AVI

GROWING GREAT BRANDS

2016 COMPANY ANNUAL FINANCIAL STATEMENTS

AVI LIMITED

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

For more information, please visit our website:
www.avi.co.za

AVI

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The financial statements of AVI Limited have been audited in compliance with section 30 of the Companies Act No 71 of 2008, as amended, and have been prepared under the supervision of Owen Cressey, CA(SA), the AVI Group Chief Financial Officer.

These annual financial statements for the year ended 30 June 2016 were published on 12 September 2016.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors' are responsible for the preparation and fair presentation of the annual financial statements of AVI Limited, comprising the balance sheet at 30 June 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa and the Directors' Report.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

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

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of AVI Limited, as identified in the first paragraph, were approved by the Board of directors on 9 September 2016 and are signed by

GR Tipper
Non-executive Chairman
Authorised director

SL Crutchley
Chief Executive Officer
Authorised director

CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission for the financial year ended 30 June 2016, all such returns required of a public company in terms of the Companies Act No 71 of 2008, as amended, and that all such returns are true, correct and up to date.

S Naidoo
Company Secretary
Illovo, Johannesburg
9 September 2016

DIRECTORS' REPORT

The directors' have pleasure in presenting their report for the year ended 30 June 2016.

Business of the Company

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 Company holds investments in trading subsidiaries that manufacture, process, market and distribute branded consumer products in the food, beverage, footwear, apparel and cosmetics sectors.

Financial

The financial results and position of the Company are fully set out in the balance sheet, statement of comprehensive income, statement of cash flows and notes thereto.

Corporate activity

There have been no significant changes to investments during the year.

Share capital

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

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.

Special resolutions to be proposed at the Annual General Meeting of the Company on 3 November 2016 include:

General authority for the Company to acquire its own shares

The directors consider that it will be advantageous for the Company to have a general authority to acquire its own shares. Such authority will be utilised if the directors consider that it is in the best interests of the Company and shareholders to effect any such acquisitions having regard to prevailing circumstances and the cash resources of the Company at the appropriate time. Accordingly, shareholders will be asked to approve such general authority at the Annual General Meeting on 3 November 2016.

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

The directors consider that a general authority should be put in place to provide direct or indirect financial assistance to present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company. Such authority will assist the Company inter alia in making inter-company loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general authority would avoid the need to refer each instance to shareholders for approval. This general authority would be valid up to and including the 2018 Annual General Meeting of the Company. Accordingly, shareholders will be asked to approve such general authority at the Annual General Meeting on 3 November 2016.

Dividends

Dividends, paid and proposed, are disclosed in Note 18 to the financial statements.

Registered office

2 Harries Road
Illovo
Johannesburg

Business address

2 Harries Road
Illovo
Johannesburg

Postal address

PO Box 1897
Saxonwold
2132

Directorate

There were no changes to the Board during the year under review.

In terms of the Company's Memorandum of Incorporation, Mrs NP Dongwana and Messrs JR Hersov, RJD Inskip and M Koursaris retire at the forthcoming Annual General Meeting. All the retiring directors, being eligible, offer themselves for re-election.

In terms of the Companies Act the appointment of Messrs MJ Bosman (Chairman), JR Hersov and Mrs NP Dongwana to the Audit and Risk Committee need to be approved at the forthcoming Annual General Meeting.

Directors' services contracts

Standard terms and conditions of employment apply to executive directors, which, inter alia, provide for notice of termination of three months. Non-executive directors conclude service contracts with the Company on appointment. Their term of office is governed by the Memorandum of Incorporation which provides that one-third of the aggregate number of directors will retire by rotation at each Annual General Meeting, but may, if eligible, offer themselves for re-election.

Share schemes

Particulars of the Company's various share incentive schemes are set out in Note 8.

Directors' interests

The interests of the directors in the issued listed securities of the Company, being ordinary shares of 5 cents each, as at 30 June 2016 and 30 June 2015, are as follows:

	Direct number	Beneficial indirect number	% of total
At 30 June 2016			
SL Crutchley	**800 000**	**–**	**0,23**
OP Cressey	**5 000**	**–**	**0,00**
M Koursaris	**82 500**	**–**	**0,02**
Total	**887 500**	**–**	**0,25**
At 30 June 2015			
SL Crutchley	800 000	–	0,23
OP Cressey	50 000	–	0,01
M Koursaris	82 500	–	0,02
Total	932 500	–	0,26

There has been no change in the directors' interests reflected above since the reporting date.

Material shareholders

The Company does not have a holding company.

Ordinary shares

The beneficial holders of 3% or more of the issued ordinary shares of the Company at 30 June 2016, according to the information available to the directors, were:

	Number of ordinary shares	%
Government Employees Pension Fund	**51 467 948**	**14,8**
Fidelity Worldwide Investment	**18 877 723**	**5,4**
Liberty Group	**17 540 793**	**5,0**
AVI Investment Services Proprietary Limited	**17 234 352**	**5,0**

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

The following special resolutions have been passed by the Company since the previous directors' report dated 4 September 2015 to the date of this report.

- To approve the fees payable to the current non-executive directors, excluding the Chairman of the Board and the foreign non-executive director.
- To approve the fees payable to the Chairman of the Board.
- To approve the fees payable to the foreign non-executive director.
- To approve the fees payable to the members of the Remuneration, Nomination and Appointments Committee, excluding the Chairman of the committee.
- To approve the fees payable to the members of the Audit and Risk Committee, excluding the Chairman of the committee.
- To approve the fees payable to the members of the Social and Ethics Committee, excluding the Chairman of the committee.
- To approve the fees payable to the Chairman of the Remuneration, Nomination and Appointments Committee.
- To approve the fees payable to the Chairman of the Audit and Risk Committee.
- To approve the fees payable to the Chairman of the Social and Ethics Committee.
- To authorise, by way of a general approval, the Company or any of its subsidiaries to acquire ordinary shares issued by the Company in terms of the Companies Act and Listings Requirements of the JSE.

Post reporting date events

No significant events that meet the requirements of IAS 10 have occurred since the reporting date.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 30 June 2016 in terms of section 94(7)(f) of the Companies Act No 71 of 2008, as amended ("the Companies Act").

The Audit Committee has adopted formal terms of reference, delegated to it by the Board of directors, as its charter. The charter is in line with the Companies Act, the King Code and Report on Governance for South Africa ("King III") and the JSE Listings Requirements. The Committee has discharged the functions delegated to it in terms of its charter. The Audit Committee's process is supported by the operating subsidiary companies which have internal review committees that monitor risk management and compliance activities. There is a formal reporting line from the various internal review committees into the Audit Committee via the Company's Chief Financial Officer.

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

1. Reviewed and recommended for adoption by the Board such financial information as is publicly disclosed which for the year included:
   - The interim results for the six months ended 31 December 2015; and
   - The annual financial statements for the year ended 30 June 2016.
2. Considered and satisfied itself that the external auditors KPMG Inc. are independent.
3. Approved the external auditors' budgeted fees and terms of engagement for the 2016 financial year.
4. Determined the non-audit related services which the external auditors were permitted to provide to AVI and reviewed the policy for the use of the external auditors for non-audit related services. All non-audit related service agreements between the AVI Group and the external auditors were pre-approved.
5. Resolved to continue to co-source the internal audit function from Ernst & Young during the financial year.
6. Reviewed the Audit Committee charter in line with King lll recommendations.
7. Reviewed the internal audit charter in line with King lll recommendations.
8. Confirmed the internal audit plan for the 2016 financial year.
9. Reviewed the IT governance structure for the AVI Group.
10. Confirmed that adequate whistle-blowing facilities were in place throughout the AVI Group and reviewed and considered actions taken with regard to incident reports.
11. Held separate meetings with management, the external and internal auditors to discuss any problems and reservations arising from the year end audit and other matters that they wished to discuss.
12. Noted that it had not received any complaints, either from within or outside the Company, relating either to the accounting practices, the internal audits, the content or auditing of the financial statements, the internal financial controls or any other related matter.
13. Conducted a self-evaluation exercise into its effectiveness.
14. Recommended to the Board the re-appointment of KPMG Inc. as the Group auditors and Mr NH Southon as the registered auditor responsible for the audit for the year ending 30 June 2017, which will be considered at the forthcoming Annual General Meeting.
15. Evaluated and satisfied itself as to the appropriateness of the expertise and experience of the Company's financial director.
16. Satisfied itself as to the expertise, resources and experience of the Company's finance function.

On behalf of the Audit Committee

MJ Bosman
Audit Committee Chairman
9 September 2016

INDEPENDENT AUDITORS' REPORT

To the shareholders of AVI Limited

Report on the financial statements

We have audited the financial statements of AVI Limited, which comprise the balance sheet at 30 June 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 32.

Directors' responsibility for the financial statements

The Company's directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors' determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 financial position of AVI Limited at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee's Report and the Certificate of the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of AVI Limited for 16 years.

KPMG Inc.
Registered Auditor

Per NH Southon
Chartered Accountant (SA)
Registered Auditor
Director
9 September 2016

ACCOUNTING POLICIES

AVI Limited (the "Company") is a South African registered company.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa.

Basis of preparation

These financial statements are prepared in millions of South African Rand ("R'm"), which is the Company's functional currency, on a historical cost basis, except for derivative financial assets and liabilities which are stated at their 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 accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular, information about areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 8 – valuation of incentive scheme options
- Note 20 – valuation of derivative financial instruments.

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, except for the adoption of any new and revised accounting standards, as detailed below.

Adoption of new and revised accounting standards

There are no new, revised or amended accounting standards, effective from 1 July 2015, applicable to the Company.

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 Company's cash management, all of which are available for use by the Company unless otherwise stated. Cash and cash equivalents are measured at amortised cost.

Dividends payable

Dividends payable are recognised in the period in which such dividends are declared.

Share-based payment transactions

Transactions in which a parent grants rights to its own equity instruments directly to the employees of its subsidiaries are classified as equity settled in the financial statements of the parent. The subsidiary classifies these transactions as equity settled in its financial statements where it has no obligation to settle the share-based payment transaction.

The subsidiary recognises the services acquired with the share-based payment as an expense and recognises a corresponding increase in equity as a capital contribution from the parent for those services acquired. The parent recognises in equity the equity-settled share-based payment and recognises a corresponding increase in the investment in subsidiary.

Equity-settled

The fair value of share options granted to Group employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

Group share scheme recharge arrangements

A recharge arrangement exists whereby the cost to the scheme of acquiring shares issued in accordance with certain share schemes granted by the Company is funded by way of contributions from employer companies in respect of participants who are their employees. The recharge arrangement is accounted for separately from the underlying equity-settled share-based payment upon initial recognition, as follows:

- The subsidiary recognises a recharge liability at fair value, determined using generally accepted valuation techniques, and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a corresponding recharge asset at fair value and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

Subsequent to initial recognition the recharge arrangement is remeasured at fair value (as an adjustment to the net capital contribution) at each subsequent reporting date until settlement date to the extent vested. Where the recharge amount recognised is greater than the initial capital contribution recognised by the subsidiary in respect of the share-based payment, the excess is recognised as a net capital distribution to the parent in equity. The amount of the recharge in excess of the capital contribution, recognised by the parent as an increase in the investment in subsidiary, is recognised as an adjustment to the net capital contribution through a reduction in the net investment in the subsidiary.

Financial instruments

Measurement

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs when the Company 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 Company has rights to cash or another financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Investments

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other investments held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains or losses on debt instruments, which are recognised in profit or loss. When these investments are disposed of, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in profit or loss as a capital item. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in profit or loss.

Loan receivables

Loan receivables are measured at fair value.

ACCOUNTING POLICIES continued

Other receivables
Other receivables are stated at amortised cost, using the effective interest method, less impairment losses.

Cash and cash equivalents
Cash and cash equivalents are initially measured at fair value. Due to their short-term nature, amortised cost approximates fair value.

Financial liabilities
Financial liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities other than derivative instruments are measured at amortised cost using the effective interest method.

Interest-bearing borrowings
Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade and other payables
Trade and other payables are stated at amortised cost using the effective interest method.

Offset
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Company 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
Derivative financial instruments are in place relating to black economic empowerment transactions. The Company does not hold or issue derivative financial instruments for trading purposes.

Subsequent to initial recognition, derivative instruments are measured at fair value through profit or loss. Fair value is determined by based on the most appropriate valuation technique.

Gains and losses on subsequent measurement
Gains and losses arising from a change in the fair value of derivative financial instruments are recognised in profit or loss in the year in which the change occurs.

Derecognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Impairment of non-financial assets
The carrying amounts of the Company's assets other than financial assets which are separately assessed and provided against where necessary, are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised, and when the indication of impairment no longer exists.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an impaired available-for-sale financial asset accumulated in equity is transferred to profit or loss on disposal.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Recognition of revenue

Dividends

Dividends are recognised when the right to receive payment is established, with the exception of dividends on cumulative preference share investments, which are recognised on a time proportion basis in the period to which they relate.

Recognition of income from investments

Interest

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset.

Share capital

Ordinary shares

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

Preference share capital

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

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

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a change in equity. Repurchase of shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity. The consideration received when own shares held by the Company are re-issued is presented as a change in equity and no profit or loss is recorded.

Where loans advanced by the holding company to a subsidiary to acquire treasury shares are to be repaid principally by the buy back of such shares, the loan is classified as an equity instrument by the holding company.

Investment in subsidiary companies

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

Taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in other comprehensive income or equity.

Current taxation

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

Deferred taxation

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

Deferred taxation is charged to profit or loss except to the extent that it relates to a transaction that is recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity, or a business combination that is an acquisition, in which case it is recognised as an adjustment to goodwill. The effect on deferred taxation of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or 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.

Dividend Withholding Tax

Dividend Withholding Tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The Company withholds dividend tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholding tax recognised as part of the tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

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 2016. These include the following standards and interpretations and amendments to standards that are applicable to the business of the Company, and have not been applied in preparing these financial statements:

- Annual improvements to IFRSs: 2012 – 2014 (various standards)
  The new cycles of improvements form part of the IASB's annual improvements process to make non-urgent but necessary amendments to IFRS. Amendments have been made to a total of four standards.

  The amendments are effective for the year ending 30 June 2017. Management has not assessed the impact of the improvements in detail but does not expect a significant impact on the Company's results following the implementation of the applicable improvements.

- Disclosure initiative (Amendments to IAS 1)
  The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

  The amendments are effective for the year ending 30 June 2017. Management has not yet assessed the impact of these amendments but does not expect a significant impact on the Company's results following their implementation.

- Disclosure initiative (Amendments to IAS 7)
  The amendments require additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flow and non-cash changes.

  The amendments are effective for the year ending 30 June 2018. Management has not yet assessed the impact of these amendments.

- IFRS 9 – *Financial Instruments*
  The IASB has issued the final IFRS 9 – *Financial Instruments* standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*.

  This standard provides updated guidance on the classification and measurement of financial assets, revising the measurement categories of financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model per IAS 39 to an "expected credit loss" model, which is expected to impact the calculation of the credit risk impairment provision. The new standard also seeks to align hedge accounting more closely with risk management.

  The standard is effective for the year ending 30 June 2019 with retrospective application. Management has not yet assessed the impact of this standard.

Non-applicable standards, amendments and interpretations

The other remaining standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the Company and management has concluded that they are not applicable to the business of the Company and will therefore have no impact on future financial statements.

BALANCE SHEET

As at 30 June 2016	Notes	2016 R'm	2015 R'm
ASSETS			
Non-current assets			
Investments in subsidiaries	1, 2	**2 058,7**	2 019,6
Other investments	3	**175,4**	177,8
Group share scheme recharge receivable	4	**11,5**	11,6
Other long-term assets including derivatives	5	**235,1**	35,0
		2 480,7	2 244,0
Current assets			
Other receivables	6	**45,7**	29,4
Cash and cash equivalents	7	**696,7**	537,9
		742,4	567,3
Total assets		**3 223,1**	2 811,3
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	**17,4**	17,3
Share premium	8	**402,9**	347,3
Treasury share loan to subsidiary		**–**	(11,6)
Reserves	9	**177,8**	166,1
Retained earnings		**2 606,7**	2 243,4
Total equity		**3 204,8**	2 762,5
Non-current liabilities			
Other long-term liabilities including derivatives	10	**–**	35,0
Current liabilities			
Other payables	11	**18,3**	13,8
Total equity and liabilities		**3 223,1**	2 811,3

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016	Notes	**2016 R'm**	2015 R'm
Revenue	12	**1 349,9**	1 254,7
Other income		**235,1**	–
Operating expenses		**(8,3)**	(7,1)
Operating profit	13	**1 576,7**	1 247,6
Finance costs	14	**(1,4)**	(0,9)
Profit for the year		**1 575,3**	1 246,7
Taxation		**–**	–
Total comprehensive income for the year		**1 575,3**	1 246,7

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016	Share capital and premium R'm	Treasury share loan* R'm	Reserves R'm	Retained earnings R'm	Total R'm
Balance at beginning of year	**364,6**	**(11,6)**	**166,1**	**2 243,4**	**2 762,5**
Total comprehensive income for the year					
Profit for the year	**–**	**–**	**–**	**1 575,3**	**1 575,3**
Transactions with owners recorded directly in equity					
Contributions by and distributions to owners					
Share-based payments	**–**	**–**	**15,2**	**–**	**15,2**
Dividends paid	**–**	**–**	**–**	**(1 215,5)**	**(1 215,5)**
Issue of ordinary shares	**55,7**	**–**	**–**	**–**	**55,7**
Amounts repaid by subsidiary from dividends received	**–**	**11,6**	**–**	**–**	**11,6**
Transfer between reserves	**–**	**–**	**(3,5)**	**3,5**	**–**
Total contributions by and distributions to owners	**55,7**	**11,6**	**11,7**	**(1 212,0)**	**(1 133,0)**
Balance at end of year	**420,3**	**–**	**177,8**	**2 606,7**	**3 204,8**

For the year ended 30 June 2015	Share capital and premium R'm	Treasury share loan* R'm	Reserves R'm	Retained earnings R'm	Total R'm
Balance at beginning of year	261,2	(99,8)	153,8	2 768,5	3 083,7
Total comprehensive income for the year					
Profit for the year	–	–	–	1 246,7	1 246,7
Transactions with owners recorded directly in equity					
Contributions by and distributions to owners					
Share-based payments	–	–	12,3	–	12,3
Dividends paid	–	–	–	(1 771,8)	(1 771,8)
Issue of ordinary shares	103,4	–	–	–	103,4
Amounts repaid by subsidiary from dividends received	–	88,2	–	–	88,2
Total contributions by and distributions to owners	103,4	88,2	12,3	(1 771,8)	(1 567,9)
Balance at end of year	364,6	(11,6)	166,1	2 243,4	2 762,5

** Loan to subsidiary to acquire treasury shares to be repaid primarily by the delivery of such shares and therefore classified as an equity instrument.*

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016	Notes	2016 R'm	2015 R'm
Cash flows from operating activities			
Cash generated by operations	15	1 341,6	1 247,5
Decrease/(increase) in working capital	16	7,2	(26,0)
Cash generated by operating activities		1 348,8	1 221,5
Interest paid		(1,4)	(0,9)
Net cash available from operating activities		1 347,4	1 220,6
Investing activities			
Increase in amounts owing by subsidiary companies		(40,4)	(51,6)
Cash utilised in investing activities		(40,4)	(51,6)
Financing activities			
Treasury share loan repaid by subsidiary companies		11,6	88,2
Proceeds from shareholding company	17	55,7	103,3
Dividends paid	18	(1 215,5)	(1 771,8)
Net cash utilised in financing activities		(1 148,2)	(1 580,3)
Increase/(decrease) in cash and cash equivalents		158,8	(411,3)
Cash and cash equivalents at beginning of year		537,9	949,2
Cash and cash equivalents at end of year		696,7	537,9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	2016 R'm	2015 R'm
1. Investments in subsidiaries		
Unlisted – shares in owned subsidiaries	**1 448,5**	1 448,5
Borrowings by subsidiary companies	**520,2**	489,0
	1 968,7	1 937,5
Share-based payments capitalised	**121,2**	124,9
Impairment allowance	**(31,2)**	(31,2)
Treasury share loan to subsidiary classified as equity	**–**	(11,6)
Total investments in subsidiaries	**2 058,7**	2 019,6

2. Principal subsidiary companies

Name of company and nature of business	Class	Issued permanent capital* 2016 R'm	Issued permanent capital* 2015 R'm	Effective percentage holding 2016 %	Effective percentage holding 2015 %	Shares at book value 2016 R'm	Shares at book value 2015 R'm	Indebtedness to the Company 2016 R'm	Indebtedness to the Company 2015 R'm
A&D Spitz Proprietary Limited – Retailer of branded shoes and fashion accessories	Ord	**–**	–	**100**	100	**576,6**	576,6	**–**	–
AVI Investment Services Proprietary Limited – Investment company	Ord	**–**	–	**100**	100	**–**	–	**274,3**	243,1
Green Cross – Producer and retailer of branded shoes and footwear accessories									
Green Cross Manufacturers Proprietary Limited	Ord	**–**	–	**100**	100	**305,0**	305,0	**90,8**	90,8
Green Cross Retail Holdings Proprietary Limited	Ord	**–**	–	**100**	100	**–**	–	**–**	–
Green Cross Properties Proprietary Limited	Ord	**–**	–	**100**	100	**–**	–	**–**	–
Hampton Sportswear Proprietary Limited – Retailer of branded apparel	Ord	**–**	–	**100**	100	**20,7**	20,7	**–**	–
Irvin & Johnson Holding Company Proprietary Limited – International integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord	**–**	–	**75**	75	**319,1**	319,1	**–**	–
Indigo Brands Proprietary Limited – Manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord	**–**	–	**100**	100	**–**	–	**124,0**	124,0

2. Principal subsidiary companies continued

Name of company and nature of business	Class	Issued permanent capital* 2016 R'm	2015 R'm	Effective percentage holding 2016 %	2015 %	Shares at book value 2016 R'm	2015 R'm	Indebtedness to the Company 2016 R'm	2015 R'm
National Brands Limited – Manufacturers and marketers of branded food and beverage products		**3,5**	3,5	**100**	100	**227,1**	227,1	**–**	–
Nina Roche Shoe Collection Proprietary Limited – Retailer of branded shoes and fashion accessories	Ord	**–**	–	**100**	100	**–**	–	**31,1**	31,1
						1 448,5	1 448,5	**520,2**	489,0
Impairment allowance – Nina Roche						**(0,1)**	(0,1)	**(31,1)**	(31,1)
Share-based payments capitalised						**121,2**	124,9	**–**	–
						1 569,6	1 573,3	**489,1**	457,9

All companies are incorporated in South Africa.

** Where Rnil amount is less than R1 million.*

3. Other investments

Name of company and nature of business	Shares held 2016 number	2015 number	Effective percentage holding 2016 %	2015 %	Book value of investment 2016 R'm	2015 R'm
Main Street 198 Proprietary Limited – Cumulative redeemable convertible "A" preference shares	**800**	800	**100**	100	**160,1**	162,5
I&J Black Staff Holding Company Proprietary Limited – Cumulative redeemable preference shares	**50 000**	50 000	**100**	100	**15,3**	15,3
					175,4	177,8

The 25% black empowerment shareholding in I&J is held by two investment nominee companies (Note 20). AVI has subscribed for preference shares in Main Street 198 Proprietary Limited and I&J Black Staff Holding Company Proprietary Limited (collectively referred to as "the empowerment consortia"), the investment nominee companies owned by these empowerment investors, to fund the acquisition of the I&J shares. The net preference share investment represents the original subscription price plus arrear preference dividends, less a capping allowance, if applicable, to limit the recognition of preference dividend income to the equivalent attributable earnings of I&J.

None of the investments are listed on a stock exchange.

4. Group share scheme recharge receivable

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

	2016 R'm	2015 R'm
Group share scheme recharge receivable at fair value	**48,1**	29,2
Less: Short-term portion reflected in trade and other receivables (Note 6)	**(36,6)**	(17,6)
Long-term portion of receivable at fair value	**11,5**	11,6

The fair value of equity instruments issued under the Out-Performance Scheme is measured using the Black-Scholes model as well as the Monte Carlo valuation methodology, which is used to project the total shareholder return ("TSR") performance of the Company against a predefined peer group. The fair value of the liability is remeasured at each reporting date and at settlement date. The model inputs at 30 June 2016 were as follows:

	2016	2015
Share price	**R83,00**	R81,55
Terms (years)	**0,25 – 2,25**	0,25 – 2,25
Expected vesting percentage based on TSR performances	**40th – 70th**	40th – 60th
Vesting multiple based on relative TSR performance	**0,5 – 1,8**	0,4 – 1,2
Number of outstanding options (number)	**804 722**	734 768

5. Other long-term assets including derivatives

	2016 R'm	2015 R'm
Loan receivable from subsidiary	**37,5**	35,0
Call option asset (Note 20)	**197,6**	–
	235,1	35,0

6. Other receivables

	2016 R'm	2015 R'm
Short-term portion of Group share scheme recharge receivable (Note 4)	**36,6**	17,6
Other	**9,1**	11,8
	45,7	29,4

7. Cash and cash equivalents

	2016 R'm	2015 R'm
AVI Group Treasury call deposit	**696,6**	537,8
Bank balances	**0,1**	0,1
	696,7	537,9

8. Share capital and premium

	2016 R'm	2015 R'm
Share capital		
Authorised		
Ordinary share capital		
960 000 000 (2015: 960 000 000) ordinary shares of 5 cents each	**48,0**	48,0
Preference share capital		
10 000 000 (2015: 10 000 000)	**2,0**	2,0
Total authorised share capital	**50,0**	50,0
Issued		
347 557 914 (2015: 346 700 741) ordinary shares of 5 cents each	**17,4**	17,3
Total issued share capital	**17,4**	17,3
Share premium		
Balance at beginning of year	**347,3**	244,0
Premium on issue of ordinary shares	**20,5**	53,7
Premium on issue of ordinary shares to Company's share trusts	**35,1**	49,6
Balance at end of year	**402,9**	347,3
Total issued share capital and premium	**420,3**	364,6

8. Share capital and premium continued

Share incentive schemes

The AVI Group's share incentive schemes together with a summary of the movements in the respective share incentive instruments are set out in the tables below.

The AVI Executive Share Incentive Scheme

The AVI Executive Share Incentive Scheme provides full-time salaried employees at an executive level the opportunity of acquiring shares in the capital of the Company as part of its long-term incentive programme. Below is a summary of the movement in options granted for the financial year.

Date of grant	Exercise price per share R	Instruments[1] outstanding at 30 June 2015 number	Granted number	Exercised number	Relinquished number	**Instruments[1] outstanding at 30 June 2016 number**
1 April 2011	29,38	313 868	–	(313 868)	–	**–**
1 October 2011	32,60	8 243	–	(8 243)	–	**–**
1 April 2012	45,49	473 636	–	(240 068)	–	**233 568**
1 October 2012	58,83	136 560	–	(113 422)	(3 147)	**19 991**
1 April 2013	55,88	494 288	–	(167 790)	(36 209)	**290 289**
1 October 2013	58,50	166 980	–	–	(5 983)	**160 997**
1 April 2014	53,38	680 410	–	–	(53 914)	**626 496**
1 October 2014	67,47	336 756	–	–	(39 640)	**297 116**
1 April 2015	84,45	629 275	–	–	(220 123)	**409 152**
1 October 2015	82,67	–	333 600	–	(58 535)	**275 065**
1 April 2016	83,06	–	696 295	–	–	**696 295**
		3 240 016	1 029 895	(843 391)	(417 551)	**3 008 969**

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

The options are available to be exercised in their entirety in all cases three years after the effective date of granting of rights. Any options not exercised on the fifth 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, death, disability or retrenchment.

The AVI Out-Performance Scheme

The AVI Out-Performance Scheme ("OPS") replaced the former AVI Equity Participation Scheme. The maximum number of instruments in aggregate, which may be allocated in terms of the scheme, shall not exceed 3% of AVI's issued share capital from time to time unless otherwise agreed by the Board and sanctioned by shareholders in general meeting.

Overview of scheme principles

The scheme is based on a total shareholder return ("TSR") measure. TSR is the increase in value of shares after the notional reinvestment of all distributions. Allocations of scheme shares are made to designated employees in conjunction with the identification of the peer group against which that tranche will be measured.

At the measurement date in respect of each tranche:

- AVI's TSR and the TSR of each peer in the peer group for that tranche will be determined;
- the TSR of each peer in the peer group will be ranked in ascending order in 10 performance deciles;
- depending on the peer group decile within which AVI's TSR will be ranked, between 0 times and 3,6 times the number of the scheme shares allocated to the participant will vest. No shares vest if AVI's TSR is ranked below the 40th peer group decile.

The trust will deliver to each participant that number of AVI shares which shall have vested in respect of that participant. The cost of acquiring such AVI shares may be funded by way of contributions from employer companies in respect of participants who are their employees. The participants will not be required to pay the trust for the delivery of AVI shares.

As the allocation of scheme shares is a notional allocation, the scheme shares so allocated will not attract any dividends or voting rights in the hands of participants until vested. On vesting the shares will rank *pari passu* in all respects with AVI shares.

8. Share capital and premium continued

The AVI Out-Performance Scheme continued

Overview of scheme principles continued

Date of grant	Grant price R	Instruments outstanding at 30 June 2015 number	Granted number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2016 number**
1 October 2012	58,61	196 048	–	(196 048)	–	**–**
1 October 2013	57,86	283 796	–	–	(16 419)	**267 377**
1 October 2014	65,46	254 944	–	–	–	**254 944**
1 October 2015	81,56	–	311 622	–	(29 221)	**282 401**
		734 788	311 622	(196 048)	(45 640)	**804 722**

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

The AVI Black Staff Empowerment Scheme

Date of grant	Grant price R	Exercise price[1] R	Instruments outstanding at 30 June 2015 number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2016 number**
January 2007	15,51	6,67	58 471	–	–	**58 471**
October 2007	19,58	13,82	2 296	–	–	**2 296**
April 2008	16,49	8,07	6 011	–	–	**6 011**
October 2008	15,68	5,34	231 655	(207 485)	(24 170)	**–**
April 2009	16,16	5,32	396 910	(188 084)	(206 138)	**2 688**
October 2009	18,48	8,39	1 026 255	(491 556)	(39 424)	**495 275**
April 2010	23,47	15,73	377 547	(184 049)	(14 126)	**179 372**
October 2010	25,32	17,69	685 739	(208 434)	(67 616)	**409 689**
April 2011	29,55	24,50	615 094	(205 329)	(40 862)	**368 903**
October 2011	32,29	27,60	637 536	(3 467)	(38 707)	**595 362**
December 2011	37,25	34,65	152 255	–	(73 690)	**78 565**
			4 189 769	(1 488 404)	(504 733)	**2 196 632**

[1] *The exercise price is calculated at 30 June 2016 in terms of the trust deed, which sets the purchase price as an amount equal to the sum of:*
– the grant price, plus
– an amount equal to a portion of the interest on the trust loan attributable to such shares calculated to the date of exercise of the right to purchase; less
– any dividends received by the trust in respect of the shares up to the date of exercise of the right to purchase.

Participants have been granted a right to purchase 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. The final allocation occurred in December 2011 and no further allocations will be made. The scheme shall terminate by no later than 12 years from inception. Exercises in any period prior to vesting on the fifth, sixth and seventh anniversary represent the portion allowed to be exercised upon retirement, retrenchment, disability or death.

Restrictions

Sufficient ordinary shares in the authorised and unissued capital of the Company were placed under the control of the directors with specific authority to allot and issue them in terms of the Company's existing share incentive schemes ("the Schemes"). The total number of share instruments, options or instruments convertible into ordinary shares which may be allocated for purposes of the Schemes may not exceed 10 279 154 shares in respect of the AVI Executive Share Incentive Scheme or 10 279 154 in respect of the Out-Performance Scheme. Each participant may not acquire share instruments or options under the Schemes which would amount in aggregate to more than 2% (presently 6 951 158 ordinary shares) of the total issued ordinary share capital of the Company.

The total number of share instruments and options outstanding as at 30 June 2016 is 3 008 969 (2015: 3 240 016) and 804 722 (2015: 734 788) in respect of the AVI Executive Share Incentive Scheme and Out-Performance Scheme respectively, which equates to 1,1% (2015: 1,1%) of the issued share capital. The AVI Black Staff Empowerment Scheme Trust is not subject to these restrictions.

	2016 R'm	2015 R'm

9. Reserves

	2016 R'm	2015 R'm
The balance at end of year comprises:		
Capital redemption reserve fund	–	3,5
Share-based payment reserve	177,8	162,6
	177,8	166,1

Capital redemption reserve fund

Represents the fund that was required in terms of the Companies Act No 61 of 1973 to maintain the capital base of the Company. This was effected by a transfer from retained earnings following the redemption of any preference shares at their par value and has been reversed in the current year following the enactment of the Companies Act No 71 of 2008, as amended.

Share-based payments reserve

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

10. Other long-term liabilities, including derivatives

	2016 R'm	2015 R'm
Put option liabilities (Note 20)	–	35,0

11. Other payables

	2016 R'm	2015 R'm
Other payables and accrued expenses	18,3	13,8

12. Revenue

	2016 R'm	2015 R'm
Dividends – unlisted companies	1 349,9	1 254,7
Dividends were received from:		
– Subsidiary companies	1 334,4	1 220,0
– Other investments	15,5	34,7
	1 349,9	1 254,7

13. Operating profit

	2016 R'm	2015 R'm
In arriving at the operating profit before capital items, the following have been taken into account:		
Change in fair value of (call option asset)/put option liability (Note 20)	(232,6)	7,2
Income on recognition of on-charge receivable	(2,5)	(7,2)
Auditors' remuneration		
– Fee for audit	0,2	0,2
– Fee for taxation services and consultations	0,6	–

Details of the directors' remuneration are given in the related party disclosure (Note 21).

14. Finance costs

	2016 R'm	2015 R'm
Interest expense on borrowings	1,4	0,9

15. Cash generated by operations

	2016 R'm	2015 R'm
Operating profit before finance costs	1 576,7	1 247,6
Adjusted for:		
Non-cash items	(235,1)	(0,1)
– On-charge income recognised in profit and loss	(2,5)	(7,2)
– Change in fair value of derivatives financial assets/liabilities	(232,6)	7,2
– Other non-cash items	–	(0,1)
	1 341,6	1 247,5

	2016 R'm	2015 R'm
16. Decrease/(increase) in working capital		
Decrease/(increase) in other receivables	**2,7**	(11,8)
Increase/(decrease) in other payables	**4,5**	(14,2)
	7,2	(26,0)
17. Increase in shareholder funding		
Own ordinary shares issued	**55,7**	103,3
18. Dividends paid		
Ordinary dividends paid	**1 215,5**	1 079,6
Special dividend paid	**–**	692,2
Dividend paid and reflected in statement of changes in equity	**1 215,5**	1 771,8
Ordinary shares		
No 81 of 180 cents, paid 20 October 2014		622,7
No 82 of 132 cents, paid 7 April 2015		456,9
No 83 of 200 cents, paid 7 April 2015		692,2
No 84 of 200 cents, paid 19 October 2015	**694,2**	
No 85 of 150 cents, paid 18 April 2016	**521,3**	
	1 215,5	1 771,8
Dividend No 86 of 220 cents in respect of the year ended 30 June 2016 was declared on 9 September 2016 and is payable on 17 October 2016. 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.	**764,6**	

The dividends declared post 1 April 2012 have been declared out of income reserves and are subject to Dividend Withholding Tax at a rate of 15% in respect of those shareholders who are not exempt from paying Dividend Withholding Tax.

19. Post reporting date

No significant events that meet the requirements of IAS 10 have occurred since the reporting date.

20. Black Economic Empowerment ("BEE") transactions

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

The Company sold 20% of its shareholding in I&J to Main Street 198 Proprietary Limited ("Main Street") in November 2004. Main Street is jointly owned by Mast Fishing Investment Holdings Proprietary Limited ("Mast Fishing") and Tresso Trading 946 Proprietary Limited ("Tresso Trading"), two broad-based black empowered companies with strong commitment to the South African fishing industry. The proceeds on disposal amounted to R160,8 million and the consideration was funded by the Company subscribing for cumulative redeemable preference shares in Main Street.

AVI further increased the BEE shareholding in I&J by donating 1% and selling 4% of its shareholding in I&J to a company owned by the South African black employees of I&J and its subsidiaries, Richtrau No 53 Proprietary Limited ("Richtrau"), on 1 May 2005. On completion of the first vesting cycle and settlement of the gains due to I&J's black employees, the scheme has been extended through the introduction of the I&J Black Staff Holding Company Proprietary Limited ("I&J Black Staff HoldCo"), a company owned by the South African black employees of I&J and its subsidiaries, which acquired 100% of the issued share capital of Richtrau. The consideration paid by the I&J Black Staff HoldCo amounted to R15,3 million and was funded by AVI Limited subscribing for cumulative redeemable preference shares in the I&J Black Staff Holding Company.

Post the implementation of the above transactions the effective BEE shareholding in I&J is 25% (2015: 25%).

20. Black Economic Empowerment ("BEE") transactions continued

The preference share liability of each company, including arrear preference dividends was as follows (Note 3):

	2016 R'm	2015 R'm
Main Street 198 Proprietary Limited	**160,1**	162,5
I&J Black Staff Holding Company Proprietary Limited	**15,3**	15,3

The investment in redeemable preference shares is measured at amortised cost using the effective interest method. Preference dividend income is recognised in profit or loss at the preference dividend rate over the period that it is earned. The preference share investment is assessed for impairment at each reporting date taking into consideration the earnings attributable to the BEE shareholders and is recognised in profit or loss, if impaired. No impairment has been recognised for the year ended 30 June 2016 (2015: Rnil).

The Company has adopted the following principles in accounting for the transactions referred to above:

Main Street

The I&J shareholders' agreement provides for a put option whereby Main Street can require AVI to purchase its shareholding in I&J from 1 July 2018, and a call option whereby AVI can acquire Main Street's shareholding in I&J from the same date. The put option lapses on 31 December 2019 and the call option on 31 December 2020. The exercise price of the put and call option is determined by a fixed formula per the shareholders' agreement, largely determined by I&J's earnings over a period of several years.

A derivative financial asset (call option asset) or liability (put option liability) is recognised to the extent that Main Street's interest in the estimated fair value of I&J exceeds or falls short of the forecast exercise price. The derivative financial instrument is accounted for in terms of IAS 39 – *Financial Instruments: Recognition and Measurement*. The value of the derivative financial instrument when the put or call option is exercised will be included as part of AVI's equity investment in I&J upon reacquiring the I&J shares.

I&J Black Staff HoldCo

The I&J Black Staff HoldCo Memorandum of Incorporation provides for a call option whereby AVI can acquire I&J Black Staff HoldCo's shareholding in I&J on 1 July 2021, and a put option whereby the shareholders of I&J Black Staff HoldCo can require AVI to purchase their shareholding in I&J from 28 December 2021. The exercise price of the put and call option is determined by a fixed formula per the shareholders' agreement, largely determined by I&J's earnings over a period of several years.

A derivative financial asset (call option asset) or liability (put option liability) is recognised to the extent that I&J Black Staff HoldCo's interest in the estimated fair value of I&J exceeds or falls short of the forecast exercise price. The derivative financial instrument is accounted for in terms of IAS 39 – *Financial Instruments: Recognition and Measurement*. The value of the derivative financial instrument when the put or call option is exercised will be included as part of AVI's equity investment in I&J upon reacquiring the I&J shares.

Reconciliation of the change in fair value of call option assets/(put option liabilities) (level 3 financial instruments)

	2016 R'm	2015 R'm
Fair value of call option assets/(put option liabilities) at beginning of year	**(35,0)**	(27,8)
Changes in fair value recognised in profit or loss	**232,6**	(7,2)
Fair value of call option assets/(put option liabilities) at end of year	**197,6**	(35,0)

	2016 R'm	2015 R'm
21. Related party transactions		
Transactions with Group entities		
Administration fees paid to a subsidiary	**0,6**	0,5
Dividends received from subsidiaries (Note 12)	**1 334,4**	1 220,0
Loans to subsidiary companies (Note 2)	**489,1**	457,9
Treasury share loan to subsidiary classified as equity instrument	**–**	11,6
Call account maintained with Treasury division of subsidiary	**696,6**	537,8
Loan receivable from subsidiary (Note 5)	**37,5**	35,0
Company share scheme recharge receivable from subsidiaries (Note 3)	**48,1**	29,2
Other payables to subsidiaries	**14,1**	10,5

Details of the principal subsidiaries and other investments are given in note 2 and 3.

Material shareholders

The Company does not have a holding company.

Ordinary shares

The beneficial holders of 3% or more of the issued ordinary shares of the Company at 30 June 2016 according to the information available to the directors were:

	Number of ordinary shares	%
Government Employees Pension Fund	**51 467 948**	14,8
Fidelity Worldwide Investment	**18 877 723**	5,4
Liberty Group	**17 540 793**	5,0
AVI Investment Services Proprietary Limited	**17 234 352**	5,0

Directors of the Company

Directors' emoluments

The following emoluments were paid to directors of the Company:

	Salary R'000	Bonus and performance related payments R'000	Pension fund contributions R'000	Gains on exercise of share options* R'000	Other benefits and allowances R'000	Total R'000	2015 R'000
Executive directors							
SL Crutchley	**6 493**	**4 209**	**505**	**20 032**	**60**	**31 299**	30 181
OP Cressey	**4 083**	**2 187**	**319**	**4 190**	**60**	**10 839**	19 213
M Koursaris	**2 913**	**1 615**	**284**	**4 619**	**30**	**9 461**	10 674
	13 489	**8 011**	**1 108**	**28 841**	**150**	**51 599**	60 068

* *Gains on exercise of share options represent the actual gain received by the director on exercising vested options.*

	2016 R'000	2015 R'000

21. Related party transactions continued

Directors of the Company continued

Directors' emoluments continued

Non-executive directors' and committee fees

	2016 R'000	2015 R'000
GR Tipper (Chairman)	**1 072**	982
JR Hersov	**361**	338
A Nühn	**979**	802
MJ Bosman	**475**	444
A Kawa	**353**	330
AM Thebyane	**321**	258
NP Dongwana	**459**	429
RJD Inskip	**329**	276
BJK Smith[1]	**–**	89
	4 350	3 948
	55 949	64 016
The IFRS 2 expense recognised in profit or loss in respect of options granted to directors is as follows:		
SL Crutchley	**3 324**	2 713
OP Cressey	**1 548**	1 206
M Koursaris	**1 077**	791
	5 949	4 710

[1] *Resigned 30 October 2014.*

The above directors' emoluments were paid by another AVI Group company.

Share incentive scheme interests

The directors of the Company have the following interests in AVI Group share incentive schemes:

The AVI Executive Share Incentive Scheme

Name	Date of grant	Exercise price per share R	Instruments[1] outstanding at 30 June 2015 number	Granted number	Exercised number	Relinquished[2] number	**Instruments[1] outstanding at 30 June 2016 number**
SL Crutchley	1 April 2011	29,38	285 738	–	(285 738)	–	**–**
	1 April 2012	45,49	207 160	–	–	–	**207 160**
	1 April 2013	55,88	169 702	–	–	–	**169 702**
	1 April 2014	53,38	202 156	–	–	–	**202 156**
	1 April 2015	84,45	180 169	–	–	(51 917)	**128 252**
	1 April 2016	83,06	–	199 671	–	–	**199 671**
OP Cressey	1 October 2012	58,83	59 974	–	(59 974)	–	**–**
	1 October 2013	58,50	72 145	–	–	–	**72 145**
	1 October 2014	67,47	68 218	–	–	–	**68 218**
	1 October 2015	82,67	–	89 060	–	(27 355)	**61 705**
M Koursaris	1 April 2012	45,49	39 832	–	(39 832)	–	**–**
	1 April 2013	55,88	29 766	–	(29 766)	–	**–**
	1 April 2014	53,38	62 399	–	–	–	**62 399**
	1 April 2015	84,45	58 104	–	–	(19 781)	**38 323**
	1 April 2016	83,06	–	64 097	–	–	**64 097**
			1 435 363	352 828	(415 310)	(99 053)	**1 273 828**

[1] *Includes options and unexercised scheme shares.*
- *Unless specifically noted, all options are vested or vest three years after grant date, and lapse on the fifth anniversary of the grant date.*
- *None of the non-executive directors have share incentive scheme interests.*
- *The shareholdings of the directors are given in the directors' report.*

[2] *The number of relinquished options represents options sacrificed in favour of AVI Out-Performance Scheme options in terms of the rules of the AVI Out-Performance Scheme.*

21. Related party transactions continued

Share incentive scheme interests continued

The AVI Out-Performance Scheme

Name	Date of grant	Grant price per share R	Instruments outstanding at 30 June 2015 number	Granted number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2016 number**
SL Crutchley	1 October 2012	58,61	56 304	–	(56 304)	–	**–**
	1 October 2013	57,86	61 597	–	–	–	**61 597**
	1 October 2014	65,46	59 346	–	–	–	**59 346**
	1 October 2015	81,56	–	51 917	–	–	**51 917**
OP Cressey	1 October 2012	58,61	26 217	–	(26 217)	–	**–**
	1 October 2013	57,86	31 868	–	–	–	**31 868**
	1 October 2014	65,46	30 985	–	–	–	**30 985**
	1 October 2015	81,56	–	27 355	–	–	**27 355**
M Koursaris	1 October 2012	58,61	18 913	–	(18 913)	–	**–**
	1 October 2013	57,86	23 795	–	–	–	**23 795**
	1 October 2014	65,46	22 715	–	–	–	**22 715**
	1 October 2015	81,56	–	19 781	–	–	**19 781**
			331 740	99 053	(101 434)	–	**329 359**

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

22. Financial risk management

22.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing financial risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The AVI Group Treasury, together with the relevant business unit executives, is responsible for developing the relevant financial risk management policies and for monitoring risk.

The Company's financial risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The AVI Audit Committee oversees management's monitoring of compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the financial risks faced by the Company. The AVI Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the AVI Audit Committee.

22.2 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

From time to time the Company purchases its own shares in the market under general authority granted by shareholders; the timing of these purchases depends on market prices. Primarily the shares are part of a programme to return capital to shareholders, but some may be used for issuing shares under the AVI Group's share option programmes. Buying decisions are made under specific mandates from the executive directors.

There were no changes in the Company's approach to capital management during the year.

22. Financial risk management continued

22.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other investments and cash and cash equivalents.

Cash and cash equivalents and other investments

The majority of the Company's cash and cash equivalents and other investments are in liquid securities with counterparties that have sound credit ratings. Where considered necessary, security is sought. Management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Company's policy is to provide limited financial guarantees in respect of banking facilities for subsidiaries. At 30 June 2016 guarantees were in place for AVI Financial Services Proprietary Limited, National Brands Limited, Irvin & Johnson Holding Company Proprietary Limited, A&D Spitz Proprietary Limited and Green Cross Manufacturers Proprietary Limited (2015: AVI Financial Services Proprietary Limited, National Brands Limited, A&D Spitz Proprietary Limited, Green Cross Manufacturers Proprietary Limited and Green Cross Retail Holdings Proprietary Limited).

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 R'm	2015 R'm
Other investments	**175,4**	177,8
Other receivables*	**9,1**	11,8
Cash and cash equivalents	**696,7**	537,9
	881,2	727,5

* *Excludes share scheme recharge receivable.*

22.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount R'm	**Contractual cash flows R'm**	**6 months or less R'm**	**6 – 12 months R'm**	**+1 – 5 years R'm**	**More than 5 years R'm**
30 June 2016						
Non-derivative financial liabilities						
Other payables	**18,3**	**18,3**	**18,3**	**–**	**–**	**–**
30 June 2015						
Non-derivative financial liabilities						
Other payables	13,8	13,8	13,8	–	–	–

22. Financial risk management continued

22.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity input prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company, being strongly cash generative, adopts a policy of ensuring that most of its exposure to changes in interest rates on borrowings is on a floating rate basis. Where economical, interest rate swaps may be entered into on a portion of debt.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2016 R'm	2015 R'm
Variable rate instruments		
– financial assets	**872,0**	715,6
– financial liabilities	**–**	–
	872,0	715,6

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date, calculated on the closing balances and using simple interest for 12 months, would have decreased profit by the amounts shown below. A decrease of 100 basis points would have had the equal but opposite effect to the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	2016 R'm	2015 R'm
Variable rate instruments		
– financial assets	**8,7**	7,2
– financial liabilities	**–**	–
Net cash flow sensitivity	**8,7**	7,2

23. Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities, including their levels in the fair value hierarchy.

	Carrying amount					Fair value			
	Total carrying amount R'm	Financial assets and liabilities designated at fair value R'm	Loans and receivables at amortised cost R'm	Financial liabilities at amortised cost R'm	Total R'm	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
30 June 2016									
Financial assets not measured at fair value	1 116,2	235,1	881,1	–	1 116,2	–	–	197,6	197,6
Loan receivable	37,5	37,5	–	–	37,5	–	–	–	–
Preference shares	175,4	–	175,4	–	175,4	–	–	–	–
Call option assets	197,6	197,6	–	–	197,6	–	–	197,6	197,6
Other receivables	9,1	–	9,1	–	9,1	–	–	–	–
Cash and cash equivalents	696,7	–	696,7	–	696,7	–	–	–	–
Financial liabilities not measured at fair value	(18,3)	–	–	(18,3)	(18,3)	–	–	–	–
Other payables and accrued expenses	(18,3)	–	–	(18,3)	(18,3)	–	–	–	–
30 June 2015									
Financial assets not measured at fair value	762,5	35,0	727,5	–	762,5	–	–	–	–
Loan receivable	35,0	35,0	–	–	35,0	–	–	–	–
Preference shares	177,8	–	177,8	–	177,8	–	–	–	–
Other receivables	11,8	–	11,8	–	11,8	–	–	–	–
Cash and cash equivalents	537,9	–	537,9	–	537,9	–	–	–	–
Financial liabilities not measured at fair value	(48,8)	(35,0)	–	(13,8)	(48,8)	–	–	(35,0)	(35,0)
Put options	(35,0)	(35,0)	–	–	(35,0)	–	–	(35,0)	(35,0)
Other payables and accrued expenses	(13,8)	–	–	(13,8)	(13,8)	–	–	–	–

The different levels as disclosed in the table above have been defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Where the financial assets and financial liabilities are not measured at fair value it has been determined that their carrying amount approximates their fair value. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

23. Financial assets and liabilities continued

Measurement of fair value

The following table shows the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measures at fair value

Derivative financial instruments have been recognised for the call and put options relating to I&J's black economic empowerment ("BEE") transactions (Note 20). These derivative financial instruments have been accounted for in terms of IAS 39 – *Financial Instruments: Recognition and measurement.*

The valuation technique, unobservable inputs and the inter-relationship between significant inputs and the fair value in respect of the call option assets/put option liabilities are detailed below.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Derivative financial instruments at fair value in respect of call option assets/ put option liabilities	The call option assets/put option liabilities are measured as the difference between I&J's estimated fair value and the forecast option exercise price. A discounted cash flow valuation model is used to determine the forecast option exercise price by considering the present value of expected payments discounted to a present value using a risk free discount rate. The expected payments are determined with reference to a fixed formula, which forms the basis for future payments and considers the I&J Group forecast headline earnings over the applicable measurement period taking cognisance of historical earnings volatility. Given the complexity of I&J's business and historical headline earnings volatility, the determination of forecast earnings is challenging, however, greater certainty will be achieved closer to vesting date. I&J's estimated fair value is determined by: • evaluating the reasonability of its net asset value; • assessing future earnings prospects; and • considering specific factors unique to an asset of its nature. In the current year an estimated fair value of net asset value plus 20% has been used in the calculation of the call option assets.	1. I&J's forecast headline earnings are impacted by exchange rates, hake resource performance, quota allocation and selling prices in export markets; and 2. Discount rate of 9,00% based on the R208 bond rate which has a similar maturity date.	The estimated fair value would increase/(decrease) if: 1. The headline earnings were higher/(lower); and 2. The discount rate were lower/(higher).

There were no transfers between levels 1, 2 or 3 of the fair value hierarchy for the years ended 30 June 2016 and 30 June 2015.

A reconciliation of the movement in the fair value of the call option assets/put option liabilities has been disclosed in Note 20.

24. Segment reporting

Management has assessed that this entity is managed as one segment due to the fact that it is an investment holding company. The primary source of income is dividend received. Segment reporting is not disclosed in this set of financial statements.

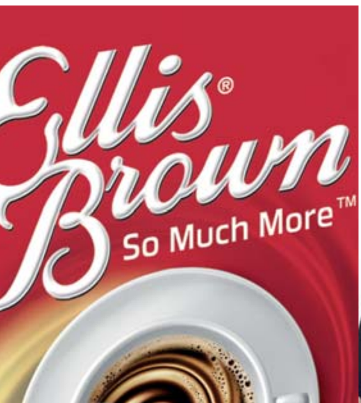

Good Morning
Breakfast Biscuits
mixed berries


Freshpak
naturally CAFFEINE FREE


Willards
BIG KORN BITES
TORTILLA STYLE


YARDLEY LONDON
GEL LAC NAILS
Coral

WWW.AVI.CO.ZA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