AVI

AVI LIMITED

ANNUAL REPORT

2006

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Key values

- People are our key differentiator
- We strive to exceed customer expectations
- Integrity and honesty are non-negotiable
- We strive to meet the expectations of all stakeholders and business partners
- We have a passion to win


Profile

AVI is a consumer brands company focusing on food, beverage and fashion brands.

Purpose

We provide enjoyment to people through the supply of branded, added-value products.

Highlights

- First full year as a focused consumer brands company
- Spitz acquired effective July 2005
- Revenue from continuing operations up 14,2% to R5,4 billion
- Operating profit from continuing operations up 10,3% to R517,3 million
- Headline earnings per share from continuing operations 107,2 cents (2005: 108,2 cents)
- Cash generated by continuing operations up 4,5% to R660,2 million
- Total dividend for year of 53 cents per share (2005: 51 cents per share)

Group at a glance

AVI Limited

25% BEE parties including Black staff

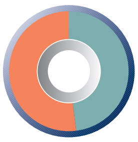
Food and Beverage

Subsidiary	Holding
National Brands Limited	100%
Irvin & Johnson	75%
Denny	100%
The Real Beverage Company	75%

Fashion

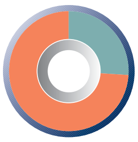
Subsidiary	Holding
A&D Spitz	100%
Indigo Cosmetics	100%

AVI continuing operations	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	14,2	5 406,6	4 734,8	4 340,8	4 049,2
Operating profit	10,3	517,3	469,1	405,8	454,6
Operating margin (%)	(3,0)	9,6	9,9	9,3	11,2
Capital expenditure	3,9	215,1	207,1	158,8	237,9



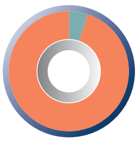
Revenue 2006

NBL	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	7,1	2 606,7	2 434,9	2 301,7	2 118,2
Operating profit	11,9	337,0	301,1	233,5	172,0
Operating margin (%)	4,0	12,9	12,4	10,1	8,1
Capital expenditure	11,6	95,9	85,9	74,9	85,5



Revenue 2006

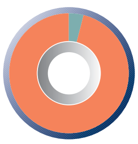
I&J	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	3,9	1 432,5	1 378,3	1 437,0	1 525,7
Operating profit	(93,0)	5,9	84,3	121,7	231,2
Operating margin (%)	(93,4)	0,4	6,1	8,5	15,2
Capital expenditure	(9,0)	65,7	72,2	57,6	133,9



Revenue 2006

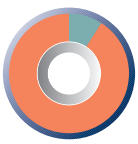
Denny	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	12,3	254,7	226,9		
Operating profit	(22,7)	21,5	27,8		
Operating margin (%)	(31,7)	8,4	12,3		
Capital expenditure	27,1	15,0	11,8		

2005 numbers are for 11 months; acquisition was effective August 2004.



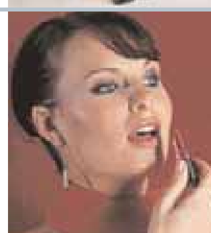
Revenue 2006

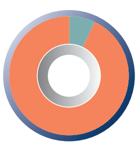
RBC	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	(3,8)	209,0	217,3	155,0	31,3
Operating loss		(20,4)	(0,2)	(2,5)	(8,8)
Capital expenditure	(75,2)	2,8	11,3	14,1	1,0



Revenue 2006

Indigo	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	3,8	479,6	461,9	446,9	373,8
Operating profit	7,4	50,5	47,0	46,0	40,3
Operating margin (%)	2,9	10,5	10,2	10,3	10,8
Capital expenditure	14,2	16,9	14,8	25,4	16,0





Revenue 2006

Spitz	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	51,8	391,8	258,1		
Operating profit	49,3	115,1	77,1		
Operating margin (%)	(1,7)	29,4	29,9		
Capital expenditure	131,7	9,5	4,1		

2005 numbers are for comparative purposes; acquisition was effective July 2005.

[1]Prior years restated to deduct settlement discounts in compliance with Circular 9/2006 where effect is material. Refer to Note 14 to the annual financial statements for more information.

Chairman's review

Angus Band
Chairman

This is my first review since taking over as Chairman in October last year and also covers AVI's first full year of operation as a focused consumer brands company, following the sale of Vector Logistics (Pty) Limited and the unbundling of Consol Limited in the previous financial year. The increased focus has already fostered a more defined operational culture and heightened the implementation of key operational strategies which are critical to our future growth and success.

AVI's core objective is to provide enjoyment to people through the supply of branded value-added products. The Group has a strong portfolio of market-leading brands and continues to leverage these while seeking to add to the portfolio on a value-accretive basis.

In this context the Board has committed to a key restructuring initiative that will change the operating structure of the Group. This is a natural outcome flowing from the gradual transition of AVI since 1999 from a conglomerate to a focused consumer brands company. The revised structure is expected to be a key enabler to increase the rate of revenue growth in future years by unlocking logical synergies and enhancing the Group's ability to innovate and lead trends.

Material to this new structure is our need to aggregate our brand portfolios into groupings where the core skills, market instincts and business activities are as similar as possible and moreover that these groupings are well aligned to our core strategies of organic growth, innovation and cost efficiency. Operational accountability will remain vested in business unit executives with clear line of sight responsibility while, where logical, back office synergies will be sought across the Group. This structural change has been well received internally and the Board is confident that it will be a real driver of the future success of AVI.

In line with our strategy of owning leading consumer brands AVI broadened its footprint with the acquisition of 60% of A&D Spitz (Pty) Limited ("Spitz") effective from 2 July 2005. While this acquisition may initially have seemed incongruous with the existing brand portfolio, it was underpinned by the fact that AVI's brand management and marketing expertise are the real common denominators across the different operations in the Group. Spitz has enjoyed an excellent year. In view of its strong prospects and AVI's desire to commence brand strengthening initiatives as soon as possible, an early buy-out of the remaining 40% of the equity effective from 1 July 2006 was negotiated with the minority shareholders.

The domestic economy has performed strongly during the financial year driven by low inflation, moderate interest rates and high commodity prices. The growth of the black middle class as well as government welfare grants have also been major contributory factors to the buoyant consumer demand experienced over most of the year. However, a strong and relatively stable rand supported import competition and a low inflation environment which, together with strong local competition in many categories, constrained price increases for most of the year.

Generally escalations in raw material, packaging, energy and wage costs put pressure on margins which was only compensated by price increases towards the end of the year. Increased sales volumes, however, allowed AVI to achieve better cost efficiency and generally maintain margins at 2005 levels.

The consolidated financial performance of the Group was, however, disappointing given this macro-economic environment, with headline earnings in line with the prior year. The principal detractor was the poor result delivered by Irvin & Johnson Limited ("I&J") which negated, to a large extent, the substantial contribution from Spitz and sound improvements at National Brands Limited ("NBL") and Indigo Cosmetics (Pty) Limited ("Indigo").

I&J's adverse performance was primarily driven by poor catch rates in South Africa and sharply higher costs of which the major contributor was fuel. While the I&J operating model is being improved, its results are highly geared to the performance of fishing resources and this will continue to add some volatility to the Group's results.

A positive development for the South African fishing industry was the award of the long-term rights by the Ministry of Environmental Affairs. In terms of this allocation I&J's key hake quota was reduced by 6% which, together with a reduction in the Total Allowable Catch, resulted in a decline in I&J's quota for calendar year 2006 of 4 880 tons. These rights are for a 15 year period which allows the industry to engage in the longer-term planning that is essential in a capital intensive and natural resource dependent industry.

In recognition of the social imperative to embrace and support transformation in South Africa, AVI has considered various Black Economic Empowerment opportunities in the past financial year. This process culminated with a decision by the AVI Board to pursue a broad based ownership opportunity for all black employees in the Group. At the forthcoming annual general meeting, shareholders will be asked to approve a scheme that will place approximately R411 million of share purchase rights into the hands of some 5 200 employees so that they can participate in the capital growth of the shares over the next five years. If this proposal is accepted it will result in entitlement to approximately 7,7% of the Group's equity being transferred to black employees.

In addition to the proposed participation in AVI's equity, 25% of I&J is directly held by black shareholders including staff. This investment has been understandably disappointing in view of I&J's performance since the minorities acquired their shares. However, I am optimistic that I&J has the potential, over the long term, to perform at levels that will meet all shareholders' expectations.

AVI remains committed to transformation through *inter alia*, employment equity, preferential procurement and the accelerated development of black employees and has actively pursued its targets in these areas during 2006. This notwithstanding, I believe that there is a need to re-focus efforts during 2007 and ensure more effective delivery of results.

Sustainable development requires identification of the issues that may materially affect the company's long-term profitable existence and the implementation of strategies to mitigate any negative impacts. AVI focuses on three key areas to achieve this:

- **Ethics:** high ethical standards that govern the conduct of all employees are a hallmark of the AVI culture that is encouraged in both substance and form. In keeping with this the Group has demonstrated a high standard of corporate governance in 2006, maintaining effective processes at both subsidiary and corporate levels to monitor and control compliance with Group corporate governance requirements.

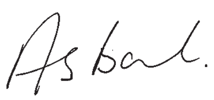
- Scarce resources: the Group has one primary exposure with respect to economic availability of scarce resources, being the performance of its fishing resources in South Africa and Argentina. Recent research indicates that the South African resource, while under pressure, is not on the verge of collapse and if simple and practical measures such as limitation of fishing effort and protected areas are implemented swiftly there could be a marked improvement in the performance of the hake resource in the medium term.

- High standing with stakeholders and business partners: AVI strives to keep pace with the expectations of its stakeholders and business partners so that it continues to be recognised as a desirable group to do business with. This approach incorporates the Group's activities with respect to transformation, transparency, environmental responsibility, community social investment and the health and safety of our employees.

My appointment as non-executive chairman followed Tony Ardington's retirement in October 2005. Barry Wood resigned from the Board for health reasons, Peter Bester retired from the Board on reaching the age of 65 and Roy Gordon resigned following his resignation from I&J. I would like to thank them for their contribution to AVI over a long period and wish them well for the future. Simon Crutchley was appointed as Chief Executive Officer and, following Robert Katzen's secondment to run the Real Beverage Company (Pty) Limited ("RBC"), Owen Cressey joined the Board as Chief Financial Officer.

I would like to thank my colleagues on the Board for their support and their contribution. AVI is fortunate to have an excellent group of managers and committed staff who have performed well over the past year. The ongoing support of our consumers, customers and suppliers is also much appreciated.

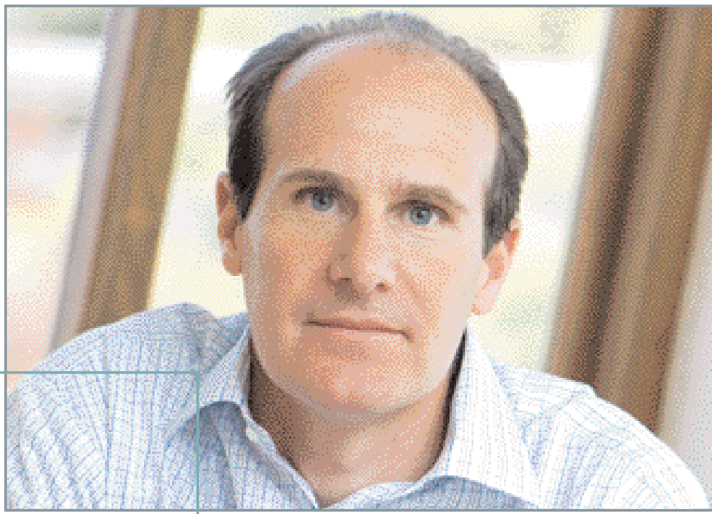
The 2007 financial year is set to be an exciting and challenging one for AVI and I look forward to working with Simon Crutchley and his team to make it a successful one.



Angus Band
Non-executive chairman

8 September 2006

Chief executive officer's review



Simon Crutchley
Chief executive officer

Group overview

AVI has successfully repositioned itself as a focused business committed to managing, developing and adding to our portfolio of leading consumer brands. The acquisition of Spitz, effective from July 2005, strengthened our brand portfolio, giving us access to exceptional fashion brands, well aligned to our strategic commitment to target branded consumer categories with strong growth potential.

Our underperforming businesses, I&J and RBC, were subject to detailed reviews and remedial plans developed with new leadership. Both businesses are well positioned to improve on the 2006 performance with the implementation of these plans. A substantial review of the operating structure of the Group was undertaken, with our objective being to evolve current structures to take advantage of the consumer brand focus. Our conclusions in this regard are set out below.

We were disappointed not to conclude other acquisitions during the year. Despite considerable effort, several meaningful prospects were not consummated, largely as our judgement was that vendor value expectations exceeded the quality of the brands on offer. We remain active in seeking growth opportunities and are hopeful that 2007 will be more fruitful in this regard.

A considerable number of senior management changes were made during the year. At I&J, Francois Kuttel joined as CEO. At AVI, Robert Lunt moved from being Managing Director of Indigo to head up the newly formed fashion brands business unit, responsible for both Spitz and Indigo. Robert Katzen, after a very successful period as AVI's CFO, was seconded to RBC with Owen Cressey, AVI's Group Financial Manager, succeeding Robert. Steve Miller joined AVI as the company's Brand Expert, working across the Group with brand development. Paul Presbury joined AVI to strengthen our legal and human resources management platforms.

On balance this year's disappointing financial performance masked substantial progress across many facets of AVI that I believe substantially enhance our medium-term prospects.

Financial and operating highlights

In aggregate, our financial performance was below our expectations, particularly in light of the ongoing strength of consumer demand across most categories. Group turnover from continuing operations increased by 14,2% to R5,4 billion with operating profit lifting by only 10,3% to R517,3 million. Solid performances from NBL, Indigo and an exceptional year for newly acquired Spitz were offset by a substantial decline in the performance of I&J and to a lesser extent RBC and Denny. A detailed review of each business is set out in the review of operations section of this report.

In contrast to the increase in operating profit, headline earnings of R335,0 million were slightly lower than in 2005. This was largely attributable to an increase in financing costs, principally because of the Spitz acquisition, a loss incurred in I&J's Simplot joint venture due to material restructuring charges, and higher Secondary Tax on Companies. Headline earnings per share for continuing operations decreased by 0,9% to 107,2 cents (2005: 108,2 cents).

Group cash flow remained strong with cash generated by continuing operations increasing to R660,2 million from R631,6 million.

Structuring for growth

AVI's current operating and management structures more appropriately reflected the needs of the historic position where the diversity of the portfolio lent itself to a decentralised business structure. The need for heightened focus and the overall scale consequences of the sale and unbundling of non-branded activities substantially change the appropriateness of these structures.

We reviewed our internal objectives and their enabling strategies, and reflected that we could materially enhance our ability to achieve them with a revised structure.

Our conclusion was that our structure would need to speak to the following:

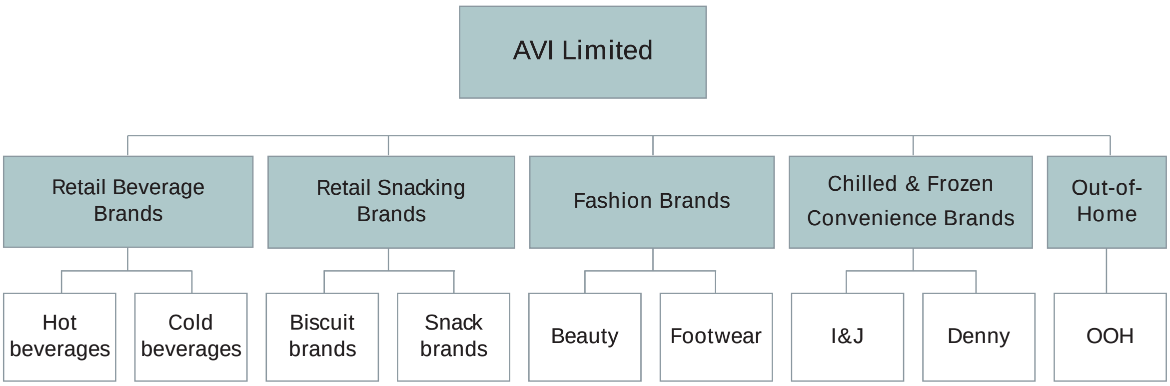
- That our brand portfolios be aggregated into 'natural' business units, where the core skills, market essence and business activities are as similar as possible.
- That the structure allow AVI to extract the benefits of linkages between the business units at both a tangible level (core marketing activities, sales, merchandising, distribution and back office functions) and at intangible level (brand and market insights, trends and innovation).
- The structure should be reflective of the opportunities presented by the social and demographic dynamics of South Africa and globally and reflect our own strategic priorities.
- Provide a platform that facilitates a continuous improvement in costs and productivity on an annual basis and wherever possible measured against local and global peers.
- Ensure that the structure is coherent with our objective of building a culture which strives for a balance between corporate instinct and entrepreneurialism and is an enabler to our ambition of making AVI the company of choice for talented managers.
- That the structure preserves and extends, wherever possible, our well established, efficient enterprise activities.

Our thinking on the need for business units to be operated by profit responsible business leaders has not changed. Key to our structural revision was to ensure that we found the best balance between a structure that fosters business unit sovereignty but still embraces a single company instinct.

Business unit sovereignty preserves operational accountability, with clear mandates for managers to operate within AVI board mandates, policy, and performance expectations and finally, preserves our ability to use remuneration practice with a robust relationship between reward and performance.

A single company instinct enables AVI's executive managers and the Board to robustly set objectives, strategies and monitor progress across the portfolio. In addition, it contextualises the collaboration necessary between business units that is essential to accessing the linkages between them, will enhance our ability to create shared and support services and finally, give the Group better leverage with external stakeholders.

Our new structure aggregates AVI's brands into five new business units, each managed by an AVI business unit head reporting to the CEO. This is set out in the diagram below highlighting the core activity within each business unit.



In practice, this structure has good organic roots, with the fashion business already managed much as the new structure proposes and with only moderate change necessary to achieve the balance of the structure. Our plan is to move to this structure in a deliberate, phased, and planned manner over the next 18 months.

Outlook

Notwithstanding the hazards of predicting economic prospects, I believe consumer spending will continue to reflect South Africa's generally healthy economic outlook. This, coupled to AVI's strong brand portfolio, the recovery opportunities inherent in I&J and RBC, our focus on organic growth and innovation and with time the benefits resulting from the restructuring of the Group, underpin our confidence that the outlook for AVI both in the year ahead and over the medium term is positive.

Simon Crutchley
Chief executive officer

8 September 2006

Review of operations

Review of operations

NATIONAL BRANDS LIMITED

NBL	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	7,1	2 606,7	2 434,9	2 301,7	2 118,2
Operating profit	11,9	337,0	301,1	233,5	172,0
Operating margin (%)	4,0	12,9	12,4	10,1	8,1
Capital expenditure	11,6	95,9	85,9	74,9	85,5

[1]Prior years restated to deduct settlement discounts in compliance with Circular 9/2006 where effect is material. Refer to Note 14 to the annual financial statements for more information.

NBL extended its track record of solid growth with an increase in total revenue of 7,1%, mainly on the back of higher volumes. Volume growth represents a combination of higher market share in key categories as well as increased consumer spending. Selling prices were, in general, constrained by the low inflationary environment and impact of a strong and relatively stable Rand which supported imported products.

The gearing effect of higher volumes combined with improved cost efficiency led to the operating profit margin increasing to 12,9% from 12,4% which lifted operating profit by 11,9%, from R301,1 million to R337,0 million.

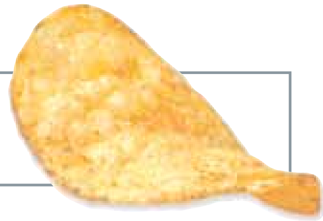
Capital expenditure amounted to R95,9 million in 2006, with the largest item being a capacity expansion at the Westmead biscuit factory (R29,6 million) which will primarily benefit the Baumann's Topper line. Other capital expenditure included the replacement and upgrading of tea packing equipment, a kettle fryer at Willards and dispensing equipment for Ciro Alliances.

Despite a more competitive environment NBL maintained or increased the South African market share of most of its key brands. Export sales into other African countries were negatively impacted by NBL's imposition of stricter controls to prevent sales for export being sold in the local market at reduced prices.

An active year in respect of product revitalisation and new product development yielded some notable successes, such as Bakers Jambos, Willards Kettle Chips and revitalised packaging for Five Roses, Freshpak, Frisco and Koffiehuis. However there were also some disappointments and lost opportunities – production quality problems led to the withdrawal of Notta bars and Iced Tea plastic bottles, while new Willards potato crisp packaging did not perform to expectations, resulting in high product returns until the problem was addressed.

Tea volumes grew by 1,1% despite increased competitor activity in the affordable segment. Higher volumes, limited price increases and a change in sales mix led to revenue growth of 3,4%. Operating profit increased by 18,7% exceeding revenue growth due to an improved operating margin arising from lower raw material prices, a change in sales mix and more focused advertising spend. Market share in the premium segments and in total increased, assisted by revitalised packaging for Five Roses and Freshpak.

Review of operations continued



The **coffee and creamer** category increased volumes by 3,3%, principally as a result of increased creamer production capacity following improvements to the production process. Price increases in coffee ameliorated higher coffee bean prices but were constrained by a highly competitive environment. Overall revenue for the category grew by 5,8% and operating profit grew by 20,8% mainly as a result of achieving higher creamer volumes on a marginal cost basis.

Biscuits competed well in a market flooded with competent and cheaply priced imports, managing to increase market share and margins relative to 2005. Strong volume growth of 11,2% in 2006 was led by the Bakers Jambos and Baumann's Topper ranges. Downtime resulting from the installation of new capacity at the Westmead factory reduced production in the fourth quarter and caused stock shortages in some lines. No price increases were taken in 2006 and total biscuit revenue grew by 11,9% on the back of higher volumes. Operating profit increased by 15,8% as a result of the higher volumes. Overall market share was the highest in five years.

The **snacks** category grew volumes by 4,3% mainly from extruded products and the launch of Willards Kettle Fry. Revenue growth was restricted to 2,1% by increased product claims resulting from packaging quality problems. Operating profit rose as a result of continued improvement in the cost base, principally with regard to procurement of ingredients and better yields in the manufacturing process. The distribution and sales of Stimorol gum on a third party agency basis was terminated at the end of the year following a change in ownership of the Stimorol business. This business contributed approximately R84 million of revenue and R5 million of operating profit in 2006.

The **out-of-home** channel, Ciro Alliances, achieved slightly lower revenue as a result of lower fresh juice volumes, offset by growth in the other categories such as tea, coffee and biscuits. Price increases did not cover the full increase in the cost of coffee beans and higher dispensing equipment repair and maintenance costs. Consequently operating profit declined by 17,4%. Capital expenditure on dispensing equipment was high in line with new business developed during the year. This will support volume growth in future years.

Looking ahead to 2007, it is expected that the heightened category focus resulting from the revised structure and improved product development and launch competencies will significantly enhance the ability to leverage NBL's strong brand portfolio. Combined with additional production capacity in key brands, this should lead to meaningful growth.

BAKERS | BAUMANN'S | Freshpak | TRINCO | Ellis Brown Coffee Creamer | ciro
Pyotts | FIVE ROSES Refined Quality Tea | Koffiehuis | Willards | Frisco | house of coffees

Review of operations continued

I&J	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	3,9	1 432,5	1 378,3	1 437,0	1 525,7
Operating profit	(93,0)	5,9	84,3	121,7	231,2
Operating margin (%)	(93,4)	0,4	6,1	8,5	15,2
Capital expenditure	(9,0)	65,7	72,2	57,6	133,9

[1]Prior years restated to deduct settlement discounts in compliance with Circular 9/2006 where effect is material. Refer to Note 14 to the annual financial statements for more information.

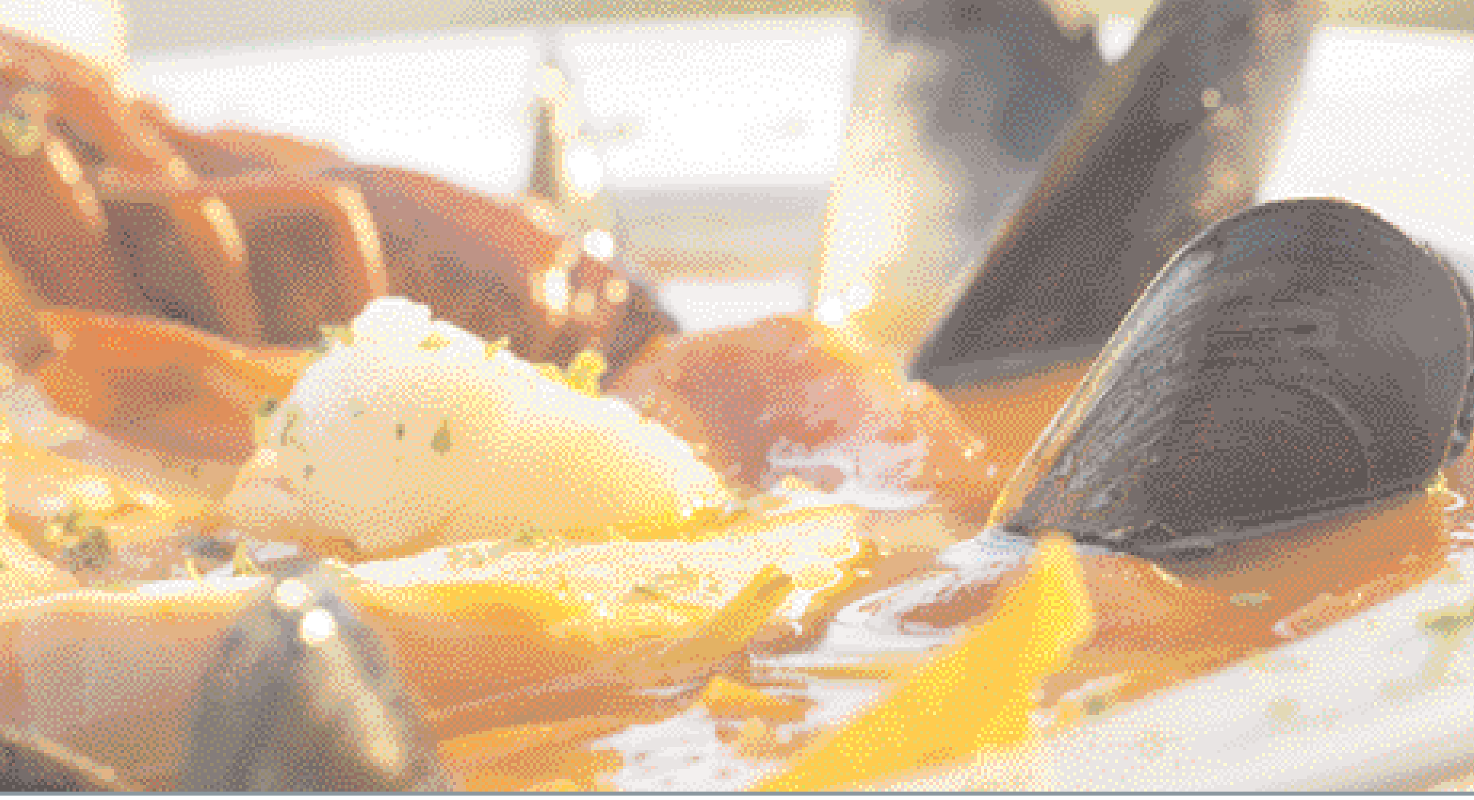
I&J was severely impacted by the poor performance of the South African fishing operations in 2006. Consequently, although revenue increased by 3,9%, operating profit for the year was only R5,9 million. Operating profit derived from each fishing resource was as follows:

	2006 Rm	2005 Rm
RSA operations	(1,9)	85,8
Argentina (Alpesca)	0,1	(18,3)
Other	7,7	16,8
Total	5,9	84,3

Key factors giving rise to the poor performance of the South African fishing operation were:

- Low hake catch rates that led to a significant increase in fishing effort and cost per ton of fish landed. Indexed to 2002, the fishing effort required to land a ton of hake in 2006 was 12% higher than in 2005 and 44% higher than in 2002;
- An ongoing prevalence of small fish that reduced sales of premium margin products;
- A quota reduction from the previous financial year;
- Reduced efficiency of the fish processing plants arising from lower volumes, the unfavourable size mix and unpredictable supply; and
- Rising fuel costs that exacerbated the cost per ton increase caused by lower catch rates.

These factors resulted in an operating loss attributable to the South African fishing operations of R1,9 million for the year compared to a profit of R85,8 million in 2005.



Prices in the South African market were on average 8% higher than in 2005, which partly recovered the higher cost of fish without having a negative effect on retail market share. Export prices were slightly higher than 2005, however, the strength and relative stability of the Rand prevented any material benefit arising on export sales.

The Argentinian fishing operation, Alpesca, improved operating performance relative to the prior year mainly because of good hake catch rates. However, overall operating performance was disappointing, with the impact of better fishing offset to a large extent by increased fishing-related incentives, high fuel costs and a difficult labour environment where ongoing expectations of high wage increases led to frequent work disruptions and low productivity. A moratorium on shrimp fishing was in place until April 2006, to encourage recovery of the shrimp resource. Initial catches when access was granted to the shrimp fishing areas were disappointing in terms of volume and size, although they improved greatly in July and August. Resolution of a provincial dispute that was outside of Alpesca's control led to the withdrawal of fishing rights from two of its vessels and a consequent impairment of shrimp fishing rights of R6,3 million.

International trading operations were negatively affected by the loss of the scallop third party agency business. Simplot, the Australian processing and distribution joint venture which is equity accounted, incurred material once-off restructuring and asset scrapping costs associated with a major plant mechanisation project.

Capital expenditure of R65,7 million includes vessel refurbishment costs as well as replacement and upgrading of processing equipment in South Africa and Argentina.

Discontinued operation

In 2005 a decision was taken to exit the unprofitable pelagic fishing operation. One of the three vessels employed in this operation was sold in 2005 while the two remaining vessels continued operating until they were sold in the first half of the 2006 financial year. This activity resulted in an operating loss of R2,1 million and a capital profit of R10,1 million in 2006.

Quota

The announcement of the allocation of Long Term Rights ("LTR") for the South African fishery was made in January 2006, and finalised in August 2006 after an appeal process. In percentage terms, I&J retained 94% of its share of the 2005 hake quota. However, a 5% reduction in the 2006 hake Total Allowable Catch ("TAC") brings the total reduction for the 2006 calendar year to 11%. While the quota applicants could still take legal action to challenge the final allocations, it is not anticipated that such action, if taken, would lead to material changes. Costs of R4,3 million incurred in the rights application process were capitalised in 2006.

Alpesca benefited from an increased allocation of the Argentinian hake TAC and also purchased an additional 3 000 tons of quota for R14,7 million in 2006.

The total hake quota for calendar years 2005 and 2006 is summarised in the table below:

Hake quota	2006 tonnes	2005 tonnes
South Africa	150 000	158 000
I&J	41 950	46 830
%	28,0	29,6
Argentina	380 000	394 000
Alpesca	27 847	24 259
%	7,3	6,2

Resource management

I&J can only generate economic returns if the South African hake fishery is viable. Recent research indicates that the resource, while under pressure, is not on the verge of collapse. AVI's belief is that the resource is possibly being impacted by improper fishing practices, such as value upgrading and by-catch targeting, both of which lead to caught hake being discarded, implying an effective over-utilisation of the resource in relation to the targeted TAC. I&J management is engaging with other major fishing industry players and the Department of Marine and Coastal Management to get consensus on initiatives that will address these factors. If simple and practical measures such as limitation of fishing effort and protected areas are implemented swiftly there could be a marked improvement in the performance of the hake resource over the medium term.

Prospects

AVI believes that there is significant opportunity to address and improve controllable aspects of I&J's operating model. Key focus areas are:

- Improving management focus and effectiveness: The many small operations in which I&J is involved will be reviewed and those that consume significant management time for little potential return will be exited;
- The re-structuring of the RSA operations to reflect the changing business drivers and quota position: To date the former I&J Head Office building in Cape Town has been sold and head count at the Cape Town trawling and processing operations has been reduced by 440 people;
- Viability of labour costs at Alpesca: This includes a more realistic alignment of the cost of incentives to value retained by the company, and matching of high wage increases to productivity improvements;
- Optimisation of sales mix: Retail sales make up less than half of I&J's total revenue. The non-retail sales comprise sales to fish markets, agents and the food service industry. These sales include the highest margin products which, paradoxically, are those that require the least processing. Initiatives have already commenced to maximise revenue from higher margin products and in time it is likely that there will be some rationalisation of processed products in South Africa to support greater efficiency in the processing operations.

It is difficult to predict accurately the full impact of planned improvements, or how quickly they can be achieved, however, management is committed to bringing them to account as soon as possible.

Denny	Change %	2006 Rm	2005[2] Rm
Revenue[1]	12,3	254,7	226,9
Operating profit	(22,7)	21,5	27,8
Operating margin (%)	(31,7)	8,4	12,3
Capital expenditure	27,1	15,0	11,8

[1]Prior years restated to deduct settlement discounts in compliance with Circular 9/2006 where effect is material. Refer to Note 14 to the annual financial statements for more information.

[2]2005 numbers are for 11 months; acquisition was effective August 2004.

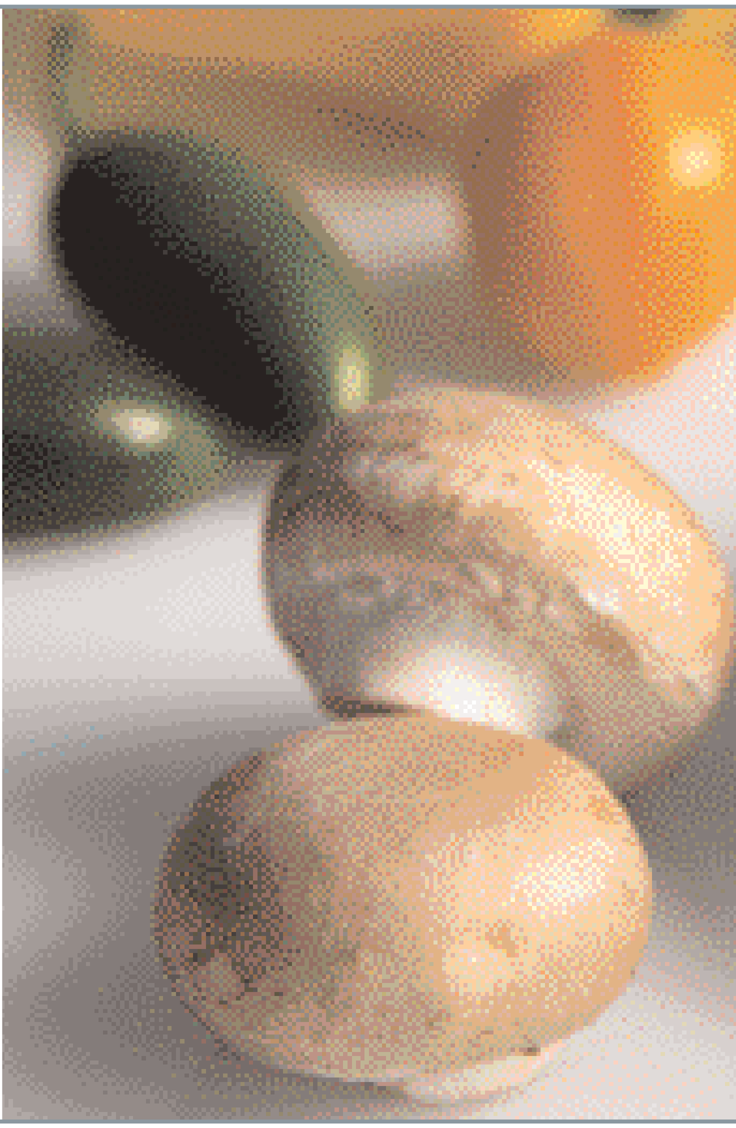
Operating margin was negatively impacted by cheap imports from China as well as an increased local supply of fresh mushrooms. Selling prices of mushrooms were reduced to 2004 levels to protect market share and ensure that all available product was sold. Increased production resulted in a 5,6% increase in sales volumes.

Unit costs were in line with the prior year as the cost efficiency attendant on higher volumes achieved was offset by cost increases. However, the operating margin decreased to 8,4% due to lower selling prices and an investment in brand building. During the year management focused on brand building skills and activities, with particular emphasis on improving the Denny brand image. A centralised sales and marketing function was introduced as well as new packaging and a category management programme for fresh mushrooms.

Capital expenditure of R15,0 million included an upgrade of the cannery facility, new equipment for processed products and the start of a capacity increase at the Deodar facility to meet anticipated demand growth in the Gauteng area.

Denny stands to benefit from improved brand strength which should reflect in better pricing in 2007 and the ongoing growth of value-added convenience products sold under the Denny brand.

Fresh mushroom selling prices are also heavily impacted by the supply/demand balance which appeared to be improving towards the end of the year with many local producers operating on unsustainable margins. On the production side there is ongoing focus on realising efficiency improvements, mainly through internal benchmarking of operating practices between Denny’s different production facilities.



Review of operations continued

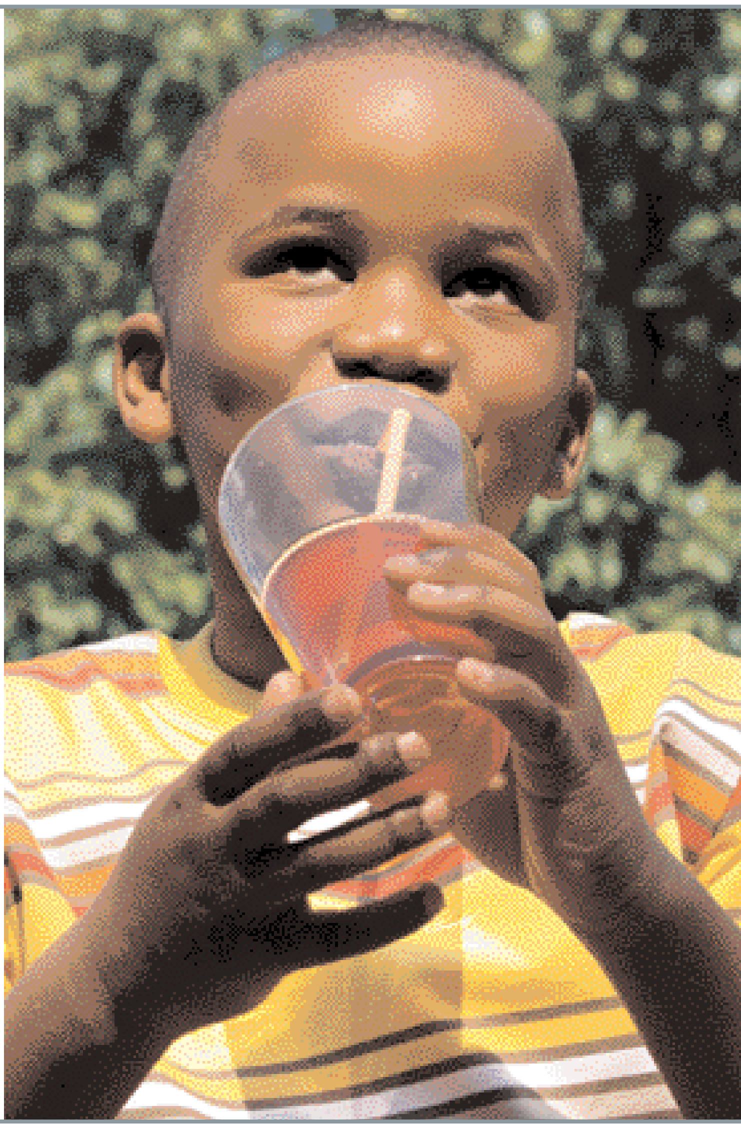
RBC	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	(3,8)	209,0	217,3	155,0	31,3
Operating loss		(20,4)	(0,2)	(2,5)	(8,8)
Operating expenditure	(75,2)	2,8	11,3	14,1	1,0

[1]Prior years restated to deduct settlement discounts in compliance with Circular 9/2006 where effect is material. Refer to Note 14 to the annual financial statements for more information.

RBC had a poor year, with revenues slightly down on 2005 and an operating loss of R20,4 million. The performance was primarily the result of bad management decisions with respect to brand positioning and distribution which impacted on consumer demand, service levels and costs. Raw material price increases further impacted the gross margin.

During the year Robert Katzen, the Group financial director, was seconded to RBC as managing director. Corrective actions are now well advanced in many areas – a revised distribution strategy is being implemented, service levels have been improved and innovation, brand positioning and pricing are receiving high focus. The benefits arising from corrective actions are building steadily but had little impact on the period under review.

The cost base is expected to show substantial improvement in 2007. In addition there will be an increased focus on product revitalisation that, together with better service levels, should enhance RBC's ability to gain price increases in line with rising raw material and packaging costs. Coupled with increasing sales volumes, these factors should result in a much better operating performance.



Review of operations continued

indigo cosmetics

Indigo	Change %	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Revenue[1]	3,8	479,6	461,9	446,9	373,8
Operating profit	7,4	50,5	47,0	46,0	40,3
Operating margin (%)	2,9	10,5	10,2	10,3	10,8
Capital expenditure	14,2	16,9	14,8	25,4	16,0

[1]Prior years restated to deduct settlement discounts in compliance with Circular 9/2006 where effect is material. Refer to Note 14 to the annual financial statements for more information.

Indigo grew revenues by 3,8%, principally on the back of increased domestic volumes. Volume growth represents a combination of higher market share in key fragrance categories and increased consumer spending. Retail selling prices were increased by 2%, the first such increase in four years. The stability of the Rand and low domestic inflation has restricted price increases in the cosmetic industry in the past few years. These price increases were limited to the toiletry category and were offset by price deflation in the fragrance and colour cosmetic categories.

The gearing effect of higher volumes combined with improved cost efficiency led to a small increase in operating margin to 10,5%. Operating profit increased by 7,4% to R50,5 million.

The domestic business grew by 5% fuelled by a strong Coty and Yardley performance. These results were spearheaded by market share gains in the fragrance category with fourteen new launches in the period under review. Select fragrances performed well, benefiting from new celebrity endorsed launches like David Beckham and flankers from the now established Celine Dion and Antonio Banderas fragrance houses. The colour cosmetics category had mixed results with market share gains in Rimmel which were offset by poor sales in Yardley due to production difficulties.

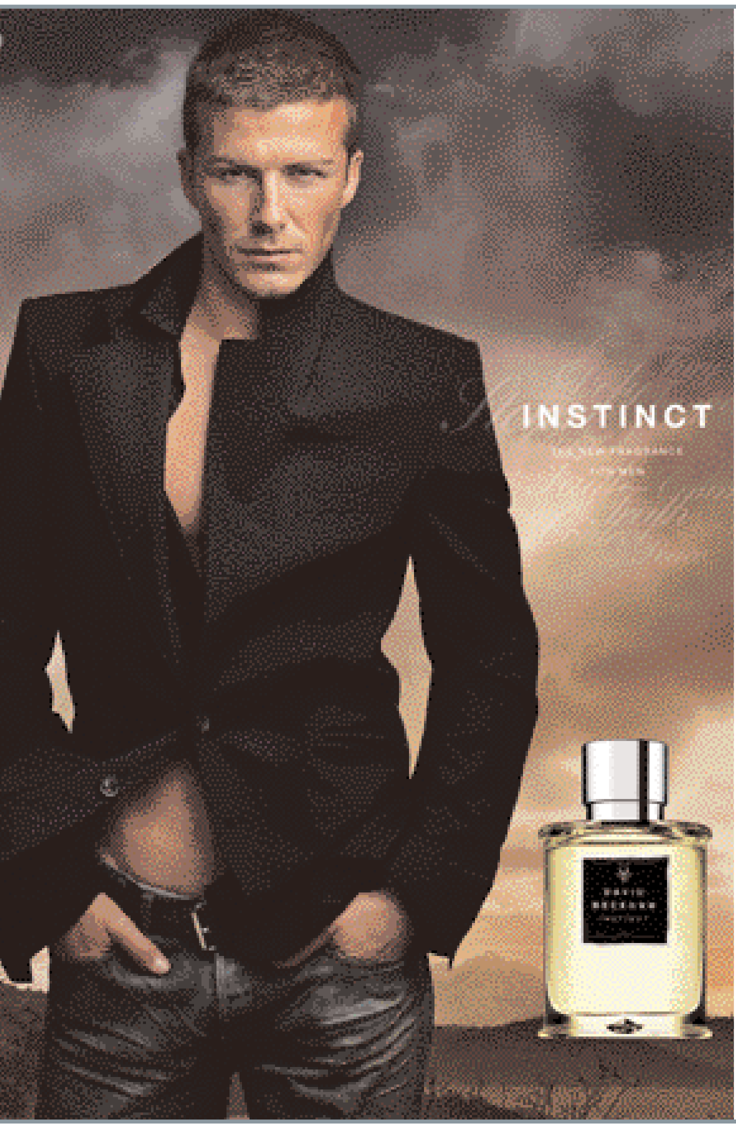
The continued decline of the pharmacy channel as a cosmetic retailer allowed strong performances from the department store and food chains. This trend is expected to continue albeit at a slower pace during the next year.

Exports declined year-on-year primarily due to a mediocre year for Lenthéric in the Australasian market. The brand was delisted by a major food retailer, impacting on sales performance in this area. Marketing investment was subsequently curtailed from previously high levels. Exports to other African countries were buoyant and improved by 19% during the year with market share gains in Nigeria and Kenya.

Capital expenditure amounted to R16,9 million in 2006. Colour cosmetic merchandising was the largest investment during the period, whilst improvements were made in the colour cosmetics manufacturing environment.

2007 is set to be an exciting and busy year, with the high level of innovation being maintained domestically. This is expected to drive growth in revenues and operating profit.

YARDLEY
COTY PARIS · NEW YORK
LENTHÉRIC LONDON · PARIS
RIMMEL
adidas
MONTEIL
GALÉNIC PARIS



Review of operations continued

Spitz	Change %	2006 Rm	2005[2] Rm
Revenue[1]	51,8	391,8	258,1
Operating profit	49,3	115,1	77,1
Operating margin (%)	(1,7)	29,4	29,9
Capital expenditure	131,7	9,5	4,1

[1]Prior years restated to deduct settlement discounts in compliance with Circular 9/2006 where effect is material. Refer to Note 14 to the annual financial statements for more information.

[2]2005 numbers are for comparative purposes; acquisition was effective July 2005.

Spitz recorded an impressive performance in 2006 with revenue increasing by 52% and operating profit by 49%.

AVI acquired effective control of Spitz on 2 July 2005 through the purchase of 60% of the equity for R255 million, with an option to buy the remaining 40% of the equity in July 2007. The buy-out of minorities was subsequently accelerated and completed in July 2006 for a price of R334 million in addition to a R6 million dividend due to the minorities on 30 June 2006. As the terms of the agreement between the shareholders made it highly probable from the outset that AVI would acquire the full equity of Spitz, the transaction has been accounted for as a 100% acquisition effective from 2 July 2005.

Revenue growth was all volume related as retail prices remained stable during the period under review. Eight new stores were opened in the twelve months, increasing the retail base to 32 stores. These store openings were primarily located in new geographical areas such as Port Elizabeth, Pietermaritzburg and areas of the Western Cape that were previously not well represented. Comparable store growth was strong at 30% with particularly good performances from the rural stores. The major brands performed exceptionally well, with Carvela making up 47% of revenue, Lacoste 30% of revenue and Kurt Geiger 16% of revenue.

	2006	2005
Total average trading area (m^2)	8 889	6 876
Sales density (R/m^2)	44 082	37 536

An operating margin in excess of 29% was maintained, with a marginal decrease from the prior year attributable to the cost of increasing the depth of key resources in the business and a higher level of advertising. Capital expenditure of R9,5 million relates mainly to fixtures and fittings for the eight new stores.

AVI is committed to an increased level of investment in the Spitz business to support the medium term sustainability of superior margins. This includes store redesign, store refurbishments, increased advertising and holding higher inventory levels to accommodate a broader customer base. These initiatives, in conjunction with the ongoing program of opening new stores, have the potential to reduce margins from current levels in the short term although the absolute level of profit is likely to improve as a result of store openings.

J.Renee!

LACOSTE

CARVELA

Kurt Geiger

Salvatore Ferragamo

MIU MIU

DKNY

PRADA

Financial review

for the year ended 30 June

Group financial results

Revenue from continuing operations rose by 14,2% from R4 734,8 million in 2005 to R5 406,6 million in 2006 as a result of the inclusion of Spitz and growth in volumes of some 5% across the balance of the business.

Operating profit rose by 10,3%, from R469,1 million to R517,3 million. The additional operating profit from Spitz and NBL was partially offset by declines at I&J and RBC. The operating margin for the Group from continuing operations was slightly lower than in 2005 at 9,6% (2005: 9,9%).

Net financing costs increased from R8,7 million in the prior year to R33,2 million, mainly as a result of the financing costs arising from the Spitz acquisition.

AVI's interests in joint ventures realised a net loss of R12,3 million principally because of restructuring costs at the Australian fish processing joint venture, Simplot.

In contrast to the increase in operating profit, headline earnings of R335,0 million were slightly lower than in 2005. This was largely attributable to the increase in financing costs, the loss recorded by the Simplot joint venture and higher Secondary Tax on Companies.

The capital items for continuing operations mainly comprise an impairment of the shrimp fishing rights held by the Argentinian fishing operation, Alpesca. Resolution of a provincial dispute that was outside of Alpesca's control led to the withdrawal of fishing rights from two of its vessels.

Discontinued operations reflect a profit of R8,0 million from I&J's commodity pelagic operation which was terminated in November 2005 after the sale of the remaining vessels, reduced by an adjustment of R3,3 million to the profit on sale of Vector arising from a potential warranty claim in terms of the sale agreement.

Cash generated by continuing operations remained strong increasing to R660,2 million from R631,6 million in the prior year. Cash and cash equivalents decreased by R120,1 million in 2006. The main cash outflows during the year were the investment in Spitz of R238,2 million after deduction of cash acquired, capital expenditure of R215,1 million, taxation of R186,4 million and dividends which amounted to R179,2 million. The working capital increase of R36,5 million is largely attributable to NBL, where receipt of raw materials close to year end and strong sales in June increased inventories and trade debtors respectively.

NBL and I&J were responsible for the bulk of the capital expenditure with the largest item being a capacity expansion at the Westmead biscuit factory at a cost of R29,6 million. The majority of capital expenditure in 2006 was to maintain operations.

Balance sheet gearing, after the Spitz acquisition, is still low and AVI is well positioned to fund its acquisitive ambitions.

Definitions

Number of ordinary shares in issue

Total issued ordinary share capital.

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 is calculated taking account of the unexercised share options as disclosed in the directors' report on pages 61 and 62, duly adjusted to take account of the shares to be issued at fair value calculated in accordance with International Accounting Standard 33.

Calculations are presented in note 29 of the annual financial statements.

Dividend cover

Headline earnings divided by the dividends declared to ordinary shareholders of the Company in respect of the results for the year.

For the year ended 30 June 2005 headline earnings and dividends used exclude Consol Limited and Vector Logistics (Pty) Limited.

Financial ratios

- Operating margin

  Operating profit as a percentage of revenue.

- Return on capital employed

  Headline earnings from continuing operations, as a percentage of average capital employed.

  Capital employed is the book value of total assets less non-interest bearing liabilities.

- Net working capital

  Inventories and trade receivables, less trade payables.

- Free cash flow

  Cash available from operating activities before dividends paid, 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.

Key statistics for continuing operations

	2006	2005	2004
Financial ratios (%)			
– operating margin	9,6	9,9	9,3
– return on capital employed	11,6	14,2	12,4
– net working capital as a percentage of revenue	14,7	14,7	13,8
Liquidity			
– free cash flow (Rm)	301,9	360,3	344,0
– free cash flow per ordinary share (cents)	96,6	115,6	108,9
Employees at 30 June			
– South Africa	7 489	7 675	6 052
– International	1 813	1 756	1 641
	9 302	9 431	7 693

Financial review continued

for the year ended 30 June

Group income statements – 3 year summary

Continuing operations	2006 Rm	2005 Rm	2004 Rm
Revenue	5 406,6	4 734,8	4 340,8
Operating profit before capital items	517,3	469,1	405,8
Income from investments	16,5	30,9	41,6
Interest paid	(49,7)	(39,6)	(52,9)
Profit before capital items	484,1	460,4	394,5
Capital items	(10,9)	(21,8)	(7,0)
Profit before taxation	473,2	438,6	387,5
Taxation	143,1	124,7	130,0
Profit after taxation	330,1	313,9	257,5
Share of equity accounted earnings/(losses) of joint ventures	(12,3)	1,2	3,8
	317,8	315,1	261,3
Minority interests	(5,1)	(3,4)	(2,4)
Earnings attributable to ordinary shareholders	322,9	318,5	263,7
Capital items after minorities and tax	12,1	18,7	7,4
Headline earnings	335,0	337,2	271,1

Share statistics – 3 year summary

	2006	2005	2004
Number of ordinary shares in issue ('000)	316 150	315 386	309 981
Weighted average number of ordinary shares in issue ('000)	312 373	311 590	315 810
Share performance – continuing operations (cents per share)			
Earnings	103,4	198,6	83,5
Diluted earnings	102,7	196,1	82,6
Headline earnings	107,2	108,2	85,9
Diluted headline earnings	106,6	106,9	84,9
Dividends declared	53,0	51,0[1]	80,0[2]
Dividend cover	2,0	2,1	2,3[2]
Market price per share (cents)			
– at year-end	1 380	1 320	
– highest	1 810	1 551[4]	
– lowest	1 321	1 215[4]	
Total market capitalisation at closing prices (Rm)	4 362,9	4 163,1	
Price earnings ratio[3]	12,9	12,2	
Value of shares traded (Rm)	3 469,9	1 909,7[4]	
Value traded as a percentage of average capitalisation (%)	70,3	45,7[4]	
Number of shares traded (millions)	222,1	141,3[4]	
Liquidity – number traded as percentage of shares in issue at year-end (%)	70,2	92,7[4]	
Average weekly Rand value traded (Rm)	66,7	106,1[4]	

[1]*Includes 14 cents from the capital repayment of 64 cents paid in February 2005.*

[2]*Dividend declared for total operations. Dividend cover calculated using total headline earnings of 186,2 cents.*

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

[4]*Based on period post unbundling of Consol Limited from 28 February to 30 June 2005.*

Group balance sheets – 3 year summary

	2006 Rm	2005 Rm	2004 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	1 182,4	1 143,2	2 287,0
Intangible assets	1 041,7	420,8	262,5
Investments	263,0	252,6	222,1
Deferred taxation	100,8	102,0	104,2
	2 587,9	1 918,6	2 875,8
Current assets			
Non-current assets held for resale	26,3	24,5	–
Inventories	578,2	500,0	890,2
Trade and other receivables	883,2	786,8	1 375,2
Cash and cash equivalents	335,8	448,7	674,5
	1 823,5	1 760,0	2 939,9
Total assets	4 411,4	3 678,6	5 815,7
EQUITY AND LIABILITIES			
Shareholders' funds	2 339,9	2 166,4	3 127,9
Minority interests	(8,5)	(2,9)	309,8
Total equity	2 331,4	2 163,5	3 437,7
Non-current liabilities			
Interest-bearing borrowings	192,8	112,4	155,8
Deferred taxation	130,1	134,3	194,9
Provisions	277,7	268,4	339,2
	600,6	515,1	689,9
Current liabilities			
Trade and other payables	1 011,7	885,8	1 536,1
Corporate taxation	56,2	35,7	79,6
Current borrowings	71,5	78,5	72,4
Deferred purchase consideration – Spitz	340,0	–	–
	1 479,4	1 000,0	1 688,1
Total equity and liabilities	4 411,4	3 678,6	5 815,7

Note

The summary details for the years prior to 2004 have not been given. This information will not be comparable as a result of:

- *the disposal and unbundling respectively of principal subsidiaries, Consol Limited and Vector Logistics (Pty) Limited in 2005, which has materially changed the Group profile; and*
- *compliance with International Financial Reporting Standards (IFRS), which does not require the restatement of financial information prior to the comparative year on first time adoption. IFRS was first adopted by AVI in 2005.*

Financial review continued

for the year ended 30 June

Group cash flow statements – 3 year summary

Continuing operations	2006 Rm	2005 Rm	2004 Rm
Cash generated by/(utilised in) operations	660,2	631,6	549,6
Cash flow from investments	17,0	30,9	42,6
(Increase)/decrease in working capital	(36,5)	16,3	(55,7)
Cash generated by operating activities	640,7	678,8	536,5
Interest paid	(29,7)	(39,6)	(52,9)
Taxation paid	(186,4)	(170,0)	(72,4)
	424,6	469,2	411,2
Dividends paid	(179,2)	(167,9)	(336,9)
Cash retained from operating activities	245,4	301,3	74,3
Property, plant and equipment – net investment	(210,2)	(200,5)	(164,3)
Intangible assets	(19,2)	(0,1)	(88,8)
Investments	(230,6)	(193,9)	(97,9)
Investment activities	(460,0)	(394,5)	(351,0)
Shareholder funding – net (decrease)/increase	10,1	(213,5)	(114,2)
Long-term borrowings – net borrowing/(repayment)	54,2	(101,4)	92,4
Short-term borrowings – net borrowing/(repayment)	(7,1)	6,1	41,1
Financing activities	57,2	(308,8)	19,3
Discontinued operations	37,3	183,3	(38,3)
(Decrease)/increase in net cash and cash equivalents	(120,1)	(218,7)	(295,7)
Cash and cash equivalents at beginning of year	448,7	674,5	986,9
Net increase/(decrease) as a result of the translation of the net cash equivalents of foreign subsidiaries	7,2	(7,1)	(16,7)
Cash and cash equivalents at end of year	335,8	448,7	674,5

Note

The summary details for the years prior to 2004 have not been given. This information will not be comparable as a result of:

- *the disposal and unbundling respectively of principal subsidiaries, Consol Limited and Vector Logistics (Pty) Limited in 2005, which has materially changed the Group profile; and*
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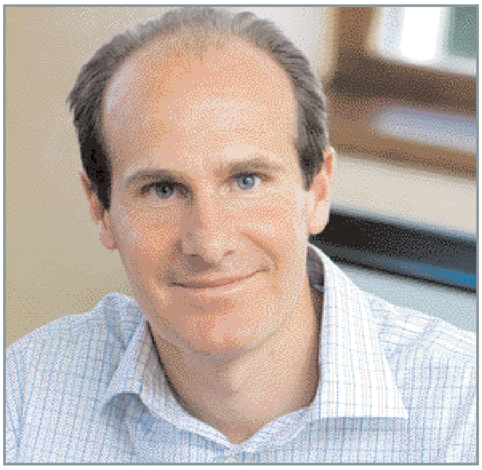
Governance and sustainability

Directorate



Executive directors

OP Cressey
Chief Financial Officer
Age: 39
Qualifications: CA (SA)
Directorships: Director, AVI Limited.

Owen was admitted as a chartered accountant in 1990 and has held senior financial management posts in the Anglo American Group. Owen joined AVI during September 2005 as the Group's financial manager. He was appointed to the Board of AVI Limited as chief financial officer in May 2006.

SL Crutchley
Chief Executive Officer
Age: 42
Qualifications: BBusSci (UCT)
Directorships: Director, AVI Limited.

Simon was a co-founder of Otterbea International (Pty) Limited, an international import and export business based in South Africa with regional presence in certain African states. He was appointed managing director of Consol Limited in 1997 and oversaw the successful turnaround of that company. He was appointed to the Board of AVI Limited in 1999 as business development director and was appointed as chief executive officer in 2005.

RS Katzen
Business Development Director
Age: 38
Qualifications: BAcc (Wits), CA (SA)
Directorships: Director, AVI Limited.
Seconded to The Real Beverage Company as managing director

After completing his articles at Coopers & Lybrand, Rob joined its corporate finance division in 1993. He was appointed corporate finance manager for the Anglovaal Limited group in 1995 and held this position until the final restructuring of that group in 1999. He was appointed to the Board of AVI Limited as finance director in 1999.

Non-executive directors

AWB Band

Chairman
Age: 54
Qualifications: BA, BAcc (Wits), CA (SA)
Directorships: Chairman, AVI Limited. Director of Consol Limited, Liberty Group Limited, Aveng Limited and alternate director of Holcim South Africa (Pty) 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.

MH Buthelezi

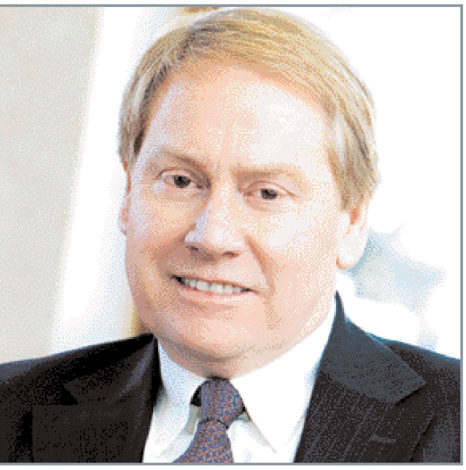
Age: 42
Qualifications: CA (SA)
Directorships: Director, AVI Limited. Director of Umgeni Water, Audit Committee member of the Competition Commission, the Competition Tribunal, and the Safety and Security Sector and Training Authority ("SASSETA")

Humphrey completed his articles with Deloitte in 1990 and qualified in 1991. He ran his own audit practice for a period of eight years. He then served as an audit partner at Ernst & Young for three years. Humphrey is actively involved in the petroleum industry where he is an executive chairman of Wozani Berg Gasoline (Pty) Limited.

NJM Canca

Age: 41
Qualifications: BA in Economics & Political Science (Benjamin Mays Academy, Georgia)
Directorships: Director, AVI Limited. Director of Primedia Limited and chief executive officer of Blue IQ

Nomhle has over 10 years' experience in financial services. She qualified to practise as a stockbroker and an investment advisor and worked both in the United States and in South Africa. She is the former CEO of Canca Financial Services, an advisory consultancy in the financial services industry, and was co-founder and executive director of Women Investment Portfolio Holdings Limited ("Wiphold") and the Women's Development Bank. She serves on the Katz Commission into Tax Reform.



Directorate continued

Non-executive directors

AR Evans
Age: 63
Qualifications: MA (Oxon), MBA (Harvard)
Directorships: Director, AVI Limited. Director of Hans Meresky Holdings (Pty) Limited and chairman of the Rhys Evans Group

Anthony has been involved in agriculture for over 37 years. He has been chairman of the family owned Rhys Evans Group since 1972. He has enjoyed achievements such as Agricultural Leader of the Year (1999) and Paul Harris Rotary Fellow (1983).

AKL Fihla
Age: 39
Qualification: MSc in Financial Economics (London)
Directorships: Director, AVI Limited. Deputy chairman of Rand Water and chief executive of Business Against Crime South Africa

Kenny was chairperson of the transformation committee of the Greater Johannesburg Transitional Metropolitan Council from 1997 to 2000 and a member of the mayoral committee on finance, strategy and economic development in Gauteng between 2000 and 2003.

PM Goss
Age: 58
Qualification: BEcon (Hons), BAccSc (Hons) Stellenbosch, CA (SA)
Directorships: Director, AVI Limited. Director of FirstRand Limited and RMB Holdings Limited

After graduating Pat qualified as a chartered accountant with Ernst & Young and then joined the Industrial Development Corporation, before embarking on a career in retailing and the hospitality business. He has been involved with Rand Merchant Bank and its associate companies for upwards of 25 years. A former chairman of the Natal Parks Board, his family interests include conservation-related activities, both locally and elsewhere in Africa.

Non-executive directors

JR Hersov

Age: 41
Qualification: MA (Cantab)
Directorship: Director, AVI Limited. Director of Aveng Limited

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

SD Jagoe

Age: 55
Qualification: BSc in Engineering (Wits), MBA (Trinity College, Dublin)
Directorships: Director, AVI Limited. Director of Ceramic Industries Limited and Reunert Limited

After qualifying as an engineer, Sean worked in the mining equipment industry for five years. Thereafter he obtained an MBA and has been involved in corporate finance and mergers and acquisitions for the past 24 years through senior positions held at, *inter alia*, Rand Merchant Bank and Morgan Stanley.

Corporate governance

AVI Limited is incorporated in South Africa under the provisions of the Companies Act, 1973 ("Companies Act") and is listed on the JSE Limited ("JSE"). The AVI Board is committed to ensuring that the Company complies with the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance in South Africa, as well as the spirit and form of the continuing obligations of the JSE Listings Requirements. The provisions of the Sarbanes Oxley Act of the United States of America as well as the United Kingdom Combined Code of Principles of Good Governance and Code of Best Practice do not apply to it. However, where appropriate AVI may apply some of the provisions on a best practice basis.

Directorate

The general powers of the directors of AVI Limited are conferred in the Company's articles of association. The terms of reference for the Board are set out in the Board Charter. The Board Charter is a living document which is reviewed annually by the Board following the annual Board effectiveness assessment.

The Board, which has adopted a unitary structure, comprises three executive directors and eight non-executive directors, seven of whom are independent. Particulars of the directors are set out on pages 36 to 39 of the annual report.

Mr Anthony Ardington retired as chairman and member of the Board on 19 October 2005. He was replaced as chairman by Mr Angus Band, the previous chief executive officer. Mr Angus Band resigned as chief executive officer on 29 September 2005. He was replaced by Mr Simon Crutchley, the previous business development director. Due to poor health, Mr Barry Wood retired as member of the Board and chairman of the Audit and Corporate Governance Committee on 19 October 2005. He was replaced as chairman of that committee by Mr Humphrey Buthelezi. Mr Roy Gordon resigned from the Board on 24 November 2005. Mr Peter Bester retired as a member of the Board on 1 April 2006. In May 2006 Mr Owen Cressey was appointed as executive director and chief financial officer in the place of Mr Robert Katzen, who was seconded to The Real Beverage Company (Pty) Limited as managing director. Mr Katzen retained his Board membership as executive director.

Chairman and chief executive officer

No member of the Board has unfettered powers of decision making. Responsibility for running the Board and executive responsibility for conduct of the business are differentiated. Accordingly the roles of the chairman of the Board and of the chief executive officer are separate.

Board and director self assessment

The Board regularly assesses its performance against objectives. Part of this consists of director self assessments which are aimed at identifying development needs of individual directors. In doing so the Board is assisted by the Appointments and Remuneration Committee, and this committee appraises the performance of the chairman and the chief executive and makes recommendations to the Board. The chairman and the chief executive do not participate in discussions regarding their own performance. The Board is satisfied that it met its objectives in the year under review.

Board meetings

In the year under review the Board met four times to conduct the normal business of the Company. Attendance at these meetings is summarised below:

Name	06/09/05	30/11/05	10/03/06	06/06/06
AJ Ardington	✔			
AWB Band	✔	✔	✔	✔
PM Bester	✔	✗	✔	
MH Buthelezi	✗	✔	✔	✔
NJM Canca	✔	✔	✔	✔
OP Cressey				✔
SL Crutchley	✔	✔	✔	✔
AR Evans	✔	✔	✔	✔
AKL Fihla	✗	✔	✔	✔
RC Gordon	✔			
PM Goss	✔	✔	✔	✗
JR Hersov	✔	✔	✔	✔
SD Jagoe	✔	✔	✔	✔
RS Katzen	✔	✔	✔	✔
BT Wood	✔	✔		

Key: ✔ = attended; ✗ = did not attend; = not in office

Company secretary

The company secretary for the year was Mr Vusani Malie.

The secretary provides the Board as a whole and directors individually with guidance on the discharge of their responsibilities. He is also a central source of information and advice to the Board and within the Company on matters of ethics and good governance.

He ensures that in accordance with all relevant laws, the proceedings and affairs of the directorate and the Company itself are properly administered. He ensures compliance with the rules and listings requirements of the JSE Limited.

Board committees

The Board is assisted in the discharge of its responsibilities by the following committees:

- Audit and Corporate Governance Committee
- Appointments and Remuneration Committee

Each committee acts within formalised terms of reference which have been approved by the Board. The terms of reference set out the committee's purpose, membership requirements, duties and reporting procedures. Board committees may take independent professional advice at the Company's expense. The Board evaluates the performance of these committees annually.

Corporate governance continued

Where appropriate ad-hoc committees may be formed to facilitate the achievement of specific short-term objectives.

Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee comprises Mr Humphrey Buthelezi (chairman), Mr Angus Band and Mr Anthony Evans. All members of the Audit and Corporate Governance Committee are non-executive directors, a majority of whom are independent as defined in the King Report.

Committee meetings

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

Name	29/08/05	02/03/06
AWB Band		✔
MH Buthelezi	✔	✔
AR Evans	✔	✔
BT Wood	✔	

Key: ✔ = attended; ✗ = did not attend; = not in office

This committee is responsible for the risk management processes across the Group, and in particular assists the Board in monitoring the following:

- the financial reporting process;
- the operation of effective systems of internal control and internal audit processes;
- the operation of an appropriate external audit appointment as well as policies with regard to non-audit services performed by the external auditors;
- the operation of an effective insurance risk management process;
- the implementation of sound corporate governance policies;
- safety, health and environmental matters; and
- information technology governance.

The committee also reviews the reports of the audit and corporate governance committees of subsidiaries. The Group chief financial officer chairs the audit and corporate governance committees of the subsidiaries. Each of these committees meets at least two times a year with the external auditors, the Group internal audit manager, the relevant financial director and the company secretary.

Provision of non-audit services

The committee has recommended to the Board the following policy with regard to the provision of non-audit services:

- auditors cannot function in the role of management;
- auditors cannot audit their own work; and
- auditors cannot serve in an advocacy role for the Group.

The policy also sets thresholds for fees payable in respect of non-audit work that must be pre-approved by the committee.

Appointments and Remuneration Committee ("Remcom")

The Appointments and Remuneration Committee consists of Mr Sean Jagoe (chairman), Mr Angus Band, Mrs Nomhle Canca and Mr Pat Goss.

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

Name	29/08/05	02/03/06
AJ Ardington	✔	
AWB Band		✔
NJM Canca	✗	✔
PM Goss	✔	✗
SD Jagoe	✔	✔

Key: ✔ = attended; ✗ = did not attend; [shaded] = not in office

The committee assists the Board in monitoring the following:

- succession planning with regard to the Group, subsidiary companies and senior executive management;
- remuneration policies including salaries, fringe benefits, share options and incentives applicable to senior executives to ensure that they are adequately rewarded; and
- composition of the Board and its committees with regard to size, diversity, skills and experience.

Remuneration, bonuses and retirement fund benefits

The Remcom recommends the Group policy in respect of reward structures, which includes salary packages and benefits, as well as short- and long-term incentives to the Board. Once a mandate is obtained, the Remcom is entrusted with the implementation of the policy. Each major subsidiary has its own committee, which operates within the Group policy.

Salary levels are set with reference to independent salary surveys on a regular basis, taking cognisance of specific industry skills requirements. Annually a benchmarking exercise is conducted by remuneration consultants for the executive management as well as selected positions within the next levels of management. The salary curve for each band is also compared to published industry statistics. Where bargaining units exist within the operations, negotiations take place with the recognised union.

Guaranteed annual packages are targeted at a range of 95 percent – 105 percent of the market median with short-term incentive schemes that, for targeted performance, will result in total earnings reaching the upper quartile. There are no long-term employment contracts and notice periods do not exceed three months.

The short-term incentive schemes are based on the achievement of personal key performance indicators as well as the financial performance of the relevant business unit. The performance achievement is subject to adjustment by the committee for issues, which in its absolute discretion, it considers necessary. These schemes are uncapped but include "banking". At target levels of performance, the bonus payment would be 30 percent of total cost to company for executive management. The actual bonus payment for the year under review for executive management was 14,4 percent of the total cost to company excluding the bonus.

Defined contribution pension and provident fund arrangements exist for all Group companies. New employees become members of the defined contribution pension and/or provident fund schemes. Retirement funding contributions are charged against expenditure when incurred. The assets of such retirement funds are managed separately from the Group's assets. Trustees, which include staff and pensioner representatives, oversee the management of the funds and ensure compliance with the relevant legislation.

Share incentive schemes

Share incentive schemes operated by the Group are a powerful tool in aligning the interests of staff with those of our shareholders. All the share incentive schemes currently in operation in AVI have received the prior approval of shareholders. In addition to these share schemes, the Group's subsidiary companies operate "phantom share schemes".

A cumulative limit on the value of share options allocated, based on the exercise price, of 5 times an executive's cost to company, has been set.

A maximum of 5 percent of the issued share capital of AVI may be allocated to the share incentive schemes. The current allocation represents 1,3 percent. The share incentive schemes operated by the Group fall into three main categories, namely:

- Phantom share schemes at the subsidiary company level

  Nominal shares in the subsidiaries are offered to employees. The value of the shares is calculated based on the AVI price earnings ratio and the audited headline earnings of the relevant subsidiary company. The Remcom prescribes the allocations.

- Conventional share option schemes

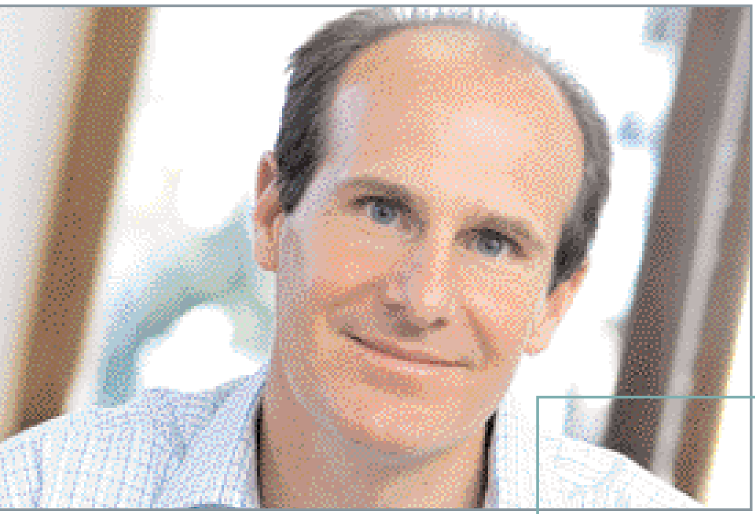
  Two conventional share option schemes have been implemented by AVI. The AVI Limited Share Incentive Scheme has been closed and replaced by the AVI Limited Executive Share Incentive Scheme. The update of the share scheme in 2003 followed a review of best practice and benchmarking against the existing conventional scheme. Participation is currently limited to the top four layers of management within the Group and the AVI Appointments and Remuneration Committee approves all participants.

- Out-performance share scheme

  Shareholders at the annual general meeting in October 2002 approved the out-performance scheme, The AVI Limited Employee Equity Participation Plan. The first allocations were made in January 2003. This scheme requires participants to make payment in cash and sacrifice ordinary share options from the conventional share scheme in order to take up the out-performance shares. The principles constructed in this scheme provided for value to be created for participants if the AVI total shareholders' return exceeds the greater of the performance of a peer set and long-term market return expectation. Participation is currently limited to the top three layers of management within the Group.

Details of share options issued are set out on page 61 The policy in respect of remuneration of executive directors is consistent with that of senior staff as outlined above. Non-executive directors do not qualify for participation in any share incentive schemes. Details of remuneration and fees of directors are disclosed on page 65.

Sustainability report



Simon Crutchley
Chief executive officer

Sustainable development involves the identification of the issues that may materially affect the company's long-term profitable existence and the implementation of strategies to manage these risks and mitigate any negative impacts.

AVI runs management and reporting processes at different levels across the Group that together form a framework for identifying and dealing with sustainability issues. These include normal operational management reports and meetings, risk management audits, and audit and corporate governance processes.

The Group manages sustainable development in the following broad categories:

- Ethics: high ethical standards are a cornerstone to building an effective organisation that can sustain itself in the long term. They support an environment that is fair, equip employees to separate the interests of their employer from their own interests and promote a culture of honesty and hard work. High ethical standards also underpin the quality of all the interactions that AVI has with its stakeholders – consumers, customers, suppliers, the government and local communities.
- Scarce resources: dependence on resources that may not be available, or economically viable, on a reliable basis creates tremendous risk of not achieving acceptable returns for the Group and its shareholders. This risk is evaluated separately for each operation, and not on an aggregated portfolio basis.
- High standing with stakeholders and business partners: AVI strives to keep pace with the expectations of stakeholders and business partners so that it continues to be recognised as a valuable participant in South Africa's economy and society and a desirable group to do business with. This approach incorporates the Group's activities with respect to transformation, health and safety, environmental responsibility and community social investment. It goes without saying that the Group seeks to comply with all applicable legislation in the jurisdictions in which it operates.

AVI's core activities in each of the categories are set out below:

Ethics

To support adherence to acceptable ethical standards, the AVI board has adopted a Code of Ethics which applies to directors and employees across the Group. The Code of Ethics requires all directors and employees to maintain the highest ethical standards and ensure that the Group's business is conducted in a manner which is above reproach. The policy covers the following issues:

- compliance with laws and regulations;
- avoidance of conflicts of interest;
- outside activities, employment and directorships;
- relationships with clients, customers and suppliers;
- acceptance of gifts, hospitality and favours;
- personal investments and insider trading;
- remuneration structures for employees;
- company support for political parties;
- use of company property;
- proper use and maintenance of company records;
- dealing with outside persons or organisations; and
- privacy and confidentiality.

For each issue, AVI provides a clear directive on what we consider to be acceptable and appropriate behaviour. If there is any uncertainty as to whether a particular action conforms with the code, there are consultative procedures to provide clarity on the situation.

Formal control processes such as the Group internal audit function and "Tip-offs Anonymous", an independent hotline service provider to facilitate the confidential reporting of fraud and other unethical behaviour, are used to secure compliance with the code of ethics. However the best way of achieving the Group's objectives in this area is through effective and committed managers who live the ideals embodied in the code. AVI continually seeks to achieve this through its recruitment, development and performance management processes.

Scarce resources

The Group has one primary exposure with respect to economic availability of scarce resources, being the performance of its fishing resources in South Africa and Argentina.

Long-term hake fishing rights have been secured in both jurisdictions at levels that will support economic returns provided that the resources are healthy. The Argentinian hake resource has been well managed in recent years and is performing well. However the performance of the South African hake resource has given cause for concern.

The commercial catch rates for hake as measured by the Catch per Unit Effort ("CPUE") of industry fishing vessels, and the average size of hake have both declined over the past four years, indicating that the South African hake resource is under pressure. The negative economic impacts of these declines are evident in I&J's profit trend over the past four years. It should however be noted that the current CPUE and size mix are similar to that experienced by the industry from 1985 to 1990, and if correctly managed, should return to the levels experienced by the industry during 1995 to 2002.

The level of exploitation of marine resources is managed by the Department of Environmental Affairs and Tourism ("DEAT") division of Marine and Coastal Management ("MCM") who set a Total Allowable Catch ("TAC") for each managed species on an annual basis. In order to reduce the pressure on the hake resource the TAC was reduced by 5% in 2006, and a further reduction is expected in 2007. It is anticipated that this precautionary approach to the setting of the TAC will relieve some of the pressure on the resource.

However application of the TAC as the only control measure will not necessarily address the problem fully. The total investment in fishing capacity has increased in relation to the TAC over time, creating increased economic pressure. AVI's belief is that the resource is possibly being impacted by improper fishing practices such as value upgrading and by-catch targeting, both of which lead to caught hake being discarded, implying an effective over-utilisation of the resource in relation to the targeted TAC.

AVI supports the introduction of additional measures which will assist in the monitoring and enforcement of the current fishing policy. I&J is at the forefront of an industry initiative to introduce controls which, if accepted, will limit the total fishing effort allowed to fish the hake resource. This will be achieved through the regulation of the total number of sea days each quota holder is allowed to fish, based upon the size of their respective quota allocations and the size and capacity of the fishing vessels used to exploit the quotas. It is believed that effort controls, used in conjunction with the existing TAC controls, will provide an additional level of resource management which will further reduce the pressure on the hake resource whilst enhancing compliance with the current fishing regulations. This is intended not only to ensure the sustainability of the resource but in addition to enhance the resource's economic performance.

High standing with stakeholders and business partners

Transformation

AVI recognises the social and economic imperative to embrace and support transformation in South Africa. Key initiatives in this area are:

Broad based black economic empowerment

AVI has considered various black economic empowerment opportunities in the past financial year. This process culminated with a decision by the AVI board to pursue a broad based ownership opportunity for all black employees in the Group. At the forthcoming annual general meeting, shareholders will be asked to approve a scheme that will place approximately R411 million of share purchase rights into the hands of some 5 200 employees so that they can participate in the capital growth of the shares over the next five years. If this proposal is accepted it will result in entitlement to approximately 7,7% of the Group's equity being transferred to black employees. A notable feature of the proposed scheme is that it seeks to be as broad based as possible and allocate a meaningful value to all levels of employee.

In addition to the proposed participation in AVI's equity, 25% of I&J is already directly held by black shareholders.

Preferential procurement

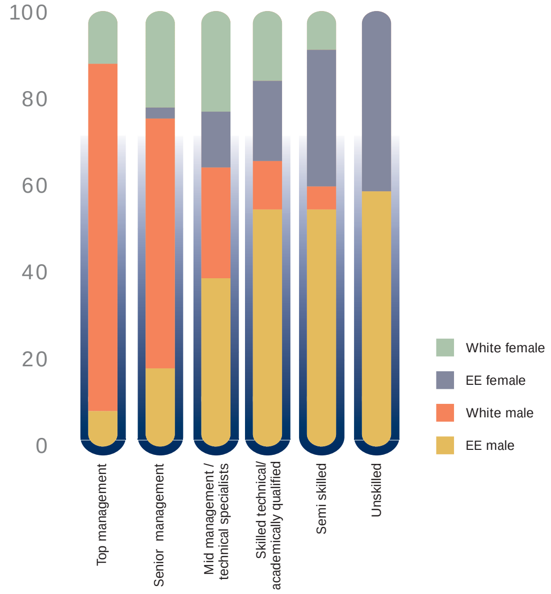
Currently Group companies have individual preferential procurement initiatives and targets in place. For example NBL has targeted 30% procurement from black suppliers by 2008 and I&J has targeted 50% by 2007. Clearly this is an area where it makes sense to collaborate across the Group and leverage the opportunities that are available. There is great potential for AVI to deliver more in this area with increased focus and support from senior management.

Employment equity

All Group operations have employment equity policies in place and report progress against their plans to the Department of Labour on a regular basis. Key activities include preferential recruitment of black staff, graduate trainee programs aimed at black graduates and the accelerated development of black employees to senior levels.

The employee profile across the Group is reflected in the adjacent graph.

Progress in attracting and retaining senior black managers has been limited during 2006 and more effort and some new thinking is required in this area. It is hoped that the proposed Black Staff Economic Empowerment Scheme will increase AVI's competitiveness in attracting the desired employees.



Employment equity (%)

Skills development

Until March 2006 the management of skills development was located exclusively at operating level which led to some fragmentation in approach and dilution of effort. With the appointment of a Group Human Resources manager in March 2006 it is anticipated that there will be a more coordinated and effective approach that will enable more AVI employees to realise their potential. In addition to focussing on functional skills, the Group's skills development approach will increasingly look at building business skills and commercial acumen.

The Group operations cover various Sector Education and Training Authorities ("SETAs"), including the Food and Beverage SETA and Chemical Workers SETA.

I&J has achieved noteworthy success at its training centre where trainees are taught a wide variety of seamanship skills. As a community service and at no charge, I&J has also put large numbers of informal fishermen, as well as unemployed persons, street youths and Correctional Services offenders through the Safety at Sea courses in order to equip participants with marketable skills.

Health and safety

The provision of a safe and healthy working environment encourages high standards of work and improved productivity amongst employees. Compliance with legislative requirements is monitored through regular risk audits that are carried out on site by independent risk consultants. Findings are addressed through risk committee meetings which in turn report to the audit and corporate governance committees at each operation.

Key safety statistics in 2006 are summarised in the table below.

Company	DIFR[1] target (%)	DIFR actual (%)
NBL	1,75	0,48
I&J	2,00	1,38
Denny	1,75	0,53
RBC	Not measured	
Indigo	1,75	1,00
Spitz	Not measured	

[1]Disabling Injury Frequency Rate (DIFR) – The percentage of employees who suffer a disabling injury for every 200 000 man-hours worked. A disabling injury is an injury where the employee misses the shift following the one in which he was injured.

HIV/AIDS

AVI recognises the gravity and potential impact of the evolving HIV/AIDS epidemic on the Group and its local communities. The Group's HIV/AIDS initiatives can be divided into the following areas:

- Regular actuarial HIV/AIDS impact analyses to model, measure and monitor the potential impact of the epidemic on the Group;
- Establishing and maintaining a climate of acceptance and non-discrimination via fair, sound and non-discriminatory employment practices; and
- The provision of HIV/AIDS-related preventive and care programmes at the workplace.

HIV/AIDS impact analysis

The first "run" of the AVI HIV/AIDS Impact Model was done in 2002. The model was re-run in 2004 and again in 2006 to incorporate all available data from HIV(+) prevalence surveys and death and disability statistics collected during the interim period.

As at July 2006 the estimated HIV(+) prevalence amongst the various groups of AVI employees was 5,1%. The HIV(+) prevalence is expected to peak at its current levels. These rates compare favourably with the prevalence levels reported in other sectors and are considerably lower than the national average.

Workplace conditions and HIV/AIDS

The AVI Group promotes non-discriminatory employment practices for employees living with HIV/AIDS, and views their rights as identical to those of any person with a serious or life-threatening disease.

A fundamental principle is that employees with HIV/AIDS (or any other serious, progressive and/or life-threatening medical condition) will be allowed to work for as long as they are physically able to do so. When employees cannot continue with normal employment, efforts are made to offer them alternative employment under the principles of reasonable accommodation. When an employee becomes too ill to perform his/her agreed functions, the employee's services may be terminated on the grounds of medical incapacity. Standard disability assessment procedures apply and the employee is assisted to access his/her benefits in terms of existing conditions of employment.

HIV/AIDS programmes and initiatives

The following is a summary of the HIV/AIDS prevention and care programmes that have been put in place:

- Voluntary, anonymous and unlinked sero-prevalence surveillance studies have been conducted at a significant number of worksites after consultation with (and buy-in from) employee representatives. The intention is to conduct such surveillance throughout the Group at regular intervals;
- Information, awareness and education programmes via workshops, posters, pamphlets, videos and/or peer educators are in place at all Group companies. Other preventive measures include the promotion and distribution of condoms and the treatment of other sexually transmitted infections at occupational health facilities;

- Individual voluntary counselling and testing ("VCT") with the dual objective of encouraging those who are found to be HIV(-) to remain so and to offer those who are HIV(+) access to wellness and support programmes to enhance their quality of life and extend the duration of productive and gainful employment;
- Wellness programmes including lifestyle management, nutritional support, and the early recognition and treatment or referral of opportunistic infections by on-site occupational health facilities;
- Psychosocial support (employee assistance programme or EAP) via in-house facilities or on an outsourced basis.
- Universal precautions to prevent accidental transmission in the workplace supported by access to anti-retroviral drug prophylaxis in high risk incidents; and
- A significant proportion of the AVI Group's employees are members of medical schemes and have, with their dependants, access to comprehensive HIV/AIDS disease management programmes including anti-retroviral therapy. Employees without medical scheme cover receive occupational health and primary healthcare services and care at employer sponsored, on-site occupational health facilities. Where necessary, referrals are facilitated to public sector and community based treatment and care programmes.

Environmental responsibility

Many of AVI's activities influence the environment directly and indirectly and as such it is imperative that responsible environmental management practices are adopted and enforced. Key focus areas are:

- compliance with all environmental legislation applicable to our operations;
- adoption of responsible and compliant waste disposal practices;
- creating awareness of sound environmental practices amongst our employees;
- conservation of water and non-renewable energy sources;
- with respect to our fishing activities, adherence to Marine and Coastal Management's Code for Fishing in South Africa. Over and above that I&J will continually seek to employ best practice in its fishing activities that ensure

the sustainability of the marine resource. I&J was the first South African fishing company – prior to this being legislated – to use bird-scaring lines, commonly referred to as tori-lines, to reduce the incidental mortality of seabirds; and

- carrying out regular, comprehensive audits to measure the impact of all our operations on the environment as well as compliance with Group policies.

A number of operations in the food manufacturing operations have adopted ISO14001, a global standard created for corporate environmental management systems by the International Organisation for Standardisation in 2006. Further implementations are planned for the 2007 year. The table below provides detail on sites that have the ISO 14001 certification as well as planned audits:

Site	Status
NBL – Westmead biscuit factory	In place
NBL – Isando biscuit factory	In place
NBL – Durban tea factory	In place
NBL – Isando coffee factory	March 2008
NBL – Rosslyn snacks factory	March 2007
NBL – Isando distribution centre	March 2007
NBL – Redhill distribution centre	March 2007
I&J – Woodstock processing	Preparation for audits
I&J – Blockbusters processing	Preparation for audits

Community and social investment ("CSI")

AVI has a role to play in the social, environmental and economic well being of society as a whole and especially the communities around its operations. On an annual basis 1% of the prior year's pre-tax profits is allocated to a range of programmes and donations with a focus on education, health and developmental sport.

CSI programmes are run directly from the operations as well as from the centre. The central CSI programme focuses on a limited number of projects which are aligned with national priorities such as maths education and transformation. Typically projects are supported for several years to achieve predetermined goals and are monitored on an ongoing basis. The major programmes run from the operations include the joint investment with the United Cricket Board in the Bakers Mini Cricket programme, which has played a substantial role in the development of cricket in South Africa. The Group has also provided funding for improvement of facilities to the Red Cross Children's Hospital since 1997, and for Star Schools, a non-governmental organisation that provides additional Mathematics, Science and English lectures as well as school holiday programmes, winter schools, revision and pre-examination sessions to needy learners.

Distributing value to stakeholders

The operations of AVI generate value through the procurement, processing, marketing and distribution of branded consumer products. The statement reflects how this value was distributed:

Value added statement

	2006		2005	
	Rm	%	Rm	%
Value added				
Revenue	5 420,5		6 585,3	
Cost of materials and services	3 432,2		4 213,7	
	1 998,3		2 371,6	
Capital items	(4,1)		297,2	
Value added by operations	1 984,2	99,3	2 668,8	98,5
Investment and other income	12,8	0,7	40,4	1,5
	1 997,0	100,0	2 709,2	100,0
Value distributed and retained				
Employees				
Salaries, wages and other benefits	1 175,9	58,9	1 404,1	51,8
Providers of capital	290,0	14,5	394,8	14,6
Payable to shareholders in respect of the amounts paid and declared for the year:	179,2	9,0	317,5	11,7
– Dividends	179,2	9,0	115,7	4,3
– Capital repayment	–	–	201,8	7,4
Interest paid	49,7	2,5	32,6	1 , 2
Operating lease expenses	61,1	3,0	44,7	1,7
Taxation	226,1	11,3	302,0	11,1
	1 692,0	84,7	2 100,9	77,5
Re-invested in the Group	305,0	15,3	608,3	22,5
Depreciation	161,8	8,1	290,3	10,7
Future growth	143,2	7,2	318,0	11,8
	1 997,0	100,0	2 709,2	100,0

Financial statements

Annual financial statements

for the year ended 30 June

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Approval of annual financial statements

The annual financial statements and Group annual financial statements which appear on pages 58 to 118 were authorised for issue by the board of directors on 8 September 2006 and are signed on their behalf.

AWB Band
Non-executive chairman

SL Crutchley
Chief executive officer

Report of the independent auditors

To the shareholders of AVI Limited

We have audited the annual financial statements and Group annual financial statements of AVI Limited set out on pages 58 to 118 for the year ended 30 June 2006. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and of the Group at 30 June 2006, and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

KPMG Inc.
Registered Auditor

Per MCA Hoffman
Chartered Accountant (SA)
Registered Auditor
Director
8 September 2006

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Certificate of the company secretary

In terms of section 268G(d) of the Companies Act, 1973, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies for the financial year ended 30 June 2006, all such returns required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

VF Malie
Company secretary

Chislehurston, Sandton
8 September 2006

Directors' report

Business of the Company and Group

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

Directors' responsibilities relating to the annual financial statements

It is the directors' responsibility to prepare annual financial statements that fairly present the state of affairs, results and cash flows of the Company and of the Group. The external auditors are responsible for independently reporting on these annual financial statements.

The annual financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated on page 69 and which are supported by reasonable and prudent judgements and estimates. The annual financial statements have been prepared on a going concern basis as the directors have no reason to believe that the businesses of the Group will not be going concerns in the year ahead.

To fulfil its responsibilities, management maintains adequate accounting records and has developed and continues to maintain systems of internal financial controls.

The Group's internal financial controls and systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain their assets. These controls are monitored throughout the Group and nothing has come to the directors' attention to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Financial

The results of operations for the year are set out in the income statement on page 81.

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

Revenue

	2006		2005	
	Rm	%	Rm	%
Continuing operations:				
Branded consumer products	5 374,3	99	4 719,3	72
Corporate	32,3	1	15,5	–
	5 406,6	100	4 734,8	72
Discontinued operations:				
Packaging	–	–	1 547,5	24
Logistics	–	–	200,4	3
Pelagic fishing	13,9	–	47,0	1
Total	5 420,5	100	6 529,7	100

Operating profit before capital items

	2006		2005	
	Rm	%	Rm	%
Continuing operations:				
Branded consumer products	509,7	99	460,0	55
Corporate	7,6	1	9,1	1
	517,3	100	469,1	56
Discontinued operations:				
Packaging	–	–	350,5	41
Logistics	–	–	32,8	4
Pelagic fishing	(2,1)	–	(11,9)	(1)
Total	515,2	100	840,5	100

Details of this analysis are provided on pages 66 and 67 in the segmental information report, which follows the directors' report.

A three year summary of Group income statements, balance sheets and cash flow statements is presented on pages 32 to 34. This summary does not extend to the years prior to 2004 as these will not be comparable due to:

- the disposal and unbundling respectively of principal subsidiaries, Consol Limited and Vector Logistics (Pty) Limited in 2005 which has materially changed the Group profile; and
- conversion to International Financial Reporting Standards in 2005. IFRS does not require the restatement of financial information prior to the previous financial year of first-time adoption.

Corporate activity

Information regarding the Company's interest in subsidiaries and details regarding associated companies, joint ventures and other investments is given on pages 116 to 118.

The principal changes were as follows:

- Effective 2 July 2005, AVI Limited acquired 60% of the shares in A&D Spitz (Pty) Limited, an owner and retailer of leading footwear brands. Incorporated into the initial purchase agreement AVI acquired a call option and the vendors a put option to acquire and sell respectively the remaining 40% equity interest. In June 2006 AVI Limited finalised terms for the purchase of the remaining 40% equity interest effective from July 2006. In terms of IFRS 3 – Business Combinations, there is a deferred purchase consideration for the remaining 40%, and a liability is raised in terms of IAS 32 – Financial Instruments. The business was thus considered a wholly owned subsidiary from 2 July 2005 and no minorities were recognised.

There were no other significant changes to investments, except for I&J exiting the pelagic fishing business.

Share capital

Details of the Company's authorised and issued share capital are given in Note 8 to the annual financial statements on pages 90 and 91 respectively.

Issues and redemptions during the year

The Company issued 764 023 ordinary shares of 5 cents each during the year to The Anglovaal Industries Limited Share Purchase Trust in order to provide for the exercise of share options.

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 91.

During the year, the Company redeemed 46 399 convertible redeemable preference shares at par plus the premium on the initial subscription price (an aggregate of 90 cents per share). These shares had been issued to staff participating in the AVI Limited Equity Participation Plan and were redeemed on resignation and retirement.

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.

Dividends

Dividends, paid and proposed, are disclosed in Note 30 to the annual financial statements on page 109.

Directorate

There were the following changes to the Board in the year under review. Mr Anthony Ardington retired as Chairman and member of the Board on 19 October 2005 and was replaced as chairman by Mr Angus Band, the former chief executive of the Company. Mr Simon Crutchley, formerly Business Development Director, was appointed as Chief Executive Officer on 1 October 2005. Mr Barry Wood retired as chairman of the Audit and Corporate Governance Committee and as a member of the Board on 19 October 2005. He was replaced by Mr Humphrey Buthelezi as chairman of that committee. Mr Peter Bester retired as a member of the Board on 1 April 2006. Mr Roy Gordon resigned from the Board on 24 November 2005.

Mr Owen Cressey was appointed as an executive member of the Board on 10 May 2006 in the capacity of Chief Financial Officer in the place of Mr Rob Katzen, who was seconded to The Real Beverage Co (Pty) Limited until the end of the 2007 financial year, following which he will move into the post of Business Development Director.

In terms of the Company's Articles of Association, Messrs MH Buthelezi, NJM Canca, OP Cressey and PM Goss retire at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election.

Interests of the directors

The interests of the directors in the issued listed securities of the Company as at 30 June 2006 and 30 June 2005, being ordinary shares of 5 cents each, are as follows:

	Direct	Beneficial Indirect	% of total
At 30 June 2006			
AWB Band	**436 861**	–	**0,1**
SL Crutchley	**423 626**	–	**0,1**
PM Goss		**244 400**	**0,1**
RS Katzen	**357 814**		**0,1**
Total	**1 218 301**	**244 400**	**0,4**
At 30 June 2005			
AWB Band	939 984	–	0,3
SL Crutchley	285 026	–	0,1
RC Gordon	240 820	–	0,1
PM Goss	–	230 400	0,1
RS Katzen	295 203	–	0,1
Total	1 761 033	230 400	0,7

The direct beneficial interests of the directors in the convertible redeemable preference shares of 90 cents each are as follows:

	Number of convertible redeemable preference shares	% of total issued
At 30 June 2006		
SL Crutchley	**40 918**	**20,3**
RS Katzen	**25 854**	**12,9**
Total	**66 772**	**33,2**
At 30 June 2005		
AWB Band	46 399	18,8
SL Crutchley	40 918	16,5
RS Katzen	25 854	10,4
Total	113 171	45,7

The Company has not been advised of any changes in the above interests in ordinary or convertible redeemable preference shares during the period 1 July 2006 to the date of this report.

Share incentive schemes

The interests of the directors are given on page 64 in the directors' remuneration report.

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

The Anglovaal Industries Limited Share Incentive Scheme

	Movement during the year				
Date of grant	Exercise price	Instruments[1] outstanding at 30 June 2005 No.	Exercised No.	Relinquished No.	**Instruments[1] outstanding at 30 June 2006 No.**
November 2000	4,08	424 475	(424 475)	–	–
November 2000	4,16	85 290	(85 290)	–	–
June 2001	5,18	129 688	–	–	**129 688**
September 2001	6,21	566 622	(418 882)	(3 623)	**144 117**
November 2001	6,67	78 368	(45 242)	–	**33 126**
December 2001	7,39	13 412	(6 706)	–	**6 706**
April 2002	7,76	16 224	–	(16 224)	–
May 2002	7,82	31 847	–	–	**31 847**
May 2002	7,71	62 321	(24 697)	–	**37 624**
		1 408 247	(1 005 292)	(19 847)	**383 108**

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

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

The Anglovaal Industries Limited Executive Share Incentive Scheme

Date of grant of rights	Exercise price	Instruments[2] outstanding at 30 June 2005 No.	Movement during the year Exercised No.	Relinquished No.	Granted No.	Instruments[2] outstanding at 30 June 2006 No.
10 Jan 2003	8,18	368 951	(193 411)	(1 886)	–	**173 654**
1 Jul 2003	8,53	357 764	(21 594)	(33 290)	–	**302 880**
1 Jan 2004	9,55	627 901	(132 897)	(26 731)	–	**468 273**
1 Jul 2004	10,02	437 529	(11 129)	(24 185)	–	**402 215**
31 May 2005	12,62	2 186 609	(135 288)	(105 267)	–	**1 946 054**
10 October 2005	15,19	–	–	–	162 573	**162 573**
		3 978 754	(494 319)	(191 359)	162 573	**3 455 649**

[2]*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 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.

The AVI Limited Equity Participation Plan ("the Plan")

Participants in the Plan have been issued convertible redeemable preference shares of 20 cents each at a premium of 70 cents each as follows:

	Number of shares in issue
At 30 June 2005	247 432
Redeemed and cancelled during the year	(46 399)
At 30 June 2006	**201 033**

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 preference shares convertible into ordinary shares which may be allocated for purposes of the Schemes may not exceed 5 percent (presently 15 817 576 ordinary shares and/or convertible redeemable preference shares) of the total issued ordinary and convertible redeemable preference share capital of the Company from time to time. Each participant may not acquire share instruments or options under the Schemes which would amount in aggregate to more than 2 percent (presently 6 327 030 ordinary shares and/or convertible redeemable preference shares) of the total issued ordinary and convertible redeemable preference share capital of the Company. The total number of share instruments and options outstanding as at 30 June 2006 is 4 039 790, which equates to 1,3% of the issued share capital.

Material shareholders

The Company does not have a holding company.

Ordinary shares

The beneficial holders of 5% percent or more of the issued ordinary shares of the Company at 30 June 2006, according to the information available to the directors were:

	Number of ordinary shares	%
Public Investment Corporation	54 901 339	17,4
Coronation Fund Managers	31 424 982	9,9
Liberty Group	24 703 965	7,8
Sanlam Investment Management	24 411 591	7,7

Convertible redeemable preference shares

These shares were issued to participants in the Anglovaal Industries Limited Equity Participation Plan. Apart from the holdings of the directors of the Company given under the "Interests of the directors" above, the following Group employees owned in excess of 5 percent or more of this class of issued preference shares:

	Number of convertible redeemable preference shares	% of total
CB Sampson	24 053	12,0
PJ Jordi	22 456	11,2
RT Lunt	13 352	6,6
RG Williams	13 348	6,6
MA Blanckenberg	13 265	6,6
E Stockenstrom	12 066	6,0
D MacDougall	11 921	5,9
Total	110 461	54,9

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

No special resolutions have been passed by the Company since the previous directors' report dated 6 September 2005 to the date of this report.

Post-balance sheet events

Apart from the following transaction, no significant events have occurred since the balance sheet date:

- During the latter part of the year, it was agreed with the minority shareholders in A&D Spitz (Pty) Limited to accelerate the timing of the call options, which were planned to become exerciseable from 30 June 2007 in terms of the original purchase agreement. Accordingly, the Company acquired the remaining 40% of equity shares of A&D Spitz (Pty) Limited it did not already own with effect from July 2006. The final payment of R340,6 million (including interest of R0,6 million) was made on 10 July 2006.

At the forthcoming annual general meeting, shareholders will be asked to approve a broad based black economic empowerment initiative.

Share Incentive Scheme interests

The AVI Limited Share Incentive Schemes

Name	Exercise price per share	Instruments[1] outstanding at 30 June 2005 No.	Granted No.	Vested/ exercised No.	Instruments[1] outstanding at 30 June 2006 No.
AWB Band	4,08[2]	88 782	–	(88 782)	–
	6,21[4]	159 381	–	(159 381)	–
	8,18[6]	79 114	–	(79 114)	–
	9,55[8]	69 600	–	(69 600)	–
SL Crutchley	4,08[2]	85 626	–	(85 626)	–
	5,18[3]	75 000	–	(75 000)	–
	6,21[4]	42 812	–	(21 406)	**21 406**
	8,18[6]	42 194	–	(42 194)	–
	9,55[8]	40 919	–	–	**40 919**
	10,02[9]	114 285	–	–	**114 285**
	12,62[10]	211 953	–	–	**211 953**
RC Gordon	4,08	93 164	–	(93 164)	–
	6,21	107 193	–	(107 193)	–
	8,18	11 702	–	(11 702)	–
	9,55	54 231	–	(54 231)	–
	12,62	133 044	–	(133 044)	–
RS Katzen	5,18[3.]	54 689	–	(54 689)	–
	7,71[5]	15 844	–	(7 922)	**7 922**
	8,53[7]	125 763	–	–	**125 763**
	10,02[9]	117 781	–	–	**117 781**
	12,62[10]	141 968	–	–	**141 968**
OP Cressey	15,19[11]	–	47 508	–	**47 508**
		1 865 045	47 508	(1 083 048)	**829 505**

[1]Includes options and unvested scheme shares.

[2]R4,08 – The balance was exerciseable on 8 November 2005. Any balance not exercised by 8 November 2010 will lapse.

[3]R5,18 – The balance was exerciseable on 15 June 2006. Any balance not exercised by 15 June 2011 will lapse.

[4]R6,21 – The balance is exerciseable on 27 September 2006. Any balance not exercised by 27 September 2011 will lapse.

[5]R7,71 – 50% of the outstanding options were exerciseable on 14 June 2006, with the remaining 50% exerciseable on 14 June 2007. Any balance not exercised by 14 June 2012 will lapse.

[6]R8,18 – The options were exerciseable in their entirety on 10 January 2006.

[7]R8,53 – The options are exerciseable in their entirety on 1 July 2006.

[8]R9,55 – The options are exerciseable in their entirety on 1 January 2007.

[9]R10,02 – The options are exerciseable in their entirety on 1 July 2007.

[10]R12,62 – The options are exerciseable in their entirety on 1 June 2008.

[11]R15,19 – The options are exerciseable in their entirety on 1 November 2008.

- *None of the non-executive directors have share incentive scheme interests.*
- *There is a phantom share incentive scheme in a subsidiary in which Mr RC Gordon participated.*
- *The shareholdings of the directors, including their interest in the convertible redeemable preference shares issued in terms of the AVI Limited Equity Participation Plan, and any vested but unexercised scheme shares, are given in the directors' report on page 60.*

Emoluments

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

	2006						
	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	2005 R'000
Executive directors							
AWB Band[1]	854	–	66	–	7	927	2 950
SL Crutchley	2 265	1 002[2]	277	1 695	220	5 459	3 497
RC Gordon[3]	756	–	90	1 084	63	1 993	3 259
RS Katzen	1 299	227	165	–	111	1 802	1 649
OP Cressey[4]	210	157	26	–	27	420	–
	5 384	1 386	624	2 779	428	10 601	11 355
Non-executive directors' and committee fees							
AWB Band (chairman)						306	–
AJ Ardington						105	380
PM Bester						83	140
MH Buthelezi						156	134
NJM Canca						130	125
AR Evans						145	145
AKL Fihla						100	100
PM Goss						130	134
JR Hersov						100	100
SD Jagoe						140	158
BT Wood						48	160
						1 443	1 576
						12 044	12 931

[1]*Non-executive from 1 October 2005.*

[2]*Includes a performance bonus earned and banked in the prior year of R462 500.*

[3]*Resigned 24 November 2005.*

[4]*Appointed 10 May 2006.*

Details relating to the Group's remuneration practices are set out in the Corporate Governance report on pages 43 to 45.

Segmental information

for the year ended 30 June

	CONTINUING OPERATIONS											
	Food and beverage brands								Fashion brands			
	Groceries		Frozen foods		Fresh-to-market				Cosmetics		Footware	
	National Brands Limited		Irvin & Johnson		Denny Mushrooms		The Real Beverage Co.		Indigo Cosmetics		A&D Spitz	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm
Segmental revenue	**2 606,7**	2 434,9	**1 432,5**	1 378,3	**254,7**	226,9	**209,0**	217,3	**479,6**	461,9	**391,8**	
Segmental result												
Operating profit/(loss) before capital items	**337,0**	301,1	**5,9**	84,3	**21,5**	27,8	**(20,4)**	(0,2)	**50,5**	47,0	**115,1**	
Share of equity accounted earnings of joint ventures	**–**	–	**(4,7)**	1,2	**–**	–	**–**	–	**–**		**–**	
Operating profit from ordinary activities	**337,0**	301,1	**1,2**	85,5	**21,5**	27,8	**(20,4)**	(0,2)	**50,5**	47,0	**115,1**	
Segmental assets												
Tangible – non-current	**420,6**	384,3	**585,9**	598,7	**66,6**	64,8	**27,6**	30,3	**69,6**	62,4	**29,4**	
– current	**578,2**	490,7	**517,0**	481,1	**69,5**	66,5	**38,1**	36,9	**189,3**	196,4	**66,5**	
Goodwill	**29,7**	29,7	**3,4**	2,8	**1,4**	1,4	**18,4**	18,4	**–**	–	**–**	
Fishing rights	**–**	–	**110,5**	96,5	**–**	–	**–**	–	**–**	–	**–**	
Trademarks	**35,6**	35,5	**0,1**	0,1	**–**	–	**10,1**	10,5	**66,3**	66,1	**–**	
Cash and cash equivalents	**277,1**	300,9	**129,2**	121,0	**3,0**	5,4	**5,6**	3,2	**19,2**	3,2	**81,6**	
	1 341,2	1 241,1	**1 346,1**	1 300,2	**140,5**	138,1	**99,8**	99,4	**344,4**	328,1	**177,5**	
Deferred taxation	**31,0**	39,1	**23,4**	34,5	**1,3**	1,0	**23,6**	12,4	**–**	–	**–**	
Investment in joint ventures	**–**	–	**167,6**	162,8	**–**	–	**–**	–	**–**	–	**–**	
Total assets	**1 372,2**	1 280,2	**1 537,1**	1 497,5	**141,8**	139,1	**123,4**	111,7	**344,4**	328,1	**177,5**	
Segmental liabilities												
Interest-bearing	**36,7**	30,9	**184,0**	115,1	**58,5**	60,3	**141,1**	117,6	**145,5**	33,9	**–**	
Non-interest-bearing	**492,7**	471,3	**259,8**	203,6	**34,8**	32,9	**34,1**	21,9	**103,0**	218,6	**42,4**	
Provisions	**66,1**	65,3	**221,2**	208,0	**4,0**	3,7	**1,1**	1,0	**2,9**	3,0	**4,5**	
Taxation – current and deferred	**4,6**	8,1	**8,5**	76,1	**16,1**	17,5	**2,9**	2,2	**11,9**	13,2	**37,2**	
Total liabilities	**600,1**	575,6	**673,5**	602,8	**113,4**	114,4	**179,2**	142,7	**263,3**	268,7	**84,1**	
Capital expenditure	**95,9**	85,9	**65,7**	72,2	**15,0**	11,8	**2,8**	11,3	**16,9**	14,8	**9,5**	
Depreciation	**57,4**	56,6	**63,7**	56,7	**12,7**	10,6	**5,3**	5,4	**14,4**	13,6	**2,9**	
Number of employees at year-end	**2 166**	2 164	**4 673**	5 119	**1 192**	1 157	**416**	450	**399**	409	**334**	
Operating capital employed[1]	**520,1**	476,1	**1 131,5**	1 116,1	**101,2**	99,8	**67,1**	64,5	**164,2**	98,8	**26,8**	

Notes

1. *Operating capital employed is the average of the carrying value of the total assets, excluding cash and cash equivalents and deferred taxation, less the average of non-interest-bearing liabilities.*
2. *The segmental results for 2005 for Consol Limited are in respect of the eight-month period to 28 February 2005, the effective date of that company's unbundling.*

CONTINUING OPERATIONS						DISCONTINUED OPERATIONS							
Corporate and management companies		Consolidation entries, adjustments and intra-group eliminations		TOTAL		Packaging		Logistics		Fishing		TOTAL	
						Consol (note 2)		Vector Logistics (note 3)		Pelagic operations (note 4)			
2006 Rm	2005 Rm	2006 Rm	2005 Rm	2006 Rm	2005 Rm	2006 Rm	2005 Rm	2006 Rm	2005 Rm	2006 Rm	2005 Rm	2006 Rm	2005 Rm
88,4	86,7	(56,1)	(71,2)	5 406,6	4 734,8		1 547,5		200,4	13,9	47,0	5 420,5	6 529,7
12,5	9,1	(4,8)	–	517,3	469,1		350,5		32,8	(2,1)	(11,9)	515,2	840,5
–	–	–	–	(4,7)	1,2		–		–	–	–	(4,7)	1,2
12,5	9,1	(4,8)	–	512,6	470,3		350,5		32,8	(2,1)	(11,9)	510,5	841,7
1 714,7	1 139,6	(1 636,6)	(1 047,1)	1 277,8	1 233,0		–		–		–	1 277,8	1 233,0
20,4	184,2	8,7	(185,9)	1 487,7	1 269,9		–		–		41,4	1 487,7	1 311,3
–	–	502,4	53,7	555,3	106,0		–		–		–	555,3	106,0
–	–	–	–	110,5	96,5		–		–		–	110,5	96,5
–	–	263,8	106,1	375,9	218,3		–		–		–	375,9	218,3
338,6	301,4	(518,5)	(303,1)	335,8	432,0		–		–		16,7	335,8	448,7
2 073,7	1 625,2	(1 380,2)	(1 376,3)	4 143,0	3 355,7		–		–		58,1	4 143,0	3 413,8
21,4	4,8	0,1	10,2	100,8	102,0		–		–		–	100,8	102,0
–	–	–	–	167,6	162,8		–		–		–	167,6	162,8
2 095,1	1 630,0	(1 380,1)	(1 366,1)	4 411,4	3 620,5		–		–		58,1	4 411,4	3 678,6
553,8	303,0	(515,3)	(469,9)	604,3	190,9		–		–		–	604,3	190,9
83,2	28,8	(38,3)	(121,1)	1 011,7	856,0		–		–		12,6	1 011,7	868,6
4,0	4,6	(26,1)	–	277,7	285,6		–		–		–	277,7	285,6
15,4	9,1	89,7	43,8	186,3	170,0		–		–		–	186,3	170,0
656,4	345,5	(490,0)	(547,2)	2 080,0	1 502,5		–		–		12,6	2 080,0	1 515,1
9,3	11,1	–	–	215,1	207,1		138,5		7,4		12,8	215,1	365,8
5,4	5,0	–	–	161,8	147,9		135,8		6,6		–	161,8	290,3
122	132		–	9 302	9 431		–		–		103	9 302	9 534
1 473,5	1 655,8	(887,6)	(1 424,9)	2 596,8	2 086,2								

Notes

3. The segmental results for 2005 for Vector Logistics (Pty) Limited are in respect of the five-month period to 2 December 2004, the date of sale of the company.

4. The pelagic fishing operation's results are in respect of the four-month period to October 2005.

for the year ended 30 June

	2006		2005	
	Rm	%	Rm	%
Geographical segments				
Continuing operations				
Segmental revenue by market				
The Group's consolidated turnover by geographical market, regardless of where the goods were produced was as follows:				
South Africa	**4 247,2**	**78,6**	3 625,0	76,6
Exports from South Africa	**671,7**	**12,4**	683,7	14,4
International operations	**487,7**	**9,0**	426,1	9,0
	5 406,6	**100,0**	4 734,8	100,0
Operating profit by market				
South Africa	**432,5**	**83,6**	366,2	78,0
Exports from South Africa	**31,7**	**6,1**	64,8	13,8
International operations	**53,1**	**10,3**	38,1	8,2
	517,3	**100,0**	469,1	100,0
Analysis of operating assets by geographical area[1]				
South Africa	**3 587,0**	**81,3**	2 844,8	78,6
South America	**432,4**	**9,8**	392,7	10,8
Europe	**150,5**	**3,4**	146,6	4,1
Other	**241,5**	**5,5**	236,4	6,5
	4 411,4	**100,0**	3 620,5	100,0

[1]*Operating assets comprise all non-current and current assets.*

Inter-segmental transfers

Segmental revenue, segmental expenses and segmental results include transfers between business segments and between geographical segments. These transfers occur at arm's length and are eliminated on consolidation, with the exception of the fee payable by Irvin & Johnson Holding Company (Pty) Limited to Vector Logistics (Pty) Limited, up to the date of disposal of that company, for the distribution of its seafoods products which amounted to R18,9 million prior to disposal in the previous year.

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 2006 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations adopted by the International Accounting Standards Board ("IASB") and the requirements of the South African Companies Act.

Basis of preparation

The annual financial statements are prepared in millions of South African Rands ("Rm") 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 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.

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.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements and have been applied consistently by all Group entities.

Circular 9/2006 - Transactions giving rise to adjustments to Revenue/Purchases

The Group has changed the interpretation of the basis of disclosing settlement discounts, whereby settlement discounts allowed on early settlement of trade receivables and payables are recognised as a reduction of revenue. Previously early settlement discounts were recognised against selling and administration costs. The adjustment has been made in accordance with IAS 8 with the necessary restatement of comparative figures. The effect of the change is provided in note 14 to the financial statements.

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 whose financial and operating policies the Group has the power to exercise control, so as to obtain benefits from their activities.

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 recognised gains and losses 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 and 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 against the investment 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 are accounted for by applying the "purchase method". Goodwill represents amounts arising on the acquisition of subsidiaries, associates and joint ventures. In respect of business combinations that have occurred since the IFRS transition date, 1 July 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and liabilities and contingent liabilities acquired.

The Group made an election in terms of IFRS 1 that in respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). The classification and accounting treatment of business combinations that occurred prior to 1 July 2003 was not reconsidered in preparing the Group's opening IFRS balance sheet at 1 July 2003.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement as a capital item.

Premiums and discounts arising on subsequent purchase from or sales to minority interests in subsidiaries

Following the presentation of minority 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 minority interests are recognised directly in the equity of the parent shareholder.

Business combinations involving entities under common control

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

Black economic empowerment (BEE) transactions

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

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

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

Borrowing costs

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

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash balances on hand, deposits held on call with banks, net of overdrafts, all of which are available for use by the Group unless otherwise stated.

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 as well as closure of businesses.

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.

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 balance sheet date. The accruals have been calculated at undiscounted amounts based on current salary levels at the balance sheet date.

Retirement benefits

The Group provides defined contribution funds 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 funds are charged to the income statement 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.

The Group made an election in terms of IFRS 1 that previously unrecognised actuarial gains and losses on defined benefit plans as at 1 July 2003, the date of transition to IFRS, were recognised directly against retained earnings in determining the opening IFRS balance sheet at that date.

Actuarial gains and losses that arose subsequent to 1 July 2003 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 percent of the present value of the defined benefit obligation at that date before deducting plan assets; and
- 10 percent 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.

Share-based payment transactions

Equity settled

The fair value of share options and convertible preference shares 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. This accounting policy has been applied to all equity instruments granted after 7 November 2002 that had not yet vested at 1 January 2005.

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.

Financial instruments

Measurement

Financial instruments are initially measured at fair value, including 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 the income statement.

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 equity, except for impairment losses and foreign exchange gains or losses, which are recognised in the income statement. When these investments are disposed of, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement as a capital item. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

Trade and other receivables

Trade and other receivables originated by the Group are stated at cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. Fair value adjustments are recognised in the income statement. 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.

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 the income statement over the period of the borrowings on an effective interest basis.

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 foreign exchange and commodity price risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative instruments comprise foreign exchange contracts and are measured at fair value. Fair value is determined by comparing the contracted forward rate to the current forward rate of an equivalent foreign exchange contract with the same maturity date.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are recognised in the income statement 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 equity.

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 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 the income statement when the underlying transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement 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 the income statement.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to South African Rands at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the financial year are translated to South African Rands at the rates ruling at that date. Gains or losses on translation are recognised in the income statement.

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.

Financial statements of foreign operations

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

The Group made an election in terms of IFRS 1 that cumulative foreign currency translation reserves in existence at the transition date, 1 July 2003, arising from the previous application of SA GAAP have been recognised in retained earnings in determining the opening IFRS balance sheet at that date.

Impairment of assets

The carrying amounts of the Group's assets other than deferred tax assets, biological assets, inventories and receivables which are separately assessed and provided against where necessary, are reviewed at each balance sheet 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 is the higher of its fair value less cost to sell and its value in use. Impairment losses are recognised in the income statement 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.

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.

Reversals of impairment

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, or when the indication of impairment no longer exists.

Intangible assets

Intangible assets, excluding goodwill, acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement 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 the income statement 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.

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

Investments in subsidiary companies

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

Lease payments

Operating lease payments

Payments made under operating leases with fixed escalation clauses are recognised in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is allocated to each period during the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Non-current assets held-for-sale

Immediately before classification as held-for-sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with the applicable IFRS. Upon initial classification as held-for-sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held-for-sale and gains and losses on subsequent remeasurement are included in the income statement as capital items.

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.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Other leases, which do not transfer substantially all the risks and rewards of ownership, are treated as operating leases with lease payments charged against operating profit.

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 the income statement 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 estimated useful lives are as follows:

Buildings		40 – 50 years
Plant and machinery		4 – 20 years
Motor vehicles	– trucks	3 – 8 years
	– other	3 – 5 years
Furniture and equipment		3 – 10 years
Vessels	– hull	20 years
	– other components	5 – 10 years

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

Provisions

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

Onerous contracts

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

Restructuring

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

Revenue recognition

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

Goods and services

Revenue 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.

Dividends

Dividends are recognised when the right to receive payment is established, with the exception of dividends on 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.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services which are subject to risks and rewards that are different from those of other segments. The primary basis for reporting segment information is business segments and the secondary basis is by significant geographical region, which is based on the location of assets. The basis of segment reporting is representative of the internal structure used for management reporting.

Segment results include revenue and expenses directly attributable to a segment whether from external transactions or from transactions with other Group segments.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Share capital

Preference share capital

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

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

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity.

Taxation

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

Current taxation

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

Deferred taxation

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

Deferred taxation is charged to the income statement 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 the income statement, 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 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.

Balance sheet

as at 30 June

	Note	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	1	**1 182,4**	1 143,2	**–**	–
Intangible assets and goodwill	2	**1 041,7**	420,8	**–**	–
Joint ventures	3	**167,6**	162,8	**–**	–
Other investments	3	**95,4**	89,8	**182,0**	197,8
Subsidiary companies	3	**–**	–	**1 511,4**	1 108,1
Deferred taxation	4	**100,8**	102,0	**12,5**	–
		2 587,9	1 918,6	**1 705,9**	1 305,9
Current assets					
Non-current assets held for sale	5	**26,3**	24,5	**–**	–
Inventories	6	**578,2**	500,0	**–**	–
Trade and other receivables	7	**883,2**	786,8	**34,7**	44,4
Cash and cash equivalents		**335,8**	448,7	**0,1**	0,1
		1 823,5	1 760,0	**34,8**	44,5
Total assets		**4 411,4**	3 678,6	**1 740,7**	1 350,4
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	**15,8**	15,9	**15,8**	15,9
Share premium	8	**4,7**	–	**4,7**	–
Treasury shares	8	**(40,8)**	(51,7)	**–**	–
Premium on minority equity transactions		**(2,7)**	(2,7)	**–**	–
Reserves	9	**(13,2)**	(22,3)	**10,9**	6,4
Retained earnings		**2 376,1**	2 227,2	**1 237,2**	1 198,3
Minority interests		**(8,5)**	(2,9)	**–**	–
Total equity		**2 331,4**	2 163,5	**1 268,6**	1 220,6
Non-current liabilities					
Interest-bearing borrowings	10	**192,8**	112,4	**–**	–
Deferred taxation	4	**130,1**	134,3	**–**	–
Provisions	11	**277,7**	268,4	**–**	–
		600,6	515,1	**–**	–
Current liabilities					
Trade and other payables	12	**1 011,7**	885,8	**11,6**	9,6
Corporate taxation		**56,2**	35,7	**0,3**	–
Current borrowings	13	**71,5**	78,5	**120,2**	120,2
Deferred purchase consideration – Spitz	26	**340,0**	–	**340,0**	–
		1 479,4	1 000,0	**472,1**	129,8
Total equity and liabilities		**4 411,4**	3 678,6	**1 740,7**	1 350,4

Income statement

for the year ended 30 June

	Note	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
CONTINUING OPERATIONS					
Revenue	14	**5 406,6**	4 734,8	**267,8**	1 437,7
Cost of sales		**3 263,5**	2 869,7		
Gross profit		**2 143,1**	1 865,1		
Selling and administrative expenses		**1 625,8**	1 396,0	**5,2**	4,9
Operating profit/(loss) before capital items	15	**517,3**	469,1	**(5,2)**	(4,9)
Income from investments	16	**16,5**	30,9	**267,8**	1 437,7
Finance costs	17	**(49,7)**	(39,6)	**(23,4)**	(4,6)
Share of equity accounted (loss)/earnings of joint ventures	18	**(12,3)**	1,2		
Capital items	19	**(10,9)**	(21,8)	**(32,5)**	(50,7)
Profit before taxation		**460,9**	439,8	**206,7**	1 377,5
Taxation	20	**143,1**	124,7	**(12,2)**	2,5
Profit from continuing operations		**317,8**	315,1	**218,9**	1 375,0
DISCONTINUED OPERATIONS	21				
Revenue	14	**13,9**	1 794,9	**–**	–
Cost of sales		**15,0**	1 062,9	**–**	–
Gross (loss)/profit		**(1,1)**	732,0	**–**	–
Selling and administrative expenses		**1,0**	360,6	**–**	–
Operating (loss)/profit before capital items	15	**(2,1)**	371,4	**–**	–
Income from investments	16	**–**	10,8	**–**	–
Finance costs		**–**	(4,2)	**–**	–
Capital items	19	**6,8**	18,5	**–**	–
Profit before taxation		**4,7**	396,5	**–**	–
Taxation	20	**–**	120,8	**–**	–
Profit from discontinued operations		**4,7**	275,7	**–**	–
Profit before net gain on disposal of discontinued operations		**322,5**	590,8	**218,9**	1 375,0
Gain on disposal of discontinued operation		**–**	306,9	**–**	284,8
Costs relating to the unbundling of a discontinued operation		**–**	(6,4)	**–**	(6,4)
Profit for the year		**322,5**	891,3	**218,9**	1 653,4
Attributable to:					
Equity holders of AVI		**327,6**	873,5		
Minority interests		**(5,1)**	17,8		
		322,5	891,3		
Basic earnings per share from continuing operations (cents)	29	**103,4**	198,6		
Diluted earnings per share from continuing operations (cents)	29	**102,7**	196,1		

Details of the headline earnings and dividend declared per ordinary share are given in Notes 29 and 30 to the financial statements on pages 107 and 109.

Cash flow statement

for the year ended 30 June

	Note	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
CONTINUING OPERATIONS					
Operating activities					
Cash retained from operating activities		**245,4**	301,3	**104,1**	1 210,3
Cash generated by/(utilised in) operations	22	**660,2**	631,6	**(5,2)**	(12,6)
Cash flow from investments		**17,0**	30,9	**283,4**	1 424,4
(Increase)/decrease in working capital	23	**(36,5)**	16,3	**8,4**	(11,6)
Cash generated by operating activities		**640,7**	678,8	**286,6**	1 400,2
Interest paid		**(29,7)**	(39,6)	**(2,5)**	(4,6)
Taxation paid	24	**(186,4)**	(170,0)	**–**	(1,3)
Cash available from operating activities		**424,6**	469,2	**284,1**	1 394,3
Dividends paid	25	**(179,2)**	(167,9)	**(180,0)**	(184,0)
Investing activities		**(460,0)**	(394,5)	**(108,8)**	(172,3)
Property, plant and equipment – additions		**(215,1)**	(207,1)	**–**	–
Proceeds from disposals		**4,9**	6,6	**–**	–
Net investment in property, plant and equipment		**(210,2)**	(200,5)	**–**	–
Intangible assets purchased		**(19,2)**	(0,1)	**–**	–
Investments		**(230,6)**	(193,9)	**(108,8)**	(172,3)
– acquisitions of subsidiaries and businesses	26	**(238,2)**	(174,1)	**(256,1)**	(274,2)
– loans repaid by subsidiary companies		**–**	–	**147,3**	281,0
– associated companies, joint ventures and other investments	27	**7,6**	(19,8)	**–**	(179,1)
Financing activities		**57,2**	(308,8)	**4,7**	(1 046,7)
Net increase/(decrease) in shareholder funding	28	**10,1**	(213,5)	**4,7**	(1 046,7)
Non-current borrowings		**54,2**	(101,4)	**–**	–
– raised		**72,8**	–	**–**	–
– repaid		**(18,6)**	(101,4)	**–**	–
Current funding – net (decrease)/increase		**(7,1)**	6,1	**–**	–
– overdrafts and short-term borrowings (decrease)/increase		**(7,1)**	6,1	**–**	–

		Group		Company	
	Note	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm
DISCONTINUED OPERATIONS		**37,3**	203,9	**–**	–
Cash flows from operating activities		**4,2**	335,0	**–**	–
Cash flows from investing activities		**33,1**	(131,1)	**–**	–
Acquisition of minority equity interest in discontinued operation		**–**	(526,4)	**–**	–
Cash flow from disposal of discontinued operation	26	**–**	505,8	**–**	–
Decrease in cash and cash equivalents		**(120,1)**	(218,7)	**–**	(8,7)
Cash and cash equivalents at beginning of year		**448,7**	674,5	**0,1**	8,8
		328,6	455,8	**0,1**	0,1
Net increase/(decrease) as a result of the translation of the cash equivalents of foreign subsidiaries at beginning of year		**7,2**	(7,1)	**–**	–
Cash and cash equivalents at end of year		**335,8**	448,7	**0,1**	0,1

Statement of changes in equity

for the year ended 30 June

Year ended 30 June 2006

	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
GROUP								
Balance at beginning of year	15,9	(51,7)	(22,3)	2 227,2	(2,7)	2 166,4	(2,9)	2 163,5
Recognised income and expense								
Profit for the year	–	–	–	327,6	–	327,6	(5,1)	322,5
Foreign currency translation differences	–	–	32,6	–	–	32,6	–	32,6
Cash flow hedging reserve	–	–	(28,0)	–	–	(28,0)	–	(28,0)
Share-based payments	–	–	4,5	–	–	4,5	–	4,5
Transactions with shareholders								
Dividends paid	–	–	–	(178,7)	–	(178,7)	(0,5)	(179,2)
Issue of ordinary shares	4,7	(4,7)	–	–	–	–	–	–
Disposal of own ordinary shares by Company's Share Trusts (net)	–	15,6	–	–	–	15,6	–	15,6
Redemption of convertible redeemable preference shares	(0,1)	–	–	–	–	(0,1)	–	(0,1)
Balance at end of year	20,5	(40,8)	(13,2)	2 376,1	(2,7)	2 339,9	(8,5)	2 331,4
COMPANY								
Balance at beginning of year	15,9	–	6,4	1 198,3	–	1 220,6		
Recognised income and expense								
Profit for the year	–	–	–	218,9	–	218,9		
Share-based payments	–	–	4,5	–	–	4,5		
Transactions with shareholders								
Dividends paid	–	–	–	(180,0)	–	(180,0)		
Issue of ordinary shares	4,7	–	–	–	–	4,7		
Redemption of convertible redeemable preference shares	(0,1)	–	–	–	–	(0,1)		
Balance at end of year	20,5	–	10,9	1 237,2	–	1 268,6		

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
GROUP								
Balance at beginning of year	317,9	(342,4)	(11,0)	3 163,4	–	**3 127,9**	309,8	**3 437,7**
Recognised income and expense								
Profit for the year	–	–	–	873,5	–	**873,5**	17,8	**891,3**
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	–	–	–	–
Transactions with shareholders								
Dividends paid	–	–	–	(167,5)	–	**(167,5)**	(3,2)	**(170,7)**
Issue of ordinary shares	8,0	(8,0)	–	–	–	–	–	–
Acquisition of minority interests in:								
Consol Limited	–	–	–	–	(213,5)	**(213,5)**	(312,9)	**(526,4)**
Irvin & Johnson Holding Company (Pty) Limited	–	–	–	–	(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)**
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**
COMPANY								
Balance at beginning of year	317,9	–	5,7	1 257,4	–	**1 581,0**		
Recognised income and expense								
Profit for the year	–	–	–	1 653,4	–	**1 653,4**		
Share-based payments	–	–	0,7	–	–	**0,7**		
Transactions with shareholders								
Dividends paid	–	–	–	(184,0)	–	**(184,0)**		
Issue of ordinary shares	8,0	–	–	–	–	**8,0**		
Unbundling of subsidiary company, Consol Limited	(106,7)	–	–	(877,1)	–	**(983,8)**		
Own ordinary shares acquired from wholly-owned subsidiary	(1,4)	–	–	(651,4)	–	**(652,8)**		
Capital repayment of 64 cents per ordinary share	(201,8)	–	–	–	–	**(201,8)**		
Redemption of convertible redeemable preference shares	(0,1)	–	–	–	–	**(0,1)**		
Balance at end of year	**15,9**	**–**	**6,4**	**1 198,3**	**–**	**1 220,6**		

	Group						
	Land Rm	Buildings Rm	Plant and machinery Rm	Motor vehicles, furniture and equipment Rm	Vessels Rm	Equipment subject to finance leases Rm	Total Rm
1. Property, plant and equipment							
Cost							
At beginning of year	45,0	299,2	924,9	360,0	559,7	4,6	2 193,4
Additions		17,6	113,8	63,9	19,0	0,8	215,1
Disposals		(1,1)	(14,8)	(17,2)	(2,0)		(35,1)
Applicable to subsidiaries acquired		–		11,0		1,5	12,5
Realignment of currencies	0,1	5,3	5,4	1,2	10,6	0,1	22,7
Reclassification of assets		2,9	(6,5)	(2,0)	1,1	(1,5)	(6,0)
Transfer to non-current assets held-for-sale	(1,5)	(25,3)	(2,8)	(0,1)	(3,8)		(33,5)
At end of year	43,6	298,6	1 020,0	416,8	584,6	5,5	2 369,1
Accumulated depreciation and impairment charges							
At beginning of year	–	44,2	524,8	225,1	253,0	3,1	1 050,2
Disposals	–	(1,1)	(11,9)	(14,5)	(1,8)		(29,3)
Applicable to subsidiaries acquired	–	–		5,6		0,9	6,5
Realignment of currencies	–	0,3	1,5	0,7	7,8		10,3
Reclassification of assets	–	(0,1)	(4,3)	(0,7)		(0,9)	(6,0)
Transfer to non-current assets held-for-sale	–	(2,2)	(2,0)	(0,1)	(2,5)		(6,8)
Charge for the year	–	6,4	73,6	47,6	33,8	0,4	161,8
At end of year	–	47,5	581,7	263,7	290,3	3,5	1 186,7
Net carrying value							
At beginning of previous year	68,5	394,3	1 308,4	184,1	326,3	5,4	2 287,0
At end of previous year	45,0	255,0	400,1	134,9	306,7	1,5	1 143,2
At end of current year	**43,6**	**251,1**	**438,3**	**153,1**	**294,3**	**2,0**	**1 182,4**

	Group	
	2006 Rm	2005 Rm
## 1. Property, plant and equipment continued		
Land and buildings comprise:		
Freehold	**249,5**	254,0
Long leasehold	**45,2**	46,0
	294,7	300,0

- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2006 was R55,2 million (2005: R60,7 million).
- The original cost of fully depreciated plant and equipment that was still in use at 30 June 2006 was R410,5 million (2005: R370,1 million).
- Property, plant and equipment, with a carrying value of R31,0 million (2005: R35,0 million) has been ceded as security for interest-bearing borrowings.
- 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.

	Group			
	Goodwill Rm	Fishing rights Rm	Trademarks Rm	Total Rm
## 2. Intangible assets and goodwill				
Cost				
At beginning of year	124,5	114,1	219,0	457,6
Goodwill arising on acquisition of subsidiaries	448,4			448,4
Trademarks within subsidiaries acquired			158,0	158,0
Fishing rights acquired		19,2		19,2
Realignment of currencies	0,9	10,6		11,5
Transfer to non-current assets held-for-sale		(0,9)		(0,9)
At end of year	573,8	143,0	377,0	1 093,8
Accumulated amortisation and impairment charges				
At beginning of year	18,5	17,6	0,7	36,8
Amortisation for the year		6,0	0,4	6,4
Impairment charge (Note 19)		6,3		6,3
Realignment of currencies		2,8		2,8
Transfer to non-current assets held-for-sale		(0,2)		(0,2)
At end of year	18,5	32,5	1,1	52,1
Net carrying value				
At beginning of previous year	56,9	96,1	109,5	262,5
At end of previous year	106,0	96,5	218,3	420,8
At end of current year	**555,3**	**110,5**	**375,9**	**1 041,7**

- Trademarks with a carrying value of R30,0 million (2005: R30,0 million) have been ceded as security for interest-bearing borrowings.

2. Intangible assets and goodwill continued

Useful lives – Fishing rights and trademarks

The fishing rights are being amortised over a period of 10 – 25 years. Trademarks comprise well-established growing brands. With the exception of trademarks with a cost of R11,2 million that are being amortised over a period of 25 years, the remainder of the portfolio of brands are considered to have indefinite useful lives and are not amortised.

Cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	Group	
	2006 Rm	2005 Rm
Arising on acquisition of A&D Spitz	**448,4**	–
Arising on acquisition of Denny Mushrooms	**54,0**	54,0
House Of Coffees	**15,3**	15,3
Baker Street Snacks	**12,5**	12,5
	530,2	81,8
Multiple units without significant goodwill	**25,1**	24,2
	555,3	106,0

Goodwill arising on the acquisition of A&D Spitz is attributed to the strategic business advantages acquired, principally store locations and leases as well as knowledgeable employees 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 two 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. 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.

An impairment charge amounting to R6,3 million (2005: R18,5 million) was provided in respect of fishing rights attributable to I&J (2005: goodwill attributable to The Real Beverage Company (Pty) Limited).

	Group		Company	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm
3. Subsidiaries, joint ventures and other investments				
Subsidiaries (Note 37 and 38)	**–**	–	**1 511,4**	1 108,1
Joint ventures (Note 39)	**167,6**	162,8	**–**	–
Other investments (Note 40)	**95,4**	89,8	**182,0**	197,8

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
4. Deferred taxation				
Balance at beginning of year, being a net liability	**32,3**	90,7	**–**	–
Charge to income statement:	**(37,9)**	13,8	**(12,5)**	–
– change in tax rate	**–**	(3,9)	**–**	–
– current year – temporary differences	**(28,6)**	13,1	**–**	–
– deferred taxation asset on prior year tax losses reversed	**2,7**	10,5	**–**	–
	(25,9)	19,7	**–**	–
– deferred taxation on STC credits	**(7,8)**	(2,7)	**(7,8)**	–
– prior year over provision	**(4,2)**	(3,2)	**(4,7)**	–
Subsidiaries acquired	**45,8**	46,6	**–**	–
Subsidiaries sold and unbundled	**–**	(112,3)	**–**	–
Realignment of currencies recognised directly in equity	**(3,0)**	–	**–**	–
Reserve movements in respect of cashflow hedging recognised directly in equity	**(7,9)**	(6,5)	**–**	–
Balance at end of year, being a net liability	**29,3**	32,3	**(12,5)**	–
Balance at end of year comprises:				
Accelerated capital allowances	**110,4**	103,2	**–**	–
Intangible assets temporary differences	**105,8**	64,0	**–**	–
Provisions and other temporary differences:	**(94,8)**	(90,0)	**–**	–
– post-retirement medical aid	**(81,4)**	(76,9)	**–**	–
– leave pay and bonus accruals	**(31,4)**	(33,1)	**–**	–
– other taxable/(deductible) temporary differences	**18,0**	20,0	**–**	–
Cashflow hedging reserve	**(6,0)**	(1,9)	**–**	–
Unused tax losses	**(73,6)**	(38,3)	**–**	–
Unused credits in respect of STC	**(12,5)**	(4,7)	**(12,5)**	–
	29,3	32,3	**(12,5)**	–
Deferred taxation is comprised at the following rates				
South Africa operations – 29% (2005: 29%)	**(63,7)**	(41,1)	**–**	–
Foreign operations at average rate – 30,5% (2005: 34,9%)	**21,9**	4,1	**–**	–
Secondary taxation on companies – 12,5% (2005: 12,5%)	**12,5**	4,7	**12,5**	–
	(29,3)	(32,3)	**12,5**	–
Reflected as:				
Deferred taxation asset	**100,8**	102,0	**12,5**	–
Deferred taxation liability	**130,1**	134,3	**–**	–

for the year ended 30 June

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
5. Non-current assets held-for-sale				
Building	23,1	–		
Assets of ancillary subsidiary – Bonasur	3,2	–		
Vessels held by pelagic fishing operations	–	24,5		
	26,3	24,5		
6. Inventories				
Raw materials	142,7	117,7		
Biological assets – abalone and mushrooms	51,3	41,5		
Consumable stores	60,0	63,7		
Work in progress	14,7	31,5		
Manufactured finished goods	233,2	233,7		
Merchandise – finished goods purchased for resale	76,3	11,9		
	578,2	500,0		
The value of the above inventories carried at net realisable value amounted to R11,3 million (2005: R12,4 million).				
7. Trade and other receivables				
Trade accounts	757,7	708,4	–	–
Financial assets	33,9	10,9		
Other receivables	88,0	73,1	34,7	44,4
Prepayments	17,3	18,4	–	–
Taxation overpaid	3,5	1,9	–	–
	900,4	812,7	34,7	44,4
Impairment losses	17,2	25,9	–	–
	883,2	786,8	34,7	44,4

	Group and Company 2006 Rm	Group and Company 2005 Rm
8. Share capital and premium		
Share capital		
Authorised		
Ordinary share capital		
960 020 000 (2005: 960 020 000) ordinary shares of 5 cents each	48,0	48,0
Preference share capital		
10 000 000 (2005: 10 000 000) convertible redeemable preference shares of 20 cents each	2,0	2,0
Total authorised share capital	50,0	50,0

8. Share capital and premium continued

	Group and Company 2006 Rm	Group and Company 2005 Rm
Issued		
316 150 483 (2005: 315 386 460) ordinary shares of 5 cents each	15,8	15,8
201 033 (2005: 247 432) convertible redeemable preference shares of 20 cents each	–	0,1
Total issued share capital	15,8	15,9
Share premium		
Balance at beginning of year	–	300,7
Capital repayment of 64 cents per ordinary share	–	(201,8)
Charge as a result of the unbundling of a subsidiary company	–	(106,7)
Premium on issue of ordinary shares	4,7	7,8
Balance at end of year	4,7	–
Total issued share capital and premium	20,5	15,9

	Group 2006 Rm	Group 2005 Rm
Treasury shares		
Balance at beginning of year	(51,7)	(342,4)
Own ordinary shares acquired from a wholly-owned subsidiary company	–	310,3
Net own ordinary shares sold/(purchased) by the Company's Share Trusts during the year	10,9	(19,6)
Balance at end of year	(40,8)	(51,7)

	Group and Company 2006 Number	Group and Company 2005 Number
Details relating to the movements in the issued share capital are given on page 59 in the directors' report and in the statement of changes in equity on pages 84 and 85. The number of ordinary shares in issue is summarised as follows:		
At beginning of year	315 386 460	339 756 590
Issues to The Anglovaal Industries Limited Share Purchase Trust	764 023	970 364
Conversion of convertible redeemable preference shares of 20 cents each	–	2 028 512
	316 150 483	342 755 466
Less: Shares held by a wholly-owned subsidiary company in the previous year repurchased and cancelled in the current year	–	27 369 006
	316 150 483	315 386 460
Less: Shares held by the Company's Share Trusts	3 077 425	3 749 146
At end of year	313 073 058	311 637 314

8. Share capital and premium continued

■ **Convertible redeemable preference shares**

The convertible redeemable preference shares ("preference shares") may be offered to participants under The Anglovaal Industries Limited Equity Participation Plan ("the plan").

The preference shares are convertible into ordinary shares after the third anniversary of the date of their offer to a participant on the basis of four ordinary shares for each preference share converted in accordance with a specified formula. This formula takes account of:

- the achievement of shareholder returns in excess of specified thresholds; and
- a sharing percentage of such shareholder returns as determined by the Company's appointments and remuneration committee at the time of the participant being invited to participate under the plan. This sharing percentage will not exceed 10 percent and will be determined after due consideration of equity market conditions and prevailing best practice in incentive remuneration.

Should any preference shares not be converted, they will be redeemed at an amount up to the subscription price, at the discretion of the Board.

The preference shares do not entitle the holder thereof to any dividend or participation in any distributions by the Company unless, as a result of any such distribution or any other event, there has been a material change in the nature of the Group and such change adversely affects the structure of the plan, in which case the conversion date of the preference shares will, at the discretion of the Board, be reset at a date to allow conversion if the thresholds have been achieved for the revised conversion period.

	Group		Company	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm
9. Reserves				
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	**(12,6)**	15,4	**–**	–
Foreign currency translation reserve	**(11,5)**	(44,1)	**–**	–
Share-based payments reserve	**7,4**	2,9	**7,4**	2,9
	(13,2)	(22,3)	**10,9**	6,4

■ **Capital redemption reserve fund**

Represents the fund that is required in terms of the South African Companies Act 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. The deficit positions were as a result of the strengthening of the Rand against the relevant overseas currencies post the acquisition of the foreign operations concerned.

9. Reserves continued

- **Share-based payments reserve**

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

	Group		Company	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm
10. Interest-bearing borrowings				
Loans secured by agreements over property, plant and equipment	**2,1**	18,2	–	–
Loan secured by cession of rights under an international trademark licensing agreement	**21,5**	22,9	–	–
Finance lease liabilities	**27,6**	27,9	–	–
Total secured loans	**51,2**	69,0	–	–
Unsecured loans	**181,1**	100,7	–	–
Total borrowings	**232,3**	169,7	–	–
Amount repayable within one year included in current borrowings (Note 13)	**39,5**	57,3	–	–
	192,8	112,4	–	–

Interest rates and years of repayments

			Group				
			Repayable during the year ending 30 June				
	Rate of interest %	**Total borrowings 2006 Rm**	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 onwards Rm
Secured loans	8	**23,6**	2,7	2,7	2,5	2,4	13,3
Finance lease liabilities	8 – 13	**27,6**	1,7	2,4	3,2	4,0	16,3
Unsecured loans		**181,1**	35,1	43,8	47,3	35,6	19,3
	– Libor + 1,38% (note 1 below)	**38,3**	17,2	17,9	1,2	1,2	0,8
	– Libor + 1,38% (notes 1 and 2 below)	**112,5**	17,9	25,9	35,4	23,8	9,5
	7	**30,3**			10,7	10,6	9,0
		232,3	39,5	48,9	53,0	42,0	48,9

[1]*The Libor rate at 30 June 2006 was 5,51% (2005: 3,03%), and the weighted average LIBOR rate for the year was 4,56%.*

[2]*Included in cash and cash equivalents is a deposit of US Dollars 2 million (2005: US Dollars 4 million) which is available for withdrawal to the extent that the loan is repaid.*

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
10. Interest-bearing borrowings continued				
The borrowings are in the following currencies:				
South African Rands	**50,5**	69,0	**–**	–
Australian Dollars	**30,3**	–	**–**	–
US Dollars	**145,4**	94,3	**–**	–
Argentine Pesos	**6,1**	6,4	**–**	–
	232,3	169,7	**–**	–

11. Provisions

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 2006 and projected to 30 June 2006.

The principal actuarial assumptions used were as follows:

Discount rate	8,0% (2005: 8,5%)
Medical inflation	6,0% (2005: 7,5%)

	Group 2006 Rm	Group 2005 Rm
Actuarially determined present value of unfunded obligations	**293,2**	297,1
Unrecognised actuarial loss	**(14,5)**	(27,7)
Net liability in balance sheet	**278,7**	269,4
Balance at beginning of year	**269,4**	343,0
Transfer from income statement – operating profit	**27,2**	36,1
Current service cost	**2,7**	3,9
Interest cost	**23,9**	28,8
Experience adjustment	**0,6**	3,4
Contributions paid	**(17,9)**	(20,2)
Subsidiaries sold and unbundled	**–**	(92,8)
Subsidiary acquired	**–**	3,3
Balance at end of year	**278,7**	269,4

	Group 2006 Rm	Group 2005 Rm
11. Provisions continued		
Onerous contracts		
Balance at beginning of year	–	1,2
Subsidiary sold	–	(1,2)
Balance at end of year	–	–
Operating lease straight-line liability		
Balance at beginning of year	**16,2**	16,2
Recognised in income statement	**(0,7)**	–
Acquisition of subsidiary	**4,5**	–
Balance at end of year	**20,0**	16,2
Total provisions	**298,7**	285,6
Amounts payable within one year included under trade and other payables (Note 12)	**(21,0)**	(17,2)
	277,7	268,4

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
12. Trade and other payables				
Trade accounts	**524,9**	485,1	–	–
Financial liabilities	**55,4**	–	–	–
Other payables and accrued expenses	**410,4**	383,5	**11,6**	9,1
Provision falling due within one year (Note 11)	**21,0**	17,2	–	–
Amounts owing to subsidiaries	–	–	–	0,5
	1 011,7	885,8	**11,6**	9,6
13. Current borrowings				
Overdrafts and other current borrowings	**32,0**	21,2	**120,2**	120,2
Current portion of interest-bearing borrowings (Note 10)	**39,5**	57,3	–	–
	71,5	78,5	**120,2**	120,2

Company

The Company's current borrowings of R120,2 million (2005: R120,2 million) are from subsidiary companies (Note 38).

	Group 2006 Rm	Group 2005 Rm
14. Revenue		
Group revenue comprises sales of goods excluding value added tax.		
The Group previously distributed certain products on behalf of third parties. In terms of the distribution agreements the Group received a distribution fee and was responsible for invoicing the sales, subsequent collection of the accounts receivable and any bad debts. The revenue of the logistics operation, which was sold and discontinued on 2 December 2004, comprised the distribution fee earned rather than the total amount of the third party sales.		
An analysis of revenue showing these categories is as follows:		
Total invoiced sales	5 420,5	7 742,5
Less: Third party sales	–	1 212,8
	5 420,5	6 529,7
Continuing operations	5 406,6	4 734,8
Discontinued operations (Note 21)	13,9	1 794,9
	5 420,5	6 529,7

A segmental and geographical analysis of Group revenue is given on pages 66 to 68 in the segmental information report.

Revenue of the Company comprises investment income (Note 16).

14.1 Adoption of Circular 9/2006 – Transactions giving rise to adjustments to revenue/purchases

Settlement discounts, rebates and other forms of discounts allowed/received are estimated at the time of sale/purchase, and presented as a reduction in revenues or increase in the cost of inventories or services acquired.

Previously settlement discounts were estimated at the time of sale but were presented as an operating expense of the Group on the basis that prompt payment by customers generated the discount and not the sale of goods.

In accordance with Circular 9/2006 settlement discounts granted to customers have been reclassified from selling and administrative expenses to revenue. The adjustment has been made in accordance with IAS 8 – Accounting Policies, changes in accounting estimates and errors, with the necessary restatement of comparative figures as follows:

	2006 Rm	2005 Rm
Decrease in revenue	61,1	55,6
Decrease in selling and administration expenses	61,1	55,6

	Group			
	Continuing operations		Discontinued operations	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
15. Operating profit/(loss)				
In arriving at the operating profit/(loss) before capital items, the following have been taken into account:				
Amortisation				
– fishing rights	6,0	5,6	–	–
– trademarks	0,4	0,4	–	–
Auditors' remuneration				
– fees for audit	7,9	6,2	–	1,7
– fees for other services	2,2	2,8	–	0,3
– International Financial Reporting Standards consulting	–	0,9	–	–
– taxation services and consultations	0,8	0,9	–	–
– other	1,4	1,0	–	0,3
– disbursements	–	0,2	–	–
Depreciation of property, plant and equipment	161,8	147,9	–	142,4
– buildings	6,4	5,7	–	3,6
– plant, equipment and vehicles	121,2	113,1	–	138,8
– vessels	33,8	29,1	–	–
– equipment subject to finance lease	0,4		–	–
Employment costs	1 144,7	1 046,3	–	370,1
Short-term employment benefits	1 031,2	936,4	–	342,0
Termination benefits	30,8	11,0	–	–
Share-based payments	4,5	1,3	–	–
Post retirement medical aid costs	27,3	42,8	–	–
Retirement benefits	50,9	54,8	–	28,1
Foreign exchange (gains)/losses	(30,8)	(11,0)	–	0,8
– losses	3,3	14,3	–	0,4
– gains	(27,9)	(18,4)	–	–
– forward exchange contracts net fair value adjustments,	(6,2)	(6,9)	–	0,4
being:				
– realised	(28,4)	(17,8)	–	0,8
– unrealised	(2,4)	6,8	–	–
Operating lease expenses	61,1	35,1	–	9,6
– property	51,8	20,0	–	6,2
– plant, equipment and vehicles	9,3	15,1	–	3,4
Remuneration for services				
– administrative, financial, managerial and secretarial fees	23,7	17,4	–	4,6
– technical fees	7,6	7,2	–	10,6
Research and development costs	11,7	8,2	–	–

	Company 2006 Rm	Company 2005 Rm
15. Operating profit/(loss) continued		
Auditors' remuneration		
– fees for audit	–	0,1
Directors' remuneration (Note below)	**12,0**	12,9
– executive directors, including share option gains	**10,6**	11,3
– non-executive directors	**1,4**	1,6
Administrative, financial, managerial and secretarial fees	**0,1**	0,1

Note

Details of the directors' remuneration is given in the directors' remuneration report on page 65.

	Group		Company	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
16. Income from investments				
Dividends – unlisted companies	**0,3**	14,2	**266,6**	1 437,7
Interest	**16,2**	27,5	**1,2**	–
	16,5	41,7[1]	**267,8**	1 437,7
Continuing operations	**16,5**	30,9		
Discontinuing operations	**–**	10,8		
[1]*Includes adjustment of R11,2 million for set-off of then intergroup positions between continuing and discontinuing operations.*				
Dividends were received from				
– subsidiary companies	**–**	–	**266,6**	1 422,2
– other investments	**0,3**	14,2	**–**	15,5
	0,3	14,2	**266,6**	1 437,7
17. Finance costs				
Borrowings	**(28,9)**	(39,6)	**(2,6)**	(4,6)
Imputed interest on Spitz deferred purchase consideration	**(20,8)**	–	**(20,8)**	–
	(49,7)	(39,6)	**(23,4)**	(4,6)

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
18. Share of equity accounted (loss)/profit of joint ventures				
Equity accounted profit/(loss) of principal joint venture	(6,6)	3,1		
Equity accounted (losses)/profits of non-principal joint ventures	1,8	(1,9)		
	(4,8)	1,2		
Capital item attributable to principal joint venture	(7,5)	–		
	(12,3)	1,2		
19. Capital items				
Net surplus/(deficit) on disposal of investments, properties, vessels and plant and equipment	2,2	15,2	(3,3)	(50,7)
Impairment of goodwill	–	(18,5)	–	–
Impairment of investment	–	–	(29,2)	–
Impairment of fishing rights	(6,3)	–	–	–
	(4,1)	(3,3)	(32,5)	(50,7)
Continuing operations	(10,9)	(21,8)	(32,5)	(50,7)
Discontinued operations	6,8	18,5	–	–
Joint venture impairment of equipment	(7,5)	–	–	–
Attributable taxation (Note 20)	6,3	(0,2)	–	–
	(5,3)	(3,1)	(32,5)	(50,7)
Attributable to minority interests	–	2,8	–	–
	(5,3)	(0,3)	(32,5)	(50,7)
20. Taxation				
South African normal taxation	145,3	207,8	0,3	–
Deferred taxation	(25,9)	19,7	–	–
Foreign taxation	7,6	5,6	–	–
Capital gains taxation	0,3	–	–	–
Secondary Tax on Companies – current	29,2	24,0	–	–
– deferred	(7,8)	(2,7)	(7,8)	–
Prior year (over)/under provisions	(5,6)	(8,9)	(4,7)	2,5
	143,1	245,5	(12,2)	2,5
Being:				
Continuing operations	143,1	124,7	(12,2)	2,5
Discontinued operations	–	120,8	–	–
Dealt with as follows:				
In respect of profit before capital items	149,4	245,7	(12,2)	2,5
In respect of capital items (Note 19)	(6,3)	(0,2)	–	–
	143,1	245,5	(12,2)	2,5

for the year ended 30 June

	Group		Company	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
20. Taxation continued				
Reconciliation of rate of taxation (continuing operations)	%	%	%	%
Standard rate of company taxation	29,0	29,0	29,0	29,0
Increase/(reduction) in effective rate as a result of:				
Change in tax rate	–	(1,0)	–	–
Deferred taxation asset reversed on prior year tax losses	0,7	1,8	–	–
Disallowable expenditure	2,7	3,2	8,5	0,1
Effect of foreign taxes	(1,7)	(2,7)	–	–
Exempt income	(2,5)	(3,6)	(37.3)	(29,2)
Secondary Tax on Companies	4,7	1,9	(6,0)	–
Prior year (over)/under provisions	(1,2)	(2,0)		0,2
Other	(0,6)	1,7		0,1
Effective rate of taxation for the year (continuing operations)	31,1	28,3	(5,8)	0,2
Reconciliation of rate of taxation (discontinuing operations)	%	%		
Standard rate of company taxation	29,0	29,0		
Change in tax rate	–			
Disallowable expenditure	20,1			
Exempt income	(49,1)	(0,9)		
Secondary Tax on Companies	–	3,3		
Other		(0,9)		
Effective rate of taxation for the year (discontinuing operations)	–	30,5		
The estimated losses which are available for the reduction of future taxable income are	285,2	173,3		
of which	253,8	140,3		
has been taken into account in calculating deferred taxation.				
The shareholders' interest in the estimated assessed losses not yet utilised is therefore	31,4	33,0		

21. Discontinued operations

The discontinued operation in the current year is the remaining elements of the pelagic fishing operation of Irvin & Johnson Holding Company (Pty) Limited.

The discontinued operations in the prior year were Vector Logistics (Pty) Limited, which was sold on 2 December 2004, Consol Limited, which was unbundled to the Company's shareholders on 28 February 2005 and the pelagic fishing operations of Irvin & Johnson Holding Company (Pty) Limited.

The results of these operations have been accounted for up to the respective dates of the sale, the unbundling and the decision to discontinue the pelagic fishing operations, and are as follows:

	Group	
	2006 **Rm**	2005[2] Rm
21.1 Vector Logistics (Pty) Limited		
Results		
Revenue	–	200,4
Operating expenses	–	167,6
Operating profit before capital items	–	32,8
Net investment income	–	5,0
Share of associated company losses	–	–
Capital items[1]	**(3,3)**	1,1
Profit before taxation	**(3,3)**	38,9
Taxation	–	13,7
Profit after taxation	**(3,3)**	25,2
Cash flows		
Cash generated by operating activities	–	(23,5)
Dividends paid to Company	–	(76,1)
Cash utilised in investing activities	–	(5,4)
Cash effects of financing activities being decrease/(increase) in net cash	–	105,0

[1] *Claim arising from warranties given in the sale agreement with respect to liabilities not identified at the effective date of sale.*

[2] *Five-month period.*

21. Discontinued operations continued

21.2. Consol Limited[3]

	Group 2006 Rm	Group 2005 Rm
Results		
Revenue	–	1 547,5
Operating expenses	–	1 197,0
Operating profit before capital items	–	350,5
Net investment income	–	1,6
Capital items	–	(1,4)
Profit before taxation	–	350,7
Taxation	–	107,1
Profit after taxation	–	243,6
Cash flows		
Cash generated by operating activities	–	364,8
Dividends paid to Company	–	(500,5)
Cash utilised in investing activities	–	(138,5)
Repayment of preference share investment by Company	–	200,0
Cash effects of financing activities being decrease in net cash	–	74,2

[3]*Eight-month period.*

21.3. Pelagic fishing operations[4]

	Group 2006 Rm	Group 2005 Rm
Results		
Revenue	**13,9**	47,0
Operating expenses	**16,0**	58,9
Operating loss before capital items	**(2,1)**	(11,9)
Capital items	**10,1**	18,8
Profit/(loss) before taxation	**8,0**	6,9
Taxation	–	–
Profit/(loss) after taxation	**8,0**	6,9
Cash flows		
Cash utilised in operating activities	**4,2**	(3,5)
Cash generated by investing activities	**33,1**	12,8
Cash effects of financing activities being increase in net cash	**(37,3)**	(9,3)
Net assets at end of financial year		
Non-current assets	–	–
Non-current assets held for sale – vessels	–	24,5
Current assets	–	33,6
Current liabilities – external	–	(12,6)
Current liabilities – intra-group	–	(37,3)
Net assets	–	8,2

[4]*Four-month period in 2006.*

	Group		Company	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
22. Cash generated by/(utilised in) operations				
Operating profit/(loss) before capital items	515,2	840,5	(5,2)	(4,9)
Consol Limited unbundling and other capital costs	–	(8,5)	–	(7,7)
Adjustment for:				
– non-cash items:	149,2	310,1	–	–
– depreciation of property, plant and equipment	161,8	290,3	–	–
– amortisation of fishing rights	6,0	5,6	–	–
– amortisation of trademarks	0,4	0,4	–	–
– foreign currency translations	(14,0)	(1,2)	–	–
– movements in provisions and other	(5,0)	15,0	–	–
	664,4	1 142,1	(5,2)	(12,6)
Continuing operations	660,2	631,6	(5,2)	(12,6)
Discontinued operations	4,2	510,5		–
23. (Increase)/decrease in working capital				
Increase in inventories	(51,4)	(117,2)	–	–
Decrease/(increase) in receivables	(53,6)	11,1	9,7	(10,7)
Increase/(decrease) in payables	68,5	28,0	(1,3)	(0,9)
	(36,5)	(78,1)	8,4	(11,6)
Continuing operations	(36,5)	16,3	8,4	(11,6)
Discontinued operations	–	(94,4)	–	–

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 the effective dates of the respective disposals.

	Group		Company	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm
24. Taxation paid				
Amount owing at beginning of year	**35,7**	79,6	**–**	–
Amount overpaid at beginning of year, included in receivables	**(1,9)**	(2,1)	**–**	(1,2)
Net amount owing/(overpaid) at beginning of year	**33,8**	77,5	**–**	(1,2)
Charge per income statement	**143,1**	245,5	**(12,2)**	2,5
Deferred taxation included therein (Note 4 to the financial statements)	**37,9**	(13,8)	**12,5**	–
	181,0	231,7	**0,3**	2,5
Applicable to subsidiaries acquired and sold	**23,9**	(29,7)	**–**	–
Realignment of currencies	**0,4**	1,0	**–**	–
Movement in taxation reflected as payables	**–**	8,2	**–**	–
Amount owing at end of year	**(56,2)**	(35,7)	**(0,3)**	–
Amount overpaid at end of year, included in receivables	**3,5**	1,9	**–**	–
Net amount (owing)/overpaid at end of year	**(52,7)**	(33,8)	**(0,3)**	–
Amount paid during year	**186,4**	254,9	**–**	1,3
Continuing operations	**186,4**	170,0	**–**	1,3
Discontinued operations	**–**	84,9	**–**	–
25. Dividends paid				
Per statement of changes in equity	**179,2**	170,7	**180,0**	184,0
Continuing operations	**179,2**	167,9	**180,0**	184,0
Discontinued operations	**–**	2,8	**–**	–

26. Investments in subsidiary

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
Minority equity interest acquired in a subsidiary company	–	–	–	(597,8)
Proceeds on disposal of subsidiary company, net of acquisition cost	–	–	–	285,3
Proceeds on disposal of part interest in a subsidiary company	–	–	–	178,5
Acquisition of subsidiary	–	–	**(256,1)**	(139,7)
– Initial acquired interest	–	–	**(256,6)**	(139,7)
– Part payment in previous year	–	–	**0,5**	–
– Acquisition subject to deferred consideration	–	–	**(319,2)**	–
– Imputed interest on deferred consideration	–	–	**(20,8)**	–
– Deferred purchase consideration at year end	–	–	**340,0**	–
Part payment in respect of subsidiary to be acquired	–	(0,5)	–	(0,5)
	–	(0,5)	**(256,1)**	(274,2)
Net assets of subsidiaries and businesses acquired:				
Property, plant and equipment	**(6,0)**	(69,3)		
Intangible asset – goodwill	**(448,4)**	(67,6)		
Intangible asset – trademarks	**(158,0)**	(109,2)		
Working capital	**(15,2)**	(45,6)		
Net short-term borrowings/(cash and cash equivalents)	**(28,0)**	5,5		
Taxation – deferred and corporate	**69,7**	54,3		
Long-term borrowings	–	54,4		
Provision – post-retirement medical aid	–	3,3		
	(585,9)	(174,2)		
Investment in associate company now a subsidiary	–	6,1		
Net cash and cash equivalents included in acquisitions	**28,0**	(5,5)		
Imputed interest on deferred purchase consideration	**(20,8)**	–		
Total purchase consideration net of cash acquired	**(578,7)**	(173,6)		
Part payment in previous year	**0,5**	–		
Deferred purchase consideration at year end	**340,0**	–		
Cash flow on acquisitions	**(238,2)**	(174,1)	**(256,1)**	(274,2)

The acquisitions in the current year comprised:

- A&D Spitz – acquired by the Company;

The acquisitions in the prior year comprised:

- Denny Mushrooms (Pty) Limited – acquired by the Company;
- Sir Juice – acquired by The Real Beverage Company (Pty) Limited; and
- Semillas Marinas S.A., a Chilean company involved in abalone aquaculture – acquired by the Irvin & Johnson group of companies.

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
26. Investments in subsidiary continued				
Net assets of subsidiaries disposed of:				
Vector Logistics (Pty) Limited was sold on 2 December 2004 and Consol Limited was unbundled to the Company's shareholders on 28 February 2005. Both companies were material to the operations of the Group and details of the assets and liabilities effectively disposed of are given below:				
Property, plant and equipment	–	1 258,8		
Investments	–	0,4		
Working capital	–	486,2		
Net cash and cash equivalents	–	(61,2)		
Taxation – deferred and corporate	–	(149,6)		
Provisions	–	(94,0)		
Minority interests	–	(20,9)		
	–	1 419,7		
Gain on disposal of Vector Logistics (Pty) Limited	–	306,9		
Distribution on unbundling of Consol Limited	–	(1 282,0)		
		444,6		
Net cash and cash equivalents included in disposals	–	61,2		
Cash flow on disposals	–	505,8		
27. Investments in associated companies, joint ventures and other investments				
Proceeds on disposals and repayments	**23,0**	12,6	**–**	–
Cost of acquisitions and loans advanced	**(15,3)**	(32,6)	**–**	(179,1)
Loans repaid	**(0,1)**	–	**–**	–
	7,6	(20,0)	**–**	(179,1)
Continuing operations	**7,6**	(19,8)	**–**	(179,1)
Discontinued operations	**–**	(0,2)	**–**	–

	Group		Company	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm

28. Net (decrease)/increase in shareholder funding

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
Acquisition of own ordinary shares from wholly-owned subsidiary	–	–	–	(652,8)
Capital repayment of 64 cents per ordinary share	–	(201,8)	–	(201,8)
Redemption of convertible redeemable preference shares[1]	**(0,1)**	(0,1)	**(0,1)**	(200,1)
Net sale/(repurchase) of own ordinary shares by the Company's Share Trusts	**10,2**	(11,6)	–	–
Proceeds from the issue of ordinary shares to the Company's Share Trusts	–	–	**4,8**	8,0
	10,1	(213,5)	**4,7**	(1 046,7)

[1]*The preference shares issued to Consol Limited were regarded as interest-bearing borrowings for financial statement presentation purposes.*

29. Earnings and headline earnings

The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 312 373 484 (2005: 311 590 025) ordinary shares in issue.

The diluted earnings and headline earnings per share are calculated on 314 331 770 (2005: 315 536 786) ordinary shares, computed in accordance with the definition on page 30.

	Group 2006 Rm	Group 2005 Rm
Determination of headline earnings		
Earnings	**327,6**	873,5
Attributable to:		
Continuing operations	**322,9**	619,0
Discontinued operations	**4,7**	254,5
Adjustment for net gain on disposal of discontinued operations	–	(300,5)
Adjustment for capital items, net of attributable taxation credit and minority interests (Note 19)	**5,3**	0,3
Headline earnings	**332,9**	573,3
Attributable to:		
Continuing operations	**335,0**	337,2
Discontinued operations	**(2,1)**	236,1
	332,9	573,3

29. Earnings and headline earnings continued

	2006 Number	2005 Number
Reconciliation of weighted average number of ordinary shares		
Issued shares at beginning of year	315 386 460	339 756 590
Effect of own shares held	(3 749 146)	(29 775 384)
Effect of shares acquired directly in the market by the Company's Share Trusts	(71 492)	(99 871)
Effect shares issued in July – September	298 030	265 719
Effect shares issued in October – December	393 185	510 616
Effect shares issued in January – March	50 019	891 664
Effect shares issued in April – June	66 428	40 691
Weighted average number of ordinary shares	312 373 484	311 590 025
Weighted average number of ordinary shares	312 373 484	311 590 025
Effect of share options outstanding during the year	1 091 611	1 331 630
Effect of convertible redeemable preference shares outstanding during the year	866 675	2 615 131
Weighted average diluted number of ordinary shares	314 331 770	315 536 786

	Group	
	2006 cents	2005 cents
Headline earnings per ordinary share	106,5	184,0
Attributable to:		
Continuing operations	107,2	108,2
Discontinued operations	(0,7)	75,8
Diluted headline earnings per ordinary share	105,9	181,7
Attributable to:		
Continuing operations	106,6	106,9
Discontinued operations	(0,7)	74,8
Earnings per ordinary share	104,9	280,3
Attributable to:		
Continuing operations	103,4	198,6
Discontinued operations	1,5	81,7
Diluted earnings per ordinary share	104,2	276,8
Attributable to:		
Continuing operations	102,7	196,1
Discontinued operations	1,5	80,7

	Group		Company	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm

30. Dividends paid

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
Ordinary shares				
No. 61 of 54 cents, paid 25 October 2004		167,5		184,0
No. 62 of 37 cents, paid 24 October 2005	**116,0**		**116,7**	
No. 63 of 20 cents, paid 10 April 2006	**62,7**		**63,3**	
	178,7	167,5	**180,0**	184,0
Dividend No. 64 of 33 cents in respect of the year ended 30 June 2006 was declared on 8 September 2006 and is payable on 9 October 2006. 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.	**103,3**		**104,3**	

A capital repayment of 64 cents was paid on 28 February 2005, replacing an interim dividend for that year.

31. Commitments and contingent liabilities

	Group 2006 Rm	Group 2005 Rm
Commitments		
Capital commitments		
Capital expenditure authorised by the directors		
Property, plant and equipment		
– contracted for	**55,7**	34,2
– not contracted for	**38,4**	33,6
	94,1	67,8
Investments in subsidiaries		
– contracted for	**–**	257,7
	94,1	325,5

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.

	Group 2006 Rm	Group 2005 Rm
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**45,3**	22,7
Between two and five years	**82,9**	62,9
After five years	**60,1**	64,5
	188,3	150,1

31. Commitments and contingent liabilities continued

The principal constituent of the "After five years" amount is a long-term property lease expiring in February 2023 with an approximate rental payment of R4 million per annum.

Contingent liabilities

Group

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 R49,4 million. The total amount in terms of these assessments, including penalties and interest, is R208,2 million.

Were assessments to be issued for the 2004 to 2006 tax years on the same basis applied in the assessments received, the total amount of additional tax payable in respect of these years would be R26,2 million, excluding penalties and interest.

The company filed a notice of appeal against the 1998 to 2003 assessments on 11 April 2005, and SARS provided the statement of grounds of assessment on 10 August 2006. The company has commenced preparation of its statement of grounds of objection.

The issues in dispute are of a complex nature and it is anticipated that the matter will remain unresolved for an extended period.

Company

The Company has signed a deed of suretyship with Rand Merchant Bank in respect of the performance of the obligations of a subsidiary company, Indigo Cosmetics (Pty) Limited, with regard to the repayment of the secured loan of R21,5 million (2005: R22,9 million) referred to in Note 9.

32. Employee benefits

Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 9 165 employees, 5 940 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 contributions paid by the Group companies for retirement benefits are charged to the income statement as they are incurred, and amounted to R50,9 million (2005: R74,0 million).

The trustees of South African funds within the Group that were previously defined benefit funds have commenced the surplus apportionment exercise in accordance with the December 2001 Pension Funds Second Amendment Act. The surplus apportionment exercises in respect of the two Group pension funds that are affected are currently in progress and to date finality has not been reached on the extent of the surplus arising in these funds that will accrue to the Group or whether there is a possibility that any deficits arising may have to be funded by the Group. The process is ongoing and it is anticipated that, where necessary, clarity will be established and the effect of this exercise on the Group will be able to be accounted for in the current financial year.

32. Employee benefits continued

Share-based payments

Details of equity instruments granted to employees are detailed on pages 61 to 63 of the directors' report. Equity instruments 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 was measured on a Black-Scholes model. The contractual life of the equity instruments was 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 vested equity instruments is expensed in the period of vesting.

Fair value of equity instruments and assumptions

	Sheme		
	Early options[1]	Preference shares[2]	New options[3]
Fair value at measurement date (Rand)	R2,49 to R4,37	R3,44 to R4,73	R2,59 to R3,02
Share price	R12,56 to R15,07	R12,56 to R15,07	R10,80 to R13,72
Exercise price	R14,22 to R17,42	R0,90	R12,62 to R15,19
Expected volatility	16,6% to 25,2%	17,9% to 25,2%	18,3% to 25,2%
Option life	3,5 years	3,5 years	3,5 years
Dividend yield	4,6% to 8,9%	5,7% to 7,8%	3,7% to 5,5%
Risk free interest rate	7,8% to 11,4%	8,3% to 8,6%	7,9% to 8,0%

[1] *Options, scheme shares and immediate shares granted between 7 November 2002 and 1 July 2004 (pre Consol unbundling).*

[2] *Convertible redeemable preference shares issued 1 January 2003 and 1 January 2004 (pre Consol unbundling).*

[3] *Options granted 31 May 2005 and 1 October 2005.*

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

The R207 bond rate was used to determine a risk free interest rate at grant date.

Employee expenses

	2006 Rm	2005 Rm
Equity instruments granted between 7 November 2002 and 1 July 2004	0,8	0,7
Convertible redeemable preference shares granted 1 January 2003 and 2004	1,6	0,6
Options granted 31 May 2005 and 1 October 2005	2,1	–
Total expense recognised as employee costs	4,5	1,3

Share options granted in May 2005 were only expensed with effect from 1 July 2005.

33. Black Economic Empowerment ("BEE") transactions

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

The Company sold 20% of its shareholding in I&J to Main Street 198 (Pty) Limited ("Main Street") in November 2004. Main Street is jointly owned by Mast Fishing Investment Holdings (Pty) Limited and Tresso Trading 946 (Pty) 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 convertible 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 (Pty) Limited ("Richtrau"), on 1 May 2005. The proceeds on disposal amounted to R18,0 million and the consideration was funded by the Company subscribing for a cumulative redeemable preference share in Richtrau. The value generated by this shareholding will vest to those employee shareholders remaining in the employ of I&J and its subsidiaries after 30 April 2010.

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

Accounting recognition of the disposal of shares

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

On the assumption that the recognition criteria had been met the impact on the Group income statement would be as follows:

	Group	
	2006 Rm	2005 Rm
Preference dividend investment income increase	–*	5,5*
Earnings attributable to minority shareholders increase	–	5,5

**The recognition of the preference dividend income is capped at the attributable earnings to the minority shareholders.*

Application of IFRS 2 – Share-based payments and IAS 19 – Employee benefits

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

- The sale of the 20% interest to Main Street was an equity instrument that was considered to have fully vested in the hand 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 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 R1,4 million recognised in the current year (2005: Rnil).

34. Financial instruments

Foreign currency risk

The Group has transitional currency exposures arising from sales or purchases of goods by Group operating companies in currencies other than Rands. The settlement of these transactions takes place within a normal business cycle. The Group has clearly defined policies for the management of foreign exchange risks. Transactions which create foreign currency cash flows are hedged with either forward contracts or currency options.

The currencies in which the Group primarily deals are Argentine Pesos, Australian Dollars, Botswana Pula, Euros, UK Pounds and US Dollars.

	Exports		Imports	
	Foreign amount Million	Rand amount Rm	Foreign amount Million	Rand amount Rm
The principal or contract amounts of derivative financial instruments for sale and purchase transactions were:				
30 June 2006				
Australian Dollars	**10,2**	**48,8**	**0,1**	**0,5**
Euros	**53,6**	**453,6**	**11,2**	**87,8**
UK Pounds	**–**	**–**	**1,0**	**11,7**
US Dollars	**0,1**	**0,8**	**21,7**	**135,7**
		503,2		**235,7**
30 June 2005				
Australian Dollars	7,8	39,4	0,2	1,1
Euros	41,7	252,1	2,2	17,8
UK Pounds	0,2	2,4	1,4	16,5
US Dollars	0,2	14,6	4,7	29,6
Other	–	2,3	–	–
		310,8		65,0

Included in the exports and imports above were designated cash flow hedges relating to future commitments to sell and purchase goods, which will respectively be delivered and received in the current financial year.

The net positive fair value liability of cash flow hedges recognised in equity was R12,6 million (2005: net interest of R15,4 million), after taxation and minority interests (Note 9).

34. Financial instruments continued

Monetary assets/(liabilities)

Monetary assets and liabilities denominated in currencies other than Rands and not covered by derivative financial instruments were as follows:

	Receivables		Cash and cash equivalents		Borrowings		Payables	
	Foreign amount Million	Rand amount Rm	Foreign amount Million	Rand amount Rm	Foreign amount Million	Rand amount Rm	Foreign amount Million	Rand amount Rm
30 June 2006								
Argentine Pesos	15,1	35,1	1,5	3,4	2,6	6,1	16,2	37,8
Australian Dollars	0,8	4,1	0,1	0,5	5,7	30,3	0,2	1,2
Botswana Pula	10,7	12,6	6,6	7,9	–	–	5,3	6,3
Euros	8,8	80,2	3,5	32,4	–	–	3,2	29,7
UK Pounds	0,1	1,5	0,4	5,5	–	–	0,2	2,0
US Dollars	7,9	56,6	3,1	22,0	20,4	145,4	5,7	41,2
Other		7,1		4,2				8,8
		197,2		75,9		181,8		127,0
30 June 2005								
Argentine Pesos	16,1	37,0	0,4	1,0	2,8	6,4	11,3	25,9
Australian Dollars	1,5	7,4	0,4	2,0	–	–	–	–
Botswana Pula	12,3	14,6	12,9	15,4	–	–	7,9	9,4
Euros	7,4	59,2	1,7	13,6	–	–	1,9	15,1
UK Pounds	0,3	3,4	0,4	4,5	–	–	0,2	2,5
US Dollars	10,8	71,3	7,4	49,2	14,2	94,3	8,4	55,4
Other		2,0		3,1		–		1,3
		194,9		88,8		100,7		109,6

Fair value

The carrying value of all financial instruments is considered to approximate their fair value. Forward exchange contracts are marked-to-market using listed market prices. Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating rate.

Credit risk

The Group's principal exposure to credit risk is in its receivables and cash and cash equivalents balances. Receivables principally represent amounts owing to the operating companies by their customers, and credit risk is managed at that level. The Group's customer base includes a number of large South African retailers and corporations and its concentration of credit risk in this connection is actively managed. Where appropriate, the Group has purchased insurance in respect of outstanding receivables.

Deposits and cash balances are all maintained at reputable financial institutions, and limits are set in connection herewith. Group deposits are managed by a central corporate treasury.

Interest rate risk

Deposits and cash balances all carry interest rates that are keenly negotiated and generally vary in response to the prime overdraft rate. Interest rate information relating to borrowings is disclosed in Note 10.

35. Related party transactions

Transactions with group entities

Details of the principal subsidiaries, associated companies and other investments are given on pages 116 to 118.

Transactions with key management personnel

The directors of the Company and the immediate Group subsidiary holding company directors have been identified as the key management personnel of the Group.

The key management personnel costs are as follows:

	Group	
	2006 Rm	2005 Rm
Short-term employee benefits	**29,4**	58,8
Post-employment benefits	**1,0**	3,9
Termination benefits	**9,8**	5,1
Equity compensation benefits	**3,6**	1,3
	43,8	69,1

Executives also participate in the Company's share option schemes, details of which are given in the directors' report on pages 61 and 62.

36. Borrowing capacity

The borrowing capacity of the Company and its principal subsidiaries and the securing of such borrowings is at the discretion of the directors of the Company.

The individual borrowing capacities of the principal subsidiaries are as determined by their respective articles of association.

37. Subsidiaries

	Company	
	2006 Rm	2005 Rm
Company's aggregate interest in the profits and losses after taxation of subsidiaries		
Profits after minority interests at subsidiary company level	**381,6**	393,3
Losses after minority interests at subsidiary company level	**(25,5)**	(36,6)
Investment in subsidiaries		
Unlisted – shares in owned subsidiaries	**1 366,6**	790,8
– shares in subsidiary in process of acquisition	**–**	0,5
Long-term borrowings by subsidiary companies	**149,6**	149,6
Short-term borrowing by a subsidiary company	**17,0**	164,3
	1 533,2	1 105,2
Share-based payments capitalised	**7,4**	2,9
Provision for impairment	**(29,2)**	–
Total investment in subsidiaries	**1 511,4**	1 108,1
Short-term borrowings from subsidiary companies	**(120,2)**	(120,2)
Amount owing to subsidiary companies (included in payables)	**–**	(0,5)
Total interest in subsidiaries	**1 391,2**	987,4

38. Principal subsidiary companies

Name of company and nature of business	Class	Issued permanent capital 2006 Rm	Issued permanent capital 2005 Rm	Group effective percentage holding 2006 %	Group effective percentage holding 2005 %	Book value of Company's interest – Shares 2006 Rm	Book value of Company's interest – Shares 2005 Rm	Book value of Company's interest – Indebtedness to/(by) the Company 2006 Rm	Book value of Company's interest – Indebtedness to/(by) the Company 2005 Rm
A&D Spitz (Pty) Limited – retailer of branded shoes and fashion accessories	Ord.	–	–						
Initial acquired interest				**60**		**256,6**	–		
Interest subject to deferred purchase consideration				**40**		**319,2**	–	**–**	–
Anglovaal Industries Investments (Pty) Limited – investment company	Ord.		–	**100**	100	**–**	–	**–**	–
AVI Financial Services (Pty) Limited – financial and management company	Ord.		–	**100**	100	**–**	–	**17,0**	164,3
Denny Mushrooms (Pty) Limited – producer and marketer of mushrooms	Ord.			**100**	100	**137,1**	137,1	**4,5**	4,5
Dyambu Investment Nominees (Pty) Limited – investment company	Ord.			**100**	100	**1,5**	1,5		
	Cum. redeemable prefs.			**100**	100	**48,2**	48,2	**(60,1)**	(60,1)
Irvin & Johnson Holding Company (Pty) Limited – international integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord.	–	–	**75**	75	**319,1**	319,1	**–**	(0,5)
Indigo Cosmetics (Pty) Limited – manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord.	–	–	**100**	100		–	**124,0**	124,0
National Brands Limited – manufacturers and marketers of branded food and beverage products	Ord.	**3,5**	3,5	**100**	100	**227,1**	227,1	**–**	–
Ntshonalanga Consortium Investment Nominees (Pty) Limited – investment company	Ord.	–		**100**	100	**1,5**	1,5	**–**	–
	Cum redeemable prefs.	–		**100**	100	**48,2**	48,2	**(60,1)**	(60,1)
The Real Juice Co Holdings (Pty) Limited – manufacturers and distributors of ready-to-drink beverages	Ord.	–	–	**75**	75	**8,1**	8,1	**21,1**	21,1
						1 366,6	790,8	**46,4**	193,2
Provision for impairment losses – Real Juice Co						**(8,1)**	–	**(21,1)**	–
Share-based payments capitalised						**7,4**	2,9	**–**	–
						1 365,9	793,7	**25,3**	193,2

Apart from Real Juice Co, 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.

39. Joint ventures

Principal joint venture

	Number of shares held Group		Group effective percentage holding	
	2006	2005	**2006** %	2005 %
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)				
– food processing, trading and distribution	–	–	**40**	40

Group carrying value of joint ventures	Group **2006** Rm	Group 2005 Rm
Shares at cost	**25,2**	27,4
Long-term loans	**91,0**	68,0
	116,2	95,4
Share of post-acquisition reserves	**51,4**	67,4
Total carrying value	**167,6**	162,8
I&J's proportionate share of assets and liabilities of Simplot Seafood, Snacks and Meals division		
Property, plant and equipment	**51,2**	40,1
Current assets	**170,0**	153,9
Non-current liabilities – non-interest-bearing – Group companies	**(25,1)**	(13,5)
– Other	**(36,7)**	(20,3)
Current liabilities – Group companies	**(2,7)**	(9,5)
– Other	**(58,1)**	(41,5)
Share of net assets	**98,6**	109,2
Summarised financial information in respect of the principal joint venture		
I&J's proportionate share of revenue and expenditure was:		
Revenue	**437,4**	369,6
Expenditure	**444,0**	366,5
Capital item – impairment of equipment	**7,5**	–
Profit before taxation	**(14,1)**	3,1
Taxation	**–**	–
(Loss)/profit after taxation, reflected as share of equity accounted earnings of joint venture	**(14,1)**	3,1
I&J's proportionate share of the cash flow was:		
Cash generated by operating activities	**(13,1)**	18,9
Cash utilised in investing activities	**(19,5)**	(4,6)
Cash effects of long-term financing activities	**7,8**	(0,6)
Net (decrease)/increase in cash and cash equivalents	**(24,8)**	13,7

for the year ended 30 June

40. Other investments

	Number of shares held					
	Group		Company		Group effective percentage holding	
	2006	2005	2006	2005	2006 %	2005 %
PRINCIPAL OTHER INVESTMENTS						
Name of company and nature of business						
Other investments						
Main Street 198 (Pty) Limited						
– cumulative redeemable convertible "A" preference shares (Note 1)	100	100	100	100	100	100
Richtrau No 53 (Pty) Limited						
– cumulative redeemable preference share (Note 1)	1	1	1	1	100	100
	Rm	Rm	Rm	Rm		
Other investments comprise:						
Preference share investments in the empowerment consortia, including dividends accrued (Note 1)	–	–	176,1	191,9		
Insurance cell captive fund – net money market investments (Note 2)	76,9	74,3	5,9	5,9		
Loan to purchaser of an associated company (Note 3)	14,7	13,5	–	–		
Other	3,8	2,0	–	–		
	95,4	89,8	182,0	197,8		

Notes

1. *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 (Pty) Limited and Richtrau No 53 (Pty) 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 provision on the recognition of preference dividend income to the equivalent attributable earnings of I&J or the minority interest (refer Note 33).*
2. *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.
3. *The loan is a capital amount of R17,0 million payable on 31 January 2008 which has been discounted to a present value.*
4. *None of the investments are listed on a Stock Exchange.*
5. *The directors' valuation of each of the unlisted investments is not less than their respective carrying values.*
6. *A register disclosing full details of all companies in which the Group has investments is available for inspection by members or their duly authorised agents during business hours at the registered office of the Company.*

Analysis of ordinary shareholding

as at 30 June

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	1 938	39,14	1 047 351	0,33
1 000 – 10 000 shares	2 215	44,74	7 735 345	2,45
10 000 – 100 000 shares	518	10,46	17 629 330	5,58
100 001 – 1 000 000 shares	226	4,56	71 090 727	22,49
1 000 001 shares and over	54	1,10	218 647 730	69,16
	4 951	100,00	316 150 483	100,00
Distribution of shareholders				
Banks	86	1,74	17 914 506	5,67
Close corporations	48	0,97	195 969	0,06
Endowment funds	44	0,89	2 157 649	0,68
Individuals	3 386	68,39	12 044 707	3,81
Insurance companies	44	0,89	13 681 908	4,33
Investment bank	4	0,08	457 404	0,14
Investment companies	17	0,34	48 999 747	15,50
Medical aid schemes	13	0,26	1 250 268	0,40
Mutual funds	149	3,01	88 553 290	28,01
Nominees and trusts	761	15,37	5 706 301	1,80
Other corporations	45	0,91	132 084	0,04
Pension funds	214	4,32	119 746 160	37,89
Private companies	127	2,57	1 627 391	0,51
Public companies	11	0,22	605 674	0,19
AVI share trusts	2	0,04	3 077 425	0,97
	4 951	100,00	316 150 483	100,00
Public/non-public shareholders				
Non-public shareholders	10	0,20	4 342 617	1,37
Directors and associates of the Company	8	0,16	1 265 192	0,40
AVI share trusts	2	0,04	3 077 425	0,97
Public shareholders	4 941	99,80	311 807 866	98,63
	4 951	100,00	316 150 483	100,00
Top five beneficial shareholders				
Public Investment Corporation			54 901 339	17,37
Coronation Fund Managers			31 424 982	9,94
Liberty Group			24 703 965	7,81
Sanlam Investment Management			24 411 591	7,72
Investment Solutions			15 510 216	4,91
			150 952 093	47,75

Shareholders' diary

Reports and profit statements	2006
Half-year interim report announcement in press	Tuesday, 14 March
Results announcement in press	Tuesday, 12 September
Annual financial statements posted	Wednesday, 27 September

Final dividend on ordinary shares

Dividend declared	Friday, 8 September
Details of dividend announcement on SENS	Monday, 11 September
Details of dividend announcement in press	Tuesday, 12 September
Last day to trade *cum* dividend on the JSE Limited ("JSE")	Friday, 29 September
First trading day *ex* dividend on the JSE	Monday, 2 October
Record date	Friday, 6 October
Payment date	Monday, 9 October

In accordance with the requirements of STRATE, no share certificates may be dematerialised or rematerialised between Monday, 2 October 2006 and Friday, 6 October 2006, 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, 9 October 2006.

Annual general meeting

Wednesday, 18 October

Notice of annual general meeting

AVI LIMITED

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

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-second annual general meeting of members of the Company will be held at 19 Impala Road, Chislehurston, Sandton on Wednesday, 18 October 2006 at 11:00 for the following purposes:

1. To consider the annual financial statements for the year ended 30 June 2006, together with the reports of the directors and auditors.
2. To re-appoint KPMG Inc. as the auditors of the Company.
3. To elect a director in place of Mr OP Cressey who will retire by rotation in accordance with the Company's articles of association. Mr Cressey is available for re-election.*
4. To elect a director in place of Mr MH Buthelezi who will retire by rotation in accordance with the Company's articles of association. Mr Buthelezi is available for re-election.*
5. To elect a director in place of Mrs NJM Canca who will retire in accordance with the Company's articles of association. Mrs Canca is available for re-election.*
6. To elect a director in place of Mr PM Goss who will retire in accordance with the Company's articles of association. Mr Goss is available for re-election.*
7. To consider and, if deemed fit, to pass without modification, the following special resolution.

**Brief CVs of the directors appear on pages 36 to 39 of the annual report.*

Special Resolution Number 1

To resolve 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 Sections 85(2) and (3) and Section 89, respectively, of the Companies Act No. 61 of 1973, as amended, and in terms of the Listing 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;
- any such acquisition of ordinary shares is authorised by the Company's articles;
- 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 number 1;
- acquisitions of shares in aggregate in any one financial year may not exceed 20% of the Company's ordinary issued share capital as at the date of passing of this special resolution number 1;
- 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 must remain in compliance with the minimum shareholder spread requirements of the Listings Requirements of the JSE; and
- the Company and/or its subsidiaries may not repurchase any shares during a prohibited period as defined by the Listings Requirements of the JSE.

Before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority, will ensure that for a period of 12 (twelve) months after the date of the notice of Annual General Meeting:

- the Company and the Group will be able, in the ordinary course of business, to pay 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;
- the Company and the Group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The directors have no specific intention, at present, for the Company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the Company and its shareholders.

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 08h30 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 is to grant the directors of the Company a general authority in terms of the Companies Act and the Listings Requirements of the JSE for the repurchase by the Company, or a subsidiary of the Company, of the Company's shares.

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

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority:

- Directors and management – pages 36 to 39, 60 and 115;
- Major beneficial shareholders – page 119;
- Directors' interests in ordinary shares – page 60; and
- Share capital of the Company – pages 90 to 92.

Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names appear on pages 36 to 39 of the annual report of which this notice forms part, 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, save for a tax dispute with SARS, as disclosed in note 31 to the annual financial statements.

Directors' responsibility statement

The directors, whose names appear on pages 36 to 39 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution 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 of the JSE.

Material changes

Other than the facts and developments reported on in the annual report which this notice accompanies, 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.

Voting and proxies

On a show of hands, every shareholder of the Company who (being an individual) is present in person or by proxy at the annual general meeting or which (being a company or body corporate) is represented thereat by a representative appointed pursuant to section 188 of the Companies Act 61 of 1973, as amended, shall have one vote, and on poll, every shareholder of the Company who (being an individual) is present in person or by proxy at the annual general meeting or which (being a company or body corporate) is represented by proxy at the annual general meeting, shall have one vote for every ordinary share in AVI of which it is a holder.

Dematerialised AVI shareholders (who are not own name dematerialised AVI shareholders) who wish to attend the 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 general meeting or be represented thereat by proxy or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the dematerialised AVI shareholder and the CSDP or broker.

All other beneficial owners who have dematerialised their shares through a CSDP or broker and who wish to attend the general meeting, must instruct their CSDP or broker to provide them with a Letter of Representation, 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.

An AVI shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as its 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 AVI shareholders and own name dematerialised AVI shareholders 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 2004 (Pty) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) by not later than 11:00 on Tuesday, 17 October 2006.

By order of the Board

VF Malie
Company secretary

Chislehurston, Sandton
27 September 2006

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Printed by Ince (Pty) Ltd

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 AVI shareholders holding certificated shares, nominee companies of Central Securities Depository Participants ("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 shareholders of AVI Limited, to be held at 19 Impala Road, Chislehurston, 2196 at 11:00 on Wednesday, 18 October 2006.

AVI 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, except for shareholders who have dematerialised their shares and have elected own-name registration in the sub-register through a CSDP, which shareholders must complete this form of proxy and lodge it with the transfer secretaries of the Company, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001. 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 or custodians of ______________ ordinary shares in the Company, do hereby appoint:

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the chairman of the 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 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):

	Number of votes (one vote per share)		
	In favour of	Against	Abstain
To consider the financial statements for the year ended 30 June 2006			
To reappoint KPMG Inc as auditors			
To re-elect OP Cressey as a director			
To re-elect MH Buthelezi as a director			
To re-elect NJM Canca as a director			
To re-elect PM Goss as a director			
Special resolution number 1 (authority to buy back shares)			

Insert an "X" in the relevant space above according to how you wish your votes to be cast, however, if you wish to cast your votes in respect of less than all of the 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 ______________________ 2006

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 member at the general meeting.

Please read the notes on the reverse side hereof.

Notes to the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the member'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. 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. However, 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 proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use 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. Forms of proxy must be received at the office of the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 or PO Box 61051, Marshalltown 2107 by not later than 11:00 on Tuesday, 17 October 2006.
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

Chief information officer
Peter Jordi

Company secretary/
Corporate services manager
Vusani Malie

Group financial manager
John von Gottberg

Group internal audit manager
Pieter Vertue

Business address and registered office
19 Impala Road
Chislehurston
Sandton 2196
South Africa

Postal address
PO Box 1897
Saxonwold 2132
South Africa

Telephone: +27 11 779 2700
Telefax: +27 11 884 2334
e-mail: info@avi.co.za
Website: www.avi.co.za

Auditors
KPMG Inc.

Sponsor
Standard Bank

Commercial bankers
Standard Bank

Transfer secretaries
Computershare Investor Services 2004 (Pty) Limited

Business address
70 Marshall Street
Marshalltown
Johannesburg 2001
South Africa

Postal address
PO Box 61051
Marshalltown 2107
South Africa

Telephone: +27 11 370 5000
Telefax: +27 11 370 5271

Principal subsidiaries

Food and beverage brands

National Brands Limited
Reg no: 1948/029389/06

30 Sloane Street
Bryanston 2021

PO Box 5159
Rivonia 2128

Managing director
Cliff Sampson

Telephone: +27 11 707 7000
Telefax: +27 11 707 7799

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

5 Industrial Road
Kya Sands 2163

PO Box 134
Kya Sands 2163

Managing director
Robert Katzen

Telephone: +27 11 462 8242
Telefax: +27 11 462 9192

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
Francois Kuttel

Telephone: +27 21 402 9200
Telefax: +27 21 402 9282

Denny Mushrooms (Pty) Limited
Reg no: 1998/003042/07

101 MacGillivray Road
Glenferness
Kyalami 1684

PO Box 787166
Sandton City 2146

Managing director
Roddy Cairns

Telephone: +27 11 700 8400
Telefax: +27 11 467 2276

Fashion brands

Indigo Cosmetics (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 21 507 8500
Telefax: +27 21 507 8501

A&D Spitz (Pty) Limited
Reg no: 1999/025520/07

First Floor North Block
Fountain Grove
5 Second Road
Hyde Park 2146

PO Box 782916
Sandton 2145

Managing director
Robert Lunt

Telephone: +27 11 447 0497
Telefax: +27 11 447 0477

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