AVI

interim results

for the six months ended 31 December 2005

   

FINANCIAL HIGHLIGHTS

- REVENUE FROM CONTINUING OPERATIONS UP 16% TO R2.9bn
- OPERATING PROFIT FROM CONTINUING OPERATIONS UP 16% TO R290m
- HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS UP 19% TO 60.8 CENTS PER SHARE
- INTERIM DIVIDEND DECLARED – 20 CENTS PER SHARE

GROUP OVERVIEW

Following the significant restructuring of the Group that was completed last year, which comprised the sale of Vector Logistics (Pty) Limited and the unbundling of Consol Limited, AVI continues to make progress on strengthening its focus on branded consumer products with two transactions completed in the six month period to December. The acquisition of A&D Spitz (Pty) Limited ("Spitz") was finalised effective 2 July 2005 and the disposal of Irvin & Johnson Holding Company's ("I&J") commodity pelagic operation, was completed in November following the sale of the remaining vessels. The results of the pelagic operation have accordingly been disclosed as "discontinued operations".

Group revenue from continuing operations increased by 16% assisted by the inclusion of Spitz. On a like-for-like basis turnover from continuing operations was constrained by deflationary pressure on selling prices with an increase of 7% supported by good volume growth in most categories.

The operating margin from continuing operations of 10.0% was in line with that achieved in the comparable period. Excluding the impact of the Spitz acquisition, Group margins on a like-for-like basis declined to 8.2% (2004: 10.0%). This decline is largely attributable to the poor performance of I&J and a worse than anticipated performance from the fresh-to-market brands.

Notwithstanding continued strong operating cash flows, net financing costs from continuing operations have increased to R15m (2004: R8m) as a result of the utilisation of cash resources in respect of the acquisition of Spitz.

The capital items reported under continuing operations consist mainly of an impairment of the shrimp fishing rights in our Argentine fishing operations, Alpesca, as a result of continued restricted access to some fishing areas. In discontinued operations the capital items relate to the profit on sale of the pelagic vessels.

The effective rate of taxation on continuing operations has remained above the official rate of taxation due to the STC charge on the dividends paid. This has been affected by the increase in the Group's annual dividend payout ratio to 50% which was effective for the final dividend payment made in October 2005.

The Group's headline earnings per share for continuing operations increased by 19% to 60.8 cents (2004: 51.1 cents).

Whilst net borrowings have increased, gearing remains low and the group has substantial capacity to raise additional finance should acquisition opportunities arise.

Cash flow from continuing operations has remained strong. Free cash flow was in line with the prior period after taking account of continued investment in the Group's manufacturing operations with R50m spent on maintenance projects (2004: R41m). The Group also continued to invest in new capacity with R47m spent on expansion. The major area of expansion expenditure was the biscuit category where a new baking line was installed which will support our innovation initiatives.

SEGMENTAL REVIEW – CONTINUING OPERATIONS

Six months ended 31 December

	Revenue 2005 Rm	Revenue 2004 Rm	% change	Operating profit 2005 Rm	Operating profit 2004 Rm	% change
Food brands	**2 396**	**2 237**	**7**	**202**	**223**	**(9)**
Groceries	1 391	1 313	6	187	172	9
Frozen foods	775	709	9	16	39	(59)
Fresh-to-market	230	215	7	(1)	12	(108)
Semi-Durable Brands	**479**	**264**	**82**	**96**	**27**	**251**
Beauty	262	264	(1)	27	27	(0)
Footwear	217			69		
Corporate	**16**	**0**		**(8)**	**0**	
Total	**2 891**	**2 501**	**16**	**290**	**250**	**16**

FOOD BRANDS

Groceries

National Brands Limited ("NBL") maintained good performance across most categories despite the ongoing deflationary pressure on selling prices, posting an increase in revenue of 6%. In particular the biscuit brands performed ahead of expectation. Willards, the snack food brand, continues to make progress posting an operating profit ahead of expectations against a loss for the prior period. Overall operating profit increased by 9% to R187m (2004: R172m).

Costs remained well controlled assisted by the impact of the strong Rand. However, a significant increase in raw coffee bean prices resulted in costs increasing, notwithstanding the strength of the Rand. This has affected the performance of both the coffee category as well as our out-of-home operation, which has a significant coffee component.

Frozen foods

Revenue from **I&J's** continuing operations grew by 9% to R775m (2004: R709m) assisted by strong demand for the I&J brand locally and additional hake quota in Alpesca. Despite the revenue gains, operating profit declined by 59% to R16m (2004: R39m). Low catch rates and the ongoing prevalence of small fish in the South African hake fishery increased the costs of catching and constrained the sale of premium margin products into key export markets. This, coupled with the increase in fuel costs, substantially reduced the profitability of the South African operations.

Alpesca was affected by an unexpected labour dispute in September which constrained production for six weeks affecting both cost recoveries and the sales of value-added products. The Argentine government's continued moratorium on shrimp fishing, to encourage the renewal of the resource, also forced the shrimp fleet to stand idle resulting in a substantial under-recovery of fixed overheads.

The announcement of the allocation of Long Term Rights ("LTR") for the South African fishery was made in January 2006. I&J retained 97% of its 2005 hake quota. This has coincided with a 5% reduction in the hake Total Allowable Catch which brings the total reduction for the calendar year 2006 to 8%. The finalisation of these rights will allow I&J to align its structure to the current fishing conditions experienced in the South African hake fishery.

Fresh-to-market

Denny Mushrooms (Pty) Limited ("Denny"), invested substantially in the development of a new marketing strategy around the Denny brand in the fresh mushroom category increasing market share from 51% to 53% notwithstanding a general increase in supply.

This increase in supply of fresh mushrooms, combined with an increase in imported canned products from China at extremely low prices supported by the strength of the Rand has resulted in significant price deflation which has negatively impacted on operating results.

The Real Beverage Company (Pty) Limited ("RBC"), had a very difficult and disappointing six months. A revision to the brand strategy implemented in the prior year negatively impacted on revenue and together with a substantial increase in costs, largely because of a change to the distribution strategy, resulted in RBC posting an unanticipated operating loss for the period.

SEMI-DURABLE BRANDS

Beauty

Revenue reported by Indigo Cosmetics (Pty) Limited ("Indigo") declined by 1% following a planned reduction of exports to Australia.

The local business, including exports into Africa, has shown only marginal volume growth as a result of a more competitive trading environment but has benefited from a 2% price increase, the first such increase in three years. In addition, a buoyant festive season within cosmetics and fragrances helped drive growth. While costs were well controlled, advertising and promotional spend was higher than turnover growth for the period. Operating profit was in line with that achieved in the prior period.

Footwear

The Spitz business performed ahead of expectation for the six months. Revenue was up 53% when compared to the same period in the prior year, and on a like-for-like basis (excluding the six stores that were opened since the acquisition), the increase was 33%. This exciting growth has been driven by our three leading brands, Carvela, Lacoste and Kurt Geiger. Operating profit improved by 57% with operating margins remaining in line with the same period in the previous financial year.

DISCONTINUED OPERATIONS

I&J has completed the sale of the remaining pelagic vessels at a profit of R10m. This concludes the disposal of the pelagic operation, which was reclassified as a discontinued operation in the 2005 financial year.




DIVIDEND

Notice is hereby given that an interim ordinary dividend no. 63 of 20 cents per share for the half year ended 31 December 2005 has been declared payable to holders of ordinary shares. The salient dates relating to the payment of the dividend are as follows:

Last day to trade cum dividend on the JSE
Friday, 31 March 2006

First trading day *ex* dividend on the JSE
Monday, 3 April 2006

Record date
Friday, 7 April 2006

Payment date
Monday, 10 April 2006

In accordance with the requirements of STRATE, no share certificates may be dematerialised or rematerialised between Monday 3 April 2006 and Friday 7 April 2006, both days inclusive.

Where applicable, 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 10 April 2006.

BLACK ECONOMIC EMPOWERMENT

AVI is committed to transformaton at all levels. In this regard, the Group is in the process of finalising a BEE equity structure which will further the transformation of the ownership of the Group.

The proposed structure is expected to be presented to shareholders within the current financial year.

OUTLOOK

We believe the outlook for consumer spending remains sound notwithstanding indications that the growth in consumer spending may stabilise through this calendar year. Consequently, our operating performance expectations for the second semester generally remain positive save for material concerns regarding I&J. In the first two months of the current quarter, the landed cost of fish in the South African fishery has substantially exceeded that of the prior year as a result of lower catch rates and escalating energy costs. As a result, I&J's earnings for the second semester to date show a material decline when compared to the prior year. Whilst the performance of the South African fishery is volatile, on the assumption that current fishing conditions prevail through the second semester, I&J earnings for the full year will be substantially lower than the prior year.

Given the traditional bias of AVI's financial performance to the first semester, the current performance of I&J, a comparatively higher tax rate and an increase in interest payable, AVI's headline earnings growth for the financial year is expected to be well below that achieved in the six months ended 31 December 2005.

Angus Band
Non-Executive Chairman

Simon Crutchley
CEO

13 March 2006

CONDENSED GROUP BALANCE SHEETS

	Unaudited At 31 December 2005 Rm	Unaudited restated* At 31 December 2004 Rm	Audited At 30 June 2005 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	**1 152,4**	1 075,6	1 143,2
Intangible assets	**999,5**	424,5	420,8
Investments	**245,5**	264,9	252,6
Deferred tax asset	**99,7**	74,9	102,0
	2 497,1	1 839,9	1 918,6
Current assets			
Non-current assets held for resale	**9,9**	–	–
Inventories	**530,3**	468,1	488,0
Trade and other receivables	**1 053,1**	928,2	781,9
Cash and cash equivalents	**288,8**	235,2	432,0
Assets of discontinued operations**	**–**	2 038,1	58,1
	1 882,1	3 669,6	1 760,0
Total assets	**4 379,2**	5 509,5	3 678,6
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital, share premium, reserves and retained earnings	**2 208,7**	3 357,3	2 166,4
Minority interests	**(4,5)**	63,8	(2,9)
Total equity	**2 204,2**	3 421,1	2 163,5
Non-current liabilities			
Interest-bearing borrowings	**426,7**	139,7	112,4
Deferred taxation	**169,4**	111,8	134,3
Provisions	**275,2**	269,5	268,4
	871,3	521,0	515,1
Current liabilities			
Trade and other payables	**930,5**	819,1	873,2
Corporate taxation	**80,8**	58,2	35,7
Short-term borrowings	**292,4**	147,7	78,5
Liabilities of discontinued operations**	**–**	542,4	12,6
	1 303,7	1 567,4	1 000,0
Total equity and liabilities	**4 379,2**	5 509,5	3 678,6

Notes:

* see supplementary note 4.

**discontinued operations at 31 December 2004 were Consol Limited ("Consol") and the I&J Pelagic operation. Shares in Consol were unbundled to shareholders in February 2005 and the I&J Pelagic operating assets were sold and operations halted during the six months ended December 2005.

CONDENSED GROUP INCOME STATEMENTS

	Unaudited Six months ended 31 December 2005 Rm	Unaudited restated* Six months ended 31 December 2004 Rm	Change %	Audited Year ended 30 June 2005 Rm
CONTINUING OPERATIONS				
Revenue	2 890,5	2 500,7	16	4 790,4
Operating profit before capital items	289,7	250,4	16	469,1
Income from investments	10,3	13,9	(26)	30,9
Finance costs	(25,6)	(22,3)	(15)	(39,6)
Share of equity accounted earnings of joint ventures	1,6	(1,8)		1,2
Capital items	(7,5)	1,2		(21,8)
Profit before taxation	268,5	241,4	11	439,8
Taxation	89,4	83,6	(7)	124,7
Profit from continuing operations	179,1	157,8	13	315,1
DISCONTINUED OPERATIONS**				
Revenue	12,2	1 463,1		1 794,9
Operating profit before capital items	(2,1)	301,6		371,4
Income from investments	–	3,4		10,8
Finance costs	–	(0,6)		(4,2)
Capital items	10,4	20,3		18,5
Profit before taxation	8,3	324,7		396,5
Taxation	–	108,5		120,8
Profit from discontinued operations	8,3	216,2		275,7
Profit before net gain on disposal of discontinued operation	187,4	374,0	(50)	590,8
Gain on disposal of discontinued operation	–	311,1	(100)	300,5
Profit for the period	187,4	685,1	(73)	891,3
Attributable to:				
Equity holders of AVI	189,0	665,7	(72)	873,5
Minority interests	(1,6)	19,4	(108)	17,8
	187,4	685,1	(73)	891,3
Earnings per share from continuing operations (cents)#	57,9	151,0	(62)	198,6
Diluted earnings per share from continuing operations (cents)†	57,4	149,3	(62)	196,1

Notes:

* see supplementary note 4.

** discontinued operations during the six months ended 31 December 2004 were Consol Limited ("Consol"), Vector Logistics (Pty) Limited ("Vector") and the I&J Pelagic operation. Vector was disposed of during December 2004, the shares in Consol were unbundled to shareholders in February 2005 and the I&J Pelagic operating assets were sold and operations halted during the six months ended December 2005.

earnings per share is calculated on a weighted average of 312 214 234 (2004: 310 326 004 and 30 June 2005: 311 590 025) ordinary shares in issue.

† diluted earnings per share is calculated on a weighted average of 314 687 152 (2004: 314 024 908 and 30 June 2005: 315 536 786) ordinary shares in issue.

CONDENSED GROUP CASH FLOW STATEMENTS

	Unaudited Six months ended 31 December 2005 Rm	Unaudited restated* Six months ended 31 December 2004 Rm	Change %	Audited Year ended 30 June 2005 Rm
CONTINUING OPERATIONS				
Operating activities				
Cash generated by operations	**371,2**	363,7	2	631,6
Cash flow from investments	**10,3**	13,3	(23)	30,9
Decrease/(increase) in working capital	**(185,8)**	(168,7)	10	16,3
Cash generated by operating activities	**195,7**	208,3	(6)	678,8
Interest paid	**(15,7)**	(18,9)	(17)	(39,6)
Taxation paid	**(82,8)**	(101,0)	(18)	(170,0)
Cash available from operating activities	**97,2**	88,4	10	469,2
Dividends paid	**(115,7)**	(167,8)	(31)	(167,9)
Cash retained from operating activities	**(18,5)**	(79,4)	(77)	301,3
Investing activities				
Property, plant and equipment acquired	**(97,4)**	(88,6)	10	(207,1)
Proceeds from disposals	**2,1**	(0,2)		6,6
Net investment in property, plant and equipment	**(95,3)**	(88,8)	7	(200,5)
Intangible assets purchased	**(1,6)**	–		(0,1)
Investments – net (acquisitions)/disposals	**(246,6)**	(188,5)	31	(193,9)
	(343,5)	(277,3)	24	(394,5)
FINANCING ACTIVITIES				
Net increase/(decrease) in shareholder funding	**5,1**	9,2	(45)	(213,5)
Long term borrowings – net movement	**5,1**	(57,8)	(109)	(101,4)
	10,2	(48,6)	(121)	(314,9)
DISCONTINUED OPERATIONS**				
Cash flows from operating activities	**(49,8)**	205,3	(124)	335,0
Cash flows from investing activities	**33,1**	(99,0)	133	(131,1)
	(16,7)	106,3	(116)	203,9
Acquisition of minority equity interest in discontinued operation	**–**	(526,4)	(100)	(526,4)
Cash flow from disposal of discontinued operation	**–**	368,1	(100)	505,8
Decrease in net cash and cash equivalents	**(368,5)**	(457,3)	(19)	(224,8)
Net cash and cash equivalents at beginning of period	**370,2**	602,1	(39)	602,1
	1,7	144,8	(99)	377,3
Translation of cash equivalents of foreign subsidiaries at beginning of year	**(5,3)**	(9,0)	(41)	(7,1)
Net cash and cash equivalents at end of period	**(3,6)**	135,8	(103)	370,2
Short-term borrowings	**292,4**	147,7	98	78,5
Cash and cash equivalents at end of period	**288,8**	283,5	2	448,7
Attributable to:				
Continued operations	**288,8**	235,2	23	432,0
Discontinued operations	**–**	48,3	(100)	16,7
	288,8	**283,5**	**2**	**448,7**

Notes:

* see supplementary note 4.

**discontinued operations during the six months ended 31 December 2004 were Consol Limited ("Consol"), Vector Logistics (Pty) Limited ("Vector") and the I&J Pelagic operation. Vector was disposed of during December 2004, the shares in Consol were unbundled to shareholders in February 2005 and the I&J Pelagic operating assets were sold and operations halted during the six months ended December 2005.

CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	Premium on minority equity transactions Rm	Total Rm	Minority interests Rm	Total equity Rm
Six months ended 31 December 2005								
Balance at 1 July 2005	**15,9**	**(51,7)**	**(22,3)**	**2 227,2**	**(2,7)**	**2 166,4**	**(2,9)**	**2 163,5**
Earnings for the period				189,0		**189,0**	(1,6)	**187,4**
Dividends paid				(115,4)	**(3,0)**	**(118,4)**		**(118,4)**
Issue of ordinary shares	2,6					**2,6**		**2,6**
Disposal of own ordinary shares by Share Trusts (net)		5,6				**5,6**		**5,6**
Foreign currency translation differences			(41,2)			**(41,2)**		**(41,2)**
Cash flow hedging reserve			1,4			**1,4**		**1,4**
Share based payments			3,3			**3,3**		**3,3**
Balance at 31 December 2005	**18,5**	**(46,1)**	**(58,8)**	**2 300,8**	**(5,7)**	**2 208,7**	**(4,5)**	**2 204,2**
Six months ended 31 December 2004								
Balance at 1 July 2004	**317,9**	**(342,4)**	**(11,0)**	**3 163,4**	**–**	**3 127,9**	**309,8**	**3 437,7**
Earnings for the period				665,7		**665,7**	19,4	**685,1**
Dividends paid				(167,5)		**(167,5)**	(3,1)	**(170,6)**
Issue of ordinary shares	7,8					**7,8**		**7,8**
Net (acquisition)/disposal of minority's equity interests in subsidiaries					(236,9)	**(236,9)**	(261,2)	**(498,1)**
Disposal of own ordinary shares by Share Trusts (net)		1,4				**1,4**		**1,4**
Foreign currency translation differences			(29,4)			**(29,4)**	(1,0)	**(30,4)**
Cash flow hedging reserve			(13,0)			**(13,0)**	(0,1)	**(13,1)**
Share based payments			1,3			**1,3**		**1,3**
Balance at 31 December 2004	**325,7**	**(341,0)**	**(52,1)**	**3 661,6**	**(236,9)**	**3 357,3**	**63,8**	**3 421,1**

CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY CONTINUED

	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	Premium on minority equity transactions Rm	Total Rm	Minority interests Rm	Total equity Rm
Year ended 30 June 2005								
Balance at 1 July 2004	**317,9**	**(342,4)**	**(11,0)**	**3 163,4**	**–**	**3 127,9**	**309,8**	**3 437,7**
Earnings for the year				873,5		**873,5**	17,8	**891,3**
Dividends paid				(167,5)		**(167,5)**	(3,2)	**(170,7)**
Issue of ordinary shares	8,0	(8,0)				**–**		**–**
Acquisition of minority interests in Consol Limited					(213,5)	**(213,5)**	(312,9)	**(526,4)**
Acquisition of minority interests in Irvin and Johnson Holding Company (Pty) Limited					(2,7)	**(2,7)**	–	**(2,7)**
Unbundling of subsidiary company, Consol Limited	(106,7)		(4,3)	(1 384,5)	213,5	**(1 282,0)**	(20,9)	**(1 302,9)**
Capital repayment of 64 cents per ordinary share	(201,8)					**(201,8)**		**(201,8)**
Acquisition of own ordinary shares by Share Trusts (net)		(11,6)				**(11,6)**		**(11,6)**
Own ordinary shares acquired from wholly-owned subsidiary company and subsequently cancelled	(1,4)	310,3		(308,9)		**–**		**–**
Redemption of convertible redeemable preference shares	(0,1)					**(0,1)**		**(0,1)**
Foreign currency translation differences			33,2			**33,2**		**33,2**
Cash flow hedging reserve			9,7			**9,7**	0,1	**9,8**
Share based payments			1,3			**1,3**		**1,3**
Transfer between reserves			(51,2)	51,2		**–**		**–**
Other movements						**–**	6,4	**6,4**
Balance at 30 June 2005	**15,9**	**(51,7)**	**(22,3)**	**2 227,2**	**(2,7)**	**2 166,4**	**(2,9)**	**2 163,5**

SUPPLEMENTARY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

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

1. **Statement of compliance**

   The condensed 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.

2. **Basis of preparation**

   The annual financial statements are prepared in millions of South African Rands ("Rm") on the historical cost basis, except for certain financial and equity instruments recognised at fair value.

   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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

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

   The accounting policies have been applied consistently to the periods presented in these consolidated financial statements.

   The accounting policies have been applied consistently by all Group entities.

	Unaudited Six months ended 31 December 2005 Rm	Unaudited restated* Six months ended 31 December 2004 Rm	Change %	Audited Year ended 30 June 2005 Rm
3. Determination of headline earnings				
Profit for the period attributable to equity holders of AVI	**189,0**	665,7	(72)	873,5
Total capital items included in earnings	**1,2**	330,0	(100)	300,2
Net gain on disposal of discontinued operation	–	311,1	(100)	300,5
Net surplus on disposal of investments, properties, vessels and plant and equipment	**3,2**	21,5	(85)	15,2
Impairment of goodwill	–	–		(18,5)
Impairment of fishing rights	**(6,3)**	–		–
Taxation attributable to capital items	**4,3**	(2,6)	(265)	0,2
Minority interest in capital items	–	–		2,8
Headline earnings	**187,8**	335,7	(44)	573,3
Attributable to:				
Continuing operations	**189,9**	158,6	20	337,2
Discontinued operations	**(2,1)**	177,1	(101)	236,1
	187,8	335,7	(44)	573,3
Headline earnings per ordinary share (cents)#	**60,1**	108,2	(44)	184,0
Continuing operations (cents)	**60,8**	51,1	19	108,2
Discontinued operations (cents)	**(0,7)**	57,1	(101)	75,8
Diluted headline earnings per ordinary share (cents)†	**59,6**	106,9	(44)	181,7
Continuing operations (cents)	**60,3**	50,5	19	106,9
Discontinued operations (cents)	**(0,7)**	56,4	(101)	74,8

Notes:

* see supplementary note 4.

\# headline earnings per share is calculated on a weighted average of 312 214 234 (2004: 310 326 004 and 30 June 2005: 311 590 025) ordinary shares in issue.

† diluted headline earnings per share is calculated on a weighted average of 314 687 152 (2004: 314 024 908 and 30 June 2005: 315 536 786) ordinary shares in issue.

SUPPLEMENTARY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (CONTINUED)

4. **Restated results for six months ended 31 December 2004**

The results for the six months ended 31 December 2004 have been restated as follows:

- the I&J Pelagic operation has been re-classified from a continuing operation to a discontinued operation in line with the decision taken in the second half of the 2005 financial year.
- the accounting policy for recognising disposals of shares to the Black Economic Empowerment "BEE" minorities in I&J has been changed as outlined in note 5 below.
- revenue has been reduced to take account of rebates that were previously classified as selling costs by Denny Mushrooms (Pty) Ltd and The Real Beverage Company (Pty) Ltd.

The table below summarises the effect of these restatements on results for the six months ended December 2004:

	I&J Pelagic Rm	BEE minorities Rm	Revenue classification Rm	Total Rm
Revenue	–	–	(12,8)	**(12,8)**
Continuing operations	(25,5)	–	(12,8)	**(38,3)**
Discontinued operations	25,5	–	–	**25,5**
Operating profit before capital items	–	–	–	**–**
Continuing operations	11,0	–	–	**11,0**
Discontinued operations	(11,0)	–	–	**(11,0)**
Headline earnings	–	(3,6)	–	**(3,6)**
Continuing operations	11,0	(3,6)	–	**7,4**
Discontinued operations	(11,0)	–	–	**(11,0)**

The balance sheet has been restated for the above changes, as well as the effect of applying the straight-line basis of accounting for operating leases with fixed escalation payments, as required by Circular 7/2005 – Operating leases. Compliance with circular 7/2005 resulted in the recognition of a non-current liability of R16,2 million at 1 July 2003 representing the difference between lease payments made to date and the straight line charges recognised in the income statement. The change in the liability at 31 December 2004 was not significant and was not adjusted in the financial statements.

5. **Accounting recognition of the disposal of shares in Irvin & Johnson Holding Company (Pty) Limited ('I&J") to BEE partners**

The effective direct BEE shareholding in I&J is 25%. Notwithstanding 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.

This resulted in a change in the Group's accounting policy to recognising such transactions only upon full redemption of preference share funding investments. Previously such transactions were recognised upon entering into the respective agreements. The comparative results and financial position for the six months ended 31 December 2004 have been restated to conform with this change in accounting policy.

6. **Investment activity**

The Company acquired control of A&D Spitz (Pty) Limited ("Spitz") effective 2 July 2005. The initial payment of R255,3 million for 60% of the equity shares was made on 13 August 2005. The terms of an agreement between the shareholders make it highly probable that the remaining 40% will be purchased with effect from July 2007 with the purchase price determined following the preparation of audited financial statements for the year ended 30 June 2007 in terms of a specific formula.

Consequently the transaction has been accounted for as a 100% acquisition of Spitz, with payment for 40% of the equity shares deferred until July 2007. At 31 December 2005 the deferred contingent purchase consideration for the remaining 40% of the equity shares was estimated at R315,3 million.

SUPPLEMENTARY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (CONTINUED)

7. **Commitments**

	Six months ended 31 December 2005 Rm	Six months ended 31 December 2004 Rm	Year ended 30 June 2005 Rm
Capital expenditure commitments for property, plant and equipment	**114.8**	105.2	67.8
Contracted for	**71.3**	42.2	34.2
Authorised but not contracted for	**43.5**	63.0	33.6
Investments in subsidiaries – contracted for	–	–	257.7

It is anticipated that this expenditure will be financed by cash resources, cash generated from activities and existing borrowing facilities. Other contractual commitments have been entered into in the normal course of business.

8. **Contingent liabilities**

The South African Revenue Service ("SARS") has issued assessments on a foreign subsidiary in respect of the tax years 1998 through 2004 on which the taxes assessed by SARS amount to R49.4 million. The total amount in terms of the assessments, including penalties and interest, is R229.7 million. The 2005 tax year has not yet been assessed.

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