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, responsibilities and powers;
- 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, in particular the Companies Act 2008 and the JSE Listings Requirements.

Board committees

The Board is assisted in the discharge of its duties and responsibilities by the Audit and Risk Committee and the Remuneration, Nomination and Appointments 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 have been 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 2008, 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 and Risk Committee ("Audit Committee")

During the year under review the Audit Committee comprised Mr Humphrey Buthelezi (the chairman), Mr Mike Bosman and Mr Gavin Tipper, all of whom are independent non-executive directors. During December 2010 Mr Humphrey Buthelezi resigned as a member and chairman of the committee and

Mr Bosman was appointed as the chairman. During June 2011, Mrs Neo Dongwana, an independent non-executive director, was appointed as a member of the Audit Committee. In compliance with the Companies Act 2008, shareholders will be asked at the annual general meeting on 1 November 2011 to elect the members of the audit committee. The current members will be available for re-election.

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	26/08/2010	18/11/2010	24/02/2011
MJ Bosman	✓	✓	✓
MH Buthelezi	✓	✓	[resigned]
GR Tipper	✓	✓	✓
NP Dongwana	[not yet in office]	[not yet in office]	[not yet in office]

Key: ✓ = in attendance; ✗ = not in attendance;
■ = not yet in office; □ = resigned

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 implementation and effective operation of a structured 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; and
- 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 20 October 2010. 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 and the Companies Act, 2008, 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 Advisory Services Limited.

The Audit Committee discharged the functions ascribed to it in terms of the Companies Act 2008 and the JSE Listings Requirements as reported in the directors' report. It also complied in all material respects with its mandate and responsibilities prescribed in the applicable charter.

Remuneration, Nomination and Appointments Committee ("Remcom")

As at 30 June 2011 the members of Remcom were Mr Gavin Tipper (the chairman), Mr Angus Band, and Ms Andy Kawa. Ms 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.

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

Name	05/08/2010	13/09/2010	11/11/2010	09/06/2011
AWB Band	✓	✓	✓	✓
GR Tipper	✓	✓	✓	✓
A Kawa	[not yet in office]	✗	✓	✓

Key: ✓ = in attendance; ✗ = not in attendance;
■ = not yet in office

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 Service (SENS).

The company secretary regularly disseminates written notices to inform the directors, executives, and employees regarding the 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. Further detail of the Company's stakeholder engagements is set out in the sustainable development report.

The Chairmen of the Board and the Board committees 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 keep the Company abreast of generic and industry specific legislative and regulatory developments, both pending and apparent, and ensure that the Board, management and employees are informed and, where necessary, trained on these developments and the implementation thereof.

In the year under review the Company remained focused on the changes brought about by, inter alia, King III and the Companies Act 2008, as well as changes to consumer and product legislation as addressed more fully in the sustainable development report and took note of the Labour Relations Amendment Bill, the Basic Conditions of Employment Amendment Bill, the Employment Equity Amendment Bill and the Employment Services Bill, published in December 2010.

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, the Cosmetic, Toiletry and Fragrance 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 REPORT

This report sets out the Company's remuneration and reward philosophy, policy and practice for non-executive directors, executive directors, executives and senior managers. It also provides details of the remuneration paid to and interest in shares and share options acquired by non-executive directors, executive directors and certain executives during the financial year ended 30 June 2011.

Remuneration and reward philosophy

The intended consequence of the Company's remuneration and reward framework is to attract, retain and motivate the most talented people available to the Group to align with its determination to deliver superior returns to shareholders.

The reward framework is designed to:

- attract and recruit talented people from a shrinking pool of talent;
- retain competent employees that enhance business performance;
- direct employees' activities towards business priorities;
- recognise and reward employees for superior performance;
- support a high performance environment;
- address diverse employee motivational needs across differing categories; and
- support the Company's transformation agenda.

During the year under review the Company's remuneration and reward practices played a material role in supporting the Company to progress its objectives and achieve its results. The Company has become a more attractive prospect for job seekers and very little key talent was lost to the Company. The performance review system coupled with the reward practices played a significant role in focusing the Company's employees on business priorities and motivating the Company's employees to enhance the performance of the Group.

Key developments

During the year under review Deloitte Consulting reviewed the philosophy and application of the Company's remuneration and reward framework. The review results were favourable as it was found that the framework is consistent with market standards and that the Company's remuneration and reward practices are appropriately applied. Some minor recommendations were made, which will be evaluated during the new financial year.

At the annual general meeting held on 20 October 2010, shareholders approved amendments to the AVI Black Staff Empowerment Scheme. The amendments were made and this secured recognition of the Scheme for Broad-Based Black Economic Empowerment ("BBBEE") rating purposes, thereby supporting the Company's transformation agenda.

Composition of remuneration and rewards

In the year under review, the remuneration packages of executive directors and senior management continued to comprise:

- a guaranteed remuneration package (structured as the employee's total cost to the Company);
- an annual bonus based on business and individual performance;
- long-term incentive plans; and
- access to retirement fund and medical aid benefits funded from the guaranteed remuneration package.

Guaranteed remuneration

The Remuneration, Appointments and Nomination Committee ("Remcom") reviews the salaries of the executive directors and executive management annually. 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. Assessments against the market are done in respect of total remuneration as well as the component parts.

The Company remunerates its employees that are regarded as established performers within reasonable proximity to the market median, subject to their experience and individual contribution to the Company. Employees that are clear out-performers may be remunerated from the median to within reasonable proximity to the upper quartile, 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.

The Company employed a remuneration expert during the year under review to ensure that salary bands for all employees remain appropriate and competitive.

Where bargaining units exist within the operations, negotiations take place with recognised unions.

Short-term incentive schemes

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 that may be both financial and non-financial. The more an employee is able to influence the financial performance of a subsidiary, due to his/her role and levels of responsibility, the greater his/her annual incentive is aligned with the financial performance of that subsidiary. 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 an employee's guaranteed remuneration package, depending on roles, responsibilities and individual contributions, and 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 R81 million which was 26% of the total remuneration cost to company of this group of 441 employees, excluding the cost of the incentives.

Long-term incentive schemes

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 AVI Limited Share Incentive Scheme has been discontinued and is no longer used to allocate shares or share options. In respect of the active schemes the participants, and their level of participation, are benchmarked against the market and 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 option schemes" which enable the Company to reward appropriate employees for the results that their efforts generate within the subsidiaries in which they are employed. Notional share options in the subsidiaries are granted to select deserving employees that are either within the top three levels of management or that are regarded as key skills that require retention. The recipients benefit from the appreciation of the notional share price. Annual allocations of notional shares are made to eligible employees within a range of 35% to 165% of their guaranteed remuneration package, depending on their role and individual contribution to the subsidiary. The value of the shares is calculated based on the Company's price earnings ratio and the audited operating profit after tax 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 1,4% of the issued share capital of the Company. Details of share options issued are set out in the directors' report.

In summary, the nature and key characteristics of the various schemes are:

Title	Nature	Participants	Allocation method	Vesting period	Exercise period
The AVI Limited Share Incentive Scheme	A share option scheme that delivers value against share price appreciation	Discontinued. Historically, executive and senior management of the Company	Discontinued	Was three years from grant date	Within seven years from vesting date
The AVI Limited Executive Share Incentive Scheme	A share option scheme that delivers value against share price appreciation	Executive and senior management of the Company and shared services	Annual, percentage of remuneration (between 35% and 235%) determined by Remcom, based on seniority and contribution	Three years from grant date	Within two years from vesting date
The AVI Limited Out-Performance Scheme	A share grant scheme that delivers value dependent upon the Company's performance relative to its peers. There is a minimum performance threshold below which the share grants are nullified	Directors of the Company and a select few executives of the Company and subsidiaries	Annual, percentage of remuneration (between 50% and 60%) determined by Remcom, based on seniority and contribution, subject to sacrifice of other long-term incentive plan instruments	Three years from grant date	On the vesting date
The Black Staff Empowerment Share Scheme	A share rights scheme that delivers value against share price appreciation	Black employees (as defined in terms of the Broad-Based Black Economic Empowerment Act of 2003) of the Group	On appointment and on promotion, percentage of remuneration approved at outset by shareholders, between 70% and 200% of remuneration, based on seniority	In equal portions on five, six and seven years from grant date	Up to year seven from grant date
Various phantom share schemes	A notional share option scheme that delivers value against the subsidiary's performance and the Company's price earnings ratio	Executive and senior management of the subsidiary	Annual, percentage of remuneration (between 35% and 165%) determined by Remcom, based on seniority and contribution	Three years from grant date	Within two years from vesting date

The various long-term share incentive schemes do not permit rights or options to be issued at a discount to their value at the grant date and they do not permit rights and options to be repriced.

At a subsidiary level, during 2005 the Company granted and sold 5% of its issued share capital in Irvin & Johnson Holding Company Proprietary Limited ("I&J") to a company set up specifically to benefit I&J's black employees (as defined in terms of the Broad-based Black Economic Empowerment Act of 2003).

Benefits

Retirement fund contributions

Defined contribution pension and provident fund arrangements exist throughout the Group. Retirement funding contributions are charged against expenditure when incurred. Executive and management employees are remunerated on a total cost to company basis and therefore all funding requirements for this benefit are borne by these employees. 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.

Medical aid contributions

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. Executive and management employees are remunerated on a total cost to company basis and therefore all funding requirements for this scheme are borne by these employees.

Executive directors' emoluments

Emoluments paid to executive directors of the Company by the Company for the year under review.

	2011						
Executive directors	Salary R'000	Bonus and performance related payments R'000	Pension fund contributions R'000	Gains on exercise of share options R'000	Other benefits and allowances R'000	Total 2011 R'000	Total 2010 R'000
SL Crutchley	4 367	4 351	340	3 364	46	12 468	11 544
OP Cressey	2 452	2 026	192	2 175	41	6 886	5 242
RS Katzen*	2 168	2 116	125	1 226	315	5 950	4 347

**Resigned*

The executive directors of the Company receive no emoluments from the subsidiaries of the Company.

Mr Rob Katzen resigned as an executive director of the Company with effect from 4 March 2011 and as an employee of the Company with effect from 31 March 2011. On departure he was paid for his three months' notice period to the end of June 2011, his bonus for the 2011 financial year and leave accrued to the end of March 2011.

Non-executive directors' emoluments

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. No ad hoc services fees were paid during the year under review.

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.

At the annual general meeting held on 20 October 2010 shareholders approved the fees payable to the chairman and non-executive directors for their services to the board and other board committees as follows:

Non-executive directors' fees

Chairman of the board	R548 000
Resident non-executive directors	R188 000
Non-resident non-executive director	€35 310
Chairman of the audit committee	R150 000
Members of the audit committee	R70 000
Chairman of the remuneration, nomination and appointments committee	R80 250
Members of the remuneration, nomination and appointments committee	R52 000

Top three executive management earners

In accordance with the recommendation on disclosure of King III, the top three earners in the Group, excluding executive directors, during the year under review were remunerated as follows:

Executive management	Salary R'000	Bonus and performance related payments R'000	Pension fund contributions R'000	Gains on exercise of share options R'000	Other benefits and allowances R'000	Total 2011 R'000
Executive 1	2 235	1 945	179	3 169	–	7 528
Executive 2	3 309	1 628	208	2 316	43	7 504
Executive 3	2 724	1 980	198	2 073	41	7 016

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These annual financial statements have been prepared under the supervision of Owen Cressey CA(SA).

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements and Group annual financial statements which appear on pages 56 to 136 were authorised for issue by the Board of directors on 2 September 2011 and are signed on their behalf.

AWB Band
Chairman

SL Crutchley
Chief executive officer

CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, 2008, 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 2011, all such returns required of a public company in terms of the Companies Act, 2008, and that all such returns are true, correct and up to date.

S Naidoo
Company secretary
Illovo, Johannesburg
2 September 2011

INDEPENDENT AUDITORS' REPORT

To the shareholders 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 2011, 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 56 to 64 and pages 66 to 136.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2011, 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 the requirements of the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per G Stanier
Chartered Accountant (SA)
Registered Auditor
Director
2 September 2011

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

OVERVIEW
BUSINESS REVIEW
GOVERNANCE
ANNUAL FINANCIAL STATEMENTS
SHAREHOLDER INFORMATION

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 2011, 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 the requirements of the Companies Act of South Africa.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for 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.

Financial

The results of operations for the year are set out in the statement of comprehensive income on page 83.

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

	2011 R'm	Restated 2010 R'm
REVENUE		
Continuing operations		
Branded consumer products	**7 680,4**	7 264,3
Corporate	**5,9**	6,7
	7 686,3	7 271,0
Discontinued operations		
Alpesca	**298,4**	329,4
Denny	**385,2**	359,9
	683,6	689,3
Total	**8 369,9**	7 960,3

During May 2011, I&J sold its shares in Alpesca to an Argentinean consortium for a consideration of USD10 million (R69,6 million) plus transfer of loan guarantees of USD4 million. The fresh, canned and value-added mushroom business conducted by Denny has been sold with effect from 1 July 2011 subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No 89 of 1998, as amended, which was received on 31 August 2011. Denny has therefore been disclosed as a discontinued operation in AVI's results for the year ended 30 June 2011 and comparatives for the year ended 30 June 2010 in the statements of comprehensive income and cash flows have been restated accordingly.

	2011 R'm	Restated 2010 R'm
OPERATING PROFIT/(LOSS) BEFORE CAPITAL ITEMS		
Continuing operations		
Branded consumer products	**1 132,1**	904,9
Corporate	**(9,2)**	(9,8)
	1 122,9	895,1
Discontinued operations		
Alpesca	**(37,5)**	(50,6)
Denny	**50,0**	45,9
	12,5	(4,7)
Total	**1 135,4**	890,4

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 cash flow statements is presented on pages 28 and 29.

Corporate activity

Information regarding the Company's interest in subsidiaries and details regarding associated companies, joint ventures and other investments is given on pages 122 to 124.

Effective 10 November 2010, the Group and the management of Sir Juice entered into a sale of business agreement whereby the Group's entire interest in Sir Juice was disposed for a consideration of R12,7 million. The value of the net assets disposed at the effective date amounted to R25,0 million and consequently a capital loss of R12,3 million was incurred, before attributing the non-controlling interests share of R2,9 million.

In addition to the above, I&J sold its shares in Alpesca to an Argentinean consortium during May 2011 for a consideration of USD10 million (R69,6 million) plus transfer of loan guarantees of USD4 million. Consequently the Group results for the year ended 30 June 2011 include an after-tax capital loss of R40,8 million in respect of the disposal.

More detail regarding the above two transactions has been included in note 27 on page 111.

Other than the two transactions referred to above there have been no other 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 99.

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 99.

Repurchase of own shares

During the current financial year, AVI repurchased 8 984 469 of its shares, representing 2,57% of the issued share capital, in accordance with the general authority granted by shareholders at the annual general meeting held on 20 October 2010. This authority allows for the repurchase of 34 359 572 shares, being 10% of AVI's total shares in issue at the time of the annual general meeting. The total cost of the ordinary shares repurchased, excluding costs, amounted to R269,0 million.

The shares repurchased were delisted subsequent to year-end. The extent of the authority outstanding is 25 375 103 shares, equivalent to 7,46% of the current total shares in issue and is valid until the next annual general meeting, scheduled for 1 November 2011.

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 1 November 2011.

General authority for the Company to provide direct or indirect financial assistance to present or future subsidiaries

The directors consider that a general authority should be put in place to provide direct or indirect financial assistance to present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company. Such authority will assist the Company inter alia with making inter-company loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general authority would avoid the need to refer each instance to members for approval. This general authority would be valid up to and including the 2012 annual general meeting of the Company.

Dividends

Dividends, paid and proposed, are disclosed in note 31 to the annual financial statements on page 115.

Directorate

There were the following changes to the Board in the year under review. Mr H Buthelezi resigned on 3 December 2010, Mr R Katzen resigned on 4 March 2011, Mr AM Thebyane was appointed on 3 December 2010 and Mrs NP Dongwana and Mr BJK Smith were appointed on 15 March 2011.

In terms of the Company's Memorandum of Incorporation, Messrs SL Crutchley, OP Cressey, A Nühn and KE Macilwaine retire at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election. In addition, the appointments of Mr AM Thebyane, Mrs NP Dongwana and Mr BJK Smith during the year need to be approved at the forthcoming annual general meeting.

In terms of the Companies Act, 2008, as amended, the appointment of Messrs MJ Bosman (Chairman), GR Tipper and Mrs NP Dongwana to the Audit and Risk Committee need 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 2011 and 30 June 2010, being ordinary shares of 5 cents each, are as follows:

	Direct number	Beneficial indirect number	% of total
At 30 June 2011			
AW Band	**200 861**	–	**0,1**
SL Crutchley	**520 951**	–	**0,1**
Total	**721 812**	–	**0,2**
At 30 June 2010			
AW Band	200 861	–	0,1
SL Crutchley	520 951	–	0,2
RS Katzen	151 293	–	0,1
Total	873 105	–	0,4

Share incentive schemes

The interests of the directors are given on page 63 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 per share R	Instruments[1] outstanding at 30 June 2010 number	Granted number	Exercised number	Relinquished number	**Instruments[1] outstanding at 30 June 2011 number**
THE AVI EXECUTIVE SHARE INCENTIVE SCHEME						
10 January 2003	8,18	8 668	–	(3 838)	–	**4 830**
1 July 2003	8,53	12 178	–	–	–	**12 178**
1 January 2004	9,55	18 563	–	(5 196)	–	**13 367**
1 July 2004	10,02	30 059	–	(24 070)	–	**5 989**
31 May 2005	12,62	169 589	–	(121 664)	(19 200)	**28 725**
10 October 2005	15,19	26 451	–	(17 837)	–	**8 614**
1 April 2007	19,39	272 074	–	(177 096)	(12 635)	**82 343**
1 October 2007	21,12	134 545	–	(114 168)	–	**20 377**
1 April 2008	16,26	1 439 702	–	(451 637)	(30 351)	**957 714**
1 October 2008	15,80	299 704	–	–	(14 620)	**285 084**
1 April 2009	15,91	1 747 158	–	(31 329)	(79 941)	**1 635 888**
1 October 2009	18,99	300 547	–	–	–	**300 547**
1 April 2010	23,94	1 311 759	38 221	–	(33 835)	**1 316 145**
1 October 2010	26,33	–	262 645	–	–	**262 645**
1 April 2011	29,38	–	1 249 719	–	–	**1 249 719**
		5 770 997	1 550 585	(946 835)	(190 582)	**6 184 165**

[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 fifth 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 2010 number	Granted number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2011 number**
THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN						
January 2003	8,21	10 451	–	(10 451)	–	**–**
January 2004	9,79	9 513	–	(9 513)	–	**–**
January 2005	12,62	19 741	–	–	–	**19 741**
January 2006	16,32	34 069	–	–	(8 427)	**25 642**
April 2007	19,39	556 021	–	(241 426)	–	**314 595**
		629 795	–	(261 390)	(8 427)	**359 978**

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 Limited 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 fifth anniversary (issued after 2006) of such date will lapse.

The AVI Out-Performance Scheme

The AVI Out-Performance Scheme ("OPS") replaced 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 2010 number	Granted number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2011 number**
OUT-PERFORMANCE SCHEME						
31 October 2007	21,35	421 419	–	(421 419)	–	**–**
1 October 2008	15,65	1 388 687	–	–	(208 947)	**1 179 740**
1 October 2009	18,61	696 169	–	–	(58 631)	**637 538**
1 October 2010	25,41	–	553 228	–	–	**553 228**
		2 506 275	553 228	(421 419)	(267 578)	**2 370 506**

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 2010 number	Granted number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2011 number**
THE AVI BLACK STAFF EMPOWERMENT SCHEME TRUST							
January 2007	15,51	16,89	12 674 634	–	(1 372 283)	(410 969)	**10 891 382**
October 2007	19,58	21,97	1 250 848	–	(33 333)	(201 210)	**1 016 305**
April 2008	16,49	17,88	1 135 943	–	(14 915)	(146 349)	**974 679**
October 2008	15,68	15,95	1 500 266	–	(75 817)	(87 870)	**1 336 579**
April 2009	16,16	15,93	1 754 259	–	(4 055)	(251 926)	**1 498 278**
October 2009	18,48	18,12	3 264 931	–	(82 383)	(577 088)	**2 605 460**
April 2010	23,47	23,33	1 405 646	–	(7 228)	(211 878)	**1 186 540**
October 2010	25,32	24,72	–	1 285 091	(4 618)	(67 045)	**1 213 428**
April 2011	29,55	29,56	–	1 427 692	–	(38 129)	**1 389 563**
			22 986 527	2 712 783	(1 594 632)	(1 992 464)	**22 112 214**

[1]The exercise price is calculated at 30 June 2011 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.

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, retrenchment, disability or death.

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 shares in respect of the AVI Executive Share Incentive Scheme or 10 279 154 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 6 802 464 ordinary shares, after taking into consideration the shares purchased by the Company and delisted after year-end) of the total issued ordinary share capital of the Company.

The total number of share instruments and options outstanding as at 30 June 2011 is 6 184 165 (2010: 5 770 997) and 2 370 506 (2010: 2 506 275) in respect of the AVI Executive Share Incentive Scheme and Out-Performance Scheme respectively, which equates to 2,5% (2010: 2,4%) of the issued share capital, after taking into consideration the shares purchased by the Company and delisted after year-end. 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 2011, according to the information available to the directors, were:

	Number of ordinary shares	%
Public Investment Corporation (GEPF)	57 056 125	16,34
Liberty Group	29 977 966	8,59
AVI Black Staff Empowerment Scheme	22 852 965	6,55
AVI Investment Services (Pty) Limited	17 234 352	4,94
Coronation Fund Managers	14 859 156	4,26
Morgan Stanley	14 247 949	4,08

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 3 September 2010 to the date of this report:

- To authorise, by way of a general approval, 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

Subsequent to the year-end, AVI entered into an agreement in terms of which it sold 100% of the issued share capital of and AVI's shareholder claims against Denny to Blue Falcon 134 Trading Proprietary Limited ("Blue Falcon") for a consideration of R263,5 million. Blue Falcon's shareholders include RMB Ventures Six Proprietary Limited, an indirect subsidiary of FirstRand Limited, which holds a 49,9% interest therein, and Denny's executive management team.

Denny is the leading producer of fresh, canned and value-added mushroom products in South Africa, with a market share exceeding 50%. While Denny is a sound business with the leading national brand in the fresh and canned mushroom categories, the importance of branding in the "fresh to market" produce segment in general and in the fresh mushroom segment in particular has declined over the past several years, and this category is no longer strategically aligned to AVI's growth ambitions.

The effective date of the transaction is 1 July 2011. The transaction is subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No 89 of 1998, as amended, which was received on 31 August 2011. Denny has been disclosed as a discontinued operation in AVI's results for the year ended 30 June 2011 and comparatives for the year ended 30 June 2010 have been restated accordingly.

Other than the disposal of Denny there have been no other significant events, outside of the ordinary course of business, since the reporting date.

Share Incentive Scheme interests

Name	Date of grant	Exercise price per share R	Instruments[1] outstanding at 30 June 2010 number	Granted number	Exercised number	Relinquished number	**Instruments[1] outstanding at 30 June 2011 number**
THE AVI EXECUTIVE SHARE INCENTIVE SCHEME							
SL Crutchley	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**
	1 April 2011	29,38	–	380 095	–	–	**380 095**
RS Katzen	1 April 2008	16,26	153 911	–	(153 911)	–	**–**
	1 April 2009	15,91	209 555	–	–	(209 555)	**–**
OP Cressey	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**
	1 October 2010	26,33	–	168 207	–	–	**168 207**
			2 452 206	548 302	(268 079)	(209 555)	**2 522 874**

[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 fifth 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 2010 number	Granted number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2011 number**
THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN							
SL Crutchley	1 April 2007	19,39	314 595	–	–	–	**314 595**
RS Katzen	1 April 2007	19,39	111 688	–	(111 688)	–	**–**
			426 283	–	(111 688)	–	**314 595**

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 Limited 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 fifth anniversary (issued after 2006) of such date will lapse.

Name	Date of grant	Grant price per share R	Instruments outstanding at 30 June 2010 number	Granted number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2011 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**
	1 October 2010	25,41	–	112 208	–	–	**112 208**
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**
	1 October 2010	25,41	–	52 817	–	–	**52 817**
			918 413	165 025	(187 399)	(148 849)	**747 190**

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

Emoluments

	2011							
	Salary R'000	**Bonus and performance-related payments R'000**	**Pension fund contri-butions R'000**	**Gains on exercise of share options R'000**	**Other benefits and allowances R'000**	**Total R'000**	2010 R'000
EXECUTIVE DIRECTORS							
SL Crutchley	**4 367**	**4 351**	**340**	**3 364**	**46**	**12 468**	11 544
RS Katzen[1]	**2 168**	**2 116**	**125**	**1 226**	**315**	**5 950**	4 347
OP Cressey	**2 452**	**2 026**	**192**	**2 175**	**41**	**6 886**	5 242
	8 987	**8 493**	**657**	**6 765**	**402**	**25 304**	21 133
NON-EXECUTIVE DIRECTORS' AND COMMITTEE FEES							
AW Band (Chairman)						**670**	612
MH Buthelezi[2]						**144**	315
JR Hersov						**188**	175
SD Jagoe[3]						**–**	82
KE Macilwaine						**188**	175
NT Moholi[4]						**–**	95
A Nühn						**330**	263
GR Tipper						**338**	288
MJ Bosman						**310**	52
A Kawa						**218**	–
AM Thebyane[5]						**88**	–
NP Dongwana[6]						**69**	–
BJK Smith[7]						**67**	–
						2 610	2 057
						27 914	23 190

[1]*Resigned 4 March 2011*
[2]*Resigned 3 December 2010*
[3]*Resigned 2 November 2009*
[4]*Resigned 24 March 2010*
[5]*Appointed 3 December 2010*
[6]*Appointed 15 March 2011*
[7]*Appointed 15 March 2011*

Details relating to the Group's remuneration practices are set out in the remuneration report on pages 48 to 52.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 30 June 2011 in terms of section 94 (f) of the Companies Act, No. 71 of 2008 ("the Companies Act").

The Audit Committee has adopted formal terms of reference, delegated to it by the Board of Directors, as its Audit Committee charter. The charter is in line with the Companies Act, the King Report on Governance for South Africa 2009 ("King III") and the JSE Listings Requirements. The committee has discharged the functions delegated to it in terms of its charter. This process is supported by each operating subsidiary that has an internal review committee which monitors risk management and compliance activities. There is a formal reporting line from the various internal review committees into the Audit Committee via the Company's chief financial officer.

During the year under review the committee performed the following statutory duties:

1. Reviewed and recommended for adoption by the Board such financial information that is publicly disclosed which for the year included:
   - The interim results for the six months ended 31 December 2010
   - The annual financial statements for the year ended 30 June 2011
2. Considered and satisfied itself that the external auditors KPMG Inc. are independent.
3. Approved the external auditors' budgeted fees and terms of engagement for the 2011 financial year.
4. Determined the non-audit-related services which the external auditors were 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 were pre-approved.
5. Nominated KPMG Inc. for appointment as the Group auditors for the 2011 financial year.
6. Resolved to continue to co-source the internal audit function with Ernst & Young Advisory Services Limited during the financial year.
7. Reviewed the Audit Committee charter in line with King III recommendations.
8. Reviewed the internal audit charter in line with King III recommendations.
9. Confirmed the internal audit plan for the 2011 financial year.
10. Reviewed the IT Governance structure for the AVI Group.
11. Confirmed adequate whistle-blowing facilities were in place throughout the AVI Group and reviewed and considered action taken with regard to incident reports.
12. 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.
13. Noted that it had not received any complaints, either from within or outside the Company, relating either to the accounting practices, the internal audits, the content or auditing of the financial statements, the internal financial controls or any other related matter.
14. Conducted a self-evaluation exercise into the effectiveness of the Audit Committee.
15. Recommended to the Board the re-appointment of KPMG Inc. as the Group auditors and Mr G Stanier as the registered auditor responsible for the audit for the year ending 30 June 2012, which will be considered at the forthcoming annual general meeting.
16. Evaluated and satisfied itself as to the appropriateness of the expertise and experience of the Company's financial director.
17. Satisfied itself with the expertise, resources and experience of the Company's finance function.

For further details regarding the Audit Committee, shareholders are referred to the corporate governance report on page 45.

On behalf of the Audit Committee

Mr MJ Bosman
Audit Committee Chairman

2 September 2011

SEGMENT REPORTING

	Continuing operations							
	Entyce		Snackworks		Chilled & Frozen Convenience Brands		Personal Care	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	Restated 2010 Rm	**2011 Rm**	2010 Rm
Revenue from customers	**2 308,8**	2 217,9	**2 159,7**	2 080,9	**1 369,3**	1 381,8	**890,3**	802,8
Total segment revenue	**2 328,7**	2 226,5	**2 172,1**	2 094,1	**1 369,3**	1 381,8	**898,3**	809,6
Intersegment revenue	**(19,9)**	(8,6)	**(12,4)**	(13,2)	**–**	–	**(8,0)**	(6,8)
Segment result								
Operating profit/(loss) before capital items	**410,9**	342,4	**261,8**	232,8	**90,6**	74,3	**132,7**	104,7
Share of equity accounted earnings of JV's	**–**	–	**–**	–	**36,1**	40,0	**–**	–
Operating profit/(loss) from ordinary activities	**410,9**	342,4	**261,8**	232,8	**126,7**	114,3	**132,7**	104,7
Income from investments	**27,0**	29,3	**6,3**	7,9	**14,7**	20,3	**4,3**	5,3
Interest expense	**37,1**	43,6	**14,8**	25,9	**27,6**	37,3	**15,8**	18,2
Taxation	**108,6**	88,7	**74,5**	63,4	**58,8**	31,6	**34,7**	25,9
Segment profit/(loss) before capital items	**292,2**	239,4	**178,8**	151,4	**55,0**	65,7	**86,5**	65,9
Capital items (after tax)								
Profit/(loss) for the year								
Segment assets	**1 296,8**	1 319,9	**947,5**	1 090,7	**1 624,2**	1 690,5	**709,9**	627,8
Segment liabilities	**916,7**	966,1	**681,9**	703,7	**667,6**	872,3	**492,7**	456,1
Capital								
Additions to property, plant and equipment	**130,4**	94,8	**117,6**	46,6	**40,9**	42,7	**71,5**	127,2
Depreciation and amortisation	**44,5**	40,8	**43,4**	41,3	**47,5**	47,5	**26,2**	18,7
Impairment losses/(reversals)	**0,5**	(0,5)	**2,7**	3,3	**3,0**	1,1	**–**	–
Number of employees at year-end	**1 295**	1 201	**2 439**	2 440	**1 855**	1 904	**449**	422

	2011 Rm	**%**	2010 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	**6 846,3**	**81,8**	6 472,1	81,3
International operations	**700,3**	**8,4**	686,3	8,6
Exports from South Africa	**823,3**	**9,8**	801,9	10,1
	8 369,9	**100,0**	7 960,3	100,0
Analysis of non-current assets* by geographic area				
South Africa	**2 214,9**	**89,5**	2 261,9	91,4
Other African	**7,2**	**0,3**	5,0	0,2
Europe	**–**	**0,0**	0,1	0,0
Australia	**252,8**	**10,2**	208,3	8,4
	2 474,9	**100,0**	2 475,3	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.*

Footwear and apparel		Corporate and consolidation		Total		Discontinued operations Alpesca and Denny		Total	
2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	Restated 2010 Rm	2011 Rm	Restated 2010 Rm	2011 Rm	2010 Rm
952,3	780,9	5,9	6,7	7 686,3	7 271,0	683,6	689,3	8 369,9	7 960,3
952,3	780,9	65,8	64,8	7 786,5	7 357,7	683,6	689,3	8 470,1	8 047,0
–	–	(59,9)	(58,1)	(100,2)	(86,7)	–	–	(100,2)	(86,7)
236,1	150,7	(9,2)	(9,8)	1 122,9	895,1	12,5	(4,7)	1 135,4	890,4
–	–	–	–	36,1	40,0	–	–	36,1	40,0
236,1	150,7	(9,2)	(9,8)	1 159,0	935,1	12,5	(4,7)	1 171,5	930,4
3,9	4,2	(43,3)	(55,9)	12,9	11,1	4,3	5,1	17,2	16,2
7,3	15,9	(49,9)	(44,2)	52,7	96,7	10,6	16,2	63,3	112,9
65,9	47,1	22,7	21,4	365,2	278,1	2,4	2,3	367,6	280,4
166,8	91,9	(25,3)	(42,9)	754,0	571,4	3,8	(18,1)	757,8	553,3
				(19,0)	(6,1)	(41,0)	(75,5)	(60,0)	(81,6)
				735,0	565,3	(37,2)	(93,6)	697,8	471,7
331,7	328,5	128,8	20,1	5 038,9	5 077,5	344,3	540,8	5 383,2	5 618,3
249,8	247,8	(609,5)	(920,9)	2 399,2	2 325,1	84,9	358,9	2 484,1	2 684,0
41,8	11,4	10,5	7,1	412,7	329,8	9,3	12,6	422,0	342,4
27,0	25,4	7,0	6,0	195,6	179,7	11,1	29,9	206,7	209,6
1,5	2,7	–	–	7,7	6,6	–	76,5	7,7	83,1
798	759	2 907**	2 831**	9 743	9 557	1 227	2 539	10 970	12 096

The fresh, canned and value-added mushroom business conducted by Denny has been sold with effect from 1 July 2011 subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No 89 of 1998, as amended, which was received on 31 August 2011. Denny has therefore been disclosed as a discontinued operation in AVI's results for the year ended 30 June 2011 and comparatives for the year ended 30 June 2010 have been restated accordingly.

SEGMENT REPORTING continued

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.

Identification of reportable segments

The Group discloses its reportable segments according to the entity components that management monitors 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 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, the premium short-life juice offering, was disposed effective 10 November 2010. Consequently Sir Juices results have only been included up to the effective date of disposal.

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. Although Denny has historically been reported as part of this segment the business was sold with effect from 1 July 2011 and as a result Denny has been reported as part of the discontinued operations. Comparatives have been restated accordingly.

Fashion brands

Fashion brands provides personal care, footwear and apparel offerings. Indigo Brands 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 information

The Group's operations are principally located in South Africa. The South American assets, reported in the previous year, comprise the Alpesca disposal group held-for-sale, which was disposed of during May 2011. These assets have historically been 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 2011 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"), the interpretations adopted by the International Accounting Standards Board ("IASB"), the AC 500 Standards as issued by the Accounting Practices Board and the requirements of Companies Act, 2008, as amended, and Companies Regulations, 2011.

Basis of preparation

The annual financial statements are prepared in millions of South African rand ("R'm"), 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.
- 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 accounting 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 adoption of new and revised standards as detailed below:

Adoption of new and revised Standards

During the current year, the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2010. The adoption of the following new and revised standards has resulted in changes to the Group's accounting policies:

- IASB 2009 annual improvements project – various standards
- IASB 2010 annual improvements project – various standards
- IFRS 2 – Share-based Payments – Group Cash-settled Share-based Payment Transactions
- IAS 32 – Financial Instruments: Presentation
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above standards has not had any significant impact on the Group's results or disclosures in the current year.

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.

Bargain purchase gains arising on an acquisition is recognised directly in profit or 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. All other borrowing costs are recognised in profit or loss using the effective interest method.

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 or 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 profit or 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 to the scheme 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 at fair value, determined using generally accepted valuation techniques, and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a corresponding recharge asset at fair value 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 (as an adjustment to the net capital contribution) 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 in equity. The amount of the recharge in excess of the capital contribution, recognised by the parent as an increase in the investment in subsidiary, is recognised as an adjustment to the net capital contribution through a reduction in the net investment in 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 or 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 or loss. When these investments are disposed of, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss as a capital item. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or 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. 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 or loss over the period of the borrowings using the 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 or 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 or 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 or 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 or 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 reporting date are translated to South African rand at the exchange rates ruling at that date. Gains or losses on translation are recognised in profit or 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 other comprehensive income – the foreign currency translation reserve. The foreign currency translation reserve applicable to a foreign operation is released to profit or 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 or 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 or 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 or 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 costs to sell, with any resultant gain or loss recognised in profit or loss. Costs to sell 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 or 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 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 a 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 or 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 present 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, and where a reliable estimate can be made of the amount of 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. Future operating costs are not provided for.

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 receivable, 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 or 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

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

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 or loss as an interest expense.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, 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 or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

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 substantively enacted at the reporting date.

Deferred taxation is charged to profit or 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 or 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 2011. 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:

- IAS 1 – *Presentation of Financial Statements*

  The revised statement is effective for the Group for the year ending 30 June 2013, with restatement of comparatives required.

  In terms of the revised IAS 1 the Group will be required to present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will also be disclosed separately.

  This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements.

- IAS 19 – Employee Benefits: *Defined Benefit Plans*

  The amendments to IAS 19 will be effective for the Group for the year ending 30 June 2014. In terms of the amendments, the following key changes will have an impact on the Group:
  - Actuarial gains and losses are required to be recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss will no longer be permitted.
  - Past service cost as well as gains and losses on curtailments or settlements are recognised in profit or loss.
  - Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation.
  - The definition of short-term and other long-term employee benefits has been amended and the distinction between the two will depend on when the entity expects the benefit to be settled.

The Group currently adopts the corridor method with regard to the recognition of actuarial gains and losses, and consequently this amendment is expected to result in the recognition of previously unrecognised actuarial gains or losses immediately in other comprehensive income. Management has not assessed the full impact of the other revisions in detail but does not expect any significant impact on the financial results.

- 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 7 – *Disclosures – Transfers of financial assets*
In terms of the amendment to this standard, effective for the Group for the year ending 30 June 2012, additional disclosure will be provided regarding transfers of financial assets that are:
– not derecognised in their entirety; and
– derecognised in their entirety but for which the Group retains continuing involvement.

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

- 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.

In addition, IFRS 9 addresses the initial measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. The classification and measurement of financial liabilities are the same as IAS 39 except that fair value changes for financial liabilities designated at fair value through profit or loss, attributable to changes in the credit risk of the liability, will be presented in other comprehensive income and derivative financial liabilities linked to and settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured, are measured at fair value.

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

- IFRS 10 – *Consolidated Financial Statements*
IFRS 10 will be adopted by the Group for the first time for the year ending 30 June 2014. The standard requires retrospective application if there is a change in the control conclusion between IAS 27, SIC 12 and IFRS 10. The standard introduces a single control model to assess whether an investee should be consolidated.

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

- IFRS 11 – *Joint Arrangements*
IFRS 11 will be adopted by the Group for the first time for the year ending 30 June 2014. The standard will be applied retrospectively, subject to certain transitional provisions. IFRS 11 establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities. In terms of IFRS 11, all joint ventures will have to be equity accounted.

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

- IFRS 13 – *Fair Value Measurement*
  IFRS 13 will be adopted by the Group for the first time for the year ending 30 June 2014 and will be applied prospectively with the restatement of comparatives required.

  The standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. The key principles in IFRS 13 are as follows:
  – Fair value is an exit price.
  – Measurement considers characteristics of the asset or liability and not entity-specific characteristics.
  – Measurement assumes a transaction in the entity's principal (or most advantageous) market between market participants.
  – Price is not adjusted for transaction costs.
  – Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs.
  – The three-level fair value hierarchy is extended to all fair value measurements.

  Management has not assessed the impact of the new standard.

IASB 2010 annual improvements project

The 2010 IASB annual improvements project was published on 6 May 2010 with the amendments to IFRS embodied therein being effective for the Group's 30 June 2012 year-end. The improvement project contains 11 amendments to six standards and one interpretation. 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 2011	Notes	Group 2011 R'm	Group 2010 R'm	Company 2011 R'm	Company 2010 R'm
ASSETS					
Non-current assets					
Property, plant and equipment	1	**1 459,5**	1 340,4	**–**	–
Intangible assets and goodwill	2	**759,4**	923,4	**–**	–
Investments in subsidiaries	36, 37	**–**	–	**1 411,1**	1 591,8
Investment in joint venture	38	**256,0**	211,5	**–**	–
Group share scheme recharge receivable	33	**–**	–	**9,0**	–
Other investments	39	**54,0**	92,6	**184,4**	198,4
Deferred taxation	3	**66,1**	60,0	**1,0**	0,3
		2 595,0	2 627,9	**1 605,5**	1 790,5
Current assets					
Inventories	4	**904,8**	864,9	**–**	–
Biological assets	5	**38,3**	53,5	**–**	–
Derivatives		**2,5**	2,1	**–**	–
Current tax assets		**13,6**	49,3	**–**	–
Trade and other receivables	6	**1 100,8**	1 138,1	**509,3**	339,7
Cash and cash equivalents		**380,1**	589,3	**0,4**	0,5
Assets classified as held-for-sale	7	**348,1**	293,2	**144,1**	–
		2 788,2	2 990,4	**653,8**	340,2
Total assets		**5 383,2**	5 618,3	**2 259,3**	2 130,7
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	**17,0**	17,1	**17,0**	17,1
Share premium	8	**12,5**	166,8	**12,5**	166,8
Treasury shares	8	**(707,8)**	(682,0)	**–**	–
Treasury share loan to subsidiary		**–**	–	**(244,0)**	(276,0)
Premium on transactions with non-controlling interests		**(2,7)**	(2,7)	**–**	–
Reserves	9	**133,9**	73,2	**109,3**	83,6
Retained earnings		**3 466,0**	3 381,7	**2 226,9**	2 120,5
Non-controlling interest		**(19,8)**	(19,8)	**–**	–
Total equity		**2 899,1**	2 934,3	**2 121,7**	2 112,0
Non-current liabilities					
Financial liabilities and borrowings	10	**43,3**	51,3	**–**	–
Employee benefits	11	**286,7**	292,8	**–**	–
Operating lease straight-line liability	12	**12,5**	13,8	**–**	–
Deferred taxation	3	**76,2**	113,6	**–**	–
		418,7	471,5	**–**	–
Current liabilities					
Current borrowings	13	**583,0**	848,1	**–**	–
Other financial liabilities including derivatives	14	**15,0**	30,0	**22,6**	5,6
Trade and other payables	15	**1 264,1**	1 153,4	**14,3**	13,1
Share buy-back liability		**100,7**	–	**100,7**	–
Corporate taxation		**16,6**	17,3	**–**	–
Liabilities classified as held-for-sale	7	**86,0**	163,7	**–**	–
		2 065,4	2 212,5	**137,6**	18,7
Total equity and liabilities		**5 383,2**	5 618,3	**2 259,3**	2 130,7

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2011	Notes	Group 2011 R'm	Group Restated 2010 R'm	Company 2011 R'm	Company 2010 R'm
CONTINUING OPERATIONS					
Revenue	16	**7 686,3**	7 271,0	**–**	–
Cost of sales		**4 234,1**	4 232,2	**–**	–
Gross profit		**3 452,2**	3 038,8	**–**	–
Selling and administrative expenses		**2 329,3**	2 143,7	**14,4**	4,5
Operating profit/(loss) before capital items	17	**1 122,9**	895,1	**(14,4)**	(4,5)
Income from investments	18	**12,9**	11,1	**825,3**	237,4
Finance costs	19	**52,7**	96,7	**0,7**	0,7
Share of equity-accounted profit of joint ventures	20	**36,1**	40,0	**–**	–
Capital items	21	**(21,2)**	(8,3)	**(17,0)**	0,6
Profit before taxation		**1 098,0**	841,2	**793,2**	232,8
Taxation	22	**363,0**	275,9	**33,2**	13,8
Profit from continuing operations		**735,0**	565,3	**760,0**	219,0
DISCONTINUED OPERATIONS					
Revenue	16	**683,6**	689,3	**–**	–
Operating profit/(loss) before capital items		**12,5**	(4,7)	**–**	–
Income from investments	18	**4,3**	5,1		
Finance costs	19	**10,6**	16,2	**–**	–
Capital items	21	**(54,0)**	(76,5)	**–**	–
Loss before taxation		**(47,8)**	(92,3)	**–**	–
Taxation	22	**(10,6)**	1,3	**–**	–
Loss from discontinued operations		**(37,2)**	(93,6)	**–**	–
Profit for the year		**697,8**	471,7	**760,0**	219,0
Other comprehensive income/(expense), net of tax:		**25,1**	8,4	**–**	–
Foreign currency translation differences		**15,9**	(31,0)	**–**	–
Cash flow hedging reserve		**12,8**	54,9	**–**	–
Income tax on other comprehensive income		**(3,6)**	(15,5)	**–**	–
Total comprehensive income for the year		**722,9**	480,1	**760,0**	219,0
Profit attributable to:					
Owners of AVI		**697,8**	468,2		
Non-controlling interest		**–**	3,5		
		697,8	471,7		
Total comprehensive income attributable to:					
Owners of AVI		**722,9**	476,6		
Non-controlling interest		**–**	3,5		
		722,9	480,1		
Basic earnings per share from continuing operations (cents)	30	**242,9**	187,5		
Diluted earnings per share from continuing operations (cents)	30	**234,8**	180,9		
Basic earnings per share from total operations (cents)	30	**230,6**	156,3		
Diluted earnings per share from total operations (cents)	30	**222,8**	150,8		

Details of the headline earnings and dividends declared per ordinary share are given in notes 30 and 31 to the financial statements on pages 114 and 115.

Discontinued operations comprise the Argentinean hake and shrimp operations conducted by Alpesca, a wholly owned subsidiary of I&J, that was sold in May 2011, as well as the fresh, canned and value-added mushroom business conducted by Denny, which was disposed of with effect from 1 July 2011, subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No 89 of 1998, as amended, which was received on 31 August 2011.

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2011	Notes	Group 2011 R'm	Group Restated 2010 R'm	Company 2011 R'm	Company 2010 R'm
Continuing operations					
Cash flows from/(utilised by) operating activities					
Cash generated by/(utilised in) operations	23	**1 372,1**	1 105,5	**(5,1)**	(4,5)
Decrease/(increase) in working capital	24	**21,5**	21,3	**(20,1)**	255,4
Cash generated by/(utilised in) operating activities		**1 393,6**	1 126,8	**(25,2)**	250,9
Interest paid		**(50,9)**	(93,9)	**–**	–
Taxation paid	25	**(330,1)**	(250,3)	**(33,9)**	(13,7)
Net cash available from/(utilised in) operating activities		**1 012,6**	782,6	**(59,1)**	237,2
Investing activities					
Cash flow from investments		**15,0**	13,7	**830,0**	242,6
– Interest received		**15,0**	13,7	**–**	–
– Dividends received		**–**	–	**830,0**	242,6
Acquisition of property, plant and equipment		**(412,7)**	(329,8)	**–**	–
Proceeds from disposals of property, plant and equipment		**4,9**	9,7	**–**	–
Investments – net disposals/(acquisitions)		**68,2**	18,8	**12,1**	(197,3)
– subsidiaries and businesses (net of cash acquired)	27	**14,4**	–	**–**	–
– decrease/(increase) in amounts owing by subsidiary companies		**–**	–	**12,1**	(197,3)
– associated companies, joint ventures and other investments	28	**53,8**	18,8	**–**	–
Net cash (utilised in)/generated by investing activities		**(324,6)**	(287,6)	**842,1**	45,3
Financing activities					
Treasury share loan repaid by subsidiary from dividends received		**–**	–	**32,0**	15,7
Increase in shareholder funding	29	**38,4**	47,0	**–**	12,9
Long-term borrowings repaid		**–**	(1,3)	**–**	–
Short-term funding repaid		**(218,3)**	(145,6)	**–**	–
Own ordinary shares purchased by Company		**(169,2)**	–	**(169,2)**	–
Capital repayment		**(226,6)**	–	**(261,8)**	–
Dividends paid	26	**(335,6)**	(272,4)	**(384,1)**	(312,1)
Net cash used in financing activities		**(911,3)**	(372,3)	**(783,1)**	(283,5)
Discontinued operations*					
Cash flows from operating activities		**21,6**	30,3	**–**	–
Cash flows generated by investing activities		**8,7**	2,3	**–**	–
Cash flows used in financing activities		**(73,8)**	(61,7)	**–**	–
Proceeds on disposal of discontinued operations	27	**69,6**	–	**–**	–
		26,1	(29,1)	**–**	–
(Decrease)/increase in cash and cash equivalents		**(197,2)**	93,6	**(0,1)**	(1,0)
Cash and cash equivalents at the beginning of year		**598,0**	529,7	**0,5**	1,5
Net increase/(decrease) as a result of the translation of the cash equivalents of foreign subsidiaries		**3,3**	(25,3)	**–**	–
Cash and cash equivalents at end of year		**404,1**	598,0	**0,4**	0,5
Continuing operations***		**380,1**	589,3	**0,4**	0,5
Discontinued operations**		**24,0**	8,7	**–**	–

* *Discontinued operations comprise the Argentinian hake and shrimp operations conducted by Alpesca, a wholly owned subsidiary of I&J, that was sold in May 2011 as well as the fresh, canned and value-added mushroom business conducted by Denny, which was disposed of with effect from 1 July 2011, subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No. 89 of 1998, as amended which was received on 31 August 2011.*

** *Cash flows between continuing and discontinued operations are eliminated on consolidation. These amounted to a R41,9 million net cash flow from discontinued operations to continuing operations in 2011. In the previous year the net cash flow from continuing operations to discontinued operations was R13,8 million.*

*** *Cash and cash equivalents of R589,3 million in 2010 include R31,1 million in respect of Denny which has been reflected as part of the discontinued operation in the 2010 statements of comprehensive income and cash flows.*

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2011	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	Premium on transactions with non-controlling interest R'm	Total R'm	Non-controlling interest R'm	Total equity R'm
GROUP								
Balance at beginning of year	183,9	(682,0)	73,2	3 381,7	(2,7)	2 954,1	(19,8)	2 934,3
Total comprehensive income for the year								
Profit for the year	–	–	–	697,8	–	697,8	–	697,8
Other comprehensive income								
Foreign currency translation differences	–	–	15,9	–	–	15,9	–	15,9
Cash flow hedging reserve, net of tax	–	–	9,2	–	–	9,2	–	9,2
Total other comprehensive income for the year	–	–	25,1	–	–	25,1	–	25,1
Total comprehensive income for the year	–	–	25,1	697,8	–	722,9	–	722,9
Transactions with owners recorded directly in equity								
Contribution by and distribution to owners								
Share-based payments	–	–	25,7	–	–	25,7	–	25,7
Deferred taxation on Group share scheme recharge	–	–	9,9	–	–	9,9	–	9,9
Dividends paid	–	–	–	(335,6)	–	(335,6)	–	(335,6)
Capital repayment	(261,8)	35,2	–	–	–	(226,6)	–	(226,6)
Issue of ordinary shares to Company's Share Trust	107,8	(107,8)	–	–	–	–	–	–
Own ordinary shares purchased by Company	(0,4)	–	–	(269,5)	–	(269,9)	–	(269,9)
Own ordinary shares sold by Company's Share Trusts	–	46,8	–	(8,4)	–	38,4	–	38,4
Total transactions with owners	(154,4)	(25,8)	35,6	(613,5)	–	(758,1)	–	(758,1)
Balance at end of year	29,5	(707,8)	133,9	3 466,0	(2,7)	2 918,9	(19,8)	2 899,1

	Share capital and premium R'm	Treasury share loan* R'm	Reserves R'm	Retained earnings R'm	Total R'm
COMPANY					
Balance at beginning of year	183,9	(276,0)	83,6	2 120,5	2 112,0
Total comprehensive income for the year					
Profit for the year	–	–	–	760,0	760,0
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners					
Share-based payments	–	–	25,7	–	25,7
Dividends paid	–	–	–	(384,1)	(384,1)
Capital repayment	(261,8)	–	–	–	(261,8)
Issue of ordinary shares to Company's Share Trust	107,8	–	–	–	107,8
Own ordinary shares purchased by Company	(0,4)	–	–	(269,5)	(269,9)
Amounts repaid by subsidiary from dividends received	–	32,0	–	–	32,0
Total transactions with owners	(154,4)	32,0	25,7	(653,6)	(750,3)
Balance at end of year	29,5	(244,0)	109,3	2 226,9	2 121,7

*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

For the year ended 30 June 2010	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	Premium on transactions with non-controlling interest R'm	Total R'm	Non-controlling interest R'm	Total equity R'm
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, net of tax	–	–	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 R'm	Treasury share loan* R'm	Reserves R'm	Retained earnings R'm	Total R'm
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.*

	Group 2011						
	Land R'm	Buildings R'm	Plant and machinery R'm	Motor vehicles, furniture and equip-ment R'm	Vessels R'm	Equip-ment subject to finance leases R'm	Total R'm
1. Property, plant and equipment							
Cost							
At beginning of year	88,4	358,9	1 234,2	690,5	450,3	4,3	2 826,6
Additions	–	35,4	212,3	160,0	14,3	–	422,0
Disposals	–	(0,3)	(27,4)	(48,8)	(27,9)	(3,4)	(107,8)
Realignment of currencies	–	(0,1)	(0,2)	(0,4)	–	–	(0,7)
Applicable to subsidiary sold	–	(1,5)	(10,7)	(10,3)	–	–	(22,5)
Transfer to assets held-for-sale	(6,4)	(30,1)	(138,9)	(22,8)	–	–	(198,2)
At end of year	82,0	362,3	1 269,3	768,2	436,7	0,9	2 919,4
Accumulated depreciation and impairment charges							
At beginning of year	–	69,3	748,8	418,2	245,6	4,3	1 486,2
Disposals	–	(0,2)	(25,5)	(45,3)	(27,0)	(3,4)	(101,4)
Realignment of currencies	–	(0,1)	(0,1)	(0,2)	–	–	(0,4)
Reclassification of assets	–	–	0,4	–	–	(0,4)	–
Applicable to subsidiary sold	–	(0,1)	(5,5)	(4,3)	–	–	(9,9)
Transfer to assets held-for-sale	–	(8,8)	(100,7)	(11,9)	–	–	(121,4)
Depreciation charge for the year	–	9,2	76,9	89,2	27,2	0,1	202,6
Impairment charge for the year	–	–	2,7	1,5	–	–	4,2
At end of year	–	69,3	697,0	447,2	245,8	0,6	1 459,9
Net carrying value							
At beginning of previous year	35,6	232,4	464,5	252,1	220,4	0,1	1 205,1
At end of previous year	88,4	289,6	485,4	272,3	204,7	–	1 340,4
At end of current year	82,0	293,0	572,3	321,0	190,9	0,3	1 459,5

1. Property, plant and equipment continued

	Group 2010						
	Land R'm	Buildings R'm	Plant and machinery R'm	Motor vehicles, furniture and equipment R'm	Vessels R'm	Equipment subject to finance leases R'm	Total R'm
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 2011 R'm	2010 R'm
Land comprises:		
Freehold	**82,0**	88,4

- The current estimated useful lives of property, plant and equipment are reflected under accounting policies on page 77.
- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2011 was R232,2 million (2010: R83,0 million).
- The original cost of fully depreciated plant and equipment that was still in use at 30 June 2011 was R643,6 million (2010: R652,5 million).
- Property, plant and equipment with a carrying value of R24,4 million (2010: R24,7 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, machinery and equipment.
- 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.
- The transfer of assets to held-for-sale in the current year is the result of the reclassification of Denny to discontinued operations as a result of its disposal which was effective 1 July 2011. The disposal is subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No. 89 of 1998, as amended, which was received on 31 August 2011. Included in the depreciation charges above are the following amounts in respect of Denny which have been included in the results of discontinued operations in the respective years:

	2011 R'm	2010 R'm
Depreciation charge for the year	**11,1**	11,0

	Group 2011				
	Goodwill R'm	Fishing rights R'm	Trademarks and licence agreements R'm	Customer relation-ships and contracts R'm	Total R'm
2. Intangible assets and goodwill					
Cost					
At beginning of year	632,4	4,7	337,1	16,0	990,2
Transfer to assets held-for-sale*	(103,0)	–	(38,9)	–	(141,9)
Applicable to subsidiary sold	(16,0)	–	(2,8)	(0,7)	(19,5)
At end of year	513,4	4,7	295,4	15,3	828,8
Accumulated amortisation and impairment charges					
At beginning of year	36,4	1,1	22,2	7,1	66,8
Applicable to subsidiary sold	–	–	(0,8)	(0,7)	(1,5)
Amortisation charge for the year	–	0,2	2,5	1,4	4,1
At end of year	36,4	1,3	23,9	7,8	69,4
Net carrying value					
At beginning of previous year	593,7	3,9	317,5	10,3	925,4
At end of previous year	596,0	3,6	314,9	8,9	923,4
At end of current year	477,0	3,4	271,5	7,5	759,4

* *The transfer of assets to held-for-sale in the current year is the result of the reclassification of Denny to discontinued operations as a result of its disposal which was effective 1 July 2011. The disposal is subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No. 89 of 1998, as amended, which was received on 31 August 2011. As the trademarks transferred were considered to have indefinite lives, none of the current or prior year amortisation charge for the year relates to Denny assets transferred.*

Useful lives

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

Trademarks comprise well-established growing brands. Included in 2010 are trademarks with a carrying value of R2,2 million that were being amortised over a period of 25 years. During the current year, these trademarks were disposed of and therefore the remaining 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 (2010: R30,0 million) have been ceded as security for interest-bearing borrowings.

	Group 2010				
	Goodwill R'm	Fishing rights R'm	Trademarks and licence agreements R'm	Customer relation-ships and contracts R'm	Total R'm

2. Intangible assets and goodwill continued

	Goodwill R'm	Fishing rights R'm	Trademarks and licence agreements R'm	Customer relation-ships and contracts R'm	Total R'm
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 depreciation 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

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	
	2011 R'm	2010 R'm
A&D Spitz	**449,2**	449,2
Denny Mushrooms	**–**	101,6
House of Coffees	**15,3**	15,3
Baker Street Snacks	**12,5**	12,5
	477,0	578,6
Multiple units without significant goodwill	**–**	17,4
	477,0	596,0

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 12% and 17% (2010: 13% and 17%) depending on the business's risk profile. Perpetuity growth rates were set at 5% (2010: 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

During the year ended 30 June 2011, no impairment losses were recognised (2010: Rnil).

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm

3. Deferred taxation

	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
Balance at beginning of year, being a net asset	**(8,1)**	(9,1)	**(0,3)**	(0,4)
Charge to profit or loss	**(23,1)**	(16,5)	**(0,7)**	0,1
– current year – temporary differences	**(20,1)**	(13,5)	**–**	–
– deferred taxation on STC credits	**(0,8)**	1,5	**(0,7)**	0,1
– prior year overprovision	**(2,2)**	(4,5)	**–**	–
Disposal of Alpesca and Sir Juice	**76,5**	–	**–**	–
Realignment of currencies recognised directly in equity	**(0,8)**	2,0	**–**	–
Reserve movements in respect of cash flow hedging recognised directly in other comprehensive income	**3,6**	15,5	**–**	–
Reserve movements in respect of Group share scheme recharge arrangements	**(9,9)**	–	**–**	–
Balance at end of year, being a net liability/(asset)	**38,2**	(8,1)	**(1,0)**	(0,3)
– Continuing operations	**10,1**	53,6		
– Discontinued operations	**28,1**	(61,7)		
Balance at end of year comprises:				
Accelerated capital allowances	**138,1**	147,9	**–**	–
Intangible assets temporary differences	**67,4**	81,5	**–**	–
Provisions and other temporary differences:	**(140,8)**	(132,4)	**–**	–
– post-retirement medical aid	**(86,2)**	(84,2)	**–**	–
– leave pay and bonus accruals	**(44,8)**	(39,3)	**–**	–
– other deductible temporary differences	**(9,8)**	(8,9)	**–**	–
Cash flow hedge reserve	**(2,6)**	(6,2)	**–**	–
Group share scheme recharge receivable	**(13,3)**	–	**–**	–
Unused tax losses	**(36,9)**	(36,2)	**–**	–
Unused credits in respect of STC	**(1,8)**	(1,0)	**(1,0)**	(0,3)
	10,1	53,6	**(1,0)**	(0,3)
Deferred taxation is recognised at the following rates:				
South African operations – 28% (2010: 28%)	**11,6**	54,3	**–**	–
Foreign operations at average rate – 35% (2010: 29,9%)	**0,3**	0,3	**–**	–
Secondary taxation on companies – 10% (2010: 10%)	**(1,8)**	(1,0)	**(1,0)**	(0,3)
	10,1	53,6	**(1,0)**	(0,3)
Reflected as:				
Deferred taxation asset	**66,1**	60,0	**1,0**	0,3
Deferred taxation liability	**76,2**	113,6	**–**	–

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	
	2011 R'm	2010 R'm
The estimated losses which are available for the reduction of future taxable income are:	**288,2**	264,5
of which has been taken into account in calculating deferred taxation:	**131,8**	129,3
The shareholders' interest in the estimated tax losses not yet recognised is therefore:	**156,4**	135,2

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	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
4. Inventories				
Raw materials	**236,0**	243,8	**–**	–
Consumable stores	**56,2**	53,4	**–**	–
Work in progress	**8,6**	21,6	**–**	–
Manufactured finished goods	**353,6**	327,1	**–**	–
Merchandise – finished goods purchased for resale	**250,4**	219,0	**–**	–
	904,8	864,9	**–**	–

	Group		
	Mushrooms R'm	Abalone R'm	Total R'm

5. Biological assets

	Mushrooms R'm	Abalone R'm	Total R'm
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)
Gains arising from change in fair value due to physical change	82,4	22,5	104,9
Losses arising from change in fair value less estimated costs to sell attributable to price changes	–	(1,1)	(1,1)
Effect of movement in exchange rates	–	(0,2)	(0,2)
Balance at 30 June 2010	15,5	38,0	53,5
Balance at 1 July 2010	**15,5**	**38,0**	**53,5**
Increase due to purchases	**1,4**	**20,5**	**21,9**
Transferred for processing and sold	**(91,7)**	**(38,5)**	**(130,2)**
Harvested items moved to inventory	**(1,9)**	**–**	**(1,9)**
Gains arising from change in fair value due to physical change	**92,5**	**21,7**	**114,2**
Losses arising from change in fair value less estimated costs to sell attributable to price changes	**–**	**(0,7)**	**(0,7)**
Effect of movement in exchange rates	**–**	**(2,7)**	**(2,7)**
Transfer to assets held-for-sale*	**(15,8)**	**–**	**(15,8)**
Balance at 30 June 2011	**–**	**38,3**	**38,3**

	Kilograms	Animals
Standing volume	**185 497**	**8 794 662**
Volume harvested/sold in current year	**9 306 420**	**1 572 850**

* *The transfer of assets to held-for-sale in the current year is the result of the reclassification of Denny to discontinued operations as a result of its disposal which was effective 1 July 2011. The disposal is subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No 89 of 1998, as amended, which was received on 31 August 2011. All movements impacting profit or loss in respect of mushrooms have been included as part of the results from discontinued operations in both 2010 and 2011.*

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
6. Trade and other receivables				
Trade accounts	**1 080,4**	1 122,7	**–**	–
Short-term portion of Group share scheme recharge receivable (Note 33)	**–**	–	**41,2**	–
Other receivables	**54,4**	38,3	**468,1**	339,7
Prepayments	**12,5**	31,4	**–**	–
	1 147,3	1 192,4	**509,3**	339,7
Allowance for credit notes and discounts	**35,8**	44,5	**–**	–
Impairment losses allowance	**10,7**	9,8	**–**	–
	1 100,8	1 138,1	**509,3**	339,7
7. Assets and liabilities classified as held-for-sale				
Assets	**348,1**	293,2	**144,1**	–
– continuing operations	**3,8**	4,4	**–**	–
– discontinued operations	**344,3**	288,8	**144,1**	–
Liabilities	**(86,0)**	(163,7)	**–**	–
– continuing operations	**(1,1)**	(1,3)	**–**	–
– discontinued operations	**(84,9)**	(162,4)	**–**	–
7.1 Continuing operations				
Assets				
Property, plant and equipment	**3,8**	4,4	**–**	–
	3,8	4,4	**–**	–
Liabilities				
Trade and other payables	**(1,1)**	(1,3)	**–**	–
	(1,1)	(1,3)	**–**	–

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

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

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

Group

The discontinued operation in 2010 comprised the Argentinian hake and shrimp operations conducted by Alpesca s.a., a wholly owned subsidiary of Irvin & Johnson Holding Company (Pty) Limited, that was sold in May 2011. In 2011, discontinued operations comprise the fresh, canned and value-added mushroom business conducted by Denny, which was disposed of with effect from 1 July 2011. The Denny disposal is subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No 89 of 1998, as amended, which was received on 31 August 2011.

	30 June 2011		30 June 2010	
	Denny 2011 R'm	**Alpesca 2011 R'm**	Denny 2010 R'm	Alpesca 2010 R'm
Assets				
Property, plant and equipment	**76,8**	**–**	–	119,0
Intangible assets	**141,9**	**–**	–	55,8
Deferred tax	**–**	**–**	–	61,7
Inventories, including biological assets	**44,1**	**–**	–	35,2
Trade and other receivables	**57,5**	**–**	–	74,4
Cash and cash equivalents	**24,0**	**–**	–	8,7
Non-current asset held-for-sale	**–**	**–**	–	10,5
Impairment of assets of discontinued operation*	**–**	**–**	–	(76,5)
Total assets	**344,3**	**–**	–	288,8
Liabilities				
Non-current borrowings	**–**	**–**	–	(3,0)
Deferred tax	**(28,1)**	**–**	–	–
Provisions	**(6,6)**	**–**	–	(24,7)
Short-term borrowings	**–**	**–**	–	(51,6)
Trade and other payables	**(49,9)**	**–**	–	(83,1)
Corporate taxation	**(0,3)**	**–**	–	–
Total liabilities	**(84,9)**	**–**	–	(162,4)

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 loss of USD10 million (R76,5 million) was 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.*

	2011 R'm	2010 R'm
Company		
Investment in Denny classified as held-for-sale (Note 36)	**144,1**	–

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

7.3 Results of discontinued operations

The results of discontinued operations comprise the Argentinian hake and shrimp operations conducted by Alpesca s.a., a wholly owned subsidiary of Irvin & Johnson Holding Company (Pty) Limited, that was sold in May 2011, as well as the fresh, canned and value-added mushroom business conducted by Denny, which was disposed of with effect from 1 July 2011.

	30 June 2011			30 June 2010 (Restated)		
	Denny 2011 R'm	Alpesca 2011 R'm	Total 2011 R'm	Denny 2010 R'm	Alpesca 2010 R'm	Total 2010 R'm
Revenue	385,2	298,4	683,6	359,9	329,4	689,3
Operating profit/(loss) before capital items	50,0	(37,5)	12,5	45,9	(50,6)	(4,7)
Income from investments	4,3	–	4,3	5,1	–	5,1
Finance costs	7,5	3,1	10,6	12,6	3,6	16,2
Capital items	(0,4)	(53,6)	(54,0)	1,1	(77,6)	(76,5)
Loss before taxation	46,4	(94,2)	(47,8)	39,5	(131,8)	(92,3)
Taxation	14,3	(24,9)	(10,6)	11,3	(10,0)	1,3
Loss from discontinued operations	32,1	(69,3)	(37,2)	28,2	(121,8)	(93,6)

7.4 Impact of the Denny disposal

Subsequent to the year-end, AVI entered into an agreement in terms of which it sold 100% of the issued share capital of and AVI's shareholder claims against Denny to Blue Falcon 134 Trading Proprietary Limited ("Blue Falcon") for a consideration of R263,5 million. Blue Falcon's shareholders include RMB Ventures Six Proprietary Limited, an indirect subsidiary of FirstRand Limited, which holds a 49,9% interest therein, and Denny's executive management team.

Denny is the leading producer of fresh, canned and value-added mushroom products in South Africa, with a market share exceeding 50%. While Denny is a sound business with the leading national brand in the fresh and canned mushroom categories, the importance of branding in the fresh to market produce segment in general and in the fresh mushroom segment in particular has declined over the past several years, and this category is no longer strategically aligned to AVI's growth ambitions.

The effective date of the transaction is 1 July 2011. The transaction is subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No 89 of 1998, as amended, which was received on 31 August 2011. Denny has been disclosed as a discontinued operation in AVI's results for the year ended 30 June 2011 and comparatives for the year ended 30 June 2010 have been restated accordingly.

	Group and Company	
	2011 R'm	2010 R'm

8. Share capital and premium

	2011 R'm	2010 R'm
Share capital		
Authorised		
Ordinary share capital		
960 000 000 (2010: 960 000 000) ordinary shares of 5 cents each	**48,0**	48,0
Preference share capital		
10 000 000 (2010: 10 000 000) convertible redeemable preference shares of 20 cents each	**2,0**	2,0
Total authorised share capital	**50,0**	50,0
Issued		
340 123 175 (2010: 343 482 129) ordinary shares of 5 cents each	**17,0**	17,1
Total issued share capital	**17,0**	17,1
Share premium		
Balance at beginning of year	**166,8**	153,9
Premium on issue of ordinary shares to Company's Share Trusts	**107,5**	12,9
Capital repayment out of share premium	**(261,8)**	–
Balance at end of year	**12,5**	166,8
Total issued share capital and premium	**29,5**	183,9

	Group	
	2011 R'm	2010 R'm
Treasury shares		
Balance at beginning of year	**(682,0)**	(710,5)
Issue of ordinary shares to Company's Share Trust	**(107,8)**	(12,9)
Capital repayment received	**35,2**	–
Net own ordinary shares sold by the Company's Share Trusts and subsidiary during the year	**46,8**	41,4
Balance at end of year	**(707,8)**	(682,0)

	Group and Company	
	2011 Number	2010 Number
The number of ordinary shares in issue is summarised as follows:		
Total issued shares	**349 107 644**	343 482 129
Less: Shares repurchased by Company and subsequently delisted	**8 984 469**	–
	340 123 175	343 482 129
Less: Shares held by the Company's Share Trusts and subsidiary	**45 001 861**	42 244 542
	295 121 314	301 237 587

9. Reserves

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
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	(8,1)	(17,3)	–	–
Foreign currency translation reserve	22,8	6,9	–	–
Share-based payment reserve	115,7	80,1	105,8	80,1
	133,9	73,2	109,3	83,6

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.

10. Financial liabilities and borrowings

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Loan secured by cession of rights under an international trademark licensing agreement	10,6	13,3	–	–
Finance lease liabilities	11,1	16,5	–	–
Total secured loans	21,7	29,8	–	–
Deferred purchase consideration	–	3,4	–	–
Unsecured loans	31,4	529,6	–	–
Total borrowings	53,1	562,8	–	–
Amount repayable within one year included in current borrowings (Note 13)	9,8	511,5	–	–
	43,3	51,3	–	–

10. Financial liabilities and borrowings continued

Interest rates and years of repayment

	Group						
			Repayable during the year ending 30 June				
	Rate of interest %	**Total borrowings 2011 R'm**	2012 R'm	2013 R'm	2014 R'm	2015 R'm	2016 onwards R'm
Secured loans	12 – 13	**10,6**	3,1	3,5	4,0	–	–
Finance lease liabilities	5 – 14	**11,1**	6,7	4,4	–	–	–
Unsecured loans		**31,4**	–	–	–	–	31,4
	0	**7,0**	–	–	–	–	7,0
	7 – 9	**24,4**	–	–	–	–	24,4
		53,1	9,8	7,9	4,0	–	31,4

			Repayable during the year ending 30 June				
	Rate of interest %	Total borrowings 2010 R'm	2011 R'm	2012 R'm	2013 R'm	2014 R'm	2015 onwards R'm
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

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
The borrowings are in the following currencies:				
– South African rand	**53,1**	562,8	**–**	–

	Group	
	2011 R'm	2010 R'm

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 2011 and projected to 30 June 2011.

The principal actuarial assumptions used were:

Discount rate	8,25% (2010: 9,00%)
Medical inflation	6,75% (2010: 7,50%)

	Group 2011 R'm	Group 2010 R'm
Actuarially determined present value of unfunded obligations	**390,3**	372,1
Unrecognised actuarial loss	**(71,5)**	(66,0)
Net liability in balance sheet	**318,8**	306,1
Reflected as part of:		
– Continuing operations	**313,5**	306,1
– Discontinued operations	**5,3**	–
	318,8	306,1
Balance at beginning of year	**306,1**	303,7
Transfer from profit or loss – operating profit	**39,0**	25,6
– Current service cost	**1,7**	1,7
– Interest cost	**32,0**	24,1
– Actuarial loss/(gain) recognised	**5,3**	(0,2)
Contributions paid	**(26,3)**	(23,2)
Transfer to assets held-for-sale*	**(5,3)**	–
Balance at end of year	**313,5**	306,1
Amount payable within one year included under trade and other payables (Note 15)	**(37,4)**	(24,3)
	276,1	281,8
Share-based payment obligations		
– cash settled	**1,7**	3,0
– earnings-linked performance bonuses	**8,9**	8,0
	10,6	11,0
	286,7	292,8

** The transfer to assets held-for-sale in the current year is the result of the reclassification of Denny to discontinued operations as a result of its disposal which was effective 1 July 2011. The current year transfer from profit or loss of R39,0 million includes a portion of the transfer attributable to Denny which has been included in the results of the discontinued operations. The transfer in respect of Denny was as follows:*

	Denny 2011 R'm	Denny 2010 R'm
Transfer from profit or loss – operating profit	**0,2**	0,2

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 R'm	One percentage point decrease R'm
Effect on present value of the actuarially determined defined benefit obligation	45,5	(38,4)
Effect on the aggregate service and interest cost	4,1	(3,5)

	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm
Historical information					
Present value of the defined benefit obligation	**390,3**	372,1	345,6	327,4	312,2
Actuarial loss/(gain) recognised	**5,3**	(0,2)	(1,1)	2,9	0,7

	Group	
	2012 R'm	2011 R'm
Expected future expense		
Current service cost	**1,5**	1,7
Interest cost	**31,1**	32,1
Actuarial loss recognised	**5,0**	4,1
Transfer from profit and loss – operating profit	**37,6**	37,9

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
12. Operating lease straight-line liability				
Balance at beginning of year	**13,8**	11,9	**–**	–
Transfer to assets held-for-sale*	**(0,2)**	–	**–**	–
Current portion included in trade and other payables (Note 15)	**(0,3)**	–	**–**	–
Recognised in profit or loss	**(0,8)**	1,9	**–**	–
Balance at end of year	**12,5**	13,8	**–**	–
**The transfer to assets held-for-sale in the current year is the result of the reclassification of Denny to discontinued operations as a result of its disposal which was effective 1 July 2011. The current year income of R0,8 million (2010: expense of R1,9 million) recognised in profit or loss includes a current year charge of R0,1 million (2010: income R0,1 million) in respect of Denny which has been included in the results of the discontinued operations.*				
13. Current borrowings				
Overdrafts and other current borrowings	**573,2**	336,6	**–**	–
Current portion of interest-bearing borrowings (Note 10)	**9,8**	511,5	**–**	–
	583,0	848,1	**–**	–
14. Other financial liabilities including derivatives				
FEC cash flow hedge liability	**15,0**	22,8	**–**	–
Fuel oil swap	**–**	3,7	**–**	–
Interest rate swap cash flow hedge liability	**–**	3,5	**–**	–
Liability for impairment loss in subsidiary for recapitalisation	**–**	–	**22,6**	5,6
	15,0	30,0	**22,6**	5,6
15. Trade and other payables				
Trade accounts	**671,8**	599,2	**–**	–
Earnings-linked performance bonuses	**31,1**	26,5	**–**	–
Other payables and accrued expenses	**523,5**	503,4	**14,3**	13,1
Operating lease straight-line liability falling due within one year (Note 12)	**0,3**	–	**–**	–
Post-retirement liabilities falling due within one year (Note 11)	**37,4**	24,3	**–**	–
	1 264,1	1 153,4	**14,3**	13,1

	Group	
	2011 R'm	Restated 2010 R'm

16. Revenue

	2011 R'm	Restated 2010 R'm
Group revenue comprises the following excluding value-added tax:		
– Sale of goods	**8 321,8**	7 919,7
– Services, fees and royalties	**48,1**	40,6
	8 369,9	7 960,3
	8 369,9	7 960,3
Continuing operations	**7 686,3**	7 271,0
Discontinued operations	**683,6**	689,3

A segmental and geographical analysis of Group revenue is given on pages 66 and 67 in the segment report.

	Group	
	2011 R'm	Restated 2010 R'm

17. Operating profit before capital items – continuing operations

	2011 R'm	Restated 2010 R'm
In arriving at the operating profit/(loss) before capital items, the following have been taken into account:		
Amortisation	**4,1**	4,3
– fishing rights	**0,2**	0,3
– trademarks	**2,5**	2,6
– customer relationships	**1,4**	1,4
Auditors' remuneration		
– fees for audit	**9,4**	10,7
– fees for other services	**1,4**	1,7
– taxation services and consultations	**0,9**	1,3
– other	**0,5**	0,4
Depreciation of property, plant and equipment	**191,5**	175,4
– buildings	**9,2**	8,3
– plant, equipment and vehicles	**166,1**	148,8
– vessels	**27,2**	29,2
– equipment subject to finance lease	**0,1**	0,1
Less: Applicable to discontinued operation	**(11,1)**	(11,0)
Employment costs (Note 33)	**1 516,8**	1 411,4
Foreign exchange profit	**–**	(0,5)
Operating lease expenses	**109,7**	115,5
– property	**103,2**	107,4
– plant, equipment and vehicles	**6,5**	8,1
(Surplus)/deficit on adjustment of inventory to net realisable value	**(0,7)**	3,0
Remuneration for services	**30,0**	33,8
– administrative, financial, managerial and secretarial fees	**24,0**	25,7
– technical fees	**6,0**	8,1
Research and development costs	**49,3**	47,0

	Company 2011 R'm	Company 2010 R'm
17. Operating profit before capital items – continuing operations continued		
Auditors' remuneration		
– fees for audit	**0,2**	0,2
Reduction in preference dividend accrual recognised	**9,3**	–
Administrative, financial, managerial and secretarial fees	**0,4**	0,3

Note
Details of the directors' remuneration is given in the directors' remuneration report of page 64.

	Group 2011 R'm	Group Restated 2010 R'm	Company 2011 R'm	Company 2010 R'm
18. Income from investments				
Dividends – unlisted companies	**–**	–	**825,3**	237,4
Interest	**17,2**	16,2	**–**	–
	17,2	16,2	**825,3**	237,4
Dividends were received from:				
– subsidiary companies	**–**	–	**824,0**	233,5
– other investments	**–**	–	**1,3**	3,9
	–	–	**825,3**	237,4
Continuing operations	**12,9**	11,1		
Discontinued operations	**4,3**	5,1		
19. Finance costs				
Borrowings	**(63,3)**	(112,9)	**(0,7)**	(0,7)
Continuing operations	**(52,7)**	(96,7)		
Discontinued operations	**(10,6)**	(16,2)		
20. Share of equity-accounted profit of joint ventures				
Equity-accounted profit of principal joint venture	**36,1**	40,4		
Equity-accounted loss of non-principal joint venture	**–**	(0,4)		
	36,1	40,0		

	Group		Company	
	2011 R'm	Restated 2010 R'm	**2011 R'm**	2010 R'm

21. Capital items

	Group 2011 R'm	Group Restated 2010 R'm	Company 2011 R'm	Company 2010 R'm
Net deficit on disposal of investments, properties, vessels, plant and equipment and assets held-for-sale of disposal group (Note 30)	**(1,2)**	(1,7)	**–**	–
Loss on the disposal of Sir Juice	**(12,4)**	–	**–**	–
Loss on the disposal of Alpesca	**(53,9)**	–	**–**	–
Impairment of investments in subsidiaries	**–**	–	**(17,0)**	(5,6)
Reversal of impairment of investment in subsidiary	**–**	–	**–**	6,2
Impairment of assets (Note 30)	**(7,7)**	(83,1)	**–**	–
	(75,2)	(84,8)	**(17,0)**	0,6
– Continuing operations	**(21,2)**	(8,3)	**(17,0)**	0,6
– Discontinued operations	**(54,0)**	(76,5)	**–**	–
Capital item attributable to non-controlling interests	**3,2**	–	**–**	–
Attributable taxation (Note 22)	**15,2**	3,2	**–**	–
	(56,8)	(81,6)	**(17,0)**	0,6

22. Taxation

	Group 2011 R'm	Group Restated 2010 R'm	Company 2011 R'm	Company 2010 R'm
South African normal taxation	**324,0**	241,1	**–**	–
Deferred taxation	**(20,1)**	(13,5)	**–**	–
Foreign taxation	**16,3**	24,2	**–**	–
Capital gains taxation	**2,4**	0,1	**–**	–
Secondary tax on companies				
– Current	**37,6**	28,2	**33,9**	13,7
– Deferred	**(0,8)**	1,5	**(0,7)**	0,1
Prior year (over)/underprovisions				
– Current	**(4,8)**	0,1	**–**	–
– Deferred	**(2,2)**	(4,5)	**–**	–
	352,4	277,2	**33,2**	13,8
Dealt with as follows:				
In respect of profit before capital items	**367,6**	280,4	**33,2**	13,8
In respect of capital items (Note 21)	**(15,2)**	(3,2)	**–**	–
	352,4	277,2	**33,2**	13,8
– Continuing operations	**363,0**	275,9		
– Discontinued operations	**(10,6)**	1,3		
	352,4	277,2		

22. Taxation continued

	Group		Company	
	2011	Restated 2010	**2011**	2010
	%	%	**%**	%
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 taxation	**0,2**	–	**–**	–
– Disallowable expenditure	**3,2**	2,8	**1,1**	0,6
– Effect of foreign taxes	**0,3**	0,2	**–**	–
– Exempt income	**(0,8)**	(0,8)	**(29,1)**	(28,6)
– Secondary tax on companies	**3,2**	3,5	**4,2**	5,9
– Tax losses incurred but not capitalised	**0,3**	0,7	**–**	–
– Recognition of previously unrecognised deferred tax asset	**(0,4)**	(0,8)	**–**	–
– Prior year overprovisions	**(0,6)**	(0,8)	**–**	–
– Other	**(0,3)**	–	**–**	–
Effective rate of taxation for the year (continuing operations)	**33,1**	32,8	**4,2**	5,9
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	**(3,3)**	(34,7)	**–**	–
– Effect of foreign taxes	**–**	8,9	**–**	–
– Exempt income	**–**	0,2	**–**	–
– Secondary tax on companies	**(2,7)**	–	**–**	–
– Capital gains taxation	**–**	(0,1)	**–**	–
– Impairment of assessed losses	**–**	(1,1)	**–**	–
– Prior year under/(over)provisions	**0,2**	(2,6)	**–**	–
Effective rate of taxation for the year (discontinued operations)	**22,2**	(1,4)	**–**	–

	Group		Company	
	2011 R'm	Restated 2010 R'm	**2011 R'm**	2010 R'm

23. Cash generated by/(utilised in) operations

	2011 R'm	Restated 2010 R'm	**2011 R'm**	2010 R'm
Operating profit/(loss) before capital items	**1 122,9**	895,1	**(14,4)**	(4,5)
Adjusted for:				
– non-cash items	**249,2**	210,4	**9,3**	–
– depreciation of property, plant and equipment	**191,5**	175,4	**–**	–
– amortisation of intangible assets	**4,1**	4,3	**–**	–
– foreign currency translations	**5,2**	(8,3)	**–**	–
– equity-settled share-based payments (Continuing operations)	**24,6**	21,2	**–**	–
– movement in provisions and other	**23,8**	17,8	**9,3**	–
Continuing operations	**1 372,1**	1 105,5	**(5,1)**	(4,5)

24. Decrease/(increase) in working capital

	2011 R'm	Restated 2010 R'm	**2011 R'm**	2010 R'm
(Increase)/decrease in inventories and biological assets	**(84,8)**	39,1	**–**	–
(Increase)/decrease in trade and other receivables	**(35,1)**	(69,3)	**(20,6)**	255,4
Increase in trade and other payables	**141,4**	51,5	**0,5**	–
Continuing operations	**21,5**	21,3	**(20,1)**	255,4

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	
	2011 R'm	Restated 2010 R'm	**2011 R'm**	2010 R'm

25. Taxation paid

	Group 2011 R'm	Group Restated 2010 R'm	Company 2011 R'm	Company 2010 R'm
Amount owing at beginning of year	**17,3**	13,4	**–**	–
Amount overpaid at beginning of year (including discontinued)	**(64,2)**	(86,6)	**–**	–
Net amount owing at beginning of year	**(46,9)**	(73,2)	**–**	–
	364,1	273,8	**33,9**	13,7
Charge per profit or loss (including discontinued)	**352,4**	277,2	**33,2**	13,8
Discontinued operations movements	**(11,4)**	(19,9)	**–**	–
Deferred taxation included therein (Note 3)	**23,1**	16,5	**0,7**	(0,1)
Disposal of Alpesca and Sir Juice	**15,2**	–	**–**	–
Other movements related to discontinued operations	**0,4**	2,6	**–**	–
Realignment of currencies	**0,6**	0,2	**–**	–
Net amount (owing)/prepaid at end of year	**(3,3)**	46,9	**–**	–
Amount owing at end of year	**(16,6)**	(17,3)	**–**	–
Amount (owing)/pre-paid at end of year – discontinued operations	**(0,3)**	14,9	**–**	–
Amount pre-paid at end of year	**13,6**	49,3	**–**	–
Amount paid during year	**330,1**	250,3	**33,9**	13,7

26. Dividends paid

	Group 2011 R'm	Group Restated 2010 R'm	Company 2011 R'm	Company 2010 R'm
Per statement of changes in equity	**335,6**	272,4	**384,1**	312,1

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm

27. Disposal/acquisition of subsidiaries and businesses

Continuing operations

Net assets of subsidiaries and businesses disposed/(acquired)				
Property, plant and equipment	**12,6**	–	**–**	–
Intangible assets – goodwill	**18,0**	–	**–**	–
Working capital	**(0,5)**	–	**–**	–
Cash and cash equivalents	**(1,8)**	–	**–**	–
Taxation – deferred and corporate	**0,2**	–	**–**	–
Operating lease straight-line liability	**(0,1)**	–	**–**	–
Short-term borrowings	**(3,4)**	–	**–**	–
	25,0	–	**–**	–
Net cash and cash equivalents included in disposal	**1,8**	–	**–**	–
Net assets disposed, net of cash acquired	**26,8**	–	**–**	–
Loss on disposal of subsidiary	**(12,4)**	–	**–**	–
Deferred purchase consideration at beginning of year	**–**	–	**–**	–
Imputed interest and goodwill adjustment	**–**	(3,4)	**–**	–
Deferred purchase consideration at end of year	**–**	3,4	**–**	–
Cash flow on disposal	**14,4**	–	**–**	–

Effective 10 November 2010, the Group and the management of Sir Juice entered into a sale of business agreement whereby the Group's entire interest in Sir Juice was disposed for a consideration of R12,7 million. The value of the net assets disposed at the effective date amounted to R25,0 million and consequently a capital loss of R12,4 million was incurred, before attributing the non-controlling interest's share of R2,9 million.

There were no other acquisitions or disposals during the year.

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
27. Disposal/acquisition of subsidiaries and businesses continued				
Discontinued operations				
Net assets of subsidiaries and businesses disposed				
Property, plant and equipment	**98,0**	–	**–**	–
Intangible assets – fishing rights	**48,8**	–	**–**	–
Deferred tax asset	**73,9**			
Working capital	**(2,5)**	–	**–**	–
Cash and cash equivalents	**3,5**	–	**–**	–
Interest-bearing borrowings	**(2,7)**			
Short-term borrowings	**(26,1)**	–	**–**	–
Impairment of discontinued operation	**(76,5)**	–	**–**	–
	116,4	–	**–**	–
Foreign currency translation adjustment on disposal	**7,1**	–	**–**	–
Net assets disposed	**123,5**	–	**–**	–
Loss on disposal of subsidiary	**(53,9)**	–	**–**	–
Cash flow on disposal	**69,6**	–	**–**	–

The disposal reflected under the discontinued operations relates to the I&J sale of shares in Alpesca to an Argentinian consortium during May 2011 for a consideration of USD10 million (R69,6 million) plus transfer of loan guarantees of USD4 million. Included in the Group results for the year ended 30 June 2011 is an after-tax capital loss of R40,8 million (before tax loss amounted to R53,9 million) in respect of the disposal.

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
28. Movement in joint ventures and other investments				
Repayment of funds invested by insurance cell captive	**37,0**	–	**–**	–
Loans repaid	**16,8**	18,8	**–**	–
	53,8	18,8	**–**	–
29. Increase in shareholder funding				
Net sale of own ordinary shares by the Company's Share Trusts	**38,4**	47,0	**–**	12,9

	Group			
	2011		2010 (Restated)	
	Gross R'm	Net of tax and non-controlling interests R'm	Gross R'm	Net of tax and non-controlling interests R'm

30. Earnings and headline earnings

The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 302 547 792 (2010: 299 493 387) ordinary shares in issue.

The diluted earnings and headline earnings per share are calculated on 313 191 990 (2010: 310 453 132) ordinary shares.

Determination of headline earnings

	Gross R'm (2011)	Net R'm (2011)	Gross R'm (2010)	Net R'm (2010)
Earnings		697,8		468,2
Attributable to:				
Continuing operations		735,0		561,8
Discontinued operations		(37,2)		(93,6)
Adjustment for capital items	(75,2)	(56,8)	(84,8)	(81,6)
Net deficit on disposal of investments, properties, vessels and plant and equipment	(1,0)	(1,0)	(0,6)	(0,2)
Net deficit on disposal of asset held-for-sale of disposal group	(0,2)	(0,2)	(1,1)	(0,1)
Net loss on disposal of Sir Juice	(12,4)	(9,3)	–	–
Net loss on disposal of Alpesca	(53,9)	(40,8)	–	–
Impairment of plant, equipment and vessels	(4,2)	(3,0)	(6,6)	(4,8)
Impairment of investment	(3,0)	(2,1)	–	–
Impairment of assets classified as held-for-sale	(0,5)	(0,4)	–	–
Impairment of disposal group held-for-sale	–	–	(76,5)	(76,5)
Headline earnings		754,6		549,8
Attributable to:				
Continuing operations		750,8		567,6
Discontinued operations		3,8		(17,8)
		754,6		549,8

	Group	
	2011 Number	2010 Number

30. Earnings and headline earnings continued

Reconciliation of weighted average number of ordinary shares	2011 Number	2010 Number
Issued shares at beginning of year	343 482 129	342 638 463
Effect of own shares held by trusts and subsidiary	(42 244 542)	(44 370 401)
Effect of shares acquired directly in the market	(259 280)	–
Effect of treasury shares sold in July – September	554 047	187 069
Effect of treasury shares sold in October – December	725 069	621 981
Effect of treasury shares sold in January – March	150 108	34 128
Effect of treasury shares sold in April – June	140 261	382 147
Weighted average number of ordinary shares	**302 547 792**	299 493 387
Effect of share options outstanding during the year in Incentive Scheme Trusts	1 671 003	859 443
Effect of share options outstanding during the year in the Black Empowerment Scheme Trust	7 028 551	2 023 787
Effect of Out-Performance Scheme instruments outstanding during the year	1 944 644	8 076 515
Weighted average diluted number of ordinary shares	**313 191 990**	310 453 132

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	
	2011 R'm	Restated 2010 R'm
Headline earnings per ordinary share	**249,4**	183,6
Attributable to:		
Continuing operations	248,2	189,4
Discontinued operations	1,2	(5,8)
Diluted headline earnings per ordinary share	**240,9**	177,1
Attributable to:		
Continuing operations	239,7	182,9
Discontinued operations	1,2	(5,8)
Earnings per ordinary share	**230,6**	156,3
Attributable to:		
Continuing operations	242,9	187,5
Discontinued operations	(12,3)	(31,2)
Diluted earnings per ordinary share	**222,8**	150,8
Attributable to:		
Continuing operations	234,8	180,9
Discontinued operations	(12,0)	(30,1)

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm

31. Dividends paid

Ordinary shares	Group 2011 R'm	Group 2010 R'm	Company 2011 R'm	Company 2010 R'm
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
No 72 of 61 cents, paid 4 October 2010	**184,1**		**209,5**	
No 73 of 50 cents, paid 4 April 2011	**151,5**		**174,6**	
	335,6	272,4	**384,1**	312,2

Dividend No 74 of 75 cents in respect of the year ended 30 June 2011 was declared on 2 September 2011 and is payable on 3 October 2011. 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.

32. Commitments and contingent liabilities

	Group 2011 R'm	Group Restated 2010 R'm
Commitments		
Capital commitments		
Capital expenditure authorised by the directors		
Property, plant and equipment*		
– contracted for	**182,6**	92,8
– not contracted for	**190,2**	153,9
	372,8	246,7

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**	Group 2011 R'm	Group Restated 2010 R'm
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**77,4**	71,6
Between two and five years	**119,1**	154,5
After five years	**60,4**	60,8
	256,9	286,9

** Not included in capital commitments in respect of property, plant and equipment are commitments of R1,6 million (2010: R1,1 million) relating to Denny which have been contracted for at 30 June 2011.*
*** Not included in operating lease commitments are commitments of R2,9 million (2010: R1,7 million) relating to Denny.*

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 Brands Proprietary Limited, with regard to the repayment of the secured loan of R10,6 million (2010: R13,3 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	
	2011 R'm	Restated 2010 R'm	**2011 R'm**	2010 R'm
33. Employee benefits				
Employment cost	**1 826,5**	1 707,8	**–**	–
Short-term employment benefits	**1 644,0**	1 503,4	**–**	–
Termination benefits	**18,0**	18,5	**–**	–
Share-based payments				
– equity settled	**25,7**	27,0	**–**	–
– cash settled	**4,7**	0,4	**–**	–
Earnings-linked performance bonuses	**19,5**	33,1	**–**	–
Post-retirement medical aid costs	**39,0**	25,6	**–**	–
Retirement benefits	**75,6**	99,8	**–**	–
Continuing operations	**1 516,8**	1 411,4	**–**	–
Discontinued operations	**309,7**	296,4	**–**	–

Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 10 970 (2010: 12 096) employees, 7 021 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 or loss as they are incurred, and amounted to R75,6 million (2010: R99,8 million).

Share-based payments

Details of equity instruments granted to employees are set out on pages 59 to 61 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 were 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.

33. Employee benefits continued

Assumptions applied in arriving at fair value of instruments issued during the year

	2011	2010
Equity instruments issued by the share incentive trusts		
Fair value at grant date	**R4,09 – R4,72**	R3,98 – R5,00
Share price	**R26,33 – R29,38**	R18,61 – R23,94
Exercise price	**R26,33 – R29,38**	R18,61 – R23,94
Expected volatility	**18,2% – 21,6%**	26,8% – 27,3%
Option life	**3,5 years**	3,5 years
Dividend yield	**4,02% – 4,45%**	3,73% – 5,16%
Risk-free interest rate	**7,33% – 8,51%**	8,28% – 7,86%
Equity instruments issued by the Black Staff Empowerment Scheme Trust		
Weighted average fair value at grant date	**R4,61 – R6,61**	R3,64 – R5,12
Share price at grant date	**R25,32 – R29,55**	R18,48 – R23,47
Weighted average exercise price	**R27,62 – R31,45**	R19,78 – R26,95
Expected volatility (weighted average volatility)	**28,21% – 29,04%**	29,85% – 30,77%
Option life (weighted average life)	**6,0 years**	6,0 years
Dividend yield	**4,02% – 4,45%**	3,73% – 5,16%
Risk-free interest rate	**7,33% – 8,51%**	7,95% – 8,28%
Equity instruments issued by the Out-Performance Scheme Trust		
Fair value at grant date	**R10,25**	R4,66
Share price	**R25,56**	R18,61
Option life	**3 years**	3 years
Dividend yield	**4,5%**	4,6%
Risk-free interest rate	**9,00%**	8,28%
Expected mean TSR performance	**10,9%**	16%

The expected volatility is based on the average volatility over a period of six months prior to grant date or measurement date.

The R207 bond rate (2010: R157 bond rate) was used to determine a risk-free interest rate at grant date or measurement date.

33. Employee benefits continued

Group share scheme recharge receivable

Options granted under the Group's Out-Performance Scheme are subject to a recharge arrangement with participating subsidiaries upon exercise of the options by employees of those companies and have been accounted for as follows:

	Company	
	2011 R'm	2010 R'm
Group share scheme recharge receivable at fair value	**50,2**	–
Less: Short-term portion reflected in trade and other receivables	**(41,2)**	–
Group share scheme recharge receivable at fair value	**9,0**	–

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 fair value of the liability is remeasured at each reporting date and at settlement date. The model inputs at 30 June 2011 were as follows:

	2011
Share price	**R31,20**
Terms (years)	**0,25 – 2,25**
Expected vesting percentile based on TSR performance	**40th – 60th**
Vesting multiple based on relative TSR performance	**0,2 – 1,2**
Number of out-performance scheme outstanding options (number)	**2 370 506**

Details of Out-Performance Scheme options granted to employees are reflected on page 61 of the directors' report.

	2011 R'm	2010 R'm
Employee expenses		
Equity settled		
Options granted	**7,5**	5,3
Instruments granted under the Out-Performance Scheme	**6,5**	8,9
Equity instruments granted to all black employees	**11,7**	12,8
	25,7	27,0
Cash settled		
Share appreciation rights – AVI Financial Services	**4,7**	0,4

34. Black economic empowerment ("BEE") transactions

Irvin & Johnson Holding Company Proprietary Limited

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 in the 2020 financial year.

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.

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

	Company	
	2011 R'm	2010 R'm
Main Street 198 Proprietary Limited	**209,2**	230,5
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 to note 39).

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

The Group has adopted the recommendation 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 IFRS 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 10% of dividends received from I&J on an annual basis. Furthermore the shareholders' 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 (2010: 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 expense of R0,2 million recognised in the current year (2010 income: R0,9 million).

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
35. Related-party transactions				
Transactions with Group entities				
Administration fees paid to a subsidiary	**–**	–	**0,4**	0,3
Dividends received from subsidiaries (Note 18)	**–**	–	**824,0**	233,5
Loans to/from subsidiary companies (Note 36)	**–**	–	**463,0**	507,1
Liability for impairment loss in subsidiary for recapitalisation	**–**	–	**(22,6)**	(5,6)
Treasury share loan to subsidiary classified as equity instrument	**–**	–	**244,0**	276,0
Receivable from share trust	**–**	–	**82,1**	–
Call account maintained with treasury division of subsidiary	**–**	–	**386,0**	338,3
Group share scheme recharge receivable from subsidiaries	**–**	–	**50,2**	–
Other receivables from subsidiaries	**–**	–	**–**	1,5
Other payables to subsidiaries	**–**	–	**11,5**	11,0
Loans to joint ventures (Note 38)	**34,4**	44,8	**–**	–
Trade receivables from joint ventures	**5,7**	12,1	**–**	–
Royalties received from joint ventures	**3,4**	11,9	**–**	–
Sales to joint ventures	**85,9**	92,2	**–**	–

Details of the principal subsidiaries, joint ventures and other investments are given on pages 122 to 124.

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	
	2011 R'm	2010 R'm
Short-term employee benefits	**113,3**	90,0
Post-employment benefits	**4,1**	5,1
Termination benefits	**3,1**	6,3
Equity compensation benefits	**24,5**	34,1
	145,0	135,5

Executives also participate in the Company's share option scheme, details of which are given in the directors' report on pages 59 to 61.

	Company	
	2011	2010
	R'm	R'm

36. Subsidiaries

	2011 R'm	2010 R'm
Investment in subsidiaries		
Unlisted – shares in owned subsidiaries	**1 288,7**	1 288,7
Borrowings by subsidiary companies	**593,0**	637,1
	1 881,7	1 925,8
Share-based payments capitalised	**55,6**	80,1
Impairment allowance	**(138,1)**	(138,1)
Treasury share loan to subsidiary classified as equity	**(244,0)**	(276,0)
Total interest in subsidiaries	**1 555,2**	1 591,8
Reflected as part of:		
Investment in subsidiaries	**1 411,1**	1 591,8
Assets classified as held-for-sale	**144,1**	–

37. Principal subsidiary companies

Name of company and nature of business	Class	Issued permanent capital 2011 R'm	Issued permanent capital 2010 R'm	Group effective percentage holding 2011 %	Group effective percentage holding 2010 %	Book value of Company's interest – Shares 2011 R'm	Shares 2010 R'm	Indebtedness to/(by) the Company 2011 R'm	Indebtedness to/(by) the Company 2010 R'm
A&D Spitz Proprietary Limited – retailer of branded shoes and fashion accessories	Ord	**–**	–	**100**	100	**576,6**	576,6	**–**	–
AVI Investment Services Proprietary Limited – investment company	Ord	**–**	–	**100**	100	**–**	–	**291,5**	305,6
Denny Mushrooms Proprietary Limited* – producer and marketer of mushrooms	Ord	**–**	–	**100**	100	**137,1**	137,1	**4,5**	4,5
Hampton Sportwear Proprietary Limited – retailer of branded apparel	Ord	**–**	–	**100**	100	**20,7**	20,7	**–**	–
Irvin & Johnson Holding Company Proprietary Limited – international integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord	**–**	–	**75**	75	**319,1**	319,1	**–**	–
Indigo Brands Proprietary 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 Proprietary Limited – retailer of branded shoes and fashion accessories	Ord	**–**	–	**100**	100	**–**	–	**14,2**	14,2
The Real Juice Co Holdings Proprietary Limited – manufacturers and distributors of ready-to-drink beverages	Ord	**–**	–	**75**	75	**8,1**	8,1	**158,8**	188,8
						1 288,7	1 288,7	**593,0**	637,1
Impairment allowance									
– Real Juice Co						**(8,1)**	(8,1)	**(115,8)**	(115,8)
– Nina Roche						**–**	–	**(14,2)**	(14,2)
Share-based payments capitalised						**55,6**	80,1	**–**	–
						1 336,2	1 360,7	**463,0**	507,1

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.

**The Group's investment in Denny was sold with effect from 1 July 2011. The transaction is subject to the fulfilment of certain conditions precedent including the unconditional approval of the South African Competition Authorities in terms of the Competition Act, No 89 of 1998, as amended, which was received on 31 August 2011.*

38. Joint venture

	Number of shares held Group		Group effective percentage holding	
	2011	2010	**2011 %**	2010 %
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 (Proprietary) Limited)				
– food processing, trading and distribution	**–**	–	**40**	40

		Group	
		2011 R'm	2010 R'm
GROUP CARRYING VALUE OF JOINT VENTURE			
Shares at cost		**25,2**	25,2
Capital loans		**34,4**	44,8
		59,6	70,0
Share of post-acquisition reserves		**196,4**	141,5
Total carrying value		**256,0**	211,5
I&J's proportionate share of assets and liabilities of Simplot Seafood, Snacks and Meals division			
Property, plant and equipment		**48,7**	50,9
Current assets		**272,6**	221,0
Non-current liabilities – non-interest bearing	– Group companies	**(13,7)**	(17,9)
	– Other	**(19,2)**	(25,7)
Current liabilities	– Group companies	**–**	–
	– Other	**(67,7)**	(61,7)
Share of net assets		**220,7**	166,6
Summarised financial information in respect of the principal joint venture			
I&J's proportionate share of revenue and expenditure was:			
Revenue		**673,7**	645,9
Expenditure		**637,6**	605,5
Capital items		**(3,0)**	–
Profit before taxation		**33,1**	40,4
Taxation		**–**	–
Profits after taxation, reflected as share of equity-accounted earnings of joint venture		**33,1**	40,4
I&J's proportionate share of cash flow generated was:			
Cash generated by operating activities		**34,0**	33,9
Cash utilised in investing activities		**(2,5)**	(4,7)
Cash effects of financing activities		**(15,2)**	(16,8)
Net increase in cash and cash equivalents		**16,3**	12,4
Capital commitments			
– contracted for		**2,5**	–
– not contracted for		**10,5**	16,9
		13,0	16,9

39. Other investments

	Number of shares held					
	Group		Company		Group effective percentage holding	
	2011	2010	2011	2010	2011 %	2010 %
PRINCIPAL OTHER INVESTMENTS						
Name of company and nature of business						
Main Street 198 Proprietary Limited	**800**	800	**800**	800	**100**	100
– Cumulative redeemable convertible "A" preference shares*						
Richtrau No 53 Proprietary Limited						
– Cumulative redeemable preference shares*	**1**	1	**1**	1	**100**	100

	R'm	R'm	R'm	R'm
Other investments comprise				
Preference share investments in the empowerment consortia, including dividends accrued	**–**	–	**178,5**	192,5
Insurance cell captive fund – net bank deposits and investments	**54,0**	91,1	**5,9**	5,9
Loan receivable	**–**	1,5	**–**	–
	54,0	92,6	**184,4**	198,4

**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 to note 34).*

None of the investments is 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.

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.

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.

40. Financial risk management continued

40.1 Overview continued

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 greater than 120% of the weighted average cost of capital, which was estimated at 11,17% (2010: 11,75%). In 2011, the return was 35,1% (2010: 29,2%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 6,85% (2010: 9,72%).

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.

The AVI Group is subject to and complies 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 loan 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 retail 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.

40. Financial risk management continued

40.3 Credit risk continued

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.

Guarantees

The Group's policy is to provide limited financial guarantees in respect of banking facilities for wholly owned subsidiaries. At 30 June 2011, guarantees were in place for AVI Financial Services Proprietary Limited, National Brands Limited, Nina Roche Shoe Collection Proprietary Limited and Hampton Sportswear Proprietary Limited (2010: AVI Financial Services Proprietary Limited, National Brands Limited, Nina Roche Shoe Collection Proprietary Limited and Hampton Sportswear Proprietary Limited).

In addition, the Group provides limited sureties for outstanding debt under the cash management agreement of Group subsidiary companies that participate in the Group's cash management agreement.

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		Company	
	Carrying amount		Carrying amount	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
Other investments	**54,0**	92,6	**184,4**	198,4
Other financial assets including derivatives	**2,5**	2,1	**–**	–
Trade and other receivables*	**1 088,3**	1 106,7	**509,3**	339,7
Cash and cash equivalents	**380,1**	589,3	**0,4**	0,5
Total	**1 524,9**	1 790,7	**694,1**	538,6

**Excludes prepayments.*

	Group	
	Carrying amount	
	2011 R'm	2010 R'm
The maximum exposure to credit risk for trade receivables for the Group at the reporting date by geographic region was:		
South Africa	**869,4**	898,8
Europe	**100,0**	120,4
Australasia	**6,3**	8,2
Rest of Africa	**68,9**	50,8
Total	**1 044,6**	1 078,2
The maximum exposure to credit risk for trade receivables for the Group at the reporting date by type of customer was:		
Wholesale customers	**320,7**	291,8
Retail customers	**672,7**	704,4
Manufacturers and processors	**–**	0,2
End-user customers and direct sales	**51,2**	81,8
Total	**1 044,6**	1 078,2

The Group's most significant customers, being two South African retailers, accounted for 36,0% of the trade receivables carrying amount at 30 June 2011 (2010: 32,1%).

40. Financial risk management continued

40.3 Credit risk continued

Impairment losses

The ageing of trade receivables at the reporting date was:

	Group			
	Gross 2011 R'm	Impairment 2011 R'm	Gross 2010 R'm	Impairment 2010 R'm
Not past due	**968,3**	**(0,2)**	994,4	(0,8)
Past due 0 – 30 days	**48,6**	**(0,1)**	31,8	(0,2)
Past due 31 – 120 days	**17,2**	**(3,7)**	42,5	(4,5)
Past due 121 days < 1 year	**8,0**	**(4,7)**	6,8	(2,7)
Past due more than 1 year	**2,5**	**(2,0)**	2,7	(1,6)
Total	**1 044,6**	**(10,7)**	1 078,2	(9,8)

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:

	Group	
	2011 R'm	2010 R'm
Balance as at 1 July	**(9,8)**	(8,3)
Impairment loss recognised in profit or loss	**(4,4)**	(4,3)
Impairment allowance on discontinued operation	**0,3**	0,1
Impairment loss no longer required and released to income	**1,9**	1,6
Applicable to subsidiary sold	**0,8**	–
Transfer of allowance to assets held-for-sale	**0,5**	–
Impairment loss allowance utilised	**–**	1,1
Balance as at 30 June	**(10,7)**	(9,8)

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 340 million treasury facilities that can be drawn down to meet short-term financing needs. These facilities comprise a combination of 364-day notice to immediate notice facilities. Interest is payable at the quoted overnight borrowing rate applicable on the date of advance.
- R155 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:

	Carrying amount R'm	Contractual cash flows R'm	6 months or less R'm	6 – 12 months R'm	+1 – 2 years R'm	+2 – 5 years R'm	More than 5 years R'm
Group							
30 June 2011							
Non-derivative financial liabilities							
Secured bank loans	**10,6**	**13,1**	**2,2**	**2,2**	**8,7**	**–**	**–**
Finance lease liabilities	**11,1**	**13,2**	**3,9**	**4,3**	**5,0**	**–**	**–**
Unsecured loans	**31,4**	**31,4**	**–**	**–**	**–**	**–**	**31,4**
Trade and other payables*	**1 195,3**	**1 195,3**	**1 195,3**	**–**	**–**	**–**	**–**
Share buy-back liability	**100,7**	**100,7**	**100,7**	**–**	**–**	**–**	**–**
Overdraft and current borrowings	**573,2**	**573,2**	**573,2**	**–**	**–**	**–**	**–**
	1 922,3	**1 926,9**	**1 875,3**	**6,5**	**13,7**	**–**	**31,4**
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	–	–	–	–
	2 002,0	2 044,9	1 468,8	520,3	17,6	8,6	29,6

**Excludes performance bonuses, post-retirement liabilities and operating lease straight-line liability.*

40. Financial risk management continued

	Carrying amount R'm	Contractual cash flows R'm	6 months or less R'm	6 – 12 months R'm	+1 – 2 years R'm	+2 – 5 years R'm	More than 5 years R'm
Company							
30 June 2011							
Non-derivative financial liabilities							
Trade and other payables*	**14,3**	**14,3**	**14,3**	**–**	**–**	**–**	**–**
Share buy-back liability	**100,7**	**100,7**	**100,7**	**–**	**–**	**–**	**–**
Liability for impairment loss in subsidiary for recapitalisation	**22,6**	**22,6**	**22,6**	**–**	**–**	**–**	**–**
	137,6	**137,6**	**137,6**	**–**	**–**	**–**	**–**
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	–	–	–	–

**Excludes performance bonuses, post-retirement liabilities and operating lease straight-line liability.*

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:

	Carrying amount R'm	Contractual cash flows R'm	6 months or less R'm	6 – 12 months R'm	+1 – 2 years R'm	+ 2 – 5 years R'm	More than 5 years R'm
Group							
30 June 2011							
FECs used for hedging							
– imports	**(9,8)**	**(409,7)**	**(262,7)**	**(147,0)**	**–**	**–**	**–**
– exports	**(1,0)**	**185,5**	**97,8**	**87,7**	**–**	**–**	**–**
	(10,8)	**(224,2)**	**(164,9)**	**(59,3)**	**–**	**–**	**–**
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	–	–	–
	(24,2)	(510,9)	(369,0)	(141,9)	–	–	–

40. Financial risk management continued

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.

In the previous year, the Group's investment in its Argentinian subsidiary was partially hedged by US dollar denominated secured bank loans, which mitigated the currency risk arising from the subsidiary's net assets. With the disposal of this operation during May 2011 the hedge is no longer required. The Group's investments in other foreign subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk

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

	Trade receivables FC'm	Cash and cash equivalents FC'm	Trade payables FC'm	Borrowings FC'm	Balance sheet exposure FC'm	Estimated forecast sales* FC'm	Estimated forecast purchases* FC'm	FECs on sales/ receivables FC'm	FECs on purchases/ payables FC'm	Net forecast FC exposure FC'm
Group										
Net exposure as at 30 June 2011										
Australian dollars	**0,8**	**0,7**	**–**	**–**	**1,5**	**10,5**	**–**	**(3,6)**	**–**	**8,4**
Botswana pula	**22,3**	**18,0**	**(7,8)**	**–**	**32,5**	**–**	**–**	**–**	**–**	**32,5**
Euro	**11,3**	**25,6**	**(6,9)**	**–**	**30,0**	**45,9**	**(29,5)**	**(18,3)**	**19,8**	**47,9**
US dollars	**2,7**	**7,3**	**(7,8)**	**–**	**2,2**	**–**	**(79,4)**	**–**	**48,9**	**(28,3)**
Zambian kwacha	**6 614,1**	**6 778,8**	**(112,1)**	**–**	**13 280,8**	**–**	**–**	**–**	**–**	**13 280,8**
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

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

40. Financial risk management continued

40.5 Market risk continued

The following significant exchange rates applied during the year:

1FC = X ZAR	Reporting date			
	30 June 2011		30 June 2010	
	Closing rate	Average for the year	Closing rate	Average for the year
Australian dollars	**7,2622**	**6,9369**	6,4725	6,7123
Botswana pula	**1,0383**	**1,0527**	1,0850	1,1441
Euro	**9,8276**	**9,5313**	9,3921	10,6098
US dollars	**6,7845**	**6,9853**	7,6573	7,5612
Zambian kwacha	**0,0014**	**0,0015**	0,0015	0,0016

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 2010.

	Group Profit/(loss)	
	2011 R'm	2010 R'm
Australian dollars	**6,1**	6,9
Botswana pula	**3,4**	4,7
Euro	**47,1**	67,2
US dollars	**(19,2)**	(21,1)
Zambian kwacha	**1,9**	1,5
	39,3	59,2

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	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Fixed rate instruments				
– financial liabilities	**17,6**	20,3	**–**	–
	17,6	20,3	**–**	–
Variable rate instruments				
– financial assets	**434,1**	682,7	**178,9**	193,0
– financial liabilities	**(608,7)**	(879,1)	**–**	–
– Interest rate swap – fixed rate	**–**	200,0	**–**	–
	(174,6)	3,6	**178,9**	193,0

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 2010.

	Group Profit/(loss)		Company Profit/(loss)	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
Variable rate instruments				
– financial assets	**4,3**	6,8	**1,8**	1,9
– financial liabilities	**(6,1)**	(8,8)	**–**	–
– Interest rate swap – fixed rate	**–**	2,0	**–**	–
Net cash flow sensitivity	**(1,8)**	–	**1,8**	1,9

41. Finance income and expense

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
Recognised in profit or loss				
Finance income				
Interest income on cash and cash equivalents, loans and receivables, and other investments at amortised cost	**17,2**	16,2	**–**	–
Dividend income	**–**	–	**1,3**	3,9
Total	**17,2**	16,2	**1,3**	3,9
Finance costs				
Interest expense on borrowings	**63,3**	112,9	**0,7**	0,7
Total	**63,3**	112,9	**0,7**	0,7
Recognised in other comprehensive income				
Foreign currency translation differences for foreign operations	**15,9**	(31,0)		
Changes in fair value of cash flows hedges	**12,8**	54,9		
Income tax on other comprehensive income	**(3,6)**	(15,5)		
Total	**25,1**	8,4		
Recognised in:				
Hedging reserve	**9,2**	39,4		
Translation reserve	**15,9**	(31,0)		
	25,1	8,4		

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 2011				Carrying amount as at 30 June 2010			
	Total carrying amount R'm	Derivatives at fair value R'm	Loans and receivables at amortised cost R'm	Total fair value R'm	Total carrying amount R'm	Derivatives at fair value R'm	Loans and receivables at amortised cost R'm	Total fair value R'm
Assets								
Other investments								
– Bank deposits	54,0	–	54,0	54,0	91,1	–	91,1	91,1
– Loan receivable	–	–	–	–	1,5	–	1,5	1,5
Other financial assets								
– Forward exchange contracts	1,3	1,3	–	1,3	2,1	2,1	–	2,1
– Fuel oil swap	1,2	1,2	–	1,2	–	–	–	–
Trade and other receivables								
– Trade accounts	1 033,9	–	1 033,9	1 033,9	1 068,4	–	1 068,4	1 068,4
– Other receivables	54,4	–	54,4	54,4	38,3	–	38,3	38,3
Cash and cash equivalents	380,1	–	380,1	380,1	589,3	–	589,3	589,3
	1 524,9	2,5	1 522,4	1 524,9	1 790,7	2,1	1 788,6	1 790,7

	Carrying amount as at 30 June 2011				Carrying amount as at 30 June 2010			
	Total carrying amount R'm	Derivatives at fair value R'm	Amortised cost R'm	Total fair value R'm	Total carrying amount R'm	Derivatives at fair value R'm	Amortised cost R'm	Total fair value R'm
Liabilities								
Financial liabilities and borrowings								
– Secured loans	10,6	–	10,6	10,6	13,3	–	13,3	13,3
– Finance leases	11,1	–	11,1	11,1	16,5	–	16,5	16,5
– Unsecured loans	31,4	–	31,4	31,4	533,0	–	533,0	533,0
Short-term borrowings								
– Bank overdraft	573,2	–	573,2	573,2	336,6	–	336,6	336,6
Other financial liabilities								
– Forward exchange contracts	15,0	15,0	–	15,0	22,8	22,8	–	22,8
– Fuel oil swap	–	–	–	–	3,7	3,7	–	3,7
– Interest rate swaps	–	–	–	–	3,5	3,5	–	3,5
Trade and other payables								
– Trade payables	671,8	–	671,8	671,8	599,2	–	599,2	599,2
– Other payables and accrued expenses	523,5	–	523,5	523,5	503,4	–	503,4	503,4
– Share buy-back liability	100,7	–	100,7	100,7	–	–	–	–
	1 937,3	15,0	1 922,3	1 937,3	2 032,0	30,0	2 002,0	2 032,0

42. Financial assets and liabilities continued

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2011. 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 R'm	Level 2 R'm	Level 3 R'm	Total R'm
30 June 2011				
Other financial assets	**–**	**2,5**	**–**	**2,5**
Other financial liabilities	**–**	**(15,0)**	**–**	**(15,0)**
	–	**(12,5)**	**–**	**(12,5)**
30 June 2010				
Other financial assets	–	2,1	–	2,1
Other financial liabilities	–	(30,0)	–	(30,0)
	–	(27,9)	–	(27,9)

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

	Carrying amount as at 30 June 2011			Carrying amount as at 30 June 2010		
	Total carrying amount R'm	**Loans and receivables at amortised cost R'm**	**Total fair value R'm**	Total carrying amount R'm	Loans and receivables at amortised cost R'm	Total fair value R'm
Assets						
Other investments						
– Bank deposits	**5,9**	**5,9**	**5,9**	5,9	5,9	5,9
– Preference shares	**178,5**	**178,5**	**178,5**	192,5	192,5	192,5
Trade and other receivables						
– Group share scheme recharge receivable	**9,0**	**9,0**	**9,0**	–	–	–
– Other receivables	**468,1**	**468,1**	**468,1**	339,7	339,7	339,7
Cash and cash equivalents	**0,4**	**0,4**	**0,4**	0,5	0,5	0,5
	661,9	**661,9**	**661,9**	538,6	538,6	538,6

42. Financial assets and liabilities continued

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

	Carrying amount as at 30 June 2011			Carrying amount as at 30 June 2010		
	Total carrying amount R'm	Amor-tised cost R'm	Total fair value R'm	Total carrying amount R'm	Amor-tised cost R'm	Total fair value R'm
Liabilities						
Short-term borrowings						
– Liability for impairment loss in subsidiary for recapitalisation	**22,6**	**22,6**	**22,6**	5,6	5,6	5,6
Trade and other payables						
– Other payables and accrued expenses	**14,3**	**14,3**	**14,3**	13,1	13,1	13,1
– Share buy-back liability	**100,7**	**100,7**	**100,7**	–	–	–
	137,6	**137,6**	**137,6**	18,7	18,7	18,7

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.

The fair value of the Group share scheme recharge receivable is calculated by 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 at the reporting and settlement 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 24 June 2011	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	1 904	42,1	953 927	0,27
1 001 – 10 000 shares	1 796	39,7	6 351 138	1,82
10 001 – 100 000 shares	515	11,4	17 620 597	5,05
100 001 – 1 000 000 shares	253	5,6	83 396 808	23,89
1 000 001 shares and over	55	1,2	240 785 174	68,97
Total	4 523	100,0	349 107 644	100,00
Distribution of shareholders				
Organs of state	8	0,2	57 056 125	16,34
Public companies	12	0,3	25 101 228	7,19
Share schemes	2	0,0	27 777 735	7,96
Treasury	1	0,0	17 234 352	4,94
AVI Limited*	1	0,0	5 300 000	1,52
Custodians	96	2,1	57 365 518	16,43
Collective investment schemes	153	3,4	63 432 525	18,17
Retirement benefit funds	244	5,4	52 200 531	14,95
Private companies	108	2,4	5 645 166	1,62
Assurance companies	20	0,4	8 406 367	2,41
Stockbrokers and nominees	43	1,0	3 487 338	1,00
Scrip lending	11	0,2	4 511 439	1,29
Insurance companies	15	0,3	1 953 161	0,56
Retail shareholders	3 117	68,9	9 513 258	2,73
Hedge funds	6	0,1	571 118	0,16
Medical aid funds	15	0,3	1 421 791	0,41
Foundations and charitable funds	43	1,0	1 708 923	0,49
Trusts	556	12,3	5 366 798	1,54
Managed funds	5	0,1	671 092	0,19
Public entities	2	0,0	127 005	0,04
Investment partnerships	18	0,4	156 978	0,04
Close corporations	33	0,7	89 014	0,03
Unclaimed scrip	14	0,3	10 182	0,00
Total	4 523	100,0	349 107 644	100,00
Shareholder type				
Non-public shareholders	14	0,31	108 090 024	30,96
Directors and associates	2	0,04	721 812	0,21
Public Investment Corporation (GEPF)	8	0,18	57 056 125	16,34
AVI Black Staff Empowerment Scheme	1	0,02	22 863 191	6,55
AVI Investment Services (Pty) Limited	1	0,02	17 234 352	4,94
AVI Limited*	1	0,02	5 300 000	1,52
AVI Limited Executive Share Purchase Trust	1	0,02	4 914 544	1,41
Public shareholders	4 509	99,69	241 017 620	69,04
Total	4 523	100,00	349 107 644	100,00

	Total shareholding	% of issued capital
Beneficial shareholders with a holding greater than 3% of the issued shares		
Public Investment Corporation (GEPF)	57 056 125	16,34
Liberty Group	29 977 966	8,59
AVI Black Staff Empowerment Scheme	22 863 191	6,55
AVI Investment Services (Pty) Limited	17 234 352	4,94
Coronation Fund Managers	14 859 156	4,26
Morgan Stanley	14 247 949	4,08
Total	156 238 739	44,75

Total number of shareholders	4 523
Total number of shares in issue	349 107 644

**Share investment represents shares purchased by the Company as part of a buy-back programme up to 24 June 2011. These shares were subsequently delisted after year-end. A further 3 684 469 shares were purchased between 24 June 2011 and 30 June 2011.*

SHAREHOLDERS' DIARY

Reports and profit statements	2011
Half-year interim report announcement in press	Tuesday, 8 March
Results announcement in press	Tuesday, 6 September
Annual financial statements posted	Thursday, 29 September

Final dividend on ordinary shares

Dividend declared	Friday, 2 September
Details of dividend announcement on SENS	Monday, 5 September
Details of dividend announcement in press	Tuesday, 6 September
Last day to trade cum dividend on the JSE Limited ("JSE")	Friday, 23 September
First trading day ex dividend on the JSE	Monday, 26 September
Record date	Friday, 30 September
Payment date	Monday, 3 October

In accordance with the requirements of STRATE Limited, no share certificates may be dematerialised or rematerialised between Monday, 26 September 2011 and Friday, 30 September 2011, 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, 3 October 2011.

Annual general meeting

Tuesday, 1 November

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE OF ANNUAL GENERAL MEETING

AND INCORPORATING A FORM OF PROXY FOR THE USE OF HOLDERS OF CERTIFICATED ORDINARY SHARES AND DEMATERIALISED ORDINARY SHARES WITH "OWN NAME" REGISTRATION ONLY.

Notice is hereby given that the sixty-seventh annual general meeting of members of the Company will be held at 2 Harries Road, Illovo on Tuesday, 1 November 2011 at 11:00 for the following purposes:

To consider ordinary resolutions 1 to 10 below. In terms of the Companies Act No 71 of 2008, as amended ("the Companies Act") for an ordinary resolution to be adopted, it must be supported by more than 50% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast.

1. To consider the annual financial statements for the year ended 30 June 2011, together with the reports of the directors and auditors.

2. To re-appoint KPMG Inc. as the external auditors of the Company.

3. To elect a director in place of Mr SL Crutchley who will retire by rotation in accordance with the Company's Memorandum of Incorporation. Mr Crutchley is available for re-election.*

4. To elect a director in place of Mr OP Cressey who will retire by rotation in accordance with the Company's Memorandum of Incorporation. Mr Cressey is available for re-election.*

5. To elect a director in place of Mr A Nühn who will retire by rotation in accordance with the Company's Memorandum of Incorporation. Mr Nühn is available for re-election.*

6. To elect a director in place of Mr KE Macilwaine who will retire by rotation in accordance with the Company's Memorandum of Incorporation. Mr Macilwaine is available for re-election.*

7. To consider the election of Mr AM Thebyane as a non-executive director.*

8. To consider the election of Mrs NP Dongwana as a non-executive director.*

9. To consider the election of Mr BJK Smith as a non-executive director.*

10. To consider, as separate resolutions, the appointment of the members of the Audit and Risk Committee. The proposed members of the committee are:
    10.1 Mr MJ Bosman*;
    10.2 Mr GR Tipper*; and
    10.3 Mrs NP Dongwana.*

    The Board has satisfied itself that these directors are suitable for appointment to the Audit and Risk Committee as contemplated in the Companies Act.

**Brief CVs of the directors appear on pages 42 and 43 of the annual report.*

To consider special resolutions 11 to 22 below. In terms of the Companies Act for a special resolution to be adopted, it must be supported by at least 75% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast.

11. To consider and, if deemed fit, to pass without modification, a special resolution that with effect from 1 July 2011 the fees payable to the current non-executive directors, excluding the chairman of the board and the foreign non-executive director, Mr Adriaan Nühn, be increased from R188 000 per year to R200 000 per year.

12. To consider and, if deemed fit, to pass without modification, a special resolution that with effect from 1 July 2011 the fees payable to the chairman of the board be increased from R548 000 per year to R590 000 per year.

13. To consider and, if deemed fit, to pass without modification, a special resolution that with effect from 1 July 2011 the fees payable to the foreign non-executive director, Mr Adriaan Nühn, be increased from Euro 35 310 per year to Euro 37 000 per year.

14. To consider and, if deemed fit, to pass without modification, a special resolution that with effect from 1 July 2011 the fees payable to the members of the Remuneration, Nomination and Appointments Committee, excluding the chairman of this committee, be increased from R52 000 per year to R65 000 per year.

15. To consider and, if deemed fit, to pass without modification, a special resolution that with effect from 1 July 2011 the fees payable to the members of the Audit and Risk Committee, excluding the chairman of this committee, be increased from R70 000 per year to R75 000 per year.

16. To consider and, if deemed fit, to pass without modification, a special resolution that with effect from 1 July 2011 the fees payable to the members of the Social and Ethics Committee, excluding the chairman of this committee, be set at R50 000 per year.

17. To consider and, if deemed fit, to pass without modification, a special resolution that with effect from 1 July 2011 the fees payable to the chairman of the Remuneration, Nomination and Appointments Committee be increased from R80 250 per year to R150 000 per year.

18. To consider and, if deemed fit, to pass without modification, a special resolution that with effect from 1 July 2011 the fees payable to the chairman of the Audit and Risk Committee be increased from R150 000 per year to R161 000 per year.

19. To consider and, if deemed fit, to pass without modification, a special resolution that with effect from 1 July 2011 the fees payable to the chairman of the Social and Ethics Committee, be set at R75 000 per year.

The increases in non-executive directors' fees proposed in terms of special resolutions 11 to 19 above are based on a detailed review and comparison of non-executive directors' fees with market-related benchmarks. Non-executive director's fees are paid as a combination of a fixed retainer and for attendance at those meetings formally convened.

20. To consider and, if deemed fit, to pass without modification, the following special resolution.
    "Resolved as a special resolution that the Company or any of its subsidiaries be and are hereby authorised, by way of a general approval, to acquire ordinary shares issued by the Company, in terms of section 48 of the Companies Act and in terms of the Listings Requirements ("Listings Requirements") of the JSE Limited ("the JSE"), namely that:
    - any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades being prohibited);
    - any such acquisition of ordinary shares is authorised by the Company's Memorandum of Incorporation;
    - this general authority shall be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
    - acquisitions of shares in aggregate in any one financial year may not exceed 10% of the Company's issued ordinary share capital as at the date of passing of this special resolution;
    - in determining the price at which ordinary shares issued by the Company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by the Company or any of its subsidiaries;
    - at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
    - the Company's sponsor must confirm the adequacy of the Company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE before entering the market to proceed with the repurchase;
    - the Company and/or its subsidiaries may not repurchase any shares during a prohibited period as defined by the Listings Requirements unless they have in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS (the Securities Exchange News Service) prior to the commencement of the prohibited period;
    - shares held within the AVI Group (so called Treasury shares) will not have their votes at general meetings taken account of for Listings Requirements resolution approval purposes; and
    - the directors shall have authorised the repurchase after having satisfied themselves, no more than 120 days prior to when the repurchase takes place, that the Company shall have passed the solvency and liquidity test in terms of section 4 of the Companies Act and from the time that the solvency and liquidity test was done, no material changes to the financial position of the Company and its subsidiaries shall have occurred."

    The directors consider that such a general authority should be put in place in accordance with the Listings Requirements in order to enable the repurchase of the Company's shares should an opportunity to do so, which is in the best interests of the Company and its shareholders, present itself during the year.

    Upon cumulatively repurchasing 3% of the initial number of ordinary shares in issue and for each 3% of ordinary shares repurchased thereafter, the Company will make an announcement to such effect not later than 08:30 on the second business day following the day on which the relevant threshold is reached or exceeded.

    The reason for and effect of the special resolution, if passed and becoming effective, is to grant the directors of the Company a general authority in terms of the Companies Act and the Listings Requirements for the repurchase by the Company, or a subsidiary of the Company, of the Company's shares.

21. To consider and, if deemed fit, to pass without modification, the following special resolution.
"Resolved as a special resolution that the Company be and is hereby authorised, in terms of section 45 of the Companies Act, to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company, for any purpose or in connection with any matter, including but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company."

    The directors consider that such a general authority should be put in place in order to assist the Company inter alia with making inter-company loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general authority would avoid the need to refer each instance to members for approval. This general authority would be valid up to and including the 2012 annual general meeting of the Company.

    Shareholders are hereby notified that in terms of section 45.5 of the Companies Act the Board has passed the same resolution to take effect on the passing of this special resolution by shareholders.

22. To consider and, if deemed fit, to pass with or without modification, the following special resolution:
"Resolved as a special resolution that the Memorandum of Incorporation in the form of the draft tabled at the annual general meeting at which this resolution will be proposed, and initialled by the chairman of the meeting for the purposes of identification, be and is adopted as the new Memorandum of Incorporation of the Company in substitution for and to the exclusion of the Company's existing Memorandum of Incorporation (formerly, its Memorandum and Articles of Association)."

    The reason for the special resolution is to adopt a new Memorandum of Incorporation for the Company which accords with the provisions of the Companies Act 2008, as amended (which replaced the Companies Act 1973, as amended, and pursuant to which the Company's existing Memorandum of Incorporation (formerly its Memorandum and Articles of Association) was adopted) and the revised Listings Requirements of the JSE Limited. Apart from references to the Companies Act 2008, as amended and its provisions instead of to the Companies Act 1973, as amended and its provisions, the new Memorandum of Incorporation contains no material variations from the Company's existing Memorandum of Incorporation save in respect of the following:
    - The 10 000 000 convertible redeemable preference par value shares of R0,20 each in the authorised but unissued share capital of the Company have been cancelled.
    - The 20 000 variable rate cumulative preference par value shares of R0,05 each in the authorised but unissued share capital of the Company have been cancelled.

A copy of the new Memorandum of Incorporation may be inspected at the Company's registered office 2 Harries Road, Illovo, Johannesburg, 2196 during normal business hours from 3 October 2011 to and including 30 October 2011.

To consider the non-binding ordinary resolution 23

23. To endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out in the Remuneration Report.

To consider any other business

24. To transact such other business as may be transacted at an annual general meeting.

Directors' statement

The directors, having considered the effects of special resolutions 20 and 21 above, consider that for a period of 12 (twelve) months after the date of this notice:

- the Company and the Group will be able, in the ordinary course of business, to pays its debts;
- the assets of the Company and the Group, fairly valued in accordance with generally accepted accounting practice, will exceed the liabilities of the Company and the Group; and
- the Company and the Group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

General information

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part ("annual report"), is provided in terms of the Listings Requirements for purposes of the general authority to repurchase shares (resolution 20):

- directors and management – pages 42 and 43;
- major beneficial shareholders – pages 62 and 136;
- directors' interests in securities – page 58; and
- share capital of the Company – page 99.

Litigation statement

The directors, whose names appear on pages 42 and 43 of the annual report are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 42 and 43 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to resolutions 20 and 21 above and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the Listings Requirements.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the annual report and up to the date of this notice.

Record date

The directors have determined that the record date for the purposes of the annual general meeting (being the date on which a shareholder must be registered in the Company's share register in order to participate in and vote at the annual general meeting) is 21 October 2011.

Identification

In terms of section 63(1) of the Companies Act, before any person may attend or participate in an annual general meeting, that person must present reasonably satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of the person to participate in and vote at the annual general meeting, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified.

Voting and proxies

On a show of hands, every shareholder of the Company who is present in person or by proxy at the annual general meeting shall have one vote, and on a poll, every shareholder of the Company who is present in person or by proxy at

the annual general meeting or which (being a company or body corporate) is represented, shall have one vote for every ordinary share in the Company of which such shareholder is the holder.

Dematerialised shareholders (who are not "own name" dematerialised shareholders) who wish to attend the annual general meeting or to vote by way of proxy, must contact their Central Securities Depository Participant ("CSDP") or broker who will furnish them with the necessary authority to attend the annual general meeting or they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and their CSDP or broker.

Shareholders entitled to attend and vote at the annual general meeting may appoint one or more persons as such shareholder's proxy to attend, speak and vote in its stead. A proxy need not be a shareholder of the Company.

A form of proxy is attached for the convenience of certificated shareholders and "own name" dematerialised shareholders only, who are unable to attend the annual general meeting, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the transfer secretaries of the Company, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) by not later than 11:00 on Monday, 31 October 2011.

By order of the Board

Sureya Naidoo
Company Secretary

2 Harries Road, Illovo
29 September 2010

FORM OF PROXY

AVI Limited
(Incorporated in the Republic of South Africa)
(Registration number 1944/017201/06)
JSE code: AVI • ISIN: ZAE000049433
("AVI" or "the Company")

For use only by shareholders holding certificated shares, nominee companies of a Central Securities Depository Participant ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own name registration at the annual general meeting of the Company, to be held at 2 Harries Road, Illovo, 2196 at 11:00 on Tuesday, 1 November 2011 ("annual general meeting").

Shareholders who have already dematerialised their shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions.

Holders of dematerialised shares, other than those with "own name" registration wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the necessary authorisation to attend.

I/We ____________________

of (address) ____________________

being the holder/s of ____________________ ordinary shares in the Company, do hereby appoint:

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. the chairman of the annual general meeting,
as my/our proxy to act for me/us at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote or abstain from voting on such resolutions in respect of the ordinary shares in the issued capital of the Company registered in my/our name/s in accordance with the following instructions (see note 2):

Resolution No.		Number of votes (one vote per share)		
		In favour of	Against	Abstain
1.	To consider the financial statements for the year ended 30 June 2011			
2.	To re-appoint KPMG Inc. as auditors			
3.	To re-elect Mr SL Crutchley as a director			
4.	To re-elect Mr OP Cressey as a director			
5.	To re-elect Mr A Nühn as a director			
6.	To re-elect Mr KE Macilwaine as a director			
7.	To elect Mr AM Thebyane as a director			
8.	To elect Mrs NP Dongwana as a director			
9.	To elect Mr BJK Smith as a director			
10.1	To appoint Mr MJ Bosman as a member of the Audit Committee			
10.2	To appoint Mr GR Tipper as a member of the Audit Committee			
10.3	To appoint Mrs NP Dongwana as a member of the Audit Committee			
11.	Special resolution (increase in fees payable to current non-executive directors, excluding the chairman of the Board and the foreign non-executive director)			
12.	Special resolution (increase in fees payable to the chairman of the Board)			
13.	Special resolution (increase in fees payable to the foreign non-executive director)			
14.	Special resolution (increase in fees payable to members of the Remuneration, Nomination and Appointments Committee)			
15.	Special resolution (increase in fees payable to members of the Audit and Risk Committee)			
16.	Special resolution (fees payable to members of the Social and Ethics Committee)			
17.	Special resolution (increase in fees payable to the chairman of the Remuneration, Nomination and Appointments Committee)			
18.	Special resolution (increase in fees payable to the chairman of the Audit and Risk Committee)			
19.	Special resolution (fees payable to the chairman of the Social and Ethics Committee)			
20.	Special resolution (authority to buy back shares)			
21.	Special resolution (financial assistance to Group entities)			
22.	Special resolution (amendments to the Memorandum of Incorporation)			
23.	Ordinary resolution to endorse the remuneration policy (non-binding advisory vote)			

Insert an "X" in the relevant space above according to how you wish your votes to be cast. If you wish to cast your votes in respect of less than all of the ordinary shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at ____________________ on ____________________ 2011

Signature ____________________ Assisted by me (where applicable)

Each shareholder is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting.

Please read the notes on the reverse side hereof

NOTES TO FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder concerned. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he is the proxy, and any other proxy to vote or to abstain from voting in respect of the resolutions to be considered at the annual general meeting as he/she deems fit, in either case, in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to exercise all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

3. Duly completed forms of proxy must be received at the office of the transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 to be received by not later than 11:00 on Monday, 31 October 2011.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes if he is satisfied as to the manner in which the shareholder wishes to vote.

ADMINISTRATION AND PRINCIPAL SUBSIDIARIES

Administration

Company registration

AVI Limited ("AVI")
Reg no: 1944/017201/06
Share code: AVI
ISIN: ZAE000049433

Company secretary

Sureya Naidoo
(appointed 1 May 2011)

Group financial manager

Justin O'Meara

Business address and registered office

2 Harries Road, Illovo
Johannesburg 2196
South Africa

Postal address

PO Box 1897, Saxonwold 2132
South Africa

Telephone: +27 (0)11 502 1300
Telefax: +27 (0)11 502 1301
e-mail: info@avi.co.za
Website: www.avi.co.za

Auditors

KPMG Inc.

Sponsor

Standard Bank

Commercial bankers

Standard Bank
FirstRand Bank

Transfer secretaries

Computershare Investor Services
(Pty) Limited

Business address

70 Marshall Street, Marshalltown
Johannesburg 2001
South Africa

Postal address

PO Box 61051,
Marshalltown 2107
South Africa
Telephone: +27 (0)11 370 5000
Telefax: +27 (0)11 370 5271

Principal subsidiaries

Food and beverage brands

National Brands Limited

Reg no: 1948/029389/06
(incorporating Entyce Beverages, Snackworks and Ciro Beverage Solutions)

30 Sloane Street, Bryanston 2021

PO Box 5159, Rivonia 2128

Telefax: +27 (0)11 707 7799

Managing directors

Donnee MacDougall
(Entyce Beverages)
Telephone: +27 (0)11 707 7100

Simon Crutchley
(Snackworks – acting)
Telephone: +27 (0)11 707 7200

Roger Coppin
(Ciro Beverage Solutions)
Telephone: +27 (0)11 807 3915

The Real Juice Co Holdings
(Pty) Limited
Reg no: 2001/001413/07

2 Harries Road, Illovo 2196

PO Box 1897, Saxonwold 2132

Managing director

Donnee MacDougall
Telephone: +27 (0)11 707 7100
Telefax: +27 (0)11 707 7808

Chilled and frozen Convenience brands

Irvin & Johnson Holding Company (Pty) Limited

Reg no: 2004/013127/07

1 Davidson Street, Woodstock
Cape Town 8001

PO Box 1628, Cape Town 8000

Managing director

Ronald Fasol
Telephone: +27 (0)21 402 9200
Telefax: +27 (0)21 402 9282

Fashion brands

Indigo Brands (Pty) Limited

Reg no: 2003/009934/07

16-20 Evans Avenue
Epping 1
7460

PO Box 3460, Cape Town 8000

Managing director

Susan O'Keeffe
Telephone: +27 (0)21 507 8500
Telefax: +27 (0)21 507 8501

A&D Spitz (Pty) Limited

Reg no: 1999/025520/07

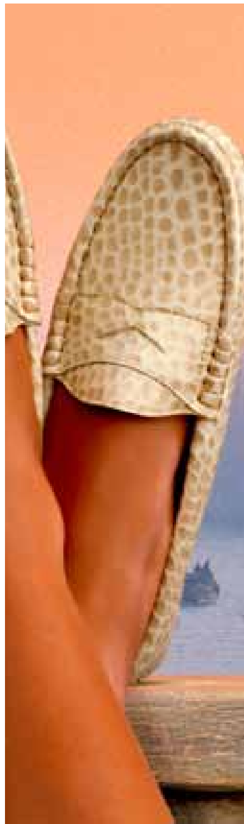
29 Eaton Avenue, Bryanston 2021

PO Box 782916, Sandton 2145

Managing director

Robert Lunt
Telephone: +27 (0)11 707 7300
Telefax: +27 (0)11 707 7763

BASTION GRAPHICS



AVI 2011 ANNUAL REPORT

WWW.AVI.CO.ZA