




AVI

SENS announcement

audited results
for the year ended
30 June 2005

HIGHLIGHTS

- Restructuring complete – focus on branded consumer products
- Strong performance from continuing operations
  - Turnover ↑ 9% to R4,8 billion
  - Operating profit ↑ 16% to R469 million
  - Operating margin ↑ from 9.3% to 9.8%
  - Headline earnings per share ↑ 26% to 108,2 cents
  - Cash generated by operating activities ↑ 27% to R679 million
- Dividend payout ratio improved to 2 times

Angus Band, Chief executive officer commented:

"We have had a successful year both in terms of corporate activity and operational performance. Strategically AVI is now a focussed branded consumer products group, following the disposal and unbundling of its logistics and packaging segments respectively. The continuing operations have performed well, lifting headline earnings per share by 26%, driven by strong growth from the domestic business.

Solid growth is expected from the South African consumer markets and AVI, with its portfolio of leading consumer brands, is well positioned to continue to deliver sustained growth for shareholders."

7 September 2005

GROUP OVERVIEW

Significant progress has been made strategically within the Group. AVI's asset base has been streamlined to include only branded consumer product businesses following the disposal and unbundling, respectively, of our logistics and packaging segments. This has enabled AVI to pursue its stated strategy of being a leading branded consumer products group, focussed on food, beverage and semi-durable brands.

The past financial year has been very positive for the Group in terms of corporate activity and operationally a solid overall performance has been generated by continuing operations. Buoyant local consumer markets have contributed to increasing the Group's turnover from continuing operations by 9% to R4,8 billion, lifting operating margin from 9,3% to 9,8%. Diluted headline earnings per share increased by a creditable 26% to 106,9 cents.

A very strong operating performance was achieved by National Brands Limited ("NBL") with solid contributions from the newly acquired Denny Mushrooms (Pty) Limited ("Denny"), Indigo Cosmetics (Pty) Limited ("Indigo") and Irvin & Johnson Holdings (Pty) Limited ("I&J") domestically. This performance was however eroded by the decline in Alpesca's, I&J's Argentine fishing subsidiary, as well as the cost of Indigo's Lenthéric launch into Australasia.

The year has been characterised by strong levels of local consumer demand, fuelled by the development of a strong emerging middle class and the impact of the low interest and inflation rates currently prevailing. Selling price increases have been constrained in virtually all of our categories and in some cases, such as cosmetics, no increases have been taken since 2002. The strength of the Rand has, however, contributed to lower raw material and packaging costs which has assisted in the management of margins. In the second half of the year local inflation has started to lift costs, for example fuel, and this will be compounded by wage settlements well above inflation. The Rand's strength has also opened the way for a higher level of imports across virtually every category and although the impact has been restricted, this has had some influence on market share in the more price sensitive channels.

Good growth has been experienced, at solid margins, in respect of exports into Africa by NBL. I&J has continued to experience strong demand both locally and internationally but supply has been impacted by a combination of poor catch rates and two prolonged strikes at Alpesca.

STRATEGIC UPDATE

AVI's business rationale is to provide enjoyment to people through the supply of branded, added-value products. Our strategic focus has been narrowed with the exit from packaging and logistics as well as the removal of the services sector as a target area. Conversely the footprint for branded consumer products has been widened to include branded semi-durables. This broadening of our definition of branded consumer products builds off our long established position in cosmetics and will, we believe, provide growth opportunities in related categories where our core competencies can be applied but which allow us to remain true to our business rationale. Our key strategic objective remains to build a portfolio of leading consumer brands as it is our opinion that the South African consumer is becoming increasingly brand-focussed and that brands will be both the key differentiator and a source of growth.

The acquisition of A&D Spitz (Pty) Limited ("Spitz") falls within our branded semi-durables strategy and gives AVI an exciting opportunity to acquire direct ownership of premium, international footwear brands coupled with the 36 year-old pedigree of the Spitz brand itself. Spitz procures, markets and distributes a portfolio of footwear brands through 25 A&D Spitz outlets across the country. Spitz owns the Carvela and Kurt Geiger brands and is the master distributor for Lacoste footwear in South Africa as well as being a licensee for other well known shoe brands.

The Group has also increased its involvement in the fresh-to-market sector with the acquisition of Denny, the country's leading branded mushroom supplier for R140 million, effective 1 August 2004.

Sir Juice, which supplies fresh fruit juice to the food service channel, was acquired in August 2004 for R19 million and complements AVI's existing position in short-life juice.

Through I&J the Group has expanded its involvement in high-value aquaculture with the acquisition of the remaining 50% of our abalone farm in Chile and is also expanding the farm at Danger Point near Cape Town to substantially increase output. A number of fin fish aquaculture projects which look encouraging are being pursued both locally and in Chile. A decision has been taken to exit the pelagic fishing operation as it does not fit with our added-value strategy. One vessel has been sold and the other two are expected to be sold by the end of 2005.

The investment in our brands through both marketing support and innovation is a critical aspect of AVI's growth initiative. Turnover from new products, launched over the past three years, now contributes 18% to overall Group turnover, above our previously published target of 15%.

FINANCIAL HIGHLIGHTS

The financial results reported have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The impact of the conversion on reported earnings is not material. The restructuring of the Group and the reclassification of Consol Limited ("Consol"), Vector Logistics (Pty) Limited ("Vector") and I&J's pelagic fishing operations as discontinued has significantly affected the comparability of the information presented. Accordingly, the commentary contained in this section of the announcement will focus on continuing operations.

The performance of the Group's continuing operations was boosted by strong domestic volumes and the impact of acquisitions. Turnover grew by 9% notwithstanding the impact of the Rand on export realisations and the low inflationary environment in South Africa. While negatively affecting turnover, the stronger Rand resulted in lower raw and wrap costs across the Group and, together with the economies of scale from volume growth and good cost management, enabled the Group to post an increase in operating profit from continuing operations of 16%.

The effective tax rate applicable to the headline earnings from continuing operations was 27% (2004: 33%). The movement in the tax rate was primarily as a result of the change in the official rate of tax to 29% and a significant reduction in the STC charge.

Cash flow remained strong with cash generated by continuing operations up 26% largely as a result of the improvement in operating performance. The Group has continued to support its continuing operations with R116 million spent on maintenance capex (2004: R76 million) and R92 million invested in additional capacity (2004: R97 million).

Working capital was well controlled with average working capital to turnover remaining below 14%. The deterioration in the ratio to 13,8% from 13,6% in the previous financial year is as a result of the decrease in turnover in I&J as well as some inefficiencies in the year-end inventory positions of I&J and Indigo. This will be addressed in the new financial year.

The improved operating performance from continuing operations and continued focus on asset utilisation have resulted in a return on average capital employed for the continuing Group of 15%, well ahead of the weighted average cost of capital of 10%. The Group's EVA consequently shows value created during the year of R47 million.

SEGMENTAL REVIEW – CONTINUING OPERATIONS

Following the restructuring of the Group we believe it is relevant to classify our businesses and brands into segments which more appropriately reflect the dynamics of those businesses. Starting with these financial results, we have amended our reporting categories as follows:

SEGMENTAL REVIEW

For the year ended 30 June

	Turnover 2005 Rm	Turnover 2004 Rm	% change	Operating profit 2005 Rm	Operating profit 2004 Rm	% change
Food brands						
Groceries						
NBL	**2 482**	2 346	6	**301**	233	30
Frozen foods						
I&J *	**1 379**	1 437	(4)	**84**	122	(31)
Fresh-to-market						
Denny	**230**	–	–	**28**	–	–
RBC	**217**	155	40	**0**	(2)	–
Branded semi-durables						
Indigo	**466**	447	4	**47**	46	2
Corporate	**16**	–	–	**9**	7	29
Total	**4 790**	4 385	9	**469**	406	16

* The results for I&J exclude its pelagic fishing operation.

NBL

NBL has delivered a very strong performance, taking advantage of the buoyant local consumer markets which contributed to volume growth of 7%. Turnover increased by 6% to R2,5 billion, with the low inflationary environment continuing to constrain price increases. The volume growth together with the benefit of lower commodity prices and general cost containment resulted in operating profit increasing by 30% to R301 million. The operating profit margin grew from 9,9% to 12,1%.

The strong Rand, while enabling more cost effective procurement of raw and wrapping materials, also provided for increasing competition from imported product across most of NBL's categories. In order to defend its market position, NBL increased total marketing spend by 12% against the prior year. In addition, over ten new products were introduced during the year.

The affordable coffee and creamer category enjoyed very strong growth. Turnover grew by 12% following volume increases of 16% with particularly high demand for creamer. The growth in turnover was limited by lower selling prices and adverse mix. Increasing raw coffee commodity and tin packaging costs together with an increase in maintenance costs at the Isando factory limited operating profit growth to 1%. Coffee selling prices were increased in the last quarter to cover some of the increase in the raw material and packaging costs.

Ciro Alliances which manages NBL's out-of-home channel as well as the premium coffee brands was the only category not to record an improvement in turnover. This was a result of the decision to exit the low margin independent catering channel. On a comparable basis turnover was up 3%. Costs were well contained and rationalisation benefits from the House of Coffees acquisition in the prior year contributed to operating profit increasing by 15% for the year.

The convenience foods category grew turnover by 11% on the back of an 8% increase in volumes with strong local demand boosted by good growth in export markets. The benefit of these additional volumes together with overhead cost containment and lower raw and wrap costs contributed to operating profit lifting by 33%. Although this category experienced increased competition from cheaper imports we believe that the marketing and innovation response has been appropriate. Marketing spend was up 25% and there was significant investment in new product development and launch costs. The introduction of the Topper range, for example, which targets more affordable price points has seen excellent demand from that sector of the market. In addition to this initiative a number of exciting new products were launched and the pipeline for the new financial year is very promising.

Turnover growth within the tea category was 3% on volume growth of 6% and our market share reached an all time high. Black tea prices were decreased in the second half of the prior year as the landed cost of raw tea declined. Strong growth was seen in respect of black tea volumes but sales of Rooibos declined due to the sharp increase in prices in the prior year which was driven by raw material shortages. Some recovery in Rooibos was evident in the last quarter. Operating profit was up 3% for the year after funding a 17% increase in marketing spend. The upgrade of the Durban tea factory will drive both new product development and efficiencies in the next financial year.

Willards continued to improve its operating performance and generated a small operating profit for the year. Although turnover growth was constrained due to an active programme of product rationalisation, a further reduction in the cost base coupled with improved raw and wrap costs and lower discounting in the market contributed to the improved results. Considerable time has been invested in improving all aspects of product quality and marketing plans were substantially revitalised which should contribute to further recovery in the Willards brand in the coming year.

I&J

While the domestic performance of I&J improved during the financial year, poor performance from its Argentine subsidiary resulted in the financial performance of I&J falling well short of expectations and its potential. Turnover declined by 4% to R1,4 billion and operating profit fell 31% to R84 million.

The focus on cost reduction and innovation particularly within the South African operations has resulted in this division increasing operating profit by 30% as these initiatives offset the impact of the poor hake size mix and catch rates experienced throughout the year.

In April 2005, the Government issued its final fishing policy that will govern the allocation of long-term rights, which take effect on 1 January 2006. A very positive aspect of the draft policy is the reference to 15-year fishing rights for the deep sea hake fishing sector as this will bring some stability to an industry which requires long-term investment. We expect the allocation process for deep sea hake to be completed by the end of December 2005.

While we are not able to assess I&J's final position in respect of this quota allocation, we believe that I&J's exemplary record in the deep sea hake fishery, its local value adding strategy and its progress in promoting transformation should mitigate the potential for any significant loss of quota.

The main reason for the decline in the overall financial performance of I&J was the R25 million operating loss reported by Alpesca, compared to an operating profit of R20 million reported in the prior year. The performance of the company was materially impacted by two industry-wide strikes, the first closing operations completely and the second preventing any secondary processing in its major factory for 37 days. Wage settlements were higher than inflation and will have a negative impact in the short term. No further industrial action is anticipated during the new financial year.

In addition to the cost of the strikes, shrimp fishing deteriorated sharply as poor catch rates led to the closure of the national fishing areas. This was compounded by a disagreement between two provincial governments which prevented Alpesca fishing in certain provincial waters. While the shrimp catch is expected to improve as environmental conditions become more favourable, access to the shrimp fishing grounds remains limited, and only a marginal increase in the performance of the fishery is expected in the next financial year. Hake catch rates are currently very good and the Total Allowable Catch has been increased further from 370 000 tons to 390 000 tons.

FFI Trading, which is I&J's international sales operation based in Europe, generated a 7% increase in operating profit, notwithstanding the strong Rand. Good progress has been made in developing third party agency business in high value seafood products.

The black empowerment shareholding in I&J was restructured during the year. In terms of this restructuring the direct empowerment shareholding has been increased to 25%. Of this shareholding, 20% is owned jointly by Ntshona Enterprises and Mast Fishing, two broad-based empowerment organisations with strong commitment to the South African fishing industry. The remaining 5% has been transferred to the South Africa black staff of the I&J group. AVI has continued to fund the acquisition of the I&J shares and in respect of the staff ownership structure, donated 20% of the shares transferred.

DENNY

AVI's position within the fresh-to-market arena was bolstered with the acquisition of Denny at the beginning of the financial year. Denny, South Africa's leading mushroom producer, sells a wide range of fresh and processed mushroom brands including Denny, Silverstream, Gable and Moonlight Mushrooms. It also has a wholly-owned subsidiary, Dining-In, which has two food processing plants and manufactures a range of niche, value-added, convenience food products.

Turnover for the 11-month period since acquisition was R230 million with volumes of fresh mushrooms up 5% on the comparable period in the prior year. This level of activity was below expectation as imported product from China on the back of the stronger Rand had a negative impact on processed product realisations. Operating profit for the year, which reached R28 million, was partially constrained by production problems in the Gauteng plant during peak season.

An extensive review of the Denny brand has been undertaken. A new marketing strategy has been formulated that has identified new opportunities for the business, and will have a positive impact on the performance in the new financial year.

REAL BEVERAGE COMPANY (PTY) LIMITED ("RBC")

RBC's financial year was dominated by the Sir Juice acquisition and restructuring. The acquisition of Sir Juice, a premium pure juice product, was finalised in August 2004 and strengthens RBC's position in the short-life juice market with a strong product intrinsic and access to out-of-home consumers.

While turnover on a comparable basis was up 19%, overall turnover of R217 million was up 40% from the previous year. The ongoing integration programme and a change in senior management impeded the implementation of marketing plans and this together with difficulties in commissioning a new filling line resulted in an unsatisfactory national launch for the Quali Juice brand. Consequently sales growth was below expectations and together with the under-recovered overhead from the line commissioning resulted in a disappointing break even operating profit result.

Good progress has been made during the second half of the year in resolving the production problems and service levels were restored which, coupled with deeper distribution, will enhance operating performance in the coming year.

INDIGO

Indigo grew turnover by 4% to R466 million and operating profit increased by 2% to R47 million. Indigo's results for the year were impacted by the investment in the development of a position in the Australian market for our global brand, Lenthéric. The domestic business however reflected profit growth of 40% with a combination of lower input costs, due to the strength of the Rand and strong toiletry demand contributing to lifting profitability. The local pricing environment remained constrained with no price increases taken during the year.

Domestic volume growth of 4% was below expectations as a result of a material decline in sales to the pharmacy channel due to the general confusion about the future of that industry. In addition, a number of customers have introduced sophisticated inventory management systems which have resulted in lower sales as they have re-balanced their inventory levels.

The introduction last year of a "bridge" category of fragrances has been well received by the market, and is expected to continue growing at an accelerated pace. The growth in the fragrance categories over this financial year was stimulated by a high level of celebrity-endorsed product launches.

The Lenthéric launch into Australasia involved an investment of R15 million which was primarily in marketing support costs in order to establish the brand. Although listings have been secured in some 2 600 outlets, sales have been slower than anticipated, particularly in the male toiletry range. It is not expected that this project will generate a positive contribution in the new financial year.

DISCONTINUED OPERATIONS

Vector Logistics was sold on 2 December 2004 and in the five-month period generated sales of R200 million which compared to R430 million for the full year to 30 June 2004. The operating profit for the five-month period amounted to R33 million in comparison with the R69 million earned for the 2004 financial year.

Consol was unbundled on 28 February 2005 and in the eight-month period had sales of R1,5 billion which compared to R2,1 billion for the full prior year and generated an operating profit of R350 million compared to R481 million for the 2004 financial year.

Following the decision to exit the pelagic fishing operation and to dispose of the pelagic vessels, the results of this operation for the full year have been disclosed as discontinued. In the financial year to June 2005 this operation incurred an operating loss of R12 million which compared to a loss of R13 million in the prior year.

DIVIDEND

The Board has determined that, given the strong cash generating capability of our Group and the change in the risk profile following the unbundling of Consol and sale of Vector, it would be appropriate to reduce the dividend cover from 2.5 to 2.0 times, based on headline earnings. This revised policy will apply to the final dividend in respect of the 2005 financial year but will exclude the earnings of Consol and Vector.

A final dividend of 37 cents per share for the year ended 30 June 2005 has been declared.

OUTLOOK

AVI, with its portfolio of leading consumer brands, is well positioned to take advantage of the structural consumption shift occurring in the South African market, in particular within the growing middle income consumer sector. The acquisitions that we have made are also expected to contribute positively and we do not anticipate a recurrence of the industrial unrest in Argentina. Taking these factors into account the board anticipates that a real increase in earnings will be achieved in the next financial year and that the Group will continue to deliver superior returns for shareholders.

BALANCE SHEET

AT 30 JUNE

	2005 Rm	2004 Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**1 143,2**	2 287,0
Intangible assets	**420,8**	262,5
Joint ventures	**162,8**	143,6
Other investments	**89,8**	78,5
Deferred taxation	**102,0**	104,2
	1 918,6	2 875,8
Current assets		
Non-current assets held for resale	**24,5**	–
Inventories	**500,0**	890,2
Trade and other receivables	**786,8**	1 375,2
Cash and cash equivalents	**448,7**	674,5
	1 760,0	2 939,9
Total assets	**3 678,6**	5 815,7
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**15,9**	17,2
Share premium	**–**	300,7
Treasury shares	**(51,7)**	(342,4)
Premium on minority equity transactions	**(2,7)**	–
Reserves	**(22,3)**	(11,0)
Retained earnings	**2 227,2**	3 163,4
Minority interests	**(2,9)**	309,8
Total equity	**2 163,5**	3 437,7
Non-current liabilities		
Interest bearing borrowings	**112,4**	155,8
Deferred taxation	**134,3**	194,9
Provisions	**268,4**	339,2
	515,1	689,9
Current liabilities		
Trade and other payables	**885,8**	1 536,1
Corporate taxation	**35,7**	79,6
Short-term borrowings	**78,5**	72,4
	1 000,0	1 688,1
Total equity and liabilities	**3 678,6**	5 815,7

BALANCE SHEET
– CONTINUING OPERATIONS

	2005 Rm	2004 Rm
The presentation formats prescribed by IFRS do not allow for comparability of continuing operations on the face of the balance sheet. The balance sheet for the comparative period, restated to remove the assets, liabilities and equity of discontinued operations is set out below:		
ASSETS		
Non-current assets		
Property, plant and equipment	1 143,2	1 012,4
Intangible assets	420,8	262,5
Investments	252,6	221,9
Deferred taxation	102,0	88,9
	1 918,6	1 585,7
Current assets		
Inventories	488,0	398,2
Trade and other receivables	781,9	911,6
Cash and cash equivalents	432,0	248,9
Assets of discontinued operations	58,1	2 673,8
	1 760,0	4 232,5
Total assets	3 678,6	5 818,2
EQUITY AND LIABILITIES		
Total equity	2 163,5	3 437,7
Non-current liabilities		
Interest bearing borrowings	112,4	155,8
Deferred taxation	134,3	68,4
Provisions	268,4	249,3
	515,1	473,5
Current liabilities		
Trade and other payables	873,2	820,2
Corporate taxation	35,7	77,0
Short-term borrowings	78,5	72,4
Liabilities of discontinued operations	12,6	937,4
	1 000,0	1 907,0
Total equity and liabilities	3 678,6	5 818,2

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

	2005 Rm	2004 Rm
CONTINUING OPERATIONS		
Revenue	4 790,4	4 385,1
Cost of sales	2 869,7	2 648,8
Gross profit	1 920,7	1 736,3
Selling and administrative expenses	1 451,6	1 330,5
Operating profit before capital items	469,1	405,8
Income from investments	30,9	41,6
Finance costs	(39,6)	(52,9)
Share of equity accounted earnings of joint ventures	1,2	3,8
Capital items	(21,8)	(7,0)
Profit before taxation	439,8	391,3
Taxation	124,7	130,0
Profit from continuing operations	315,1	261,3
DISCONTINUED OPERATIONS		
Revenue	1 794,9	2 643,3
Cost of sales	1 062,9	1 483,6
Gross profit	732,0	1 159,7
Selling and administrative expenses	360,6	622,2
Operating profit before capital items	371,4	537,5
Income from investments	10,8	45,7
Finance costs	(4,2)	(1,7)
Capital items	18,5	(0,7)
Profit before taxation	396,5	580,8
Taxation	120,8	195,5
Profit from discontinued operations	275,7	385,3
Profit before net gain on disposal of discontinued operations	590,8	646,6
Gain on disposal of discontinued operation	306,9	–
Costs relating to the unbundling of a discontinued operation	(6,4)	–
Profit for the year	891,3	646,6
Attributable to:		
Equity holders of AVI	873,5	577,3
Minority interests	17,8	69,3
Statistics for continuing operations:		
EPS (cents per share)	198.6	83.5
HEPS (cents per share)	108.2	85.9
DHEPS (cents per share)	106.9	84.9

Notes:

1. Basic earnings and headline earnings per share are calculated on a weighted average of 311 025 (2004: 315 809 761) ordinary shares in issue.
2. Diluted earnings and headlne earnings per ordinary share are calculated on a weighted average of 315 536 786 (2004: 319 375 150) ordinary shares in issue, after taking account of the relevant number of incentive scheme shares and options currently in issue.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE

	2005 Rm	2004 Rm
CONTINUING OPERATIONS		
Operating activities		
Cash retained from operating activities	301,3	74,3
Cash generated by operations	631,6	549,6
Cash flow from investments	30,9	42,6
Decrease/(increase) in working capital	16,3	(55,7)
Cash generated by operating activities	678,8	536,5
Interest paid	(39,6)	(52,9)
Taxation paid	(170,0)	(72,4)
Cash available from operating activities	469,2	411,2
Dividends paid	(167,9)	(336,9)
Investing activities	(394,5)	(351,0)
Property, plant and equipment		
– to maintain operations	(115,5)	(75,8)
– to expand operations	(91,6)	(97,1)
	(207,1)	(172,9)
Proceeds from disposals	6,6	8,6
Net investment in property, plant and equipment	(200,5)	(164,3)
Intangible assets purchased	(0,1)	(88,8)
Investments – net (acquisitions)/disposals	(193,9)	(97,9)
– subsidiaries and businesses	(174,1)	(104,5)
– associated companies, joint ventures and other investments	(19,8)	6,6
Financing activities	(314,9)	(21,8)
Net decrease in shareholder funding	(213,5)	(114,2)
Long-term borrowings	(101,4)	92,4
– raised	–	99,4
– repaid	(101,4)	(7,0)
DISCONTINUED OPERATIONS	203,9	(38,3)
Cash flows from operating activities	335,0	483,8
Cash flows from investing activities	(131,1)	(522,1)
Cash flows from financing activities	–	–
Acquisition of minority equity interest in discontinued operation	(526,4)	–
Cash flow from disposal of discontinued operation	505,8	–
Decrease in net cash and cash equivalents	(224,8)	(336,8)
Net cash and cash equivalents at beginning of year	602,1	955,6
	377,3	618,8
Net decrease as a result of the translation of the cash equivalents of foreign subsidiaries at beginning of year	(7,1)	(16,7)
Net cash and cash equivalents at end of year	370,2	602,1
Short-term borrowings	78,5	72,4
Cash and cash equivalents	448,7	674,5

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2005

	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	Premium on minority equity trans-actions Rm	**Total Rm**	Minority interests Rm	**Total equity Rm**
Balance at beginning of year	317,9	(342,4)	(11,0)	3 163,4	–	**3 127,9**	309,8	**3 437,7**
Earnings for the year	–	–	–	873,5	–	**873,5**	17,8	**891,3**
Dividends paid	–	–	–	(167,5)	–	**(167,5)**	(3,2)	**(170,7)**
Issue of ordinary shares	8,0	(8,0)	–	–	–	–	–	–
Acquisition of minority interest in Consol Limited	–	–	–	–	(213,5)	**(213,5)**	(312,9)	**(526,4)**
Irvin & Johnson Holding Company (Pty) Limited:								
– acquisition of minority interest	–	–	–	–	(2,7)	**(2,7)**	–	**(2,7)**
Unbundling of subsidiary company, Consol Limited	(106,7)	–	(4,3)	(1 384,5)	213,5	**(1 282,0)**	(20,9)	**(1 302,9)**
Capital repayment of 64 cents per ordinary share	(201,8)	–	–	–	–	**(201,8)**	–	**(201,8)**
Acquisition of own ordinary shares by Company's Share Trusts (net)	–	(11,6)	–	–	–	**(11,6)**	–	**(11,6)**
Own ordinary shares acquired from wholly-owned subsidiary company and subsequently cancelled	(1,4)	310,3	–	(308,9)	–	–	–	–
Redemption of convertible redeemable preference shares	(0,1)	–	–	–	–	**(0,1)**	–	**(0,1)**
Foreign currency translation differences	–	–	33,2	–	–	**33,2**	–	**33,2**
Cash flow hedging reserve	–	–	9,7	–	–	**9,7**	0,1	**9,8**
Share based payments	–	–	1,3	–	–	**1,3**	–	**1,3**
Transfer between reserves	–	–	(51,2)	51,2	–	–	–	–
Other movements	–	–	–	–	–	–	6,4	**6,4**
Balance at end of year	**15,9**	**(51,7)**	**(22,3)**	**2 227,2**	**(2,7)**	**2 166,4**	**(2,9)**	**2 163,5**

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	**Total Rm**	Minority interests Rm	**Total equity Rm**
Balance at beginning of year	304,0	(182,8)	42,2	2 935,8	**3 099,2**	398,3	**3 497,5**
Adjustments to account for the:							
– Straight-lining of operating leases	–	–	–	(11,3)	**(11,3)**	(0,2)	**(11,5)**
– Derecognition of BEE transactions	–	–	–	(4,1)	**(4,1)**	(123,2)	**(127,3)**
Balance at beginning of year as restated	304,0	(182,8)	42,2	2 920,4	**3 083,8**	274,9	**3 358,7**
Earnings for the year	–	–	–	577,3	**577,3**	69,3	**646,6**
Dividends paid	–	–	–	(336,9)	**(336,9)**	(37,7)	**(374,6)**
Dividend adjustment in respect of the consolidation of the Company's Share Trusts	–	–	–	2,6	**2,6**	–	**2,6**
Issue of ordinary shares	13,6	–	–	–	**13,6**	–	**13,6**
Issue of convertible redeemable preference shares	0,3	–	–	–	**0,3**	–	**0,3**
Own ordinary shares acquired							
– by wholly-owned subsidiary	–	(127,5)	–	–	**(127,5)**	–	**(127,5)**
– by Company's Share Trusts (net)	–	(32,1)	–	–	**(32,1)**	–	**(32,1)**
Foreign currency translation differences	–	–	(77,3)	–	**(77,3)**	–	**(77,3)**
Cash flow hedging reserve	–	–	22,3	–	**22,3**	3,3	**25,6**
Share based payments	–	–	1,8	–	**1,8**	–	**1,8**
Balance at end of year	317,9	(342,4)	(11,0)	3 163,4	**3 127,9**	309,8	**3 437,7**

NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation

The Group has elected to adopt International Financial Reporting Standards ("IFRS") for the year ended 30 June 2005.

The financial statements for the year ended 30 June 2005 are the Group's first consolidated IFRS-compliant financial statements and hence IFRS 1 – First time adoption of IFRS has been applied in preparing the annual report for the year ended 30 June 2005, the comparative information presented in this report for the year ended 30 June 2004 and in the preparation of the opening IFRS balance sheet at 1 July 2003 (the Group's date of transition).

The transition to IFRS has not had a material impact on the previously reported equity position and financial performance of the Group. A summary of the significant changes to the Group's accounting policies as a result of the adoption of IFRS as well as a detailed explanation of how the transition to IFRS has affected the previously reported financial position and performance of the Group will be provided in the annual report.

2. Changes in accounting policies

2.1 Accounting recognition of disposal of shares in subsidiary companies

The Group has changed its accounting policy where shares in a subsidiary company are disposed of and serve as security for the funding of the proceeds receivable in accordance with revised accounting recognition requirements. In these circumstances the accounting recognition of the disposal of the shares is deferred in the consolidated financial statements until the funding subject to the security of the shares has been fully repaid. Previously, such transactions were recognised from the effective date of the underlying agreements of sale.

The change in accounting policy resulted in a reduction in net earnings attributable to AVI shareholders of R5 million in the previous year and a decrease in retained earnings at 1 July 2003 of R4 million.

2.2 Operating leases

The Group has adopted the interpretation of IAS 17: Leases, detailed in SAICA Circular 7/2005 – Operating leases, whereby the Group is obliged to apply the straight-line basis of accounting for all fixed escalation payments over the entire lease period. The adoption of the interpretation resulted in the recognition of a non-current liability of R16 million at 1 July 2003 (R11 million after deferred taxation and minorities). The change in accounting policy has no impact on earnings in the current and previous financial year.

3. Contingent liability

The South African Revenue Service ("SARS") has issued revised assessments on a foreign subsidiary for taxes plus penalties and interest in respect of the tax years previously assessed, 1998 through 2003. The additional taxes assessed by SARS amount to R49 million. The total amount in terms of the assessments including penalties and interest, is R208 million.

The 2004 and 2005 tax years have not yet been assessed. Were assessments to be issued on the same basis applied in the assessments received, the total amount of tax payable in respect of these years would be R11 million, excluding penalties and interest.

The Company has filed a notice of appeal against the 1998 to 2003 assessments. However, as the issues in dispute are of a complex nature it is anticipated that the matter will remain unresolved for an extended period.

Dividend declaration

Notice is hereby given that a final ordinary dividend No. 62 of 37 cents per share for the year ended 30 June 2005 has today been declared payable to holders of ordinary shares. The salient dates relating to the payment of the dividend are as follows:

	2005
Last day to trade *cum* dividend on the JSE Limited ("JSE")	Friday, 14 October
First trading day *ex* dividend on the JSE	Monday, 17 October
Record date	Friday, 21 October
Payment date	Monday, 24 October

In accordance with the requirements of STRATE, no share certificates may be dematerialised or rematerialised between Monday, 17 October 2005 and Friday, 21 October 2005.

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 the Central Securities Depository Participant ("CSDP") or broker credited on Monday, 24 October 2005.

Report of the auditors

The unqualified report of KPMG Inc., the independent auditors, dated 6 September 2005 is available for inspection at the registered office of the Company.

Annual report

The annual financial statements for the year ended 30 June 2005 will be posted to shareholders on or about Monday, 26 September 2005. The financial statements will include the notice of the annual general meeting of shareholders to be convened on Wednesday, 19 October 2005.

NOTES

AVI Limited

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

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