AVI

ANNUAL REPORT 2007

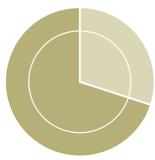
CONTENTS

Group at a glance – financial results

AVI

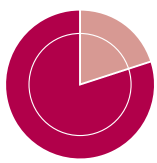
AVI Group	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	6 332,4	5 375,6	4 707,3	17,8
Operating profit	735,4	517,3	469,1	42,2
Operating margin (%)	11,6%	9,6%	10,0%	20,8
Capital expenditure	251,5	215,1	207,1	16,9

ENTYCE BEVERAGES



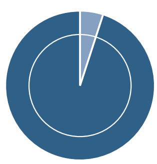
Entyce beverages	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	1 339,1	1 228,2	1 153,8	9,0
Operating profit	160,6	147,2	137,5	9,1
Operating margin (%)	12,0%	12,0%	11,9%	–
Capital expenditure	25,5	25,2	28,2	1,2

SNACKWORX



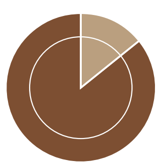
Snackworx	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	1 394,2	1 279,7	1 177,3	8,9
Operating profit	156,8	127,0	105,4	23,5
Operating margin (%)	11,2%	9,9%	9,0%	13,1
Capital expenditure	47,3	59,2	41,6	(20,1)

CHILLED AND FROZEN CONVENIENCE BRANDS



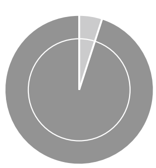
Chilled & frozen convenience brands	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	2 171,3	1 678,7	1 596,9	29,3
Operating profit	172,2	27,3	112,1	530,8
Operating margin (%)	7,9%	1,6%	7,0%	393,8
Capital expenditure	80,9	80,7	84,0	0,2

OUT OF HOME



Out of home	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	344,9	288,1	304,4	19,7
Operating profit	53,5	42,5	58,0	25,9
Operating margin (%)	15,5%	14,8%	19,1%	4,7
Capital expenditure	21,0	14,3	27,3	46,8

FASHION BRANDS



Fashion brands	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	1 058,1	868,6	459,4	21,8
Operating profit	208,4	165,6	47,0	25,8
Operating margin (%)	19,7%	19,1%	10,2%	3,1
Capital expenditure	54,9	26,4	14,8	107,9

**Prior years restated to comply with Circular 9/2006 where effect is material.*

Group at a glance – business unit overview

Description

ENTYCE BEVERAGES

Entyce beverages combines the strengths of well known and much loved South African tea, coffee and creamer beverage brands such as Five Roses, Freshpak, Frisco, House of Coffees and Ellis Brown with top quality short-life fruit juice and fruit tea brands Quali Juice and The Real Juice Company.

SNACKWORX

The Bakers, Pyotts and Baumann's brands are an iconic part of South Africa's biscuit history. Combined with the full snack portfolio under Willard's a full range of sweet and savoury biscuits and baked and fried snacks is offered to the snacking consumer.

CHILLED AND FROZEN CONVENIENCE BRANDS

I&J processes, markets and distributes premium quality, value-added frozen foods in local and international markets. Denny is South Africa's largest producer of fresh and processed mushrooms and with a growing range of convenience foods and sauces has become a trusted household name respected for freshness and quality.

OUT OF HOME

Ciro Beverage Solutions is the leading retail and food services supplier of premium ground coffee and beverage service solutions to the out-of-home consumption market including airports, hotels, caterers, restaurants and corporates. Sir Juice adds a premium short-life juice offering to the business unit's portfolio.

FASHION BRANDS

Fashion brand's cosmetics, footwear and couture offerings meet the needs of all fashion conscious South Africans. AVI creates, manufactures and distributes leading cosmetics and toiletry products that range from mass market to bridge fragrances, including Yardley and Lenthéric, with licence agreements to distribute world-renowned brands from the houses of Coty and Puig. Spitz and Nina Roche retail an exciting portfolio of owned and licensed international footwear and apparel brands to discerning consumers.

Operating structure

- **ENTYCE BEVERAGES**
  - TEA
  - COFFEE
  - CREAMER
  - JUICE (RETAIL)
- **SNACKWORX**
  - BISCUITS
  - SNACKS
- **CHILLED & FROZEN FOODS**
  - SEAFOOD
  - FRESH MUSHROOMS
  - SAUCES & SOUPS
- **OUT OF HOME**
  - COFFEE (OUT OF HOME)
  - JUICE (OUT OF HOME)
- **FASHION**
  - BEAUTY
  - APPAREL
  - FOOTWEAR
- **SHARED & SUPPORT SERVICES**
  - INFORMATION TECHNOLOGY
  - FINANCE
  - HUMAN RESOURCES
  - LOGISTICS

Legal structure

AVI Ltd

- 100% **NATIONAL BRANDS LIMITED**
  - TEA
  - COFFEE
  - CREAMER
  - BISCUITS
  - SNACKS
  - COFFEE (OUT OF HOME)
- 75% **I & J HOLDINGS (PTY) LTD**
  - SEAFOOD
- 100% **DENNY MUSHROOMS (PTY) LTD**
  - FRESH MUSHROOMS
  - SAUCES & SOUPS
- 75% **REAL JUICE CO HOLDINGS PTY (LTD)**
  - JUICE (RETAIL)
  - JUICE (OUT OF HOME)
- 100% **INDIGO COSMETICS (PTY) LTD**
  - BEAUTY
- 100% **A & D SPITZ (PTY) LTD**
  - FOOTWEAR
  - APPAREL
- 100% **AVI FINANCIAL SERVICES (PTY) LTD**
  - SHARED & SUPPORT SERVICES

Chairman's statement

The 2007 financial year was very successful for AVI with operating profit increasing by 42% and diluted headline earnings per share increasing by 37%. This performance was driven by solid consumer demand, a strong recovery at Irvin & Johnson ("I&J"), good growth from both A&D Spitz ("Spitz") and Indigo Cosmetics ("Indigo") accompanied by sound performances in the other business units.

The domestic economy proved to be remarkably resilient in the face of rising inflation and interest rates, with a slowing rate of growth in consumer spending only really evident in the last quarter of the financial year. Consumer demand for AVI's brands and products has remained strong across all categories.

The rand was relatively stable at weaker rates than in the prior year which brought some benefit to I&J with its substantial export base, but also increased the cost of imported materials, principally soft commodities and packaging. In addition, steep escalations in local raw material, packing material and energy prices, necessitated several price increases during the year to protect margins.

AVI continues to progress its ambition of being a leading consumer products brand manager with the new operating structure announced at the beginning of the financial year a key enabler to ongoing improvement in this area. The new structure is largely bedded down and has resulted in a higher focus on the key drivers of both operational excellence and future growth.

The Group has continued to seek acquisitions but the strength of the financial markets has driven vendors' value expectations to levels where we were unable to see any commercial viability. Although management remains focused on finding acquisitions that fit strategically we will continue to be conservative in terms of our view of sustainable value versus price.

It remains a reality that great people make great businesses. AVI is fortunate to have a team of highly talented and focused people who have embraced the realities of constant change and continued to grow the Group successfully. Good progress has been made in adding to the talent pool within AVI and a number of senior appointments have recently been made which will add critical skills in some key areas.

The 2007 year has seen strong demand across most categories which has been difficult to service in certain categories and as a result service levels have come under pressure. A key requirement in our food and beverage categories is to upgrade technology and capacity while meeting demand. I am confident that the management team has the plans in place that will enable AVI to meet our customers' expectations in the near term.

A detailed evaluation has been completed in the area of shared and support services which indicates that there are some material benefits to be gained by applying a more integrated, group-wide approach. Benefits are already being seen in the accounting and administration areas and the new financial year will see the focus shift to the logistics and merchandising functions.

AVI has an excellent portfolio of fashion brands and the capability to leverage it in the footwear, cosmetic and, incrementally, the apparel categories. Following the early buy-out of the minorities in July 2006, Spitz has invested considerably in entrenching sustainable value with an extensive store roll-out and upgrade programme. The portfolio of footwear brands has also been extended with the purchase of Nina Roche which brings access to premium brands such as Tod's and Hogan. Indigo performed strongly throughout the year on a platform of successful new product launches.

I&J benefited principally from higher prices, improved fishing and a weaker rand. Good progress was made in increasing the effectiveness and efficiency of the fishing operation and there is ongoing focus to improve the processing operations and continue optimising the revenue realised per ton of quota.

Retail snacking brands enjoyed strong growth in consumer demand which drove improved profits and is investing in new biscuit capacity to keep up with demand for key value lines.

On the beverages side, increased creamer volumes made the biggest contribution to the higher profit recorded, while tea did well to grow its share in a highly competitive and mature category.

AVI continues to drive transformation and is making progress in all of the areas identified in the broad based black economic empowerment codes gazetted in February 2007. An extensive review, measurement and planning process based on the new codes is in progress. This will culminate in a new set of clearly defined activities and goals that will be centrally driven.

The AVI Black Staff Empowerment Scheme was approved by shareholders in October 2006 and implemented in March 2007. This scheme places R411 million of share purchase rights in the hands of AVI's current and future black employees, enabling them to participate in the capital growth of the shares over a five year period. A total of 26,5 million shares, equivalent to 7,7% of AVI's issued ordinary shares, have been issued to a trust to underwrite the share purchase rights and 80% of the shares have already been allocated to approximately 5 000 AVI employees. A feature of the scheme is its broad based approach which results in meaningful allocations to all levels of black staff. The scheme has been extremely well received and has contributed to the generally good relationships that AVI enjoys with employees and the trade unions representing them.

In addition to the 7,7% participation by black employees in AVI's equity, 25% of I&J is directly held by black shareholders including staff. AVI continues to engage constructively with the minority shareholders in I&J and the improved performance from this business underpins expectations that it will, in time, generate returns that meet the expectations of all shareholders.

AVI's approach to sustainable development is to identify those issues that may materially affect the company's long-term successful existence and implement strategies to mitigate negative impacts. This approach is represented in three key focus areas:

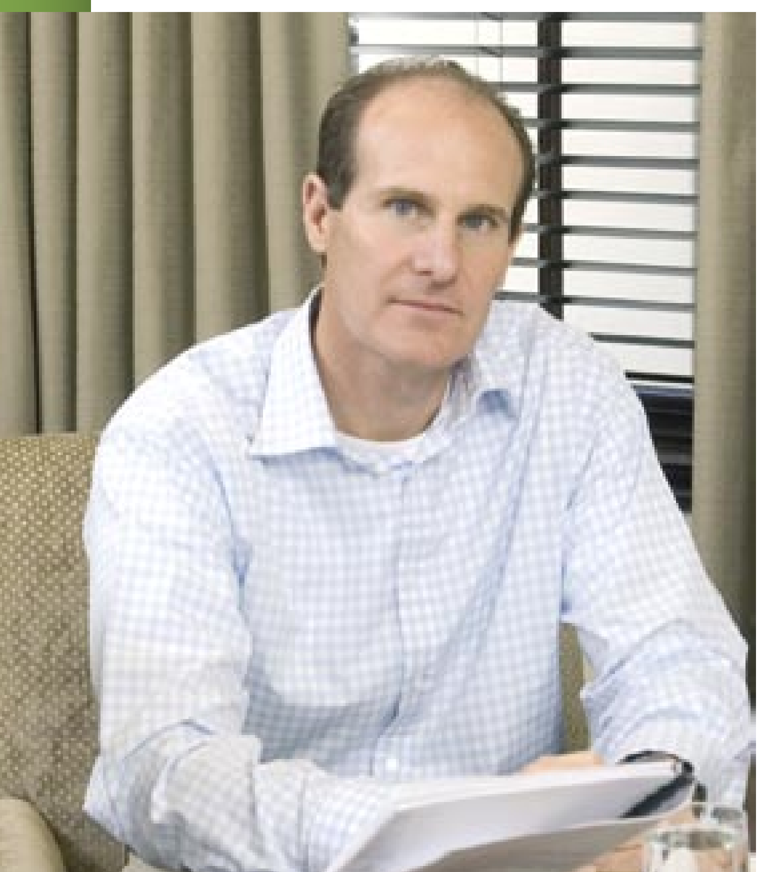
- **Ethics:** ensuring that employees conduct themselves with honesty, integrity and always in the best interests of stakeholders is vital to running a successful company. In addition to a strong and effective formal governance framework AVI places high importance on integrating ethical behaviour into the day-to-day activities of each employee.
- **Scarce resources:** AVI's primary exposure with respect to economic availability of scarce resources is the performance of its fishing resources in South Africa and Argentina. There has been encouraging progress in the last year with initiatives promoted by the South African fishing industry to implement additional control measures such as limitation of fishing effort and protected areas. These measures are expected to be in place for the 2008 calendar year and should lead to an improvement in the sustainable economic performance of the South African hake resource.
- **Transformation and responsible corporate citizenship:** AVI recognises the social and economic imperative to embrace and support transformation in South Africa and to be representative of our transforming society. It is also vital to keep pace with the expectations of stakeholders and business partners so that the company continues to be recognised as a desirable organisation to work for and do business with.

I would like to thank my colleagues on the Board for their support and their contribution over the year. Kenny Fihla unfortunately resigned as a non-executive director of the Board on 22 March 2006 due to his work commitments. I would like to thank him and wish him well for the future. Gavin Tipper was appointed to the Board with effect from 26 March 2007 and has also been appointed to the AVI audit committee. Anthony Evans will be retiring from the Board at the upcoming annual general meeting, bringing to an end a significant contribution over a long period for which we are grateful. To AVI's management and staff, I extend my thanks for a year of hard work and good progress. The support received from consumers, customers and suppliers is also much appreciated.

The 2008 financial year is likely to witness some changing dynamics that present both challenges and opportunities for AVI. Foremost is the increasing pressure on food prices, driven by high commodity prices at the same time as credit growth is slowing. On the other hand, the end of the global equities bull run and rising cost of debt may normalise enterprise valuations increasing AVI's acquisition opportunities. I am confident that Simon Crutchley and his team are well equipped to deal with these issues and take AVI forward in 2008.

Angus Band
Non-executive chairman
6 September 2007

Chief executive officer's review



Group overview

Your company set stretching targets for the 2007 financial year. In particular, the Board committed management to settling down the new operating structures adopted by the Group in late 2006, and to the recovery of financial performance after a somewhat disappointing 2006. We are satisfied that progress against these and other objectives was sound across the business units.

Consumer demand for the Company's products remained positive throughout the year despite the combination of multiple interest rate increases and, the implementation of the National Credit Act in the last quarter, which had some negative impact on Spitz. Most business units met or exceeded volume growth expectations, and consequently, a shortage of production capacity in some categories (most notably the biscuit brands) constrained our ability to meet demand during seasonal peaks.

Importantly, the growth in volumes was well leveraged and most brand categories benefited from operating profit improvements exceeding revenue growth. The recovery in operating income at I&J was material to overall performance. Details of individual business unit performance are provided in the individual reviews which follow.

A significant focus during the year was the implementation of the Group's shared and support structures in information technology, financial services, logistics and distribution. Progress was sound, with opportunities identified for cost reduction and increased efficiency across the Group without compromising AVI's decentralised management ethos.

AVI remained acquisitive during the year with investigations into several prospects in key categories. The conclusion of any material transaction was impeded by competition from aggressive financial buyers and general market ebullience. The fashion brand business unit secured South African licence agreements from several prestige brand owners in both footwear – GEOX, TOD'S, JIMMY CHOO and in apparel, GANT. These agreements strengthen our ability to offer consumers prestige international brands and underpin our commitment to strengthening the fashion brand portfolio.

Cost increases for food commodities, packaging and energy were higher than expected during the second quarter of the financial year. Price levels remained high, and in some cases continued to rise through the remainder of the financial year. The food and beverage business units used a combination of hedging strategies and price increases to protect margins which, together with the strength of AVI's brands and volume driven operating leverage, contributed to the improvement in the operating profit margins.

As conveyed last year, the keystone to the Group's ongoing financial performance is the ownership and management of leading consumer brands in selected categories. This has significantly sharpened our emphasis on managing our brands. Our objective is to ensure that the business units strive for an optimal balance between profitability and the investment necessary to secure maximum long-term brand value. With this in mind, two important projects were initiated during the year, the first being a review of both the marketing and innovation capabilities of each business unit. This is vital as AVI competes in core categories against international competitors. Our ability to hold our market leading shares is underwritten by the efficiency and effectiveness of our marketing as well as the relevance of our innovation in the face of evolving consumer needs.

The second, which was not complete by year-end, was a review of manufacturing capabilities. This work aims to identify additional opportunities for cost efficiency and most importantly to secure a medium-term capacity plan which will ensure that we have adequate and efficient manufacturing capacity to serve our key brands in future years.

Several business units where performance has remained unsatisfactory were subject to detailed reviews.
A combined AVI and I&J team reviewed the operations of both Alpesca (Argentina) and the Simplot JV (Australia) while Entyce Beverages completed a detailed review of the Real Beverage business. The purpose of these detailed reviews was to broaden our understanding of the drivers of future performance. The work has highlighted opportunities and risks which will be addressed in the current financial year.

Much has been written about the growing skills deficit in South Africa. There is little doubt that the growth of our economy coupled with the growing complexity of our business environment, which increasingly competes on a global basis for skills, has made the recruitment of relevant skills more challenging. This skills deficit has emphasised the importance of both internal skills development and retention. Both issues received attention during the year and will continue to be priorities in the year ahead.

Financial and operating highlights

Overall financial performance was satisfactory with Group revenue from continuing operations up 18% to R6,3 billion and operating profit improving by 42% to R735,4 million. Revenue growth was sound across all business units.

Food and beverage brands

All food and beverage brand categories contributed to an aggregated growth in revenue of 17%. The improvement in sea-food revenues was pleasing, despite quota cuts, with I&J's brands improving revenue 33% through a combination of selling price increases, improved mix and beneficial exchange rates. The strong recovery in short-life juice revenue was also notable, with The Real Beverage Company ("RBC") brands increasing sales by 28% through a combination of innovation and improved distribution. Aggregated operating income improved by 58%. The recovery in I&J's profit proved a substantial contributor to this improvement, assisted by sound contributions from the other business units. Operating margin improved to 10,3% of sales.

Fashion brands

Revenue in the fashion brand portfolio was robust with sales 22% higher than the prior year, driven materially by volume growth with, unlike food and beverage brands, little if any price increases taken in either footwear or beauty brands. Operating income increased by 26% to R208,4 million with aggregated margins increasing to 19,7% from 19,1% in the prior year. Following exceptional first half growth, Spitz embarked on a deliberate and ambitious refurbishment programme in the second semester as part of our planned investment in securing long-term competitive advantage. Operating performance in the second semester was accordingly constrained by lost trading days and higher marketing costs.

Dividends and share buyback

AVI remains strongly cash generative and currently has an un-geared balance sheet. The Board has approved a normal twice covered dividend for 2007 amounting to 73 cents per share. In addition, in line with past practice of returning surplus capital to shareholders when prudent and beneficial to do so, the Board has approved the return of R500 million to shareholders through a share buyback and a specific payment out of share premium, if approved by shareholders. The buyback will target the purchase of 5% of issued shares in the open market.

Outlook

The recent interest rate hikes and global uncertainty increase the difficulty in predicting consumer demand for the year ahead. It seems prudent to expect some moderation in consumer spending caused by the National Credit Act and higher interest rates, however economic circumstances in South Africa still support an expansion in consumption expenditure albeit at a more moderate growth rate. Many of the Company's key brands are in product categories with strong defensive characteristics which tend to be less impacted when times are leaner for consumers.

On the cost side, higher raw and packing material costs appear inevitable. At current levels and exchange rates, the effective management of these cost pressures is however well within the strength of the Company's brands. Whilst inherently volatile, white fish resources in South Africa and Argentina look set to perform soundly for the year ahead.

AVI remains committed to growth via acquisition in selected brand categories and is optimistic that activity in this area will bear fruit in the year ahead. Hopefully recent changes to market sentiment impacting financial buyers will produce more realistic enterprise values that present fair opportunity for management to deliver value for shareholders.

In summary we are confident that the combination of our planned management initiatives in respect of cost, efficiency and effective innovation coupled to sound consumer demand will see AVI improve earnings in the year ahead.

Simon Crutchley
Chief executive
6 September 2007

ENTYCE BEVERAGES

Review of operations

	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	1 339,1	1 228,2	1 153,8	9,0
Operating profit	160,6	147,2	137,5	9,1
Operating margin (%)	12,0%	12,0%	11,9%	–
Capital expenditure	25,5	25,2	28,2	1,2

**Prior years restated to comply with Circular 9/2006 where effect is material.*

Revenue growth of 9,0% was achieved with increases in all categories on the back of higher volumes and price increases implemented to offset rising input costs. The key brands in this business unit, Five Roses, Freshpak, Frisco, Ellis Brown and Real Juice, all held or increased market share during the year. Operating profit rose from R147,2 million to R160,6 million largely as a result of a 13% increase in creamer volumes. Operating margin for the year was healthy at 12,0%.

Tea did well to increase volumes by 2% in a mature and competitive category and gained market share in the key Five Roses and Freshpak brands. Higher black tea and packaging material input costs were largely offset by price increases that averaged 5% on a year-on-year basis. Tea revenue increased by 6,7%. Capital expenditure in this category is focused on improving packaging formats and efficiency.

Coffee performed well in the affordable brewed segment where AVI's brands dominate. The Frisco and House of Coffees brands maintained their market share despite strong competition in the affordable and premium instant segments. Pricing was adjusted in line with rising input costs, realising an average 6% increase. Total coffee volumes were in line with last year. Revenue increased by 5,2%. AVI is evaluating capital investments to improve technical capabilities in this category.

Creamer sales volumes, primarily the Ellis Brown brand, increased by 13% as a result of strong demand that was satisfied by extra production out of the Isando plant as well as outsourced production. Revenue increased by 15%. A demand and capacity review supports further investment in this category and project planning is in progress.

Real Juice and Quali Juice maintained market share in the fast growing juice category, increasing total volumes by 13%. An enhanced product range and improved service levels supported price increases that, together with a higher mix of the premium Real Juice product, realised an average 10% increase in 2007. Revenue increased by 25%. Effective measures to control manufacturing and distribution costs were implemented in the last quarter and should show more tangible benefit in 2008. Strong brands and product saliency underpin AVI's continued participation in this fast growing, though highly competitive category. Limited capital investment to improve production capabilities and support product development and launch activity, in conjunction with improved distribution management, are expected to produce material benefits in 2008.

snackworx

Review of operations

	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	**1 394,2**	1 279,7	1 177,3	8,9
Operating profit	**156,8**	127,0	105,4	23,5
Operating margin (%)	**11,2%**	9,9%	9,0%	13,1
Capital expenditure	**47,3**	59,2	41,6	(20,1)

**Prior years restated to comply with Circular 9/2006 where effect is material.*

Good volume growth in both biscuit and snacking brands contributed to revenue growth of 8,9%. Operating profit increased 23,5% to R156,8 million primarily as a result of the impact of higher volumes achieved from the fixed cost structure. On a like-for-like basis, adjusting for the revenue and profit from the Stimorol gum agency business terminated at the end of 2006, revenue rose by 16% and operating profit rose by 29%.

The strong and sustained growth in demand for biscuits has resulted in capacity constraints during peak demand times and concomitant pressure on service levels. This is being addressed through the installation of a new high capacity line that will be commissioned in January 2008. In the meantime production scheduling has been prioritised to ensure the best possible supply of key products to consumers.

Biscuit sales volumes rose by 6% overall with most of the growth in key lines such as Bakers Eet Sum Mor, Bakers Tennis and Bakers Blue Label Marie. Prices were on average 6% higher than in 2006, reflecting raw material and packaging cost increases. Revenue increased by 13%.

On a like-for-like basis revenue for the snacks category improved by 27% primarily due to strong volume growth in both potato and maize snacks.

Capital expenditure includes R34 million spent over 2006 and 2007 on a new biscuit line at Westmead that was commissioned at the end of 2006, and R7 million in 2007 relating to the new line at Isando that will be commissioned in January 2008. The total cost of this new line will be R34 million.

The impact of rising commodity prices in 2007 was mitigated by hedging activities. However, sharp increases in the second half of the year have been sustained for an extended period, putting significant pressure on costs that will translate into selling price increases in the first half of 2008.

CHILLED AND FROZEN CONVENIENCE BRANDS

Review of operations

	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	**2 171,3**	1 678,7	1 596,9	29,3
Operating profit	**172,2**	27,3	112,1	530,8
Operating margin (%)	**7,9%**	1,6%	7,0%	393,8
Capital expenditure	**80,9**	80,7	84,0	0,2

**Prior years restated to comply with Circular 9/2006 where effect is material.*

Revenue grew by 29,3% to R2,2 billion while operating profit increased from R27,3 million to R172,2 million. These significant increases are largely attributable to I&J, which benefited from higher prices realised, improved fishing in South Africa and a good shrimp fishing performance in Argentina in the first half of the year. Progress made in restructuring the South African trawling operations contributed to improved daily catch rates. Revenue and operating profit derived by I&J from each fishing resource was as follows:

	Revenue			Operating profit	
I&J	2007 Rm	2006 Rm	Change %	2007 Rm	2006 Rm
South Africa	**1 322,9**	1 035,1	27,8	103,9	(1,2)
Argentina	**480,6**	309,6	55,2	33,1	(1,0)
Other	**104,2**	87,8	18,7	9,0	8,1
Total	**1 907,7**	1 432,5	33,2	146,0	5,9

I&J's South African operations benefited from selling prices that were on average 24% higher than in 2006 as a consequence of strong export market prices, a weaker Rand and price increases in the domestic retail and food service markets. Costs were generally well contained and good progress was made in improving the effectiveness and efficiency of the trawling operations. The average catch rate improved by 26% through a combination of improved fishing activity as well as better resource performance.

Alpesca's average hake selling prices increased by 13% as a result of stronger prices in European markets and the weakening of the US dollar against the Euro. Hake fishing performance was sound. Shrimp fishing was good in volume terms however shrimp selling prices varied widely during the year. Selling prices were strong in the first half of the year following an extended period of short supply globally, but weakened significantly in the second half of the year.

Production volumes at Denny improved through the second semester and strong demand supported firmer prices. Together with the successful extension of the value-added range of Denny soups and sauces this resulted in a 21,9% increase in operating profit to R26,2 million.

During the year it was decided to sell Semillas Marinas, the Chilean aquaculture project established to grow abalone in sea cages. At year end a buyer for Semillas Marinas had been identified and the operation was recorded as held for sale. An impairment of R16,3 million was provided following a detailed review of the assets, liabilities and likely disposal costs.

Simplot, the Australian processing and distribution joint venture which is equity accounted by I&J, incurred material operating losses following the commissioning of a large scale automation project in the second half of 2006 that has

CHILLED AND FROZEN CONVENIENCE BRANDS

Review of operations continued

failed to reach the targets committed to by Simplot. I&J has developed viable improvement plans and is engaging with its joint venture partner on their implementation.

Capital expenditure, comprising mostly replacement expenditure, includes the expansion of brown mushroom capacity at Denny. During the year I&J reduced the size of its fleet in line with lower quotas, and also consolidated its offices in Cape Town following the disposal of its former head office building.

Notwithstanding the material turnaround achieved in 2007, there remains focus on realising further improvements in 2008. Key focus areas are the ongoing review and re-structuring of I&J's South African operations, review and rationalisation of I&J's non-core businesses and ensuring that Denny can sustain a consistent schedule of good quality production.

I&J quota

The South African hake Total Allowable Catch ("TAC") was reduced by 10% for the 2007 calendar year, with a concomitant reduction in I&J's quota allocation to 37 755 tons. The reduction was offset by purchasing quota and good fishing which saw I&J utilise 60% of its quota for the calendar year in the period January to June.

The Argentinian hake TAC was reduced by 10,5% for the 2007 calendar year, with a proportional reduction in Alpesca's quota.

The total hake quota for calendar years 2006 and 2007 is summarised in the following table:

Hake quota (tons)	2007	2006
South Africa	135 000	150 000
I&J	37 755	41 950
	28%	28%
Argentina	340 000	380 000
Alpesca	25 923	27 847
	7,6%	7,3%

I&J resource management

I&J's economic performance is strongly linked to the performance of its hake fishing resources. Recent research indicates some concerns about the level of juvenile recruitment in the Argentinian resource which could impact performance in two to three years time. It is likely that the TAC for the 2008 calendar year will be reduced in response to the findings.

The South African hake resource is showing an encouraging increase in total bio-mass, although this is still weighted toward the smaller fish sizes. The mechanism used to manage the TAC is conservative and relies extensively on historical data, making it likely that there will be a further reduction in TAC in the 2008 calendar year. This reduction is limited to a maximum of 10%. Good progress has been made in aligning the fishing industry and the Department of Marine and Coastal Management with initiatives to limit fishing effort and protect breeding areas and it is hoped that these will be effective in 2008.

OUT OF HOME

Review of operations

	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	**344,9**	288,1	304,4	19,7
Operating profit	**53,5**	42,5	58,0	25,9
Operating margin (%)	**15,5%**	14,8%	19,1%	4,7
Capital expenditure	**21,0**	14,3	27,3	46,8

**Prior years restated to comply with Circular 9/2006 where effect is material.*

Revenue increased by 19,7% driven by volume growth in Ciro's core coffee solutions business and increased out of home juice volumes. Sales and rentals of dispensing and vending machines rose significantly, underpinning growth in sales of coffee and other beverages. Operating profit increased by 25,9% due to operating leverage realised in coffee solutions.

Ciro increased revenue by 10% through a 5% increase in product sales, price increases that averaged 4% and higher sales and rentals of dispensing and vending machines.

The relationship with Wimpy, due to be terminated at the end of 2007, was extended with the conclusion of a long-term supply agreement. This, in conjunction with the rapid growth in out of home coffee consumption, presents Ciro with opportunity to grow revenues and profits in the year ahead.

Sir Juice more than doubled revenue with the purchase of a complementary out of home juice business. The businesses were combined and then integrated into Ciro, which proved disruptive but had been well accomplished by the end of the year. A small operating loss was realised in 2007, however trading was profitable in the fourth quarter and the business is well set to benefit from access to Ciro's customer base in 2008.


ciro

FASHION BRANDS

Review of operations

	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
Revenue*	1 058,1	868,6	459,4	21,8
Operating profit	208,4	165,6	47,0	25,8
Operating margin (%)	19,7%	19,1%	10,2%	3,1
Capital expenditure	54,9	26,4	14,8	107,9

**Prior years restated to comply with Circular 9/2006 where effect is material.*

Revenue grew by 21,8% due primarily to strong volume growth in both the beauty and footwear categories. Operating profit increased by 25,8% to R208,4 million.

Indigo achieved growth in its key Yardley, Lenthéric and Coty brands enhanced by successful product development and launches, and growth exceeded that of the category as a whole, particularly in toiletries. Selling prices were re-aligned to targeted price points during the year, with an overall neutral effect. Revenue increased by 17% to R555,9 million and operating profit by 25% to R63,3 million.

Exports of Lenthéric toiletries to Australia increased to R8,6 million (2006: R1,3 million) with the re-listing of products in major retail stores. While this is a positive development, it is important to note that international growth of the Lentheric brand is a medium to long-term strategy that will only contribute materially to profits when volumes reach levels that contribute in excess of the base marketing costs required to support growth in new markets.

Spitz had an exceptional Christmas that was tempered by an extensive refurbishment programme in the second half of the year. Like-for-like growth was 16% and seven new stores were opened during the year, bringing the total to 39 at year end. Revenue increased by 28%. Increased advertising and investment in the fixed cost base to support current and future growth, including key resources, training and systems, resulted in a slightly lower operating margin. Operating profit increased by 26% to R145,1 million.

	2007	2006
Average store area (m^2)	9 696	8 328
Store area at year end (m^2)	10 555	8 888
Sales density (R000/(m^2)	51,8	47,0

Nina Roche, which has two stores retailing premium footwear brands such as Tod's and Hogan, was acquired with effect from 1 March 2007 and made a small contribution to operating profit for the year.

Capital expenditure increased to R55 million mainly because of R38 million spent at Spitz on opening new stores and refurbishing existing stores. Spitz is expected to increase capital expenditure in 2008 with an extensive roll-out programme that incorporates several mono-brand stores as well as completion of the refurbishment programme.

The strong momentum built during 2007 has given Indigo a good start in 2008. Volumes and revenues are expected to continue growing while margins should be maintained. The increased level of investment in Spitz will continue in 2008 to support the long-term sustainability of superior margins. This could reduce margins slightly although the absolute level of profit is likely to improve as a result of store openings.

YARDLEY COTY LENTHÉRIC CARVELA nina roche J.Renee GEOX BREATHES RIMMEL PRADA
SPITZ Kurt Geiger HOGAN LACOSTE

Financial review
for the year ended 30 June

Revenue from continuing operations rose by 17,8% from R5 375,6 million in 2006 to R6 332,4 million in 2007 as a result of sales volume growth in all business units and higher selling prices in the food and beverage business units.

Operating profit rose by 42,2%, from R517,3 million to R735,4 million. The majority of the increase of R218,1 million came from recovery at I&J which contributed R140,1 million and strong volume growth in fashion and snacking brands which contributed R42,8 million and R29,8 million respectively.

Net financing costs decreased slightly from R33,2 million in 2006 to R32,6 million as a result of lower average borrowings offset by higher interest rates.

AVI's share of the equity accounted earnings of joint ventures realised a net loss of R21,4 million. This is principally due to the poor performance of I&J's Australian fish processing joint venture with Simplot (Australia) Pty Ltd ("Simplot") where a large scale automation project commissioned in the second half of the previous financial year has failed to reach the targets committed to by Simplot.

The improved operating profit, offset by the net loss from joint ventures led to a 37,5% increase in headline earnings to R460,6 million.

The capital items for continuing operations of R30,7 million after tax largely comprise a R40,8 million profit on the sale of I&J's former head office in Cape Town, offset by the impairment of an aquaculture project in South America.

Net working capital increased from 14,7% of revenue in 2006 to 16,0% of revenue in 2007. This is partly due to a two-day delay in certain debtors receipts because the year end fell on a Saturday, and increased inventory value. There was a general increase in physical stock quantities in line with higher sales volumes as well as a material increase at Spitz to support the expanded product range, new stores and earlier introduction of summer ranges.

The Group remains strongly cash generative with continuing operations generating cash of R932,7 million, 41% higher than in 2006. Of this, R182,3 million was retained in working capital. Other material cash out-flows during the year were the final payment for the Spitz acquisition of R340,0 million, capital expenditure of R251,5 million, taxation of R255,2 million and dividends of R199,5 million. These were partially offset by proceeds from asset disposals of R82,4 million that arose largely from the disposal of I&J's former head office building in Cape Town. Net debt decreased by R70,9 million over the period.

Capital expenditure of R251,5 million comprised mainly replacement expenditure but also included the completion of the new biscuit line at Westmead, the commencement of a new biscuit line at Isando, the expansion of Denny's brown mushroom growing capabilities and new and refurbished stores at Spitz.

Segmental review (continuing operations)

	SEGMENTAL REVENUE			SEGMENTAL OPERATING PROFIT		
	2007 Rm	2006 Rm	Change %	**2007 Rm**	2006 Rm	Change %
Food & beverage brands	**5 249,5**	4 474,7	17,3	**543,1**	344,0	57,9
Entyce beverages	**1 339,1**	1 228,2	9,0	**160,6**	147,2	9,1
Snackworx	**1 394,2**	1 279,7	8,9	**156,8**	127,0	23,5
Chilled & frozen convenience brands	**2 171,3**	1 678,7	29,3	**172,2**	27,3	530,8
Out of home	**344,9**	288,1	19,7	**53,5**	42,5	25,9
Fashion brands	**1 058,1**	868,6	21,8	**208,4**	165,6	25,8
Corporate	**24,8**	32,3		**(16,1)**	7,7	
Group	**6 332,4**	5 375,6	17,8	**735,4**	517,3	42,2

Financial review continued
for the year ended 30 June

DEFINITIONS
Number of ordinary shares in issue
Total issued ordinary share capital at end of year.

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

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 51 to 53, 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 30 of the annual financial statements.

Dividend cover
Headline earnings per share from continuing operations divided by the dividends per share 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 total equity plus net debt.
- Net working capital
  Inventories and trade receivables, less trade payables.
- Free cash flow
  Cash available from operating activities and investments, less capital expenditure incurred to maintain operations.
- Free cash flow per ordinary share
  Free cash flow for the year in cents divided by the weighted average number of ordinary shares in issue.
- EBITDA
  Operating profit before capital items and depreciation and amortisation.
- Net debt/(cash)
  Financial liabilities and borrowings and current borrowings less cash and cash equivalents.
- Interest cover ratio
  EBITDA divided by net finance costs.
- Debt/equity ratio
  Net debt divided by total equity.

Key statistics for continuing operations

	2007	2006	2005	2004
Financial ratios				
– operating margin (%)	**11,6**	9,6	9,9	9,3
– return on capital employed (%)	**16,8**	14,9	18,8	16,1
– net working capital as a percentage of revenue (%)	**16,0**	14,7	14,7	13,8
– EBITDA	**912,4**	685,5	623,0	545,9
Liquidity				
– free cash flow (Rm)	**274,6**	297,0	353,7	335,4
– free cash flow per ordinary share (cents)	**87,5**	95,1	113,5	106,2
– net debt/equity ratio (%)	**8,4%**	11,5%	(11,9%)	(13,0%)
– interest cover ratio	**25,6**	20,5	33,3	34,1
Employees at 30 June				
– South Africa	**8 023**	7 595	7 675	6 052
– International	**1 826**	1 813	1 756	1 641
	9 849	9 408	9 431	7 693
Revenue per employee (R'000)	**643**	571	499	562

Share statistics – four-year summary

	2007	2006	2005	2004
Number of ordinary shares in issue ('000)	**342 638**	316 150	315 386	309 981
Weighted average number of ordinary shares in issue ('000)	**313 775**	312 373	311 590	315 810
Share performance – continuing operations (cents per share)				
Earnings	**156,6**	103,4	198,6	83,5
Diluted earnings	**155,7**	102,7	196,1	82,6
Headline earnings	**146,8**	107,2	108,2	85,9
Diluted headline earnings	**145,9**	106,6	106,9	84,9
Dividends declared	**73,0**	53,0	51,0[1]	80,0[2]
Dividend cover	**2,0**	2,0	2,1	2,3[2]
Market price per share (cents)				
– at year-end	**1 971**	1 380	1 320	
– highest	**2 354**	1 810	1 551[4]	
– lowest	**1 380**	1 321	1 215[4]	
Total market capitalisation at closing prices (Rm)	**6 753,0**	4 362,9	4 163,1	
Price earnings ratio[3]	**13,4**	12,9	12,2	
Value of shares traded (Rm)	**3 608,0**	3 469,9	1 909,7[4]	
Value traded as a percentage of average capitalisation (%)	**60,0**	70,3	45,7[4]	
Number of shares traded (millions)	**196,0**	222,1	141,3[4]	
Liquidity – number traded as percentage of weighted average number of shares in issue at year-end (%)	**62,5**	71,1	92,7[4]	
Average weekly Rand value traded (Rm)	**69,0**	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.

Financial review continued
for the year ended 30 June

Group abridged income statements – four-year summary

Continuing operations	2007 Rm	2006 Rm	2005 Rm	2004 Rm
Revenue*	**6 332,4**	5 375,6	4 707,3	4 321,5
Operating profit before capital items	**735,4**	517,3	469,1	405,8
Income from investments	**25,3**	16,5	30,9	41,6
Finance costs	**(57,9)**	(49,7)	(39,6)	(52,9)
Profit/(loss) before capital items	**702,8**	484,1	460,4	394,5
Capital items	**36,4**	(10,9)	(21,8)	(7,0)
Profit/(loss) before taxation	**739,2**	473,2	438,6	387,5
Taxation	**234,6**	143,1	124,7	130,0
Profit/(loss) after taxation	**504,6**	330,1	313,9	257,5
Equity accounted earnings of joint ventures and associated companies (after tax)	**(21,4)**	(12,3)	1,2	3,8
Minority interests (excluding capital items)	**(8,1)**	(5,1)	(3,4)	(2,4)
Earnings attributable to ordinary shareholders	**491,3**	322,9	318,5	263,7
Capital items after minorities and tax	**(30,7)**	12,1	18,7	7,4
Headline earnings	**460,6**	335,0	337,2	271,1

**Prior years restated to comply with Circular 9/2006 where effect is material.*

Group abridged balance sheets – four-year summary

	2007 Rm	2006 Rm	2005 Rm	2004 Rm
ASSETS				
Non-current assets				
Property, plant and equipment	**1 241,7**	1 182,4	1 143,2	2 287,0
Intangible assets and goodwill	**1 052,1**	1 041,7	420,8	262,5
Investments	**245,9**	263,0	252,6	222,1
Deferred tax asset	**121,6**	100,8	102,0	104,2
	2 661,3	2 587,9	1 918,6	2 875,8
Current assets				
Inventories	**760,8**	578,2	500,0	890,2
Trade and other receivables	**1 058,6**	883,2	786,8	1 375,2
Cash and cash equivalents	**317,1**	335,8	448,7	674,5
Assets classified as held for sale	**30,5**	26,3	24,5	–
	2 167,0	1 823,5	1 760,0	2 939,9
Total assets	**4 828,3**	4 411,4	3 678,6	5 815,7
EQUITY AND LIABILITIES				
Capital and reserves				
Attributable to equity holders of AVI	**2 680,4**	2 339,9	2 166,4	3 127,9
Minority interests	**(18,4)**	(8,5)	(2,9)	309,8
Total equity	**2 662,0**	2 331,4	2 163,5	3 437,7
Non-current liabilities				
Financial liabilities and borrowings	**196,6**	212,8	112,4	155,8
Provisions and employee benefits	**286,2**	269,2	134,3	194,9
Deferred taxation	**144,6**	130,1	268,4	339,2
	627,4	612,1	515,1	689,9
Current liabilities				
Current borrowings	**344,1**	411,5	78,5	72,4
Trade and other payables	**1 117,5**	1 000,2	885,8	1 536,1
Corporate taxation	**66,9**	56,2	35,7	79,6
Liabilities classified as held for sale	**10,4**	–	–	–
	1 538,9	1 467,9	1 000,00	1 688,1
Total equity and liabilities	**4 828,3**	4 411,4	3 678,6	5 815,7

Financial review continued
for the year ended 30 June

Group abridged cash flow statements – four-year summary

Continuing operations	2007 Rm	2006 Rm	2005 Rm	2004 Rm
Operating activities				
Cash generated by operations before working capital changes	**932,7**	660,2	631,6	549,6
Increase in working capital	**(182,3)**	(36,5)	16,3	(55,7)
Cash generated by operations	**750,4**	623,7	647,9	493,9
Interest paid	**(57,0)**	(29,7)	(39,6)	(52,9)
Taxation paid	**(255,2)**	(186,4)	(170,0)	(72,4)
Net cash available from operating activites	**438,2**	407,6	438,3	368,6
Investment activities				
Cash flow from investments	**25,3**	17,0	30,9	42,6
Property, plant and equipment – acquired	**(251,5)**	(215,1)	(207,1)	(172,9)
– proceeds on disposal	**82,4**	4,9	6,6	8,6
Intangible assets purchased	**–**	(19,2)	(0,1)	(88,8)
Investments – net (acquisitions)/disposals	**(361,5)**	(230,6)	(193,9)	(97,9)
Net cash used in investing activities	**(505,3)**	(443,0)	(363,6)	(308,4)
Financing activities				
Net increase/(decrease) in shareholder funding	**7,1**	10,1	(213,5)	(114,2)
Long-term borrowings – net raised/(repaid)	**(4,5)**	54,2	(101,4)	92,4
Increase/(decrease) in short term funding	**242,4**	(7,1)	6,1	41,1
Dividends paid	**(199,5)**	(179,2)	(167,9)	(336,9)
Net cash from/(used) in financing activities	**45,5**	(122,0)	(476,7)	(317,6)
Discontinued operations	**–**	37,3	183,3	(38,3)
Decrease in cash and cash equivalents	**(21,6)**	(120,1)	(218,7)	(295,7)
Cash and cash equivalents at beginning of period	**335,8**	448,7	674,5	986,9
	314,2	328,6	455,8	691,2
Translation of cash equivalents of foreign subsidiaries at beginning of year	**2,9**	7,2	(7,1)	(16,7)
Cash and cash equivalents at end of period	**317,1**	335,8	448,7	674,5

Segmental information

	Continuing operations													
	Entyce beverages		Snackworx		Chilled & frozen convenience brands		Out of home		Fashion brands		Corporate & consolidation		Total	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm
Segmental revenue	**1 339,1**	1 228,2	**1 394,2**	1 279,7	**2 171,3**	1 678,7	**344,9**	288,1	**1 058,1**	868,6	**24,8**	32,3	**6 332,4**	5 375,5
SEGMENTAL RESULT														
Operating profit/(loss) before capital items	**160,6**	147,2	**156,8**	127,0	**172,1**	27,3	**53,5**	42,5	**208,4**	165,6	**(16,1)**	7,7	**735,4**	517,3
Share of equity accounted earnings of joint ventures	**–**	–	**–**	–	**(21,4)**	(4,7)	**–**	–	**–**	–	**–**	–	**(21,4)**	(4,7)
Operating profit from ordinary activities	**160,6**	147,2	**156,8**	127,0	**150,7**	22,6	**53,5**	42,5	**208,4**	165,6	**(16,1)**	7,7	**714,0**	512,6
SEGMENTAL ASSETS														
	730,5	565,2	**840,6**	650,1	**2 055,3**	1 654,2	**277,3**	222,1	**680,1**	544,0	**100,1**	693,7	**4 683,9**	4 307,1
SEGMENTAL LIABILITIES														
	579,6	418,9	**389,4**	293,7	**996,4**	762,3	**100,0**	59,0	**480,8**	298,5	**(591,7)**	61,2	**1 954,8**	1 893,7
CAPITAL														
Capital expenditure	**25,5**	25,2	**47,3**	59,2	**80,9**	80,7	**21,0**	14,2	**54,9**	26,4	**21,9**	9,3	**251,5**	215,1
Depreciation and amortisation	**19,7**	25,1	**31,1**	25,9	**84,5**	82,5	**15,2**	11,9	**19,7**	17,4	**7,4**	5,4	**177,6**	168,2
Number of employees at year-end	**819**	859	**1 545**	1 441	**5 838**	5 865	**541**	282	**953**	839	**153**	122	**9 849**	9 408

Financial review continued
for the year ended 30 June

	2007 Rm	2006 Rm	2005 Rm	Change 07 vs 06 %
AVI				
Revenue*	**6 332,4**	5 375,6	4 707,3	17,8
Operating profit	**735,4**	517,4	469,1	42,1
Operating margin	**11,6%**	9,6%	10,0%	20,8
Capital expenditure	**251,5**	215,1	207,1	16,9
NBL				
Revenue*	**2 811,1**	2 586,9	2 418,2	8,7
Operating profit	**393,8**	337,0	301,1	16,8
Operating margin	**14,0%**	13,0%	12,5%	7,7
Capital expenditure	**83,5**	95,9	85,9	(12,9)
I&J				
Revenue*	**1 907,7**	1 432,5	1 378,3	33,2
Operating profit	**146,0**	5,9	84,3	2 374,6
Operating margin	**7,7%**	0,4%	6,1%	1 875,0
Capital expenditure	**52,6**	65,7	72,2	(19,9)
DENNY**				
Revenue*	**263,6**	246,2	218,6	7,1
Operating profit	**26,2**	21,5	27,8	21,9
Operating margin	**9,9%**	8,7%	12,7%	13,8
Capital expenditure	**28,3**	15,1	11,8	87,4
RBC				
Revenue*	**267,1**	209,0	217,3	27,8
Operating profit	**(22,9)**	(20,4)	(0,2)	(12,3)
Operating margin	**(8,6%)**	(9,8%)	(0,1%)	12,2
Capital expenditure	**10,2**	2,8	11,3	264,3
INDIGO				
Revenue*	**555,9**	476,8	459,4	16,6
Operating profit	**63,3**	50,5	47,0	25,3
Operating margin	**11,4%**	10,6%	10,2%	7,5
Capital expenditure	**17,3**	16,9	14,8	2,4
SPITZ				
Revenue	**502,2**	391,8	258,1	28,2
Operating profit	**145,1**	115,1	77,1	26,1
Operating margin	**28,9%**	29,4%	29,9%	(1,7)
Capital expenditure	**37,7**	9,5	4,1	296,8

**Prior years restated to comply with Circular 9/2006 where effect is material.*

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

Value added statement

	2007		2006	
	Rm	%	Rm	%
VALUE ADDED				
Revenue	6 332,4		5 389,4	
Cost of materials and services	3 837,9		3 401,1	
Value added by operations	2 494,5	98	1 988,3	100
Capital items (gross)	36,4	1	(4,1)	
	2 530,9		1 984,2	99
Investment and other income	17,1	1	12,8	1
	2 548,0	100	1 997,0	100
VALUE DISTRIBUTED AND RETAINED				
TO EMPLOYEES				
Salaries, wages and other benefits	1 396,3	55	1 175,9	59
TO PROVIDERS OF CAPITAL	331,3	13	290,0	15
Dividends payable to Group shareholders	199,5	8	179,2	9
Interest paid	57,6	2	49,7	3
Operating lease expenses	74,2	3	61,1	3
TO GOVERNMENT	368,3	15	226,1	11
Taxation	368,3	15	226,1	11
RE-INVESTED IN THE GROUP	452,1	18	305,0	15
Depreciation	171,9	7	161,8	8
Future growth	280,2	11	143,2	7
	2 548,0	100	1 997,0	100

Directorate

Executive directors

Below: left to right

RS Katzen (39)
Business Development Director
Qualifications: BAcc (Wits), CA(SA)
Directorships: 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. He has been managing director of The Real Beverage Company from May 2006.

SL Crutchley (43)
Chief Executive Officer
Qualifications: BBusSci (UCT)
Directorships: AVI Limited

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

OP Cressey (40)
Chief Financial Officer
Qualifications: DipAcc(Natal), CA(SA)
Directorships: AVI Limited

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

Non-executive directors

Above: left to right

MH Buthelezi (43)
Qualifications: CA(SA)
Directorships: AVI Limited, Umgeni Water, Audit Committee member of the Competition Commission, the Competition Tribunal until 8 June 2007 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.

AWB Band (55)
Chairman
Qualifications: BA, BAcc (Wits), CA(SA)
Directorships: Chairman, AVI Limited. Director of the Consol Group, Liberty Group Limited and Aveng Limited

Angus joined AVI as an executive director in 1997 and was appointed chief executive officer of National Brands Limited in 1998 and Group chief executive officer of AVI Limited in 1999. He is currently chairman of AVI Limited and deputy chairman of Aveng Limited.

Above: left to right

NJM Canca (42)

Qualifications: BA(Economics & Political Science)(Emory)
Directorships: AVI Limited, Primedia Holdings Ltd, Pareto and chief executive officer of Blue IQ Investment Holdings

Nomhle has over 10 years' experience in financial services. She qualified to practise as a stockbroker and an investment adviser 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 served on the Katz Commission into Tax Reform.

AR Evans (64)

Qualifications: MA (Oxon), MBA (Harvard)
Directorships: AVI Limited. Chairman of Hans Merensky 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).

PM Goss (59)

Qualification: BEcon (Hons), BAccSc (Hons) Stellenbosch, CA(SA)
Directorships: AVI Limited, RMB Holdings and FirstRand Ltd

After graduating from the University of Stellenbosch, Pat qualified as a chartered accountant with Ernst & Young and joined the Industrial Development Corporation. He has been involved with the businesses which have grown to become First Rand Limited, having served on its various boards for 30 years to date. He spent many years in the retail food industry until the family interests were disposed of to Pick 'n Pay. A former chairman of the Natal Parks Board, he is active in conservation related activities and serves on LEWA Wildlife Conservancy (Kenya).

Above: left to right

JR Hersov (42)

Qualification: MA (Cantab)
Directorship: AVI Limited and 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 (56)

Qualification: BScEng (Wits), MBA (Trinity College, Dublin)
Directorships: AVI Limited, 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 25 years through senior positions held at, inter alia, Rand Merchant Bank and Morgan Stanley.

GR Tipper (42)

Qualification: BCom, BAcc (Wits), MBA (UCT), CA(SA)
Directorships: AVI Limited, Coronation Holdings Ltd, Coronation Investments & Trading Ltd and chairman of CIREF Ltd, an AIM London listed company

Gavin completed his articles with KPMG in 1987. He went on to hold the position of technical partner at the firm, before joining Coronation Holdings Ltd in 2001 as a chief operating officer dealing in various financial instruments and long-term equity investments. Gavin was appointed to the AVI Board during March 2007 where he also serves as a member of the audit committee.

Corporate governance

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

The Company's Board of directors 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 obligations that exist in terms of the JSE Listings Requirements.

Directorate

The general powers of the directors of the Company are conferred in the Company's articles of association. The terms of reference for the Board are set out in the Board charter 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. The particulars of these directors are set out on pages 32 to 33 of the annual report.

Mr Kenny Fihla resigned as a non-executive director of the Board on 22 March 2007 due to other compelling work commitments. Mr Gavin Tipper was appointed on 26 March 2007. Due to Mr Tipper's auditing and compliance experience he was also appointed to the audit committee.

Mr Anthony Evans will retire from the Board of directors at the next annual general meeting during October 2007 as he has reached the mandatory retirement age. A suitable candidate will be nominated to replace him at about that time.

Chairman and chief executive officer

No member of the Board has unfettered powers of decision making. The responsibility for running the Board and executive responsibility for the conduct of the business are differentiated. 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 its objectives. Part of this consists of director self assessments which are aimed at identifying the 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 officer and makes recommendations to the Board. The chairman and the chief executive officer 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 five times to conduct the normal business of the Company. Attendance at these meetings is summarised below:

Name	27 July 2006	8 Sep 2006	28 Nov 2006	9 Mar 2007	19 June 2007
AWB Band	✓	✓	✓	✓	✓
MH Buthelezi	✓	✓	✓	✓	✓
NJM Canca	✗	✓	✗	✓	✗
SL Crutchley	✓	✓	✓	✓	✓
OP Cressey	✓	✓	✗	✓	✓
AR Evans	✓	✓	✓	✓	✓
KA Fihla	✓	✓	✓	✓	
PM Goss	✗	✓	✓	✓	✓
JR Hersov	✓	✗	✓	✓	✓
SD Jagoe	✓	✓	✓	✓	✓
RS Katzen	✓	✓	✓	✓	✓
GR Tipper					✓

Key: ✓ in attendance ✗ not in attendance not in office

Company secretary

The company secretary, Mr Vusani Malie, resigned with effect from 30 April 2007. He has been replaced with effect from 1 September 2007 by Mr Mande Ndema, who was an assistant company secretary of, and senior compliance consultant to, the Sanlam Group.

The company secretary role provides the following key services to the Board as a whole and to the directors individually:

- guidance on the discharge of their duties and responsibilities;
- provision of information and advice on matters of ethics and good governance; and
- ensuring that the proceedings and affairs of the directorate and the Company are properly administered in compliance with all relevant legislation, including the JSE Listings Requirements.

The Company is fortunate to have several other staff members that are skilled and experienced in the company secretarial role who were able to provide continuity of service while the role was vacant.

Board committees

The Board is assisted in the discharge of its responsibilities by the audit committee and the appointments and remuneration committee.

These committees act within formalised terms of reference which have been approved by the Board. The terms of reference set out the committees' 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.

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

Audit committee

The audit committee comprises Mr Humphrey Buthelezi (the chairman), Mr Angus Band, Mr Anthony Evans and Mr Gavin Tipper. All members of the audit committee are non-executive directors, the majority of whom are independent. Mr Evans will resign from this committee when he resigns from the Board.

The committee met three times in the year under review. The attendance detail is reflected in the following table:

Name	28 Aug 2006	20 Nov 2006	28 Jan 2007
MH Buthelezi	✓	✓	✓
AWB Band	✓	✓	✓
AR Evans	✓	✓	✓
GR Tipper			

Key: ✓ in attendance   not in office

The audit committee is responsible for the Group's risk management, and in particular assists the Board in the following matters:

- monitoring the financial reporting process;
- recommending the appointment of an independent registered auditor and determining the terms of engagement and approving fees for audit and non-audit work undertaken;
- monitoring the operation of effective systems of internal control, including information technology controls;
- overseeing the internal audit function, monitoring its effectiveness, and reviewing corrective action;
- overseeing the operation of an effective risk management process that incorporates insurance, health and safety, and environmental issues; and
- implementing sound corporate governance policies.

With specific reference to the non-audit services provided by the external auditor, at the recommendation of the audit committee, the Board has resolved that the auditor cannot:

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

Corporate governance continued

Furthermore the Board has set thresholds for the approval of fees payable to the auditor in respect of non-audit services. Amounts in excess of the thresholds must be pre-approved by the audit committee.

In order to monitor the risk management and compliance activities in the subsidiaries, the audit committee reviews the reports and actions of the subsidiaries' audit committees, which are each chaired by the Company's chief financial officer. The subsidiaries' audit committees convene at least twice a year with the external auditor, the Group's internal audit manager, the relevant financial director and the company secretary.

Appointments and remuneration committee ("Remcom")

The members of Remcom are Mr Sean Jagoe (the chairman), Mr Angus Band, Mrs Nomhle Canca and Mr Pat Goss. The committee met three times in the year under review and the attendance detail is reflected in the table below:

Name	28 Aug 2006	28 Jan 2007	25 May 2007
SD Jagoe	✓	✓	✓
AWB Band	✓	✓	✓
NJM Canca	✓	✓	✓
PM Goss	✓	✓	✓

Remcom assists the Board by overseeing the following activities:

- succession planning for, and approving the appointment of, senior executives within the Group;
- recommending an appropriate remuneration and reward framework (which includes policy) to ensure that the Group's employees are appropriately engaged and retained. The framework considers guaranteed remuneration, short-term and long-term incentives, and benefits; and
- reviewing the composition of the Board and its committees with respect to size, diversity, skills and experience.

Remuneration, short and long-term incentives and retirement fund benefits

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

Remuneration levels are set with reference to independent salary surveys on a regular basis, taking cognisance of specific 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 of employees is also compared to published industry statistics. Where bargaining units exist within the operations, negotiations take place with recognised unions.

The Company targets to remunerate established performers within the range of the market median to the upper quartile. Employees that are out-performers can expect to be remunerated at the upper quartile or above, while under-performers are paid below the median and are actively managed. This approach recognises both the market forces in play and the heightened requirement to attract and retain talented employees.

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

The incentives payable to executive management, for targeted levels of performance, range between thirty five and sixty percent, as deemed appropriate by Remcom with reference to the views of the market. The incentive payment for the year under review for executive management was under consideration by Remcom at the date this report was published.

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

The two conventional share incentive schemes currently in operation at the Company were approved by shareholders. They are the AVI Limited Share Incentive Scheme which has been closed and replaced by the AVI Limited Executive Share Incentive Scheme. Participation is currently limited to the top three layers of management within the Group and the participants are all approved by Remcom. Due to an overhaul of the reward framework during the year under review, the Company did not grant share options to employees in terms of the AVI Limited Executive Share Incentive Scheme. In its place, as an interim measure, the Company, with Remcom's approval, granted cash-settled rights that entitle the recipients to benefit from the appreciation in the Company's share price in a manner consistent with that given in respect of share options in the AVI Limited Executive Share Incentive Scheme.

In addition to the Company's long-term incentive schemes, the Group's subsidiary companies operate so-called "phantom share schemes" that enable the Company to reward appropriate employees for the results that their efforts generate within the subsidiaries in which they are employed. Notional shares in the subsidiaries are offered to employees. The value of the shares is calculated based on the Company's price earnings ratio and the audited headline earnings of the relevant subsidiary company, with underpins to ensure that the schemes do not reward undeserved outcomes. Remcom approves the allocations.

As an enhancement to the reward framework, the Company will propose a revised out-performance plan to shareholders at a general meeting on 24 October 2007. This out-performance plan will replace the former out-performance scheme, the AVI Limited Employee Equity Participation Plan, which was implemented after approval by shareholders at the annual general meeting in October 2002. The principles of this plan are consistent with those of the previous scheme. Participants will benefit from the value created for the Company's shareholders (measured as the total shareholders' return) relative to the value these shareholders could have gained had they invested with the Company's peers. Details of this out-performance plan will be provided in a separate notice to shareholders.

Currently a maximum of 5 percent of the issued share capital of the Company may be allocated to the share incentive schemes, excluding the Black Staff Empowerment Scheme Trust, and no individual may accumulate more than 2 percent of this issued share capital. In terms of the proposed revised out performance plan, a further 1% of the issued share capital will be made available to all of the incentive schemes. The current allocation represents 0,8% percent. Details of share options issued are set out on pages 51 and 52. The policy on remuneration of executive directors is consistent with that of executive management 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 55.

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

Sustainable development report

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

AVI has an extensive and well-run management and reporting framework that supports timeous identification of and response to material sustainability issues that exist or may come to exist. Such issues are reviewed regularly within the operations and at a Group level at both scheduled and issue-specific meetings. There is ongoing monitoring of material issues and the progress of action plans implemented to address them. Where appropriate these issues are elevated for consideration to AVI's Board of directors.

AVI considers its sustainable development responsibilities under the following three broad categories:

- **Ethics:** ethics are the cornerstone to building an effective organisation that will be able to sustain itself without compromise or censure in the long term. Ethics determine AVI's culture, the behaviour of its employees and assist in establishing a willingness to accept and embrace broader issues in our society, forming the basis of AVI's interactions with its stakeholders.
- **Sustaining scarce resources:** dependence on resources that may not be available, or economically viable, on a sustainable basis creates the risk that AVI may not be able to achieve acceptable returns in the long term. In addition to managing the very specific risk relating to its hake fishing resources, AVI is committed to the general application of sustainable practices across its operations.
- **Transformation and responsible corporate citizenship:** AVI recognises the social and economic imperative to embrace and support transformation in South Africa and to be representative of the transforming society that it operates in. In addition, AVI strives to meet the expectations of stakeholders so that it continues to be regarded as a valuable participant in South Africa's economy and society and a desirable Group to do business with.

Ethics

AVI has a well-established Code of Ethics that applies to all directors and employees and provides clear guidance on what is considered to be acceptable conduct. This code requires all directors and employees to maintain the highest ethical standards and ensure that AVI's affairs are conducted in a manner which is beyond reproach. The code is rigorously and consistently applied, which has resulted in a number of dismissals of employees and prosecutions during the year under review.

In order to ensure compliance with the Code of Ethics, and to promote proper behaviour in general, AVI has a formal governance framework. Within the governance framework material issues are highlighted in management reports and reviewed by the operating executives. If appropriate, matters are elevated to AVI's Board of directors. This formal framework is supported by an internal audit function and "Tip-offs Anonymous", an independent hotline service that facilitates confidential reporting on fraud and other unethical conduct.

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

AVI communicates formally with suppliers and customers to secure their support for its ethical standards.

Scarce resources

With regard to the sustainability of scarce resources that could materially affect long-term returns, AVI's primary exposure is to the performance of its fishing resources in South Africa and Argentina. As previously reported, long-term hake fishing rights have been secured in both jurisdictions at levels that can support economic returns provided that the resources are healthy.

In South Africa, Marine and Coastal Management ("MCM"), a division of the Department of Environmental Affairs and Tourism, is responsible to manage the permissible exploitation of the hake resource. It does this by establishing an annual "total allowable catch" ("the TAC") or quota for the industry and by imposing individual quotas, expressed as a fixed proportion of the TAC, on long term right holders. For 2007 MCM reduced the industry-wide hake quota by 10 percent, from 150 000 tons in the previous year to 135 000 tons. Accordingly I&J's quota reduced from 41 950 tons to 37 755 tons.

During 2007 the South African hake resource has showed an encouraging increase in total bio-mass, although this is still weighted toward the smaller fish sizes. However, the mechanism used by MCM to manage the TAC is conservative and relies extensively on historical data, making it likely that there will be a further reduction in TAC in the 2008 calendar year. This reduction is limited to a maximum of 10%.

I&J is at the forefront of initiatives to limit fishing effort and protect breeding areas. The effort control proposal is designed to limit the number of days that a vessel may be permitted to fish in accordance with the quota available to that particular vessel. Good progress has been made in aligning the industry and MCM and it is hoped that these measures will be effective in 2008.

In addition to these larger initiatives, I&J continues to look at other ways of improving the long-term performance of the hake resource. During the year under review its fishing operation reconfigured the shape of the mesh panels on its trawl nets to release and cause minimal harm to undersized fish.

Sustainable development report continued

The Argentinian TAC was reduced by 10,5% from 380 000 tons to 340 000 tons in 2007. Recent research indicates some concerns about the level of juvenile recruitment in the Argentinian resource which could impact performance in two to three years' time. It is likely that the TAC for the 2008 calendar year will be reduced in response to these findings.

In addition to managing the risk relating to its hake fishing resources, AVI is committed to the ongoing evaluation and implementation of appropriate sustainable practices across its operations, including the responsible and efficient use of energy.

Transformation and good corporate citizenship

Transformation

AVI measures its contribution to transformation against the framework provided in the Codes of Good Practice, which were published during February 2007 in terms of the Broad-Based Black Economic Empowerment Act of 2003 ("the BBBEE Act").

The highlights of the year under review have been:

- the implementation of a Broad-Based Black Economic Empowerment Scheme ("the Scheme") for all black permanent employees; and
- the conclusion of a BBBEE rating evaluation based on the new codes that will enable AVI, on a very detailed basis, to plan and develop its transformation efforts.

The AVI Black Staff Empowerment Scheme

The AVI Black Staff Empowerment Scheme was approved by shareholders in October 2006 and implemented in March 2007. The Scheme places R411 million of share purchase rights in the hands of AVI's current and future black employees, enabling them to participate in the capital growth of the shares over a period and ultimately choose to acquire and hold some of the shares or realise the economic benefit. A total of 26,5 million shares, equivalent to 7,7% of AVI's issued ordinary shares, have been issued to a trust to underwrite the share purchase rights. 80% of the shares have already been allocated to approximately 5 000 employees and the balance will be allocated to new or promoted employees over the next five years.

The Scheme promotes real broad-based black economic empowerment as each participant receives a material allocation that is determined as a proportion of his or her annual cost of employment.

BBBEE rating

After the Codes of Good Practice were published AVI embarked on a BBBEE scorecard rating exercise with an official rating agency. The rating indicates that AVI is compliant at a Group level although some of the measurement areas are best regarded as provisional with most suppliers updating their ratings in line with the new codes. Somewhat disappointingly the new codes give no recognition to the AVI Black Staff Empowerment Scheme despite the meaningful economic empowerment we expect this scheme to deliver to black employees. Hopefully there is scope for future changes to give more recognition to such initiatives.

Most importantly, the rating exercise has provided the platform necessary to develop and plan the Group's transformation efforts in the medium term. Detailed and measurable targets will be agreed in the next few months and achievement of these will be co-ordinated and monitored from a central point.

Equity ownership

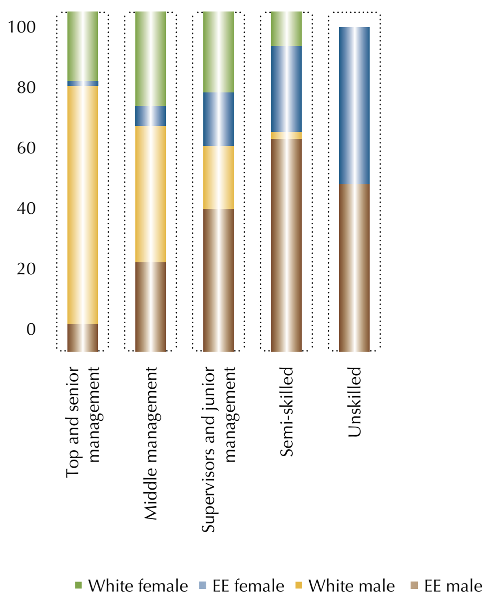
In addition to the 7,7% participation by black employees in AVI's equity, 25% of I&J is directly held by black shareholders including staff. AVI continues to engage constructively with the minority shareholders in I&J to ensure that the long-term return from this investment, underpinned by improved performance from I&J, will meet the expectations of all shareholders.

Employment equity

AVI's operations all have employment equity policies and targets in place. Key activities remain the preferential recruitment of black employees, the maintenance of graduate trainee programmes aimed at black graduates, and the ring-fencing of certain positions for black employees. Notwithstanding some material progress, notably in the executive community, the introduction of AVI's new operating structure and a number of resultant resignations diluted the gains made to some extent. This is an area that will receive much focus and improved alignment from the BBBEE scorecard rating process.

AVI's employee profile is reflected in the graph below.

Employment equity (%)



Preferential procurement

Progress in this area has not been as fast as originally planned and it remains an area for development. Many of AVI's suppliers are completing or updating their empowerment ratings in accordance with the new codes and this, when finalised, will provide a more accurate measure of progress and a better understanding of what can still be achieved.

Skills development

AVI spent 1,2% of its payroll on the training and development of its employees during the reporting period. Workplace skills plans and reports for all the operations were submitted to the relevant Sector Education and Training Authorities and most of the skills development levies were refunded as a result.

Key achievements in this area for the year include:

- the establishment of a central human resources shared service to promote and facilitate specific skills development across the Group;
- continuation of leadership development, with a focus on the management of diversity;
- creation of an academy for sales training that exposed a broad segment of sales staff to business and life skills;
- improvement of literacy and numeracy skills amongst lower level employees by providing them with adult basic education and training;
- systematic training across all technical disciplines;
- implementation and support of learnerships in mushroom cultivating, seamanship, information technology and production supervision; and
- the exposure of semi-skilled and unskilled employees to personal leadership development and team collaboration efforts. 110 junior management employees were trained in facilitation and training skills to provide an internal resource for this initiative.

Sustainable development report continued

The first module, which focused on personal leadership and responsibility, was rolled out to approximately 1 500 employees.

Skills development remains a priority for the Group for the year ahead with the primary focus on the attraction, retention and development of talented people.

Good corporate citizenship

Employee wellness

A healthy workforce materially contributes to the success of the business. AVI adopts an integrated approach to employee wellness and strives to ensure that its work places promote high standards of health and safety.

Employees' health and safety requirements are considered within the risk management framework. Legislative compliance is monitored by risk committees that meet quarterly and via an annual risk audit of each site. Matters that arise are addressed by the on site risk committees, or elevated to the audit committees that they report into for appropriate action.

Employees are trained and retrained on appropriate health and safety practices and regulatory requirements. AVI's safety record is measured against the percentage of employees that suffer a disabling injury for every 200 000 man-hours worked, where a disabling injury is an injury that causes an employee to miss the shift following the one in which he or she was injured. The Group's disabling injury frequency rate for the year under review is reflected in the following table:

COMPANY	DISABLING INJURY FREQUENCY RATE
Group	1,26
NBL	0,71
RBC	0,65
I&J	1,90
Denny	1,64
Indigo	0,89
Spitz	0,39

An essential component of AVI's wellness programme is the active management of employees' exposure to HIV/AIDS. AVI has been committed to addressing the HIV/AIDS pandemic for a number of years and has made significant progress in this regard. Key features of the HIV/AIDS programme are:

- the larger operational sites have clinics that are resourced with qualified health professionals who are able to assist employees who wish to establish their HIV status and to treat HIV(+) employees both clinically and psychologically;
- anonymous prevalence testing and impact assessments;
- education and awareness programmes across the Group;
- ongoing voluntary counselling and testing ("VCT");
- active employee support programmes for HIV(+) employees;
- the provision of universal precautions to prevent accidental transmission in the workplace; and
- the dispensing of free prophylaxis.

There is concern that, in spite of these efforts, employees have often not sufficiently availed themselves of the opportunities to establish their HIV status and to manage their health responsibly if found to be HIV(+). An external service provider has been engaged to review the program and conduct a Group-wide campaign in the first half of 2008. This campaign encompasses a formal VCT program and improved post VCT support for HIV(+) employees. The independence and level of expertise provided by the external service provider will hopefully improve employee response in this area, enabling a better outlook for our HIV(+) employees.

Corporate social investment

AVI's corporate social investment ("CSI") programme incorporates support of those initiatives that fall outside of our day-to-day enterprise, and are intended to bring about positive social and economic changes to historically disadvantaged communities and to enhance the environment in which the Group operates. On an annual basis 1% of the prior year's pre-tax profits is allocated to a range of programmes and welfare organisations with a focus on education, health, developmental sports, cultural events, crime prevention and the environment. Approximately R6 million was spent on CSI initiatives during the year under review.

AVI aims to invest in projects that will make a material and sustainable difference to the beneficiaries. Some of the larger projects or organisations supported include:

- Star Schools – this non-governmental organisation provides additional schooling in Mathematics, Science and English to high school learners in townships in Gauteng and Kwa-Zulu Natal. Funding provided by AVI is used to sponsor 150 students, cover transport and stationery costs and results in the provision of full tertiary bursaries to three students per year;
- Bakers Mini Cricket – which has become a key contributor to the development of cricket in South Africa;
- St Mary's Hospital – supporting the hospital's efforts to provide home-based care for the terminally ill and support for households run by children in 15 disadvantaged communities located between Durban and Pietermaritzburg;
- Feeding schemes – sponsoring five feeding kitchens in the Western Cape which provide nourishment to the homeless and the Peninsula feeding scheme which provides meals to hundreds of disadvantaged primary school learners;
- Tertiary institutions – sponsorship of a number of tertiary institutions with a focus on elevating the level of education and providing bursaries to disadvantaged persons;
- Educational tools – AVI sponsored 1 400 "lap desks" to disadvantaged children in the Diepsloot and Witkoppen areas;
- Friends of the Johannesburg Public Library – provision of grants to enable the library to replenish reference books in 10 of its branches that are situated in less affluent areas in Johannesburg. These reference books are used extensively by high school learners, and university and college students;

Sustainable development report continued

- Palaeontological Scientific Trust ("PAST") – sponsorship of PAST's Walking Tall Educational Theatre Workshop which is supportive of the primary school curriculum, teaches numerous learners about the origin of humankind and gives them a better understanding of palaeoanthropology;
- Apollo Music Trust – sponsorship of a community outreach programme which enables disadvantaged primary school learners to experience orchestral concerts and musical performances; and
- Rural Education Access Programme ("REAP") – provision of grants to REAP which are used to assist learners from poor rural communities to obtain tertiary education. REAP assists these disadvantaged learners to bridge the gap between high school and university by providing financial and other assistance, such as counselling and mentoring.

Environmental responsibility

Many of AVI's activities impact directly and indirectly on the environment and it is imperative that responsible environmental management practices are adopted and enforced. An independent service provider carries out annual audits at each site to measure the impact on the environment and ensure compliance with legislation and Group policy.

Key focus areas are:

- compliance with all environmental legislation applicable to our operations;
- adoption of responsible and compliant waste disposal practices. A new effluent treatment plant has been installed at the Isando coffee factory to improve the treatment of coffee bean residue and is being commissioned during September 2007;
- creating awareness of sound environmental practices amongst employees;

- conservation of water and non-renewable energy sources;
- with respect to fishing activities, adherence to Marine and Coastal Management's Code for Fishing in South Africa. I&J took the lead in introducing bird-scaring lines, commonly referred to as tori-lines, in 2006 to reduce the incidental mortality of seabirds;
- carrying out regular, comprehensive audits to measure the impact of all operations on the environment and compliance with Group policies.

Contents

Approval of annual financial statements

The annual financial statements and Group annual financial statements which appear on pages 48 to 106 were authorised for issue by the Board of directors on 6 September 2007 and are signed on their behalf.

AWB Band
Non-executive chairman

SL Crutchley
Chief executive officer

Certificate of the company secretary

In terms of section 268G(d) of the Companies Act, 1973, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies for the financial year ended 30 June 2007, 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.

M Ndema
Company secretary
Illovo, Johannesburg
6 September 2007

Report of the independent auditors

To the members of AVI Limited

We have audited the Group annual financial statements and the annual financial statements of AVI Limited, which comprise the balance sheets at 30 June 2007 and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 48 to 106.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of AVI Limited at 30 June 2007, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per MCA Hoffman
Chartered Accountant (SA)
Registered Auditor
Director
6 September 2007

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Directors' report

Business of the Company and Group

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

Directors' responsibilities relating to the annual financial statements

The Company's directors are responsible for the preparation and fair presentation of the Group annual financial statements and separate parent annual financial statements, comprising the balance sheets at 30 June 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

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

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

Financial

The results of operations for the year are set out in the income statement on page 71.

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

	2007		2006	
	Rm	**%**	Rm	%
REVENUE				
Continuing operations				
Branded consumer products	**6 307,6**	**99**	5 343,3	99
Corporate	**24,8**	**1**	32,3	1
	6 332,4	**100**	5 375,6	100
Discontinued operations				
Pelagic fishing	**–**		13,9	–
Total	**6 332,4**	**100**	5 389,5	100

**Prior year restated to deduct warehouse and distribution allowances in compliance with Circluar 9/2006. Refer to Note 15 for more information.*

	2007		2006	
	Rm	**%**	Rm	%
OPERATING PROFIT BEFORE CAPITAL ITEMS				
Continuing operations				
Branded consumer products	**751,5**	**102**	509,6	99
Corporate	**(16,1)**	**(2)**	7,7	1
	735,4	**100**	517,3	100
Discontinued operations				
Pelagic fishing	**–**		(2,1)	–
Total	**735,4**	**100**	515,2	100

Details of this analysis are provided on pages 56 and 57 in the segmental information report, which follows the directors' report.

A four-year summary of Group income statements, balance sheets and cash flow statements is presented on pages 26 to 28. 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 104 to 106.

The principal changes were as follows:

- Effective June 2006 AVI Limited finalised terms for the purchase of the remaining 40% equity interest in A&D Spitz (Pty) Ltd, and settled the deferred purchase consideration raised in terms of IFRS 3 – Business Combinations in July 2006. The business was considered a wholly owned subsidiary from 2 July 2005 and no minorities were recognised.
- Effective 1 July 2006, The Real Beverage Company (Pty) Ltd, through a subsidiary, acquired the assets of a manufacturer and distributor of short-life juice in the Out of Home sector.
- Effective 1 March 2007, the Company, through a subsidiary, acquired the assets of Nina Roche, a retailer of exclusive footwear and accessory brands.

There were no other significant changes to investments.

Share capital

Details of the Company's authorised and issued share capital are given in Note 8 to the annual financial statements on page 82.

Issues and redemptions during the year

The Company issued 26 487 980 ordinary shares of 5 cents each during the year to The AVI Black Staff Empowerment Scheme Trust in terms of the broad based black empowerment scheme approved at the general meeting held on 18 October 2006.

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 83.

Directors' report continued

During the year, the Company redeemed 53 009 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 31 to the annual financial statements on page 97.

Directorate

There were the following changes to the Board in the year under review. Mr Kenny Fihla resigned as a member of the Board on 22 March 2007. Mr Gavin Tipper joined the Board on 26 March 2007 and also joined the audit committee.

In terms of the Company's Articles of Association, Messrs SD Jagoe, RS Katzen and GR Tipper 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 2007 and 30 June 2006, being ordinary shares of 5 cents each, are as follows:

	Direct number	Beneficial Indirect number	% of total
At 30 June 2007			
AWB Band	**346 861**	**–**	**0,1**
SL Crutchley	**539 545**	**–**	**0,2**
PM Goss	**–**	**48 400**	**0,0**
RS Katzen	**283 622**	**–**	**0,1**
Total	**1 170 028**	**48 400**	**0,4**
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

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 2007		
SL Crutchley	**40 918**	**27,6**
RS Katzen	**25 854**	**17,5**
Total	**66 772**	**45,1**
At 30 June 2006		
SL Crutchley	40 918	20,3
RS Katzen	25 854	12,9
Total	66 772	33,2

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 2007 to the date of this report.

Share incentive schemes

The interests of the directors are given on page 54 in the directors' remuneration report.

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

Date of grant	Exercise price R	Instruments[1] outstanding at 30 June 2006 number	Movement during the year Exercised number	Relinquished number	**Instruments[1] outstanding at 30 June 2007 number**
THE AVI SHARE INCENTIVE SCHEME					
June 2001	5,18	129 688	(129 688)	–	**–**
September 2001	6,21	144 117	(79 727)	–	**64 390**
November 2001	6,67	33 126	(19 949)	–	**13 177**
December 2001	7,39	6 706	–	(6 706)	**–**
May 2002	7,82	31 847	(15 924)	–	**15 923**
May 2002	7,71	37 624	(26 734)	–	**10 890**
		383 108	(272 022)	(6 706)	**104 380**

[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.

Date of grant of rights	Exercise price R	Instruments[2] outstanding at 30 June 2006 number	Movement during the year Exercised number	Relinquished number	**Instruments[2] outstanding at 30 June 2007 number**
THE AVI EXECUTIVE SHARE INCENTIVE SCHEME					
10 Jan 2003	8,18	173 654	(83 197)	–	**90 457**
1 Jul 2003	8,53	302 880	(252 167)	–	**50 713**
1 Jan 2004	9,55	468 273	(226 382)	–	**241 891**
1 Jul 2004	10,02	402 215	–	–	**402 215**
31 May 2005	12,62	1 946 054	(231 319)	(31 193)	**1 683 542**
10 October 2005	15,19	162 573	–	–	**162 573**
		3 455 649	(793 065)	(31 193)	**2 631 391**

[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 or resignation.

Directors' report continued

Date of grant	Exercise price	Instruments outstanding at 30 June 2006	Granted number	Exercised number	Relinquished number	Instruments outstanding at 30 June 2007
THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN						
January 2001	8,21	57 350				**57 350**
January 2002	6,23	23 537				**23 537**
January 2003	8,21	178 526		(123 351)		**55 175**
January 2004	9,79	215 465		(116 415)	(10 411)	**88 639**
January 2005	12,62	209 800			(10 078)	**199 722**
October 2005	13,21	161 989				**161 989**
January 2006	16,32	89 288				**89 288**
April 2006	16,32	628 729				**628 729**
May 2006	16,85	69 332				**69 332**
October 2006	15,91	–	177 516			**177 516**
		1 634 016	177 516	(239 766)	(20 489)	**1 551 277**

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

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 2006	201 033
Redeemed and cancelled during the year	(53 009)
At 30 June 2007	**148 024**

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 17 139 324 ordinary shares and/or convertible redeemable preference shares) of the total issued ordinary and convertible redeemable preference share capital of the Company. Each participant may not acquire share instruments or options under the Schemes which would amount in aggregate to more than 2 percent (presently 6 855 730 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 2007 is 2 883 795, which equates to 0,8% of the issued share capital. The AVI Black Staff Empowerment Scheme Trust is not subject to these restrictions.

AVI Black Staff Empowerment Scheme

Date of grant	Grant price	Exercise price[1]	Instruments outstanding at 30 June 2006	Granted number	Relinquished number	**Instruments outstanding at 30 June 2007**
THE AVI BLACK STAFF EMPOWERMENT SCHEME TRUST						
January 2007	15,51	16,02	–	21 120 475	–	**21 120 475**
			–	21 120 475	–	**21 120 475**

[1] *The exercise price is calculated at 30 June 2007 in terms of the trust deed, which sets the purchase price for a grant at inception as an amount equal to the sum of:*
- *1 551 cents per share (the 30-day VWAP on 20 September 2006); plus*
- *An amount equal to a portion of the interest on the trust loan attributable to such shares calculated to the date of exercise of the right to purchase; less*
- *Any dividends received by the Trust in respect of the shares up to the date of exercise of the right to purchase.*

Participants have been granted a Right to Purchase from the Trust ordinary AVI shares in three equal tranches after the fifth, sixth and seventh anniversary of acceptance of the offer by the participant. The right to purchase is subject to the express condition that the participant is still an employee at the relevant exercise date. Of the total number of scheme shares 79,7% have been allocated at commencement of the Empowerment Scheme (effective 1 January 2007), with the balance being reserved for appointments and/or promotion of black employees arising from organic growth in the Group's workforce. The subsequent allocations will occur semi-annually in April and October each year, but not later than the end of year five. The Scheme shall terminate by no later than 12 years from inception.

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 2007, according to the information available to the directors were:

	Number of ordinary shares	%
Public Investment Corporation	45 943 905	13,4
Coronation Fund Managers	32 914 224	9,6
AVI Black Staff Empowerment Scheme Trust	26 487 980	7,7
Liberty Group	25 997 323	7,6
Sanlam Investment Management	24 672 409	7,2

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
RT Lunt	13 352	9,0
RG Williams	13 348	9,0
MA Blanckenberg	13 265	9,0
E Stockenstrom	12 066	8,1
D MacDougall	11 921	8,1
Total	63 952	43,2

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

The following special resolution has been passed by the Company since the previous directors' report dated 8 September 2006 to the date of this report.

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

Post-balance sheet events

No significant events have occurred since the balance sheet date.

Shareholders will be asked to approve a revised executive equity participation plan and a payment to shareholders out of share premium at a general meeting to be held on 24 October 2007 immediately after the AGM.

Directors' remuneration report

Share Incentive Scheme interests

Name	Exercise price per share R	Instruments[1] outstanding at 30 June 2006 number	Vested/ exercised number	**Instruments[1] outstanding at 30 June 2007 number**
THE AVI LIMITED SHARE INCENTIVE SCHEMES				
SL Crutchley	6,21[2]	21 406	–	**21 406**
	9,55[5]	40 919	(40 919)	**–**
	10,02[6]	114 285	–	**114 285**
	12,62[7]	211 953	–	**211 953**
RS Katzen	7,71[3]	7 922	(7 922)	**–**
	8,53[4]	125 763	(125 763)	**–**
	10,02[6]	117 781	–	**117 781**
	12,62[7]	141 968	–	**141 968**
OP Cressey	15,19[8]	47 508	–	**47 508**
		829 505	(174 604)	**654 901**

[1]*Includes options and unexercised scheme shares.*
[2]*R6,21 – The balance was exerciseable on 27 September 2006. Any balance not exercised by 27 September 2011 will lapse.*
[3]*R7,71 – 50% of the outstanding options were exercisable on 14 June 2006, with the remaining 50% exerciseable on 14 June 2007. Any balance not exercised by 14 June 2012 will lapse.*
[4]*R8,53 – The options were exercisable in their entirety on 1 July 2006.*
[5]*R9,55 – The options were exercisable in their entirety on 1 January 2007.*
[6]*R10,02 – The options were exercisable in their entirety on 1 July 2007.*
[7]*R12,62 – The options are exercisable in their entirety on 1 June 2008.*
[8]*R15,19 – The options are exercisable in their entirety on 1 October 2008.*

- *Unless specifically noted, all options lapse seven years after the exercise date.*
- *None of the non-executive directors has share incentive scheme interests.*
- *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 50.*

	Exercise price R	Instruments outstanding at 30 June 2006 number	Granted number	**Instruments outstanding at 30 June 2007**
THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN				
SL Crutchley	13,21[1]	161 989		**161 989**
	16,32[2]	209 099		**209 099**
RS Katzen	16,32[2]	120 634		**120 634**
OP Cressey	16,85[3]	69 332		**69 332**
	15,91[4]		123 743	**123 743**
		561 054	123 743	**684 797**

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

[1]*R13,21 – The options are exercisable in their entirety on 1 October 2008*
[2]*R16,32 – The options are exercisable in their entirety on 1 April 2009*
[3]*R16,85 – The options are exercisable in their entirety on 1 May 2009*
[4]*R15,91 – The options are exercisable in their entirety on 1 October 2009*

Emoluments

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

	2007						
	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	2006 R'000
EXECUTIVE DIRECTORS							
AWB Band[1]	–	–	–	–	–	–	927
SL Crutchley	2 500	1 002	327	1 393	222	5 444	5 459
RC Gordon	–	–	–	–	–	–	1 993
RS Katzen	1 452	227	169	939	112	2 899	1 802
OP Cressey[2]	1 315	157	159	–	161	1 792	420
	5 267	1 386	655	2 332	495	10 135	10 601
NON-EXECUTIVE DIRECTORS' AND COMMITTEE FEES							
AWB Band (chairman)						425	306
AJ Ardington						–	105
PM Bester						–	83
MH Buthelezi						160	156
NJM Canca						130	130
AR Evans						145	145
AKL Fihla[3]						75	100
PM Goss						130	130
JR Hersov						100	100
SD Jagoe						140	140
GR Tipper[4]						25	–
BT Wood						–	48
						1 330	1 443
						11 465	12 044

[1]*Non-executive from 1 October 2005.*
[2]*Appointed 10 May 2006*
[3]*Resigned 22 March 2007*
[4]*Appointed 26 March 2007*
**Bonuses paid during the year under review, which relate to the 2006 financial year. Bonuses for the 2007 financial year were not finalised at the time of completing the annual report.*

Details relating to the Group's remuneration practices are set out in the Corporate Governance report on pages 36 to 37.

Segmental information

	Food and Beverage brands							
	Beverages, Snacks & Out of Home				Chilled & Frozen Convenience brands			
	National Brands Limited		The Real Beverage Co.		Irvin & Johnson		Denny Mushrooms	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm
Segmental revenue	**2 811,1**	2 587,0	**267,1**	209,0	**1 907,7**	1 432,5	**263,6**	246,2
SEGMENTAL RESULT								
Operating profit/(loss) before capital items	**393,8**	337,0	**(22,9)**	(20,4)	**146,0**	5,9	**26,2**	21,5
Share of equity accounted earnings of joint ventures	**–**	–	**–**	–	**(21,4)**	(4,8)	**–**	–
Operating profit from ordinary activities	**393,8**	337,0	**(22,9)**	(20,4)	**124,6**	1,1	**26,2**	21,5
SEGMENTAL ASSETS								
Tangible – non current	**613,6**	420,6	**58,3**	27,6	**659,0**	585,9	**116,3**	66,6
– current	**699,5**	574,6	**49,9**	38,1	**625,9**	517,0	**68,9**	69,5
Goodwill and other	**29,8**	29,7	**28,9**	18,4	**–**	3,4	**1,4**	1,4
Fishing rights	**–**	–	**–**	–	**104,7**	110,5	**–**	–
Trademarks	**35,5**	35,6	**9,6**	10,1		0,1	**–**	–
Cash and cash equivalents	**305,6**	277,1	**17,7**	5,6	**276,3**	129,2	**40,7**	3,0
	1 684,0	1 337,6	**164,4**	99,8	**1 665,9**	1 346,1	**227,3**	140,5
Investment in joint ventures	**–**	–	**–**	–	**162,1**	167,6	**–**	–
Total assets	**1 684,0**	1 337,6	**164,4**	99,8	**1 828,0**	1 513,7	**227,3**	140,5
SEGMENTAL LIABILITIES								
Interest bearing	**213,0**	36,7	**251,2**	141,1	**291,7**	184,0	**131,4**	58,5
Non-interest bearing	**505,8**	493,1	**32,7**	35,1	**313,5**	273,3	**41,6**	34,8
Employee benefits	**66,4**	65,7	**–**	–	**214,1**	207,7	**4,2**	4,0
Total liabilities	**785,2**	595,5	**283,9**	176,2	**819,3**	665,0	**177,2**	97,3
CAPITAL								
Capital expenditure	**83,5**	95,8	**10,2**	2,8	**52,6**	65,7	**28,3**	15,1
Depreciation and amortisation	**60,9**	57,2	**5,1**	5,7	**74,2**	69,8	**10,3**	12,7
Impairment losses on property, plant, equipment and intangible assets	**2,0**	–	**–**	–	**0,2**	6,3	**0,3**	–
Operating capital employed[2]	**720,0**	520,1	**86,5**	67,1	**1 174,7**	1 131,5	**123,9**	101,2
Number of employees at year-end[3]	**2 227**	2 166	**678**	416	**4 476**	4 673	**1 362**	1 192

Notes

[1]Includes Nina Roche acquired 1 March 2007, whose results are not material.

[2]Operating capital employed is the average carrying value of segment assets excluding cash and cash equivalents and tax assets, less the average of non-interest bearing liabilities.

[3]Includes full-time employees and the equivalent of full time employees in respect of contracted and temporary employees.

Continuing operations								Discontinued operations		Total	
Fashion brands											
Cosmetics		Footwear						Fishing			
Indigo Cosmetics		A&D Spitz		Corporate & consolidation[1]		Total		Pelagic operations			
2007 Rm	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm
555,9	476,8	**502,2**	391,8	**24,8**	32,3	**6 332,4**	5 375,6	**–**	13,9	**6 332,4**	5 389,5
63,3	50,5	**145,1**	115,1	**(16,1)**	7,7	**735,4**	517,3	**–**	(2,1)	**735,4**	515,2
–	–	**–**	–	**–**	–	**(21,4)**	(4,8)	**–**	–	**(21,4)**	(4,8)
63,3	50,5	**145,1**	115,1	**(16,1)**	7,7	**714,0**	512,5	**–**	(2,1)	**714,0**	510,4
101,3	69,6	**65,8**	29,4	**(288,8)**	78,1	**1 325,5**	1 277,8	**–**	–	**1 325,5**	1 277,8
220,9	194,2	**150,2**	83,7	**11,8**	7,1	**1 827,1**	1 484,2	**–**	–	**1 827,1**	1 484,2
–	–	**–**	–	**510,6**	502,4	**570,7**	555,3	**–**	–	**570,7**	555,3
–	–	**–**	–			**104,7**	110,5	**–**	–	**104,7**	110,5
66,3	66,3	**–**	–	**265,3**	263,8	**376,7**	375,9	**–**	–	**376,7**	375,9
45,1	19,2	**30,5**	81,6	**(398,8)**	(179,9)	**317,1**	335,8	**–**	–	**317,1**	335,8
433,6	349,3	**246,5**	194,7	**100,1**	671,5	**4 521,8**	4 139,5	**–**	–	**4 521,8**	4 139,5
–	–	**–**	–	**–**	–	**162,1**	167,6	**–**	–	**162,1**	167,6
433,6	349,3	**246,5**	194,7	**100,1**	671,5	**4 683,9**	4 307,1	**–**	–	**4 683,9**	4 307,1
177,2	145,5	**81,7**	–	**(631,2)**	38,5	**515,0**	604,3	**–**	–	**515,0**	604,3
126,6	103,3	**92,1**	47,0	**41,3**	33,6	**1 153,6**	1 020,2	**–**	–	**1 153,6**	1 020,2
3,3	2,7	**–**	–	**(1,8)**	(10,9)	**286,2**	269,2	**–**	–	**286,2**	269,2
307,1	251,5	**173,8**	47,0	**(591,7)**	61,2	**1 954,8**	1 893,7	**–**	–	**1 954,8**	1 893,7
17,3	16,9	**37,7**	9,5	**21,9**	9,3	**251,5**	215,1	**–**	–	**251,5**	215,1
13,9	14,5	**5,8**	2,9	**7,4**	5,4	**177,6**	168,2	**–**	–	**177,6**	168,2
–	–	**–**	–	**1,8**	–	**4,3**	6,3	**–**	–	**4,3**	6,3
244,3	164,2	**95,0**	26,8	**637,7**	585,9	**3 082,1**	2 596,8	**–**	–		
440	429	**513**	410	**153**	122	**9 849**	9 408	**–**	–	**9 849**	9 408

Segmental information continued

	2007		2006	
	Rm	**%**	Rm	%
GEOGRAPHIC SEGMENTS				
Continuing operations				
Segmental revenue by market				
The Group's consolidated revenue by geographic market, regardless of where goods were produced, was as follows:				
South Africa	**4 842,2**	**76,6**	4 223,6	78,6
International operations	**696,0**	**10,9**	481,4	9,0
Exports from South Africa	**794,2**	**12,5**	670,6	12,4
	6 332,4	**100,0**	5 375,6	100,0
Operating profit by market				
South Africa	**572,8**	**77,9**	431,0	83,3
International operations	**101,8**	**13,8**	53,9	10,4
Exports from South Africa	**60,8**	**8,3**	32,4	6,3
	735,4	**100,0**	517,3	100,0
Analysis of operating assets by geographic area				
South Africa	**3 820,2**	**81,6**	3 503,3	81,4
Other African	**86,6**	**1,9**	78,5	1,8
Europe	**225,5**	**4,8**	150,4	3,5
Australia	**159,6**	**3,4**	155,6	3,6
South America	**390,6**	**8,3**	417,7	9,7
Other	**1,4**	**–**	1,4	–
	4 683,9	**100,0**	4 307,1	100,0
Geographic spread of capital expenditure				
South Africa	**229,8**	**91,4**	194,3	90,3
Other African	**2,0**	**0,8**	–	–
Europe	**–**	**–**	0,1	0,1
Australia	**–**	**–**	–	–
South America	**19,7**	**7,8**	20,7	9,6
Other	**–**	**–**	–	–
	251,5	**100,0**	215,1	100,0

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 2007 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 Rand ("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.

In particular, information about areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:
Note 1 – useful lives and residual values of property, plant and equipment
Note 2 – useful lives and impairment tests on intangible assets
Note 3 – utilisation of tax losses
Note 11 – measurement of defined benefit obligations
Note 32 – contingencies
Note 33 – measurement of share-based payments

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

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

Warehouse allowances granted to customers have been determined to fall within the scope of this circular, and the necessary 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 15 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.

Accounting policies continued

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, businesses 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 forming part of the Group's cash management, 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.

Defined contribution plans

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

Accounting policies continued

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.

Other long-term employee benefits

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

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

Share-based payment transactions

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.

Cash settled

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

Black economic empowerment transactions

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

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 are stated at amortised 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 risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

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

Gains and losses on subsequent measurement

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

Accounting policies continued

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 or no longer meets the criteria for hedge accounting but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in 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 Rand, being the functional currency of the Company and presentation currency of the Group, at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the financial year are translated to South African Rand at the rates ruling at that date. Gains or losses on translation are recognised in 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.

Foreign operations

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to South African Rand at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Rand at approximate foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity – foreign currency translation reserve. The foreign currency translation reserve applicable to a foreign operation is released to 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. The cost of items transferred from biological assets is their fair value less point-of-sale costs at the date of transfer.

Biological assets

Biological assets 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.

Accounting policies continued

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. Consideration received when own shares held by the Group are re-issued is presented as a change in equity and no gain or loss is recorded.

Accounting policies continued

Taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in the income s

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

Earnings per share

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

New standards and interpretations in issue not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2007, and have not been applied in preparing these consolidated financial statements:

- *IFRS 7 – Financial Instruments: Disclosures and the Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2008 financial statements, will require extensive additional disclosures with respect to Group's financial instruments and share capital.

- *IFRS 8 – Operating Segments* requires segment reporting based on the components of the entity that management monitors in making decisions about operating matters. Such components (operating segments) would be identified on the basis of internal reports that the entity's chief operating decision maker reviews regularly in allocating resources to segments and in assessing their performance. Operating segments would become reportable based on threshold tests related to revenue, results and assets. The statement also requires more qualitative disclosures such as the types of products and services offered by each segment, geographical areas covered and major customers. IFRS 8 will become effective for the Group's 2010 financial statements and may entail a change in the basis of reporting segmental information.

- *IAS 23 – Borrowing Costs* revised eliminates the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group's current policy is to capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset and as such this revision is not anticipated to have any effect on the Group's previously reported consolidated financial statements. The revised statement will become effective for the Group's 2010 financial statements.

- *IFRIC 10 – Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost. The adoption of IFRIC 10 is not expected to have any impact on the previously reported consolidated financial statements.

- *IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions* has been early adopted by the Group in its existing accounting policy for equity settled share-based payments.

- *IFRIC 12 – Service Concession Arrangements* addresses how service concession operators should apply IFRS to account for the obligations they undertake and the rights they receive in service concession arrangements. This interpretation is effective for the Group's 2009 financial statements and is not expected to have any material effect on the Group.

- *IFRIC 13 – Customer Loyalty Programmes* addresses accounting by entities that grant loyalty award credits to customers who buy goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. This interpretation is effective for the Group's 2009 financial statements and is not expected to have a material effect on the Group.

- *IFRIC 14 – The Limits on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides general guidance on how to assess the limit in IAS 19 – *Employee Benefits* on the amount of a pension fund surplus that can be recognised as an asset. The availability of a refund of surplus or a reduction in future contributions (economic benefits) is determined based on the terms and conditions of the plan and any relevant statutory requirements. This interpretation is effective for the Group's 2009 financial statements and is not expected to have a material effect on the Group.

Balance sheet
as at 30 June 2007

	Note	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	1	**1 241,7**	1 182,4	**–**	–
Intangible assets	2	**1 052,1**	1 041,7	**–**	–
Investments in subsidiaries	38, 39	**–**	–	**1 517,9**	1 511,4
Investments in joint ventures	40	**162,1**	167,6	**–**	–
Other investments	41	**83,8**	95,4	**200,4**	182,0
Deferred taxation	3	**121,6**	100,8	**17,3**	12,5
		2 661,3	2 587,9	**1 735,6**	1 705,9
Current assets					
Inventories	4	**720,6**	526,9	**–**	–
Biological assets	5	**40,2**	51,3	**–**	–
Derivatives		**–**	33,9	**–**	–
Current tax assets		**22,8**	3,5	**–**	–
Trade and other receivables	6	**1 035,8**	845,8	**17,7**	34,7
Cash and cash equivalents		**317,1**	335,8	**187,2**	0,1
Assets classified as held for sale	7	**30,5**	26,3	**–**	–
		2 167,0	1 823,5	**204,9**	34,8
Total assets		**4 828,3**	4 411,4	**1 940,5**	1 740,7
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	**17,2**	15,8	**17,2**	15,8
Share premium	8	**411,0**	4,7	**411,0**	4,7
Treasury shares	8	**(435,7)**	(40,8)	**–**	–
Premium on minority equity transactions		**(2,7)**	(2,7)	**–**	–
Reserves	9	**23,2**	(13,2)	**19,5**	10,9
Retained earnings		**2 667,4**	2 376,1	**1 363,7**	1 237,2
Minority interests		**(18,4)**	(8,5)	**–**	–
Total equity		**2 662,0**	2 331,4	**1 811,4**	1 268,6
Non-current liabilities					
Financial liabilities and borrowings	10	**176,4**	192,8	**–**	–
Employee benefits	11	**286,2**	269,2	**–**	–
Operating lease straight-line liability	12	**20,2**	20,0	**–**	–
Deferred taxation	3	**144,6**	130,1	**–**	–
		627,4	612,1	**–**	–
Current liabilities					
Current borrowings	13	**338,6**	411,5	**120,2**	460,2
Derivatives		**5,5**	55,4	**–**	–
Trade and other payables	14	**1 117,5**	944,8	**8,9**	11,6
Corporate taxation		**66,9**	56,2	**–**	0,3
Liabilities classified as held for sale	7	**10,4**	–	**–**	–
		1 538,9	1 467,9	**129,1**	472,1
Total equity and liabilities		**4 828,3**	4 411,4	**1 940,5**	1 740,7

Income statement

for the year ended 30 June 2007

	Note	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
CONTINUING OPERATIONS					
Revenue	15	**6 332,4**	5 375,6	**332,8**	267,8
Cost of sales		**3 704,8**	3 263,5		
Gross profit		**2 627,6**	2 112,1		
Selling and administrative expenses		**1 892,2**	1 594,8	**2,7**	5,2
Operating profit/(loss) before capital items	16	**735,4**	517,3	**(2,7)**	(5,2)
Income from investments	17	**25,3**	16,5	**332,8**	267,8
Finance costs	18	**(57,9)**	(49,7)	**(0,8)**	(23,4)
Share of equity accounted loss of joint ventures	19	**(21,4)**	(12,3)		
Capital items	20	**36,4**	(10,9)	**(0,3)**	(32,5)
Profit before taxation		**717,8**	460,9	**329,0**	206,7
Taxation	21	**234,6**	143,1	**(4,6)**	(12,2)
Profit from continuing operations		**483,2**	317,8	**333,6**	218,9
DISCONTINUED OPERATIONS	**22**				
Revenue	15	**–**	13,9	–	–
Cost of sales		**–**	15,0	–	–
Gross loss		**–**	(1,1)	–	–
Selling and administrative expenses		**–**	1,0	–	–
Operating loss before capital items	16	**–**	(2,1)	–	–
Capital items	20	**–**	6,8	–	–
Profit before taxation		**–**	4,7	–	–
Taxation	21	**–**	–	–	–
Profit from discontinued operations		**–**	4,7	–	–
Profit for the year		**483,2**	322,5	**333,6**	218,9
Attributable to:					
Equity holders of AVI		**491,3**	327,6		
Minority interests		**(8,1)**	(5,1)		
		483,2	322,5		
Basic earnings per share from continuing operations (cents)	30	**156,6**	103,4		
Diluted earnings per share from continuing operations (cents)	30	**155,7**	102,7		

Details of the headline earnings and dividend declared per ordinary share are given in Notes 30 and 31 to the financial statements on pages 95 and 97.

Cash flow statement

for the year ended 30 June 2007

	Note	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
CONTINUING OPERATIONS					
Cash flows from/(utilised by) operating activities					
Cash generated by/(utilised in) operations	23	**932,7**	660,2	**(3,0)**	(5,2)
(Increase)/decrease in working capital	24	**(182,3)**	(36,5)	**14,3**	8,4
Cash generated/(utilised) by operating activities		**750,4**	623,7	**11,3**	3,2
Interest paid		**(57,0)**	(29,7)	**(0,8)**	(2,5)
Taxation paid	25	**(255,2)**	(186,4)	**(0,5)**	–
Net cash available from operating actitives		**438,2**	407,6	**10,0**	0,7
Investing activities					
Cash flow from investments		**25,3**	17,0	**314,4**	283,4
– interest received		**21,9**	17,0	**0,7**	1,2
– dividends received		**3,4**	–	**313,7**	282,2
Acquisition of property, plant and equipment		**(251,5)**	(215,1)	**–**	–
Proceeds from disposals		**82,4**	4,9	**–**	–
Intangible assets purchased		**–**	(19,2)	**–**	–
Investments – net (acquisitions)/disposals		**(361,5)**	(230,6)	**(337,9)**	(108,8)
– subsidiaries and businesses (net of cash acquired)	27	**(359,5)**	(238,2)	**(340,8)**	(256,1)
– loans (advanced)/repaid by subsidiaries				**2,9**	147,3
– associated companies, joint ventures and other investments	28	**(2,0)**	7,6	**–**	–
Net cash used in investing activities		**(505,3)**	(443,0)	**(23,5)**	174,6
Financing activities					
Increase in shareholder funding	29	**7,1**	10,1	**407,7**	4,7
Long-term borrowings		**(4,5)**	54,2	**–**	–
– raised		**2,6**	72,8	**–**	–
– (repaid)		**(7,1)**	(18,6)	**–**	–
Increase/(decrease) in short-term funding		**242,4**	(7,1)	**–**	–
Dividends paid	26	**(199,5)**	(179,2)	**(207,1)**	(180,0)
Net cash from/(used in) financing activities		**45,5**	(122,0)	**200,6**	(175,3)
DISCONTINUED OPERATIONS					
Cash flows from operating activities		**–**	4,2	**–**	–
Cash flows from investing activities		**–**	33,1	**–**	–
		–	37,3	**–**	–
(Decrease)/increase in cash and cash equivalents		**(21,6)**	(120,1)	**187,1**	–
Cash equivalents at beginning of period		**335,8**	448,7	**0,1**	0,1
Net decrease as a result of the translation of the cash equivalents of foreign subsidiaries		**2,9**	7,2	**–**	–
Cash and cash equivalents at end of period		**317,1**	335,8	**187,2**	0,1

Statement of changes in equity

for the year ended 30 June 2007

Year ended 30 June 2007	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	20,5	(40,8)	(13,2)	2 376,1	(2,7)	2 339,9	(8,5)	2 331,4
Recognised income and expense								
Profit for the year	–	–	–	491,3	–	491,3	(8,1)	483,2
Foreign currency translation differences	–	–	17,3	–	–	17,3	–	17,3
Cash flow hedging reserve	–	–	10,5	–	–	10,5	–	10,5
Transactions with shareholders								
Share-based payments	–	–	8,6	–	–	8,6	–	8,6
Dividends paid	–	–	–	(197,7)	–	(197,7)	(1,8)	(199,5)
Issue of ordinary shares	407,7	–	–	–	–	407,7	–	407,7
Own ordinary shares sold/ (purchased) by Company's Share Trusts (net)	–	(394,9)	–	(2,3)	–	(397,2)	–	(397,2)
Redemption of convertible redeemable preference shares	–	–	–	–	–	–	–	–
Balance at end of year	428,2	(435,7)	23,2	2 667,4	(2,7)	2 680,4	(18,4)	2 662,0
COMPANY								
Balance at beginning of year	20.5	–	10,9	1 237,2	–	1 268,6		
Recognised income and expense								
Profit for the year	–	–	–	333,6	–	333,6		
Transactions with shareholders								
Share-based payments	–	–	8,6	–	–	8,6		
Dividends paid	–	–	–	(207,1)	–	(207,1)		
Issue of ordinary shares	407,7	–	–	–	–	407,7		
Redemption of convertible redeemable preference shares	0	–	–	–	–	–		
Balance at end of year	428,2	–	19,5	1 363,7	–	1 811,4		

Statement of changes in equity continued

for the year ended 30 June 2007

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)
Transactions with shareholders								
Share-based payments	–	–	4,5	–	–	4,5	–	4,5
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		
Transactions with shareholders								
Share-based payments	–	–	4,5	–	–	4,5		
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		

Notes to the annual financial statements

for the year ended 30 June 2007

	Group 2007						
	Land Rm	Buildings Rm	Plant and machinery Rm	Motor vehicles, furniture and equipment Rm	Vessels Rm	Equip-ment subject to finance leases Rm	Total Rm
1. Property, plant and equipment							
Cost							
At beginning of year	43,6	298,6	1 020,0	416,8	584,6	5,5	2 369,1
Additions	1,5	30,5	110,6	95,8	12,6	0,5	251,5
Disposals	–	(3,4)	(39,4)	(42,6)	(53,1)	–	(138,5)
Applicable to subsidiaries acquired	–	–	2,7	3,2	2,5	–	8,4
Realignment of currencies	–	0,4	(1,5)	(0,2)	(2,2)	–	(3,5)
Reclassification of assets	–	(3,3)	0,9	2,6	1,3	(1,5)	–
Transfer to assets held-for-sale	–	(0,3)	(9,0)	(1,5)	(25,4)	–	(36,2)
At end of year	45,1	322,5	1 084,3	474,1	520,3	4,5	2 450,8
Accumulated depreciation and impairment charges							
At beginning of year	–	47,5	581,7	263,7	290,3	3,5	1 186,7
Disposals	–	(0,3)	(35,6)	(38,3)	(52,5)	–	(126,7)
Applicable to subsidiaries acquired	–	–	–	0,9	–	–	0,9
Realignment of currencies	–	–	(0,3)	(0,1)	(1,0)	–	(1,4)
Reclassification of assets	–	(1,1)	1,1	(0,2)	–	0,2	–
Transfer to assets held-for-sale	–	–	(1,4)	(0,5)	(22,9)	–	(24,8)
Depreciation charge for the year	–	6,8	76,0	51,9	36,4	0,8	171,9
Impairment charge for the year	–	–	2,3	–	0,2	–	2,5
At end of year	–	52,9	623,8	277,4	250,5	4,5	1 209,1
Net carrying value							
At beginning of previous year	45,0	255,0	400,1	134,9	306,7	1,5	1 143,2
At end of previous year	43,6	251,1	438,3	153,1	294,3	2,0	1 182,4
At end of current year	45,1	269,6	460,5	196,7	269,8	–	1 241,7

Notes to the annual financial statements continued
for the year ended 30 June 2007

	Group 2006						
	Land Rm	Buildings Rm	Plant and machinery Rm	Motor vehicles, furniture and equipment Rm	Vessels Rm	Equip-ment subject to finance leases Rm	Total Rm
1. Property, plant and equipment continued							
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 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 assets held-for-sale	–	(2,2)	(2,0)	(0,1)	(2,5)	–	(6,8)
Depreciation 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 2007 Rm	Group 2006 Rm
1. Property, plant and equipment continued		
Land comprises:		
Freehold	**43,8**	42,1
Long leasehold	**1,3**	1,5
	45,1	43,6

- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2007 was R65,5 million (2006: R55,2 million).
- The original cost of fully depreciated plant and equipment that was still in use at 30 June 2007 was R469,9 million (2006: R410,5 million).
- Property, plant and equipment, with a carrying value of R29,9 million (2006: R31,0 million) has been ceded as security for interest-bearing borrowings.
- Impairment losses during the year arose due to identified obsolescence on items of plant, equipment and vessels.
- During the year the Group reviewed the useful lives and residual values of material items of plant, equipment and vehicles and adjusted these estimates where considered appropriate. The net effect of these changes on depreciation expense for the year was a reduction of R11,7 million (2006: Rnil).
- 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 2007				
	Goodwill Rm	**Fishing rights Rm**	**Trade-marks Rm**	**Customer relationships Rm**	**Total Rm**
2. Intangible assets and goodwill					
Cost					
At beginning of year	573,8	143,0	377,0	–	1 093,8
Arising on acquisition of subsidiaries	17,4	–	3,0	2,0	22,4
Transfer to assets held-for-sale	(3,4)	–	–	–	(3,4)
Realignment of currencies	–	(1,9)	–	–	(1,9)
At end of year	587,8	141,1	380,0	2,0	1 110,9
Accumulated amortisation and impairment charges					
At beginning of year	18,5	32,5	1,1	–	52,1
Amortisation for the year	–	4,7	0,4	0,6	5,7
Impairment charge (Note 20)	–	–	1,8	–	1,8
Realignment of currencies	–	(0,8)	–	–	(0,8)
At end of year	18,5	36,4	3,3	0,6	58,8
Net carrying value					
At beginning of previous year	106,0	96,5	218,3	–	420,8
At end of previous year	555,3	110,5	375,9	–	1 041,7
At end of current year	569,3	104,7	376,7	1,4	1 052,1

- Trademarks with a carrying value of R30,0 million (2006: R30,0 million) have been ceded as security for interest-bearing borrowings.

Notes to the annual financial statements continued
for the year ended 30 June 2007

	Group 2006			
	Goodwill Rm	Fishing rights Rm	Trade-marks Rm	Total Rm
2. Intangible assets and goodwill continued				
Cost				
At beginning of year	124,5	114,1	219,0	457,6
Arising on acquisition of subsidiaries	448,4	–	158,0	606,4
Fishing rights acquired	–	19,2	–	19,2
Realignment of currencies	0,9	10,6	–	11,5
Transfer to 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 20)	–	6,3	–	6,3
Realignment of currencies	–	2,8	–	2,8
Transfer to 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**

Useful lives – Fishing rights, trademarks and customer relationships
The fishing rights are being amortised over a period of 10 – 30 years. During the year the useful life of certain offshore fishing rights was extended from 15 to 30 years based on a revised policy by the respective government. The effect of the change in estimate was a reduction in amortisation charge for the year of R1,4 million (2006: Rnil).

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. Customer relationships are amortised over a period of two years.

2. Intangible assets and goodwill continued

Cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	Group	
	2007 Rm	2006 Rm
Arising on acquisition of A&D Spitz	**449,2**	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
	531,0	530,2
Multiple units without significant goodwill	**38,3**	25,1
	569,3	555,3

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

Impairment tests

The carrying amounts of goodwill and trademarks with an indefinite useful life are reviewed at least annually on the basis of forecast profits of the cash-generating units and forecast sales of branded products. Management forecasts typically cover a three-year period and thereafter a reasonable rate of growth is applied based on market conditions. Goodwill impairment tests are performed using a discounted cash flow model and trademarks on a relief from royalty method. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital of similar businesses in the same sector and of similar size. 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 R1,8 million was provided in respect of discontinued trademarks attributable to A&D Spitz (2006: R6,3 million on fishing rights).

Notes to the annual financial statements continued
for the year ended 30 June 2007

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
3. Deferred taxation				
Balance at beginning of year, being a net liability/(asset)	**29,3**	32,3	**(12,5)**	–
Charge to income statement:	**(11,9)**	(37,9)	**(4,8)**	(12,5)
– current year – temporary differences	**(8,1)**	(28,6)	**–**	–
– deferred taxation asset on prior year tax losses reversed	**–**	2,7	**–**	–
	(8,1)	(25,9)	**–**	–
– deferred taxation on STC credits	**(4,8)**	(7,8)	**(4,8)**	(7,8)
– prior year under/(over) provision	**1,0**	(4,2)	**–**	(4,7)
Subsidiaries acquired	**0,8**	45,8	**–**	–
Subsidiaries sold and unbundled	**–**	–	**–**	–
Realignment of currencies recognised directly in equity	**0,6**	(3,0)	**–**	–
Reserve movements in respect of cashflow hedging			**–**	
recognised directly in equity	**4,2**	(7,9)	**–**	–
Balance at end of year, being a net liability/(asset)	**23,0**	29,3	**(17,3)**	(12,5)
Balance at end of year comprises:				
Accelerated capital allowances	**110,8**	110,4	**–**	–
Intangible assets temporary differences	**107,9**	105,8	**–**	–
Provisions and other temporary differences:	**(115,4)**	(94,8)	**–**	–
– post-retirement medical aid	**(83,7)**	(81,4)	**–**	–
– leave pay and bonus accruals	**(48,7)**	(31,4)	**–**	–
– other taxable/(deductible) temporary differences	**17,0**	18,0	**–**	–
Cashflow hedging reserve	**(0,9)**	(6,0)	**–**	–
Unused tax losses	**(62,1)**	(73,6)	**–**	–
Unused credits in respect of STC	**(17,3)**	(12,5)	**(17,3)**	(12,5)
	23,0	29,3	**(17,3)**	(12,5)
Deferred taxation is comprised at the following rates				
South Africa operations – 29% (2006: 29%)	**70,4**	63,7	**–**	–
Foreign operations at average rate – 32,7% (2006: 30,5%)	**(30,1)**	(21,9)	**–**	–
Secondary taxation on companies – 12,5% (2006: 12,5%)	**(17,3)**	(12,5)	**(17,3)**	(12,5)
	23,0	29,3	**(17,3)**	(12,5)
Reflected as:				
Deferred taxation asset	**121,6**	100,8	**17,3**	12,5
Deferred taxation liability	**144,6**	130,1	**–**	–
Deferred tax assets recognised on unused tax losses were recognised as management considered it probable that future taxable profits will be available against which they can be utilised. The probable utilisation of the losses was based on budgeted and forecast results of subsidiary companies within five years. The tax losses do not expire under current tax legislation.				
The estimated losses which are available for the reduction of future taxable income are	**284,6**	285,2		
of which has been taken into account in calculating deferred taxation.	**214,1**	253,8		
The shareholders' interest in the estimated tax losses not yet utilised is therefore	**70,5**	31,4		

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

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
4. Inventories				
Raw materials	**165,0**	142,7	**–**	–
Consumable stores	**58,4**	60,0	**–**	–
Work in progress	**17,9**	14,7	**–**	–
Manufactured finished goods	**312,6**	233,2	**–**	–
Merchandise – finished goods purchased for resale	**166,7**	76,3	**–**	–
	720,6	526,9	**–**	–

	Mushrooms Rm	Abalone Rm	Total Rm
5. Biological assets			
Balance at 1 July 2005	10,5	30,9	41,4
Decrease due to new production facilities	(0,4)	–	(0,4)
Increase due to purchases	2,8	20,2	23,0
Transferred for processing and sold	–	(11,9)	(11,9)
Loss arising from change in fair value due to physical change	–	(1,9)	(1,9)
(Loss)/gain arising from change in fair value less estimated point of sale costs attributable to price changes	(3,0)	2,4	(0,6)
Effect of movements in exchange rates	–	1,7	1,7
Balance at 1 July 2006	9,9	41,4	51,3
Increase due to new production facilties	0,5	–	0,5
Increase due to purchases	0,5	30,2	30,7
Transferred for processing and sold	–	(16,9)	(16,9)
Harvested items moved to inventory	–	(23,4)	(23,4)
Loss arising from change in fair value due to physical change	–	(2,6)	(2,6)
Gain/(loss) arising from change in fair value less estimated point of sale costs attributable to price changes	0,4	(0,1)	0,3
Effect of movements in exchange rates	–	0,3	0,3
Balance at 30 June 2007	**11,3**	**28,9**	**40,2**

	Kilograms	Animals
Standing volume	1 305 761	5 176 007
Volume harvested/sold in current year	9 006 714	332 899

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
6. Trade and other receivables				
Trade accounts	**928,7**	757,7	**–**	–
Other receivables	**79,4**	88,0	**17,7**	34,7
Prepayments	**22,6**	17,3	**–**	–
Pension fund surplus apportionment accrued	**26,1**	–	**–**	–
	1 056,8	863,0	**17,7**	34,7
Impairment losses	**21,0**	17,2	**–**	–
	1 035,8	845,8	**17,7**	34,7

Notes to the annual financial statements continued
for the year ended 30 June 2007

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
7. Assets held-for-sale				
Property, plant and equipment	**12,2**	25,6	**–**	–
Inventories	**17,6**	–	**–**	–
Trade and other receivables	**0,7**	0,7	**–**	–
	30,5	26,3	**–**	–
Liabilities held-for-sale				
Short-term borrowings	**(6,3)**	–		
Trade and other payables	**(4,1)**	–		
	(10,4)	–		

Assets held-for-sale primarily comprise an ancillary offshore subsidiary of I&J presented as a disposal group. Efforts to sell the subsidiary have commenced. An impairment loss of R16,3 million on the remeasurement of the disposal group to the lower of its carrying amount and fair value less costs to sell has been recognised in capital items. Other assets classified as held-for-sale include properties and retired fishing vessels held-for-sale (2006: property for disposal).

	Group and Company	
	2007 Rm	2006 Rm
8. Share capital and premium		
Share capital		
Authorised		
Ordinary share capital		
960 020 000 (2006: 960 020 000) ordinary shares of 5 cents each	**48,0**	48,0
Preference share capital		
10 000 000 (2006: 10 000 000) convertible redeemable preference shares of 20 cents each	**2,0**	2,0
Total authorised share capital	**50,0**	50,0
Issued		
342 638 463 (2006: 316 150 483) ordinary shares of 5 cents each	**17,1**	15,7
148 024 (2006: 201 033) convertible redeemable preference shares of 20 cents each	**0,1**	0,1
Total issued share capital	**17,2**	15,8
Share premium		
Balance at beginning of year	**4,7**	–
Premium on issue of ordinary shares net of share issue expenses	**406,3**	4,7
Balance at end of year	**411,0**	4,7
Total issued share capital and premium	**428,2**	20,5

	Group	
	2007 Rm	2006 Rm
Treasury shares		
Balance at beginning of year	**(40,8)**	(51,7)
Net own ordinary shares (purchased)/sold by the Company's Share Trusts during the year	**(394,9)**	10,9
Balance at end of year	**(435,7)**	(40,8)

	Group and Company	
	2007 Number	2006 Number

8. Share capital and premium continued

Details relating to the movements in the issued share capital are given on page 53 in the directors' report and in the statement of changes in equity on pages 73 and 74. The number of ordinary shares in issue is summarised as follows:

	2007 Number	2006 Number
At beginning of year	**316 150 483**	315 386 460
Issues to The Anglovaal Industries Limited Share Purchase Trust	**–**	764 023
Issue to The AVI Black Staff Empowerment Scheme Trust	**26 487 980**	–
	342 638 463	316 150 483
Less: Shares held by the Company's Share Trusts	**28 342 540**	3 077 425
At end of year	**314 295 923**	313 073 058

- **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.

Notes to the annual financial statements continued
for the year ended 30 June 2007

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 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	**(2,1)**	(12,6)	**–**	–
Foreign currency translation reserve	**5,8**	(11,5)	**–**	–
Share-based payments reserve	**16,0**	7,4	**16,0**	7,4
	23,2	(13,2)	**19,5**	10,9

- **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 position in 2006 was as a result of the strengthening of the Rand against the relevant overseas currencies post the acquisition of the foreign operations concerned.

- **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 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
10. Financial liabilities and borrowings				
Loans secured by agreements over property, plant and equipment	**2,1**	2,1	**–**	–
Loan secured by cession of rights under an international trademark licensing agreement	**19,8**	21,5	**–**	–
Finance lease liabilities	**28,0**	27,6	**–**	–
Total secured loans	**49,9**	51,2	**–**	–
Deferred purchase consideration	**5,5**	–	**–**	–
Unsecured loans	**192,5**	181,1	**–**	–
Total borrowings	**247,9**	232,3	**–**	–
Amount repayable within one year included in current borrowings (Note 13)	**71,5**	39,5	**–**	–
	176,4	192,8	**–**	–

Interest rates and years of repayments

	Rate of interest %	Total borrowings 2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 Rm	2012 onwards Rm
			Group – Repayable during the year ending 30 June				
Secured loans	8 – 12	**21,9**	3,2	2,9	2,5	2,7	10,6
Finance lease liabilities	8 – 15	**28,0**	2,9	3,1	4,0	5,2	12,8
Unsecured loans		**198,0**	65,4	48,0	42,0	19,5	23,1
	4 – 5	**18,4**	15,3	1,1	1,2	0,7	0,1
	– Libor[1] + 1,25%	**98,3**	21,3[2]	34,9[2]	23,3	18,8	–
	– Libor[1] + 1,6%	**16,8**	16,8	–	–	–	–
	8 – 9	**64,5**	12,0	12,0	17,5	–	23,0
		247,9	71,5	54,0	48,5	27,4	46,5

[1]*The Libor rate at 30 June 2007 was 5,36% (2006: 5,51%), and the weighted average Libor rate for the year was 5,38% (2006: 4,56%).*
[2]*Included in cash and cash equivalents is a deposit of US Dollars 2 million (2006: US Dollars 2 million) which is available for withdrawal to the extent that the loan is repaid.*

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
The borrowings are in the following currencies:				
South African Rand	**77,6**	50,5	–	–
Australian Dollars	**35,9**	30,3	–	–
US Dollars	**129,3**	145,4	–	–
Argentine Pesos	**5,1**	6,1	–	–
	247,9	232,3	–	–

Notes to the annual financial statements continued

for the year ended 30 June 2007

	Group 2007 Rm	Group 2006 Rm
11. Employee benefits		
Post-retirement medical aid		

The Group has an obligation to provide certain post-retirement medical aid benefits to certain eligible employees and pensioners. The entitlement to these benefits for current employees is dependent upon the employee remaining in service until retirement age.

The actuarial valuation of the post-retirement medical aid contributions liability was performed at 1 January 2007 and projected to 30 June 2007.

The principal actuarial assumptions used were:

Discount rate	8,25% (2006: 8,0%)
Medical inflation	6,75% (2006: 6,0%)

	2007 Rm	2006 Rm
Actuarially determined present value of unfunded obligations	312,2	293,2
Unrecognised actuarial loss	(25,2)	(14,5)
Net liability in balance sheet	**287,0**	278,7
Balance at beginning of year	278,7	269,4
Transfer from income statement – operating profit	26,1	27,2
Current service cost	1,8	2,7
Interest cost	23,6	23,9
Experience adjustment	0,7	0,6
Contributions paid	(17,8)	(17,9)
Balance at end of year	**287,0**	278,7
Amounts payable within one year included under Trade and other payables (Note 14)	(20,8)	(21,0)
	266,2	257,7
Share-based payment obligations		
– cash settled	6,6	1,4
– earnings-linked performance bonuses	13,4	10,1
	20,0	11,5
	286,2	269,2

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

	One percentage point increase Rm	One percentage point decrease Rm
Effect on present value of the actuarially determined defined benefit obligation:	40,7	35,5
Effect on the aggregate service and interest cost	2,6	2,9

Historical information	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Present value of the defined benefit obligation	312,2	293,2	297,1	343,6	333,6
Experience adjustments arising on plan liabilities	0,7	0,6	3,4	–	–

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm

12. Operating lease straight-line liability

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
Balance at beginning of year	**20,0**	16,2	**–**	–
Recognised in income statement	**0,1**	(0,7)	**–**	–
Acquisition of subsidiary	**0,1**	4,5	**–**	–
Balance at end of year	**20,2**	20,0	**–**	–

13. Current borrowings

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
Overdrafts and other current borrowings	**267,1**	32,0	**120,2**	120,2
Deferred purchase consideration	**–**	340,0	**–**	340,0
Current portion of interest-bearing borrowings (Note 10)	**71,5**	39,5	**–**	–
	338,6	411,5	**120,2**	460,2

Company

The Company's current borrowings of R120,2 million (2006: R120,2 million) are from subsidiary companies (Note 39).

14. Trade and other payables

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
Trade accounts	**617,9**	524,9	**–**	–
Earnings linked performance bonuses	**45,1**	40,3	**–**	–
Other payables and accrued expenses	**433,7**	358,6	**8,9**	11,6
Post-retirement liabilities falling due within one year (Note 11)	**20,8**	21,0	**–**	–
	1 117,5	944,8	**8,9**	11,6

Share based payment obligations previously included in other payables and accrued expenses have been disclosed under employee benefits in the current year (refer note 11). Prior year comparatives have been restated accordingly, resulting in an increase in non-current liabilities of R11,5 million and a decrease in current liabilities of R11,5 million.

15. Revenue

Group revenue comprises sales of goods excluding value added tax.

	Group 2007 Rm	Group 2006 Rm
Continuing operations	**6 332,4**	5 375,6
Discontinued operations (Note 22)	**–**	13,9
	6 332,4	5 389,5

A segmental and geographical analysis of Group revenue is given on pages 56 to 58 in the segmental information report.

Revenue of the Company comprises investment income (Note 17).

15.1 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 decrease in the cost of inventories or services acquired.

During the current year it was determined that warehouse allowances paid to retailers for using their distribution networks fall within the scope of Circular 9/2006. Previously these costs were estimated at time of sale but were presented as an operating expense.

In accordance with Circular 9/2006 warehouse allowances 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:

	2007 Rm	2006 Rm
Decrease in revenue	**43,3**	31,0
Decrease in selling and administration expenses	**43,3**	31,0

Notes to the annual financial statements continued
for the year ended 30 June 2007

	Group	
	Continuing operations	
	2007 Rm	2006 Rm
16. Operating profit/(loss)		
In arriving at the operating profit/(loss) before capital items, the following have been taken into account:		
Amortisation	**5,7**	6,4
– fishing rights	**4,7**	6,0
– trademarks	**0,4**	0,4
– customer relationships	**0,6**	–
Auditors' remuneration		
– fees for audit	**9,4**	7,9
– fees for other services	**2,7**	2,2
– taxation services and consultations	**1,3**	0,8
– other	**1,4**	1,4
Depreciation of property, plant and equipment	**171,9**	161,8
– buildings	**6,8**	6,4
– plant, equipment and vehicles	**127,9**	121,2
– vessels	**36,4**	33,8
– equipment subject to finance lease	**0,8**	0,4
Employment costs (see note 33)	**1 370,8**	1 196,1
Foreign exchange losses/(gains)	**55,7**	(30,8)
– losses	**64,0**	3,3
– gains	**(8,7)**	(27,9)
– forward exchange contracts net fair value adjustments,	**0,4**	(6,2)
being:		
– realised	**54,9**	(28,4)
– unrealised	**0,8**	(2,4)
Operating lease expenses	**74,2**	61,1
– property	**63,3**	51,8
– plant, equipment and vehicles	**10,9**	9,3
Reversals of impairment losses on receivables	**(5,9)**	–
Write downs of inventory to net realisable value	**6,2**	5,6
Remuneration for services	**30,1**	31,3
– administrative, financial, managerial and secretarial fees	**21,9**	23,7
– technical fees	**8,2**	7,6
Research and development costs	**16,1**	11,7

	Company 2007 Rm	Company 2006 Rm
16. Operating profit/(loss) continued		
Auditors' remuneration		
– fees for audit	**0,1**	–
– other services	**0,1**	–
Directors' remuneration (Note below)	**11,4**	12,0
– executive directors, including share option gains	**10,1**	10,6
– non-executive directors	**1,3**	1,4
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 55.

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
17. Income from investments				
Dividends – unlisted companies	**3,4**	0,3	**332,1**	266,6
Interest	**21,9**	16,2	**0,7**	1,2
	25,3	16,5	**332,8**	267,8
Dividends were received from				
– subsidiary companies	**–**	–	**303,6**	266,6
– other investments	**3,4**	0,3	**28,5**	–
	3,4	0,3	**332,1**	266,6
18. Finance costs				
Borrowings	**(57,7)**	(28,9)	**(0,8)**	(2,6)
Imputed interest on deferred purchase consideration	**(0,2)**	(20,8)	**–**	(20,8)
	(57,9)	(49,7)	**(0,8)**	(23,4)
19. Share of equity accounted (loss)/profit of joint ventures				
Equity accounted loss of principal joint venture	**(22,3)**	(6,6)		
Equity accounted profits of non-principal joint ventures	**0,9**	1,8		
	(21,4)	(4,8)		
Capital item attributable to principal joint venture	**–**	(7,5)		
	(21,4)	(12,3)		

Notes to the annual financial statements continued

for the year ended 30 June 2007

	Group		Company	
	2007 **Rm**	2006 Rm	**2007** **Rm**	2006 Rm
20. Capital items				
Net surplus/(deficit) on disposal of investments, properties, vessels and plant and equipment	**57,0**	2,2	**(0,3)**	(3,3)
Impairment of plant, equipment and vessels	**(2,5)**	–	**–**	–
Impairment of trademarks	**(1,8)**	–	**–**	–
Impairment of disposal group held-for-sale	**(16,3)**	–	**–**	–
Impairment of investment in subsidiary	**–**	–	**–**	(29,2)
Impairment of fishing rights	**–**	(6,3)	**–**	–
	36,4	(4,1)	**(0,3)**	(32,5)
Continuing operations	**36,4**	(10,9)	**(0,3)**	(32,5)
Discontinued operations	**–**	6,8	**–**	–
Joint venture impairment of equipment	**–**	(7,5)	**–**	–
Attributable taxation (Note 21)	**(5,7)**	6,3	**–**	–
	30,7	(5,3)	**(0,3)**	(32,5)
Attributable to minority interests	**–**	–	**–**	–
	30,7	(5,3)	**(0,3)**	(32,5)
21. Taxation				
South African normal taxation	**200,0**	145,3	**0,2**	0,3
Deferred taxation	**(8,1)**	(25,9)	**–**	–
Foreign taxation	**7,4**	7,6	**–**	–
Capital gains taxation	**3,5**	0,3	**–**	–
Secondary Tax on Companies – current	**35,4**	29,2	**–**	–
– deferred	**(4,8)**	(7,8)	**(4,8)**	(7,8)
Prior year under/(over) provisions – current	**0,2**	(1,4)	**–**	–
– deferred	**1,0**	(4,2)	**–**	–
	234,6	143,1	**(4,6)**	(12,2)
Dealt with as follows:				
In respect of profit before capital items	**228,9**	149,4	**(4,6)**	(12,2)
In respect of capital items (Note 20)	**5,7**	(6,3)	**–**	–
	234,6	143,1	**(4,6)**	(12,2)

	Group		Company	
	2007	2006	**2007**	2006
	%	%	**%**	%

21. 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:				
Capital gains tax	**0,5**	–	**–**	–
Deferred taxation asset reversed on prior year tax losses	**–**	0,7	**–**	–
Disallowable expenditure	**3,0**	2,7	**0,3**	8,5
Effect of foreign taxes	**(2,4)**	(1,7)	**–**	–
Exempt income	**(3,7)**	(2,5)	**(29,3)**	(37,3)
Secondary Tax on Companies	**4,1**	4,7	**(1,4)**	(6,0)
Tax losses incurred but not capitalised	**1,6**	–	**–**	–
Prior year under/(over) provisions	**0,2**	(1,2)	**–**	–
Other	**0,4**	(0,6)	**–**	–
Effective rate of taxation for the year (continuing operations)	**32,7**	31,1	**(1,4)**	(5,8)
Reconciliation of rate of taxation (discontinued operations)		%		
Standard rate of company taxation		29,0		
Disallowable expenditure		20,1		
Exempt income		(49,1)		
Effective rate of taxation for the year (discontinuing operations)		–		

22. Discontinued operations

The discontinued operation in the prior year was the remaining elements of the pelagic fishing operation of Irvin & Johnson Holding Company (Pty) Ltd, and residual costs associated with the sale of Vector Logistics (Pty) Ltd.

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

22.1 Vector Logistics (Pty) Ltd				
Results				
Capital items[(1)]	**–**	(3,3)		
Loss before taxation	**–**	(3,3)		
Taxation	**–**	–		
Loss after taxation	**–**	(3,3)		

[(1)]Claim arising from warranties given in the sale agreement.

Notes to the annual financial statements continued
for the year ended 30 June 2007

	Group 2007 Rm	Group 2006 Rm
22. Discontinued operations continued		
22.2 Pelagic fishing operations[2]		
Results		
Revenue	–	13,9
Operating expenses	–	16,0
Operating loss before capital items	–	(2,1)
Capital items	–	10,1
Profit before taxation	–	8,0
Taxation	–	–
Profit after taxation	–	8,0
Cash flows		
Cash utilised in operating activities	–	4,2
Cash generated by investing activities	–	33,1
Cash effects of financing activities being increase in net cash	–	(37,3)

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

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
23. Cash generated by/(utilised in) operations				
Operating profit/(loss) before capital items	**735,4**	515,2	**(2,7)**	(5,2)
Adjustment for:				
– non-cash items:	**197,3**	149,2	**(0,3)**	–
– depreciation of property, plant and equipment	**171,9**	161,8	–	–
– amortisation of intangible assets	**5,7**	6,4	–	–
– foreign currency translations	**6,9**	(14,0)	–	–
– movements in provisions and other	**12,8**	(5,0)	**(0,3)**	–
	932,7	664,4	**(3,0)**	(5,2)
Continuing operations	**932,7**	660,2	**(3,0)**	(5,2)
Discontinued operations	–	4,2	–	

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm

24. (Increase)/decrease in working capital

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
Increase in inventories and biological assets	**(178,7)**	(51,4)	**–**	–
(Increase)/decrease in receivables	**(119,6)**	(53,6)	**17,0**	9,7
Increase/(decrease) in payables	**116,0**	68,5	**(2,7)**	(1,3)
	(182,3)	(36,5)	**14,3**	8,4

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	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm

25. Taxation paid

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
Amount owing at beginning of year	**56,2**	35,7	**0,3**	–
Amount overpaid at beginning of year, included in receivables	**(3,5)**	(1,9)	**–**	–
Net amount owing at beginning of year	**52,7**	33,8	**0,3**	–
Charge per income statement	**234,6**	143,1	**(4,6)**	(12,2)
Deferred taxation included therein (Note 3 to the financial statements)	**11,9**	37,9	**4,8**	12,5
	246,5	181,0	**0,2**	0,3
Applicable to subsidiaries acquired and sold	**–**	23,9	**–**	–
Realignment of currencies	**0,1**	0,4	**–**	–
Amount owing at end of year	**(66,9)**	(56,2)	**–**	(0,3)
Amount pre-paid at end of year	**22,8**	3,5	**–**	–
Net amount owing at end of year	**(44,1)**	(52,7)	**–**	(0,3)
Amount paid during year	**255,2**	186,4	**0,5**	–

26. Dividends paid

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
Per statement of changes in equity	**199,5**	179,2	**207,1**	180,0

Notes to the annual financial statements continued
for the year ended 30 June 2007

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
27. Investments in subsidiary				
Acquisition of subsidiary	**–**	–	**(340,8)**	(256,1)
– Initial acquired interest	**–**	–	**(0,8)**	(256,6)
– 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 beginning of year	**–**	–	**(340,0)**	–
– Deferred purchase consideration at end of year	**–**	–	**–**	340,0
	–	–	**(340,8)**	(256,1)
Net assets of subsidiaries and businesses acquired:				
Property, plant and equipment	**(7,5)**	(6,0)		
Intangible asset – goodwill	**(17,4)**	(448,4)		
Intangible asset – trademarks	**(3,0)**	(158,0)		
Intangible asset – customer relationships	**(2,0)**			
Working capital	**3,6**	(15,2)		
Net short-term borrowings/(cash and cash equivalents)	**0,8**	(28,0)		
Taxation – deferred and corporate	**0,8**	69,7		
Long-term borrowings	**0,7**	–		
	(24,0)	(585,9)		
Net cash and cash equivalents included in acquisitions	**(0,8)**	28,0		
Imputed interest on deferred purchase consideration	**(0,2)**	(20,8)		
Total purchase consideration net of cash acquired	**(25,0)**	(578,7)		
Part payment in previous year	**–**	0,5		
Deferred purchase consideration at beginning of year	**(340,0)**	–		
Deferred purchase consideration at end of year	**5,5**	340,0		
Cash flow on acquisitions	**(359,5)**	(238,2)	**(340,8)**	(256,1)

The acquisitions in the current year comprised:
- Assets of Nina Roche, a retailer of exclusive footwear and accessory brands – acquired by a subsidiary of the Company;
- Operating assets in the Out of Home juice market – acquired by a subsidiary of The Real Beverage Company (Pty) Ltd.

The acquisitions in the prior year comprised:
- A&D Spitz (Pty) Ltd – acquired by the Company.

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
28. Investments in joint ventures and other investments				
Proceeds on disposals and repayments	**–**	23,0	**–**	–
Cost of acquisitions and loans advanced	**(6,9)**	(15,3)	**–**	–
Loans repaid	**4,9**	(0,1)	**–**	–
	(2,0)	7,6	**–**	–
29. Increase in shareholder funding				
Redemption of convertible redeemable preference shares	**–**	(0,1)	**–**	(0,1)
Net sale/(repurchase) of own ordinary shares by the Company's Share Trusts	**7,1**	10,2	**–**	–
Proceeds from the issue of ordinary shares to the Company's Share Trusts	**–**	–	**407,7**	4,8
	7,1	10,1	**407,7**	4,7

	Group	
	2007 Rm	2006 Rm

30. Earnings and headline earnings

The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 313 775 479 (2006: 312 373 484) ordinary shares in issue.

The diluted earnings and headline earnings per share are calculated on 315 614 574 (2006: 314 331 770) ordinary shares.

Determination of headline earnings

	2007 Rm	2006 Rm
Earnings	**491,3**	327,6
Attributable to:		
Continuing operations	**491,3**	322,9
Discontinued operations	**–**	4,7
Adjustment for capital items, net of attributable taxation credit and minority interests (Note 20)	**(30,7)**	5,3
Headline earnings	**460,6**	332,9
Attributable to:		
Continuing operations	**460,6**	335,0
Discontinued operations	**–**	(2,1)
	460,6	332,9

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for the year ended 30 June 2007

	2007 Number	2006 Number
30. Earnings and headline earnings continued		
Reconciliation of weighted average number of ordinary shares		
Issued shares at beginning of year	**316 150 483**	315 386 460
Effect of issue of shares to black staff empowerment scheme trust	**26 487 980**	–
Effect of own shares held by trusts	**(29 565 405)**	(3 749 146)
Effect of shares acquired directly in the market by the Company's Share Trusts	**–**	(71 492)
Effect of shares issued in July – September	**289 452**	298 030
Effect of shares issued in October – December	**283 179**	393 185
Effect of shares issued in January – March	**118 353**	50 019
Effect of shares issued in April – June	**11 437**	66 428
Weighted average number of ordinary shares	**313 775 479**	312 373 484
Weighted average number of ordinary shares	**313 775 479**	312 373 484
Effect of share options outstanding during the year in incentive scheme trusts	**1 037 167**	1 091 611
Effect of share options outstanding during the year in the black staff empowerment scheme trust[1]	**–**	–
Effect of convertible redeemable preference shares outstanding during the year	**801 928**	866 675
Weighted average diluted number of ordinary shares	**315 614 574**	314 331 770

[1] *The calculated exercise price for the black staff empowerment scheme share options at 30 June 2007 is R16,02 per option. See page 53. For determining the dilutive effect of these options, the IFRS 2 – Share Based Payment charge not yet expensed, amounting to R2,94 per option, is added to the exercise price. The national strike price of R18,96 per option is greater than the AVI share volume weighted average price of R18,41 for the 2007 financial year, and these options are therefore anti-dilutive in 2007.*

	Group	
	2007 cents	2006 cents
Headline earnings per ordinary share	**146,8**	106,5
Attributable to:		
Continuing operations	**146,8**	107,2
Discontinued operations	**–**	(0,7)
Diluted headline earnings per ordinary share	**145,9**	105,9
Attributable to:		
Continuing operations	**145,9**	106,6
Discontinued operations	**–**	(0,7)
Earnings per ordinary share	**156,6**	104,9
Attributable to:		
Continuing operations	**156,6**	103,4
Discontinued operations	**–**	1,5
Diluted earnings per ordinary share	**155,7**	104,2
Attributable to:		
Continuing operations	**155,7**	102,7
Discontinued operations	**–**	1,5

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
31. Dividends paid				
Ordinary shares				
No. 64 of 33 cents, paid 9 October 2006	**103,4**		**104,3**	
No. 65 of 30 cents, paid 10 April 2007	**94,3**		**102,8**	
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
	197,7	178,7	**207,1**	180,0
Dividend No. 66 of 43 cents in respect of the year ended 30 June 2007 was declared on 6 September 2007 and is payable on 8 October 2007. 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.	**135,1**		**147,3**	

	Group	
	2007 Rm	2006 Rm
32. Commitments and contingent liabilities		
Commitments		
Capital commitments		
Capital expenditure authorised by the directors		
Property, plant and equipment		
– contracted for	**89,5**	55,7
– not contracted for	**40,5**	38,4
	130,0	94,1
It is anticipated that this expenditure will be financed by cash resources, cash generated from activities and existing borrowing facilities.		
Other contractual commitments have been entered into in the normal course of business.		
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**56,6**	45,3
Between two and five years	**126,6**	82,9
After five years	**72,5**	60,1
	255,7	188,3

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.

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32. Commitments and contingent liabilities continued

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 up to July 2007, is R254,2 million.

Were assessments to be issued for the 2004 to 2007 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 R38,6 million, excluding penalties and interest.

The foreign subsidiary 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. A statement of grounds of appeal is being prepared.

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 R19,8 million (2006: R21,5 million) referred to in Note 10.

33. Employee benefits

	Group		Company	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
Employment costs	**1 370,8**	1 196,1		–
Short-term employment benefits	**1 245,1**	1 070,1	**–**	–
Termination benefits	**15,7**	26,0	**–**	–
Share-based payments				–
– equity settled	**8,6**	4,5	**–**	–
– cash settled	**8,3**	3,1	**–**	–
– earnings linked performance bonuses	**22,6**	4,9	**–**	–
Post retirement medical aid costs	**26,1**	27,2	**–**	–
Retirement benefits	**70,5**	60,3	**–**	–
Pension fund surplus apportionment accrual	**(26,1)**	–		

Comparative amounts have been restated in order to conform with the current year classification of employment costs. The reclassification resulted in an increase in expenses classified as employment costs in the prior year of R51,4 million compared to the amount disclosed in the previous year.

Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 9 849 employees, 4 759 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 R70,5 million (2005: R60,3 million).

The trustees of South African funds within the Group that were previously defined benefit funds have completed 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 were approved during the year and resulted in an accrual of R26,1 million, being the portion attributable to the employer companies, which will be realised by a contribution holiday.

Share-based payments

Details of equity instruments granted to employees are detailed on pages 51 to 53 of the directors' report. Senior management in the subsidiaries participate in company specific earnings linked performance bonus schemes which are accounted for in terms of IAS 19 – Employee Benefits. Management and staff of AVI Financial Services participate in a cash-settled share-based payment plan linked to the share price of AVI Ltd, which is accounted for in terms of IFRS 2 – Share-Based Payments. Equity instruments were granted after 7 November 2002 and not yet vested by 1 January 2005 have been measured and recognised in accordance with the principles contained in IFRS 2 – Share-Based Payments. The fair value of the equity instruments were measured using the Black-Scholes model. The contractual life of the equity instruments is used as an input into the model. The equity instruments are granted under a service condition and the expected attrition is considered in estimating the number of options expected to vest.

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

	Early options[1]	Preference shares[2]	New options[3]
		Scheme	

33. Employee benefits continued

FAIR VALUE OF EQUITY INSTRUMENTS AND ASSUMPTIONS

INSTRUMENTS ISSUED BY THE SHARE INCENTIVE TRUSTS	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.

INSTRUMENTS ISSUED BY THE AVI BLACK STAFF EMPOWERMENT SCHEME TRUST	**Granted 1 January 2007**
Weighted average fair value at grant date	**R3,60**
Share price at grant date	**R18,78**
Weighted average exercise price	**R20,04**(1)
Exercise price as at 30 June 2007	**R16,02**(2)
Expected volatility (weighted average volatility)	**21,75%**
Option life (expected weighted average life)	**6,0 years**
Expected dividend yield	**3,32%**
Risk-free interest rate	**7,85%**

The expected volatility was based on the average volatility since unbundling of Consol on 2 March 2005. The R157 bond rate was used to determine a risk-free interest rate.

(1) *Estimated exercise price is equal to the estimated sum of R15,51 per share plus interest attributable to the purchase of the shares by the Trust less dividends received, as forecast to the expected exercise dates in years 5, 6 and 7 after grant date.*
(2) *This price would be attributable to the participants permitted to exercise early in terms of the scheme rules.*

RIGHTS ISSUED BY THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN	
Fair value at grant date	**R4,27 – R10,17**
Share price	**R20,30**
Exercise price	**R6,23 – R16,85**
Expected volatility (weighted average volatility)	**8,5% – 23,3%**
Option life (expected weighted average life)	**3,5 years**
Expected dividend yield	**3,57%**
Risk-free interest rate	**8,50%**

EMPLOYEE EXPENSES	**2007 Rm**	2006 Rm
Equity settled		
Equity instruments granted between 7 November 2002 and 1 July 2004	**0,3**	0,8
Convertible redeemable preference shares granted 1 January 2003 and 2004	**0,2**	1,6
Options granted 31 May 2005 and 1 October 2005	**1,6**	2,1
Equity instruments granted to all black employees on 1 January 2007	**6,5**	–
	8,6	4,5
Cash settled		
Share appreciation rights – AVI Financial Services	**8,3**	3,1

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for the year ended 30 June 2007

34. 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.

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

	Company	
	2007 Rm	2006 Rm
Main Street 198 (Pty) Ltd	**204,7**	187,7
Richtrau 53 (Pty) Ltd	**18,0**	18,0

The recognition of the preference dividend income in AVI Ltd is capped at the earnings attributable to the minority shareholders (refer note 41).

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 Main Street 198 shareholders' agreement provides for the payment of ordinary dividends equal to 5% of dividends received from I&J on an annual basis.
- 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 R2,3 million recognised in the current year (2006: R1,4 million).

35. 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 2007				
Australian Dollars	**4,2**	**23,7**	**–**	**–**
Euros	**25,1**	**242,6**	**12,9**	**126,8**
UK Pounds	**–**	**–**	**1,3**	**18,5**
US Dollars	**–**	**–**	**27,1**	**197,9**
		266,3		**343,2**
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

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 2008 financial year.

The net fair value asset of cash flow hedges recognised in equity was R2,1 million (2006: net liability of R12,6 million), after taxation and minority interests (Note 9).

The following exchange rates have been applied in translating the results of foreign operations and foreign assets and liabilities:

	2007		2006	
	Closing rate	**Average rate**	Closing rate	Average rate
Argentine Pesos	**2,29**	**2,33**	2,33	2,14
Australian Dollars	**5,98**	**5,67**	5,32	4,79
Botswana Pula	**1,17**	**1,17**	1,18	1,16
Euros	**9,53**	**9,36**	9,16	7,77
UK Pounds	**14,15**	**13,86**	13,24	11,35
US Dollars	**7,05**	**7,17**	7,17	6,38

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35. Financial instruments continued

Monetary assets/(liabilities)

Monetary assets and liabilities denominated in currencies other than Rand 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 2007								
Argentine Pesos	**19,2**	**44,1**	**1,2**	**2,8**	**2,2**	**5,1**	**20,1**	**45,9**
Australian Dollars	**2,4**	**14,5**	**0,2**	**1,3**	**6,0**	**35,9**	**0,2**	**1,2**
Botswana Pula	**11,7**	**13,7**	**13,4**	**16,4**	**–**	**–**	**10,0**	**11,7**
Euros	**9,4**	**89,9**	**9,4**	**89,3**	**–**	**–**	**6,4**	**60,7**
UK Pounds	**0,7**	**9,6**	**0,1**	**1,5**	**–**	**–**	**0,3**	**4,3**
US Dollars	**5,5**	**38,9**	**5,6**	**39,3**	**18,3**	**129,3**	**5,8**	**41,1**
Other		**8,1**		**2,2**	**–**	**–**		**2,2**
		218,8		**152,8**		**170,3**		**167,1**
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

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.

	Group		Company	
	2007	2006	**2007**	2006
	Rm	Rm	**Rm**	Rm

36. Related party transactions

Transactions with group entities				
Administration fees paid to a subsidiary			**0,1**	0,1
Dividends received from subsidiaries (see note 17)			**303,6**	266,6
Loans to/from subsidiary companies (see note 39)			**22,5**	25,3
Other receivables from subsidiaries			**17,7**	34,6
Other payables to subsidiaries			**3,2**	–
Loans to joint ventures (see note 40)	**105,7**	91,0	**–**	–
Royalties received from joint ventures	**11,1**	9,5	**–**	–
Sales to joint ventures	**175,5**	121,1	**–**	–

Details of the principal subsidiaries, joint ventures and other investments are given on pages 104 to 106.

Transactions with key management personnel

The directors of the Company, directors of any of its subsidiaries and business unit management with executive responsibility have been identified as the key management personnel of the Group. This is a change from the previous definition, which only included directors of the company and immediate subsidiaries, and the comparatives have been restated.

The key management personnel costs are as follows:

	Group	
	2007	2006
	Rm	Rm
Short-term employee benefits	**71,1**	64,7
Post-employment benefits	**2,9**	3,0
Termination benefits	**5,4**	8,9
Equity compensation benefits	**25,4**	32,1
	104,8	108,7

Executives also participate in the Company's share option schemes, details of which are given in the directors' report on pages 51 and 52.

37. 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.

	Company	
	2007	2006
	Rm	Rm

38. Subsidiaries

Company's aggregate interest in the profits and losses after taxation of subsidiaries		
Profits after minority interests at subsidiary company level	**568,6**	381,6
Losses after minority interests at subsidiary company level	**(70,1)**	(25,5)
Investment in subsidiaries		
Unlisted – shares in owned subsidiaries	**1 367,4**	1 366,6
Long-term borrowings by subsidiary companies	**163,8**	149,6
Short-term borrowing by a subsidiary company	**–**	17,0
	1 531,2	1 533,2
Share-based payments capitalised	**15,9**	7,4
Provision for impairment	**(29,2)**	(29,2)
Total investment in subsidiaries	**1 517,9**	1 511,4
Short-term borrowings from subsidiary companies	**(120,2)**	(120,2)
Total interest in subsidiaries	**1 397,7**	1 391,2

Notes to the annual financial statements continued

for the year ended 30 June 2007

39. Principal subsidiary companies

Name of company and nature of business	Class	Issued permanent capital 2007 Rm	Issued permanent capital 2006 Rm	Group effective percentage holding 2007 %	Group effective percentage holding 2006 %	Book value of Company's interest – Shares 2007 Rm	Book value of Company's interest – Shares 2006 Rm	Book value of Company's interest – Indebtedness to/(by) the Company 2007 Rm	Book value of Company's interest – Indebtedness to/(by) the Company 2006 Rm
A&D Spitz (Pty) Limited									
– retailer of branded shoes and fashion accessories	Ord.	–	–						
Initial acquired interest				100	60	576,6	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
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	–	–
Indigo Cosmetics (Pty) Limited									
– manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord.	–	–	100	100	–	–	124,0	124,0
National Brands Limited									
– manufacturers and marketers of branded food and beverage products	Ord.	3,5	3,5	100	100	227,1	227,1	–	–
Nina Roche Shoe Collection (Pty) Limited									
– retailer of branded shoes and fashion accessories	Ord.	–	–	100	–	–	–	14,2	–
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
						1 367,4	1 366,6	43,6	46,4
Provision for impairment losses									
– Real Juice Co						(8,1)	(8,1)	(21,1)	(21,1)
Share-based payments capitalised						15,9	7,4	–	–
						1 375,2	1 365,9	22,5	25,3

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.

40. Joint ventures

	Number of shares held Group		Group effective percentage holding	
	2007	2006	**2007 %**	2006 %
PRINCIPAL JOINT VENTURE				
Name of company and nature of business				
Joint venture				
– equity accounted, financial year end 31 August				
Simplot Seafood, Snacks and Meals division				
(unincorporated and operates in Australia, managed by Simplot Australia (Pty) Ltd)				
– food processing, trading and distribution	**–**	–	40	40

		Group	
		2007 Rm	2006 Rm
GROUP CARRYING VALUE OF JOINT VENTURES			
Shares at cost		**25,2**	25,2
Long-term loans		**105,7**	91,0
		130,9	116,2
Share of post-acquisition reserves		**31,2**	51,4
Total carrying value		**162,1**	167,6
I&J's proportionate share of assets and liabilities of Simplot Seafood, Snacks and Meals division			
Property, plant and equipment		**59,9**	51,2
Current assets		**185,2**	170,0
Non-current liabilities – non-interest-bearing	– Group companies	**(28,3)**	(25,1)
	– Other	**(41,3)**	(36,7)
Current liabilities	– Group companies	**(7,6)**	(2,7)
	– Other	**(80,4)**	(58,1)
Share of net assets		**87,5**	98,6
Summarised financial information in respect of the principal joint venture			
I&J's proportionate share of revenue and expenditure was:			
Revenue		**508,1**	437,4
Expenditure		**530,4**	444,0
Capital item – impairment of equipment		**–**	7,5
Loss before taxation		**(22,3)**	(14,1)
Taxation		**–**	–
Loss after taxation, reflected as share of equity accounted earnings of joint venture		**(22,3)**	(14,1)
I&J's proportionate share of the cash flow was:			
Cash utilised by operating activities		**(7,5)**	(13,1)
Cash utilised in investing activities		**(4,8)**	(19,5)
Cash effects of long-term financing activities		**–**	7,8
Net decrease in cash and cash equivalents		**(12,3)**	(24,8)

Notes to the annual financial statements continued

for the year ended 30 June 2007

41. Other investments

	Number of shares held				Group effective percentage holding	
	Group		Company			
	2007	2006	**2007**	2006	**2007** %	2006 %
PRINCIPAL OTHER INVESTMENTS						
Name of company and nature of business						
Other investments						
Main Street 198 (Pty) Limited						
– cumulative redeemable convertible "A" preference shares[1]	**800**	800	**800**	800	**100**	100
Richtrau No 53 (Pty) Limited						
– cumulative redeemable preference share[1]	**1**	1	**1**	1	**100**	100
	Rm	Rm	**Rm**	Rm		
Other investments comprise:						
Preference share investments in the empowerment consortia, including dividends accrued[1]	**–**	–	**194,5**	176,1		
Insurance cell captive fund – net money market investments[2]	**82,2**	76,9	**5,9**	5,9		
Loan to purchaser of an associated company[3]	**–**	14,7	**–**	–		
Other	**1,6**	3,8	**–**	–		
	83,8	95,4	**200,4**	182,0		

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 to limit the recognition of preference dividend income to the equivalent attributable earnings of I&J (refer Note 34).*
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 reflected under current assets.*
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 2007

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	1 577	39,34	817 181	0,24
1 001 – 10 000 shares	1 664	41,52	5 928 600	1,73
10 001 – 100 000 shares	476	11,88	16 833 156	4,91
100 001 – 1 000 000 shares	234	5,84	75 126 108	21,93
1 000 001 shares and over	57	1,42	243 933 418	71,19
	4 008	100,00	342 638 463	100,00
Distribution of shareholders				
Banks	86	2,15	29 418 295	8,59
Close corporations	37	0,92	176 490	0,05
Endowment funds	23	0,57	2 057 441	0,60
Individuals	2 696	67,27	10 077 258	2,94
Insurance companies	36	0,90	35 524 045	10,37
Investment companies	18	0,45	33 119 158	9,67
Medical aid schemes	10	0,25	1 547 143	0,45
Mutual funds	166	4,14	74 431 151	21,72
Nominees and trusts	561	14,00	5 773 639	1,69
Other corporations	58	1,45	2 219 371	0,65
Pension funds	200	4,99	117 634 631	34,33
Private companies	105	2,62	1 477 199	0,43
Public companies	9	0,22	840 102	0,25
Share trusts	2	0,05	1 854 560	0,54
Empowerment	1	0,02	26 487 980	7,73
	4 008	100,00	342 638 463	100,00
Public/non-public shareholders				
Non-public shareholders	31	0,77	29 804 567	8,70
Directors and associates of the Company	28	0,70	1 462 027	0,43
Share trusts	2	0,05	1 854 560	0,54
Empowerment	1	0,02	26 487 980	7,73
Public shareholders	3 977	99,23	312 833 896	91,30
	4 008	100,00	342 638 463	100,00
Top five beneficial shareholders				
Public Investment Corporation			45 943 905	13,41
Coronation Fund Managers			32 914 224	9,61
AVI Black Staff Empowerment Scheme			26 487 980	7,73
Liberty Group			25 997 323	7,59
Sanlam Investment Management			24 672 409	7,20

Shareholders' diary

Reports and profit statements	2007
Half-year interim report announcement in press	Tuesday, 13 March
Results announcement in press	Tuesday, 11 September
Annual financial statements posted	Tuesday, 2 October

Final dividend on ordinary shares

Dividend declared	Thursday, 6 September
Details of dividend announcement on SENS	Monday, 10 September
Details of dividend announcement in press	Tuesday, 11 September
Last day to trade cum dividend on the JSE Limited ("JSE")	Friday, 28 September
First trading day ex dividend on the JSE	Monday, 1 October
Record date	Friday, 5 October
Payment date	Monday, 8 October

In accordance with the requirements of STRATE, no share certificates may be dematerialised or rematerialised between Monday, 1 October 2007 and Friday, 5 October 2007, 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, 8 October 2007.

Annual general meeting

Wednesday, 24 October

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-third annual general meeting of members of the Company will be held at 2 Harries Road, Illovo on Wednesday, 24 October 2007 at 11:00 for the following purposes:

1. To consider the annual financial statements for the year ended 30 June 2007, 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 SD Jagoe who will retire in accordance with the Company's articles of association. Mr Jagoe is available for re-election.*
4. To elect a director in place of Mr RS Katzen who will retire in accordance with the Company's articles of association. Mr Katzen is available for re-election.*
5. To elect a director in place of Mr GR Tipper who will retire by rotation in accordance with the Company's articles of association. Mr Tipper is available for re-election.*
6. To consider and, if deemed fit, to pass without modification, the following special resolution.

*Brief CVs of the directors appear on pages 32 to 33 of the annual report.

Special resolution

"Resolved as a special resolution that the Company or any of its subsidiaries be and are hereby authorised, by way of a general approval, to acquire ordinary shares issued by the Company, in terms of sections 85(2) and (3) and section 89, respectively, of the Companies Act No. 61 of 1973, as amended, and in terms of the Listings Requirements ("Listings Requirements") of the JSE Limited ("the JSE"), namely that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- 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;
- acquisitions of shares in aggregate in any one financial year may not exceed 20% of the Company's issued ordinary share capital as at the date of passing of this special resolution;
- in determining the price at which ordinary shares issued by the Company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by the Company or any of its subsidiaries;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- the Company's sponsor must confirm the adequacy of the Company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE before entering the market to proceed with the repurchase;
- the Company must remain in compliance with the minimum shareholder spread requirements of the Listings Requirements;
- the Company and/or its subsidiaries may not repurchase any shares during a prohibited period as defined by the Listings Requirements save where such repurchase is on terms that have been specifically approved by the JSE or is in accordance with any amendments to the Listings Requirements; and
- shares held by the AVI incentive share trusts will not have their votes at general meetings taken account of for Listings Requirements resolution approval purposes."

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, consider that for a period of 12 (twelve) months after the date of the notice of this annual general meeting:

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

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

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

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

- directors and management – pages 32 and 33
- major beneficial shareholders – pages 53 and 107

Notice of annual general meeting continued

- directors' interests in ordinary shares – page 50; and
- share capital of the Company page 82.

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

7. To consider and, if deemed fit, to pass without modification, the following ordinary resolution:
"Resolved as an ordinary resolution that with effect from 1 July 2007:
- the fees payable to the chairman of the Audit Committee be increased from R60 000 per year to R80 000 per year;
- the fees payable to the chairman of the Remuneration Committee be increased from R40 000 per year to R60 000 per year; and
- the fees payable to the current non-executive directors, excluding the chairman, be increased from R100 000 per year to R110 000 per year."

The increases in directors' fees proposed in terms of the resolution above are based on a detailed review and comparison of non-executive directors' fees with market-related benchmarks. It should also be noted that there were no increases in the fees paid to non-executive directors in the last two years.

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

Litigation statement
In terms of section 11.26 of the Listings Requirements the directors, whose names appear on pages 32 to 33 of the annual report are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group's financial position, save for a tax dispute with SARS, as disclosed in note 32 to the annual financial statements.

Directors' responsibility statement
The directors, whose names appear on pages 32 to 33 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.

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

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 the Company of which it is a holder.

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

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

A form of proxy is attached for the convenience of certificated shareholders and own name dematerialised shareholders only, who are unable to attend the annual general meeting, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the transfer secretaries of the Company, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) by not later than 11:00 on Tuesday, 23 October 2007.

By order of the Board

Mande Ndema
Company secretary
2 Harries Road, Illovo
2 October 2007

Proxy

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

For use only by shareholders holding certificated shares, nominee companies of a Central Securities Depository 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 Company, to be held at 2 Harries Road, Illovo, 2196 at 11:00 on Wednesday, 24 October 2007 ("annual general meeting").

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

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

I/We ______________________________

of (address) ______________________________

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

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the chairman of the annual general meeting,

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

	Number of votes (one vote per share)		
	In favour of	Against	Abstain
To consider the financial statements for the year ended 30 June 2007			
To reappoint KPMG Inc. as auditors			
To re-elect Mr SD Jagoe as a director			
To re-elect Mr RS Katzen as a director			
To re-elect Mr GR Tipper as a director			
Special resolution (authority to buy back shares)			
Ordinary resolution (increase in directors' fees)			

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 ______________________ 2007

Signature ______________________________

Assisted by me (where applicable) ______________________________

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

Please read the notes on the reverse side hereof.

Notes

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

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. 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 chairman of the annual general meeting, if he is the proxy, to vote in favour of and any other proxy to vote or to abstain from voting in respect of the resolutions to be considered at the annual general meeting as he/she deems fit, in either case, in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to exercise all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

3. Duly completed forms of proxy must be received at the office of the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 to be received by not later than 11:00 on Tuesday, 23 October 2007.

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

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

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

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

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

Administration and principal subsidiaries

Administration

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

Company secretary
Mande Ndema

Group financial manager
John von Gottberg

Group internal audit manager
Pieter Vertue

Business address and registered office
2 Harries Road
Illovo
Johannesburg 2196
South Africa

Postal address
PO Box 1897
Saxonwold 2132
South Africa

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

Auditors
KPMG Inc.

Sponsor
Standard Bank

Commercial bankers
Standard Bank

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 (0)11 370 5000
Telefax: +27 (0)11 370 5271

Principal subsidiaries

Food and beverage brands

National Brands Limited
Reg no: 1948/029389/06
(incorporating Entyce Beverages, Snackworx and Out of Home)

30 Sloane Street
Bryanston 2021

PO Box 5159
Rivonia 2128
Telefax: +27 (0)11 707 7799

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

David Hood (Snackworx)
Telephone: +27 (0)11 707 7200

Mark Blanckenberg (Out of Home)
Telephone: +27 (0)11 807 3915

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 (0)11 502 1300
Telefax: +27 (0)11 502 1301

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 (0)21 402 9200
Telefax: +27 (0)21 402 9282

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

29 Eaton Avenue
(Corner Eaton Av & Sloane St)
Bryanston 2021

PO Box 787166
Sandton City 2146

Managing director
Roddy Cairns
Telephone: +27 (0)11 707 7500
Telefax: +27 (0)11 707 7762

Fashion brands

Indigo Cosmetics (Pty) Limited
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