AVI

GROWING GREAT BRANDS

2016 INTEGRATED ANNUAL REPORT

CONTENTS

ABOUT THIS REPORT

AVI's Integrated Annual Report covers the economic, environmental and social activities of the Group for the period 1 July 2015 to 30 June 2016 and aims to provide AVI's stakeholders with a transparent, balanced and holistic view of the Group's performance. In addition, where it is informative to add information post 30 June 2016, this has been included and noted.

This report covers the entire Group, comprising Entyce Beverages, Snackworks, I&J, and Fashion brands. Since the release of AVI's Integrated Annual Report for the year ended 30 June 2016, there has been no change to the structure, ownership or products and services of the Group.

In compiling the report, AVI has considered the Companies Act No 71 of 2008, as amended; the Listings Requirements of the JSE Limited; the King Report on Governance for South Africa 2009 and the International Financial Reporting Standards ("IFRS") in respect to the annual financial statements.

BOARD RESPONSIBILITY

The Board of directors ("the Board") acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. The Board has accordingly applied its mind to the Integrated Annual Report and in their opinion the Integrated Annual Report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts.

Any questions or comments on the report can be forwarded to info@avi.co.za.

AVI LIMITED
ISIN: ZAE000049433
Share code: AVI
Registration number: 1944/017201/06
("AVI" or "the Group" or "the Company")
www.avi.co.za

OUR BUSINESS

GROWING GREAT BRANDS

Listed on the Johannesburg Stock Exchange in the food products sector, AVI Limited's extensive brand portfolio includes more than 50 brands.

AVI's lifeblood is its portfolio of remarkable brands, many of which carry a heritage and pedigree built up over decades and some of which occupy a place in our national character. It would not be a stretch to claim that the vast majority of South Africa's population has at some time or another been conscious of, consumed or aspired to own, one of our brands.

AVI's brands that have grown into great South African favourites include:

- Five Roses, Freshpak, House of Coffees, Frisco, Koffiehuis, Ellis Brown, Ciro and Lavazza in the Beverages category;
- Bakers, Pyotts, Provita, Baumann's and Willards in the Biscuits and Snacks category;
- I&J in the Frozen category;
- Yardley, Lenthéric and Coty in Personal Care;
- Spitz, Carvela, Green Cross, Kurt Geiger, Lacoste, Tosoni, Nina Roche and Gant in our Footwear and Apparel portfolio.

We have 154 branded retail outlets under the Spitz, Kurt Geiger, Green Cross and Gant brands.

This privileged position carries with it an obligation to develop and manage each brand to its fullest potential. We have structured our business to best suit this end. We have four business units taking care of beverages, including out-of-home solutions, sweet and savoury snacks, frozen foods, and fashion brands are separated into Personal Care brands, and Footwear and Apparel.

We also have a well-developed shared services structure spanning: International, IT, Finance, Human Resources, Logistics, Marketing, Field Marketing and Procurement that allows us to take advantage of our scale and deliver more for less.

With a turnover of R12,19 billion in this last financial year, AVI's brands are a household name in South Africa and growing every day.

OPERATING STRUCTURE

AVI

ENTYCE BEVERAGES	SNACKWORKS	I&J	PERSONAL CARE	FOOTWEAR AND APPAREL	SHARED SERVICES
TEA	BISCUITS	SEAFOOD	INDIGO	SPITZ	INTERNATIONAL
COFFEE	SNACKS	GENERAL FOOD		KURT GEIGER	IT
CREAMER				GREEN CROSS	HUMAN RESOURCES
OUT OF HOME				GANT	FINANCE
					LOGISTICS
					FIELD MARKETING
					MARKETING
					PROCUREMENT

OUR BUSINESS HIGHLIGHTS

Sound performance in a challenging environment

Revenue up 8,4% to R12,19 billion

Operating profit up 12,4% to R2,15 billion

Gross margin maintained despite material cost pressures

Cash from operations up 15,3% to R2,76 billion

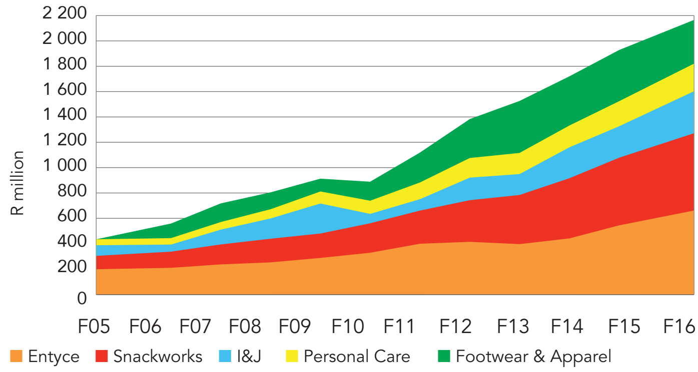
Capital expenditure of R881,8 million on efficiency, capacity and retail stores

Return on capital employed of 27,9%

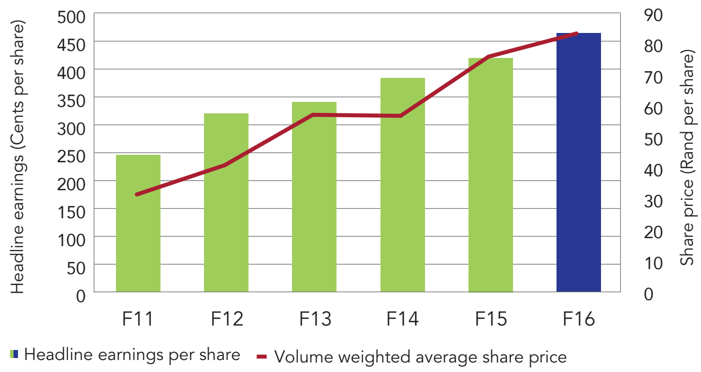
Headline earnings per share up 10,6% to 464,1 cents

Final dividend of 220 cents per share, total normal dividend up 11,5% to 370 cents per share

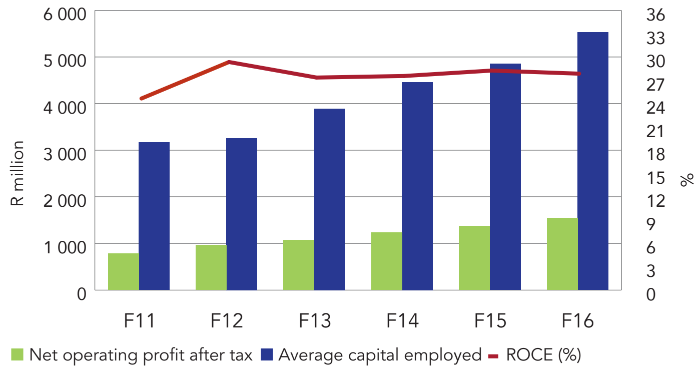
Operating profit history



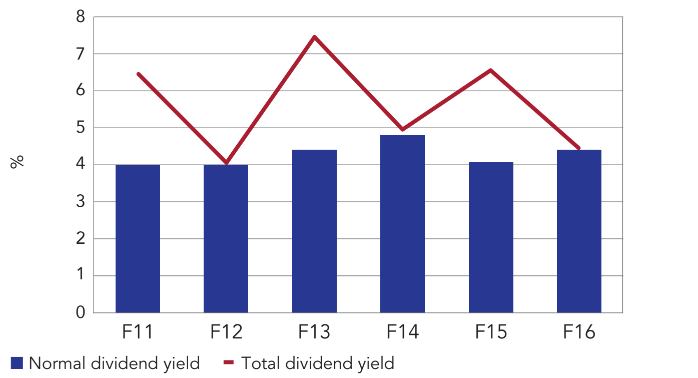
Historical headline earnings and share price



Return on capital employed



Historical dividend yield (based on closing share price)



AVI	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
REVENUE	**12 188,9**	11 243,7	10 267,4	9 218,3	8 287,1
OPERATING PROFIT	**2 154,6**	1 916,9	1 712,5	1 526,2	1 372,5
OPERATING MARGIN (%)	**17,7**	17,0	16,7	16,6	16,6
CAPITAL EXPENDITURE	**881,8**	848,9	531,9	566,9	541,1

ENTYCE BEVERAGES	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
REVENUE	**3 421,9**	3 041,2	2 717,4	2 414,9	2 330,7
OPERATING PROFIT	**661,7**	545,2	442,4	397,8	415,4
OPERATING MARGIN (%)	**19,3**	17,9	16,3	16,5	17,8
CAPITAL EXPENDITURE	**130,7**	196,6	180,4	219,8	205,2

Snackworks	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
REVENUE	**3 643,2**	3 405,3	3 057,9	2 681,6	2 428,7
OPERATING PROFIT	**609,1**	533,4	474,5	387,9	328,5
OPERATING MARGIN (%)	**16,7**	15,7	15,5	14,5	13,5
CAPITAL EXPENDITURE	**239,2**	225,1	76,1	143,9	171,8

I&J	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
REVENUE	**2 171,8**	1 960,5	1 823,1	1 591,9	1 515,4
OPERATING PROFIT	**331,0**	248,4	244,6	165,8	178,6
OPERATING MARGIN (%)	**15,2**	12,7	13,4	10,4	11,8
CAPITAL EXPENDITURE	**345,7**	212,5	183,7	112,9	67,1

Fashion brands	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
REVENUE	**2 950,7**	2 829,2	2 659,3	2 518,2	2 005,2
OPERATING PROFIT	**563,0**	602,2	560,1	576,9	463,6
OPERATING MARGIN (%)	**19,1**	21,3	21,1	22,9	23,1
CAPITAL EXPENDITURE	**153,9**	108,3	88,5	80,3	85,7

OBJECTIVES AND STRATEGIES

To be recognised as South Africa's leading consumer brands manager.

Brands are AVI's lifeblood and we are endowed with a portfolio of remarkable brands, many of which carry a heritage and pedigree built up over decades and some of which occupy a place in our national character. It would not be a stretch to claim that the vast majority of South Africa's population has at some time or another been conscious of, consumed or aspired to own one of our brands. Coupled with this privileged position is an obligation to develop and manage each brand to its fullest potential.

The strength of our brands is a function of the value they deliver to our consumers which is underpinned by their quality, price and inventiveness. We strive to constantly improve this value by making our products more valuable, more accessible and more desirable and we are committed to supporting the long-term competitiveness of our brands with appropriate investments behind marketing, research and new product development. We view our role not merely in terms of enhancing the position of our brands within a category, but of being a material contributor to the development of the categories themselves. It is not our objective to serve all potential customers, but to service those whose needs are aligned with our business objectives better than anyone else by providing them with the most rewarding consumption experience. A happy consumer is the foundation of the growing volumes, market shares, profit margins and brand loyalty, which drive success in the consumer products space.

To consistently outperform our peer group, both operationally and in shareholder returns.

AVI's financial success is measured first and foremost by the adequacy of returns generated for our shareholder community. Our twin return objectives reflect our goal of being an attractive investment vehicle over the long term, both relative to our peer set, and on an absolute basis. The benchmark for success against our relative performance target is to earn top quartile total shareholder returns over successive rolling three year periods, while that of our absolute performance target is to deliver real combined dividend and share price appreciation exceeding 10% per annum. The achievement of these benchmarks will depend crucially on AVI's ability to service its customers and communities efficiently and effectively. This is not only a strong endorsement of the value added by our organisation but also a key underpin of the ongoing sustainability thereof.

To build sustainable and defensible positions in each of our priority markets and categories.

We do not view legacy as an inhibitor of opportunity and are committed to operating in any market or category where our brands, products and organisational competencies endow us with a sustainable advantage over our competitors. We believe that long-term continuing success is a function of focus and the discipline required to recognise where we can and cannot compete effectively.

Practically this perspective demands that we regularly reappraise the extent of our current activities and consider exiting areas where growth or profitability are deemed poor in the long run or where the competitive landscape is changing in ways that inhibit our ongoing success. It also materially shapes the development of our organic and acquisitive growth initiatives by ensuring that the imperative and desire for growth are tempered by a true assessment of any new opportunity and our ability to sustain and enhance our competitiveness in the new market or category over the long term.

To maintain and develop a corporate structure that adds material value to our underlying business portfolio.

Our corporate and shared services structures play a meaningful role in defining and enhancing our competitiveness and as such are capable of supporting heightened long-term earnings growth. While we operate in many distinct categories our corporate ethos and enabling structures embrace a "one company" philosophy. They are an effective mechanism for leveraging the strength of our brands and exploiting the efficiency and productivity improvement, process simplification and cost reduction opportunities inherent in their combined scale. They allow us to serve more consumers in more markets more efficiently and to strengthen our importance to our key national retail partners.

To advance our absolute and relative competitiveness in each core category every year.

The global consumer products' environment is a vibrant space and one in which sustaining the saliency of one's brands has become increasingly challenging. Rapid technological development, increased access to information and the relentless pace of innovation globally have all contributed to the most fluid consumer environment in history. Better informed consumers have ever more demanding expectations from their brands and are faced with a wider portfolio of choices when making their consumption decision.

Our response to new opportunities, changing consumer preferences and lifestyles, and competitor activity will need to be quicker and more flexible than ever before in the years to come. Ongoing success in this increasingly "winner-takes-all" environment demands a strong commitment to continuous improvement in all areas of our operations.

To sustain and develop an impeccable corporate reputation with all stakeholders.

AVI's ongoing standing as a leading South African corporate requires continued focus on ethical management practices to ensure its sustainability. Beyond integrity and transparency in our dealings with our shareholders, customers, consumers, employees and other stakeholders, this also encompasses a commitment to ensuring that AVI plays its role as a corporate citizen to minimise any adverse environmental impact, and to improve the living standards and address the ongoing need for transformation in the society in which it operates.

To attract, develop and retain the best talent in the industry.

In the fierce competition for skills and talent AVI will actively seek to recruit, nurture and retain exceptional people recognising that they remain our strongest differentiator in developing our leading brand centric culture. We believe that our scale and opportunity reinforce our ability to attract and retain the talented individuals necessary to execute our strategies and cement the quality of functional leadership in an environment characterised by increasing skills shortages and intense competition for human capital.

Reinforce business returns with a prudent but nimble corporate capital allocation philosophy.

The strength of our brand portfolio has resulted in AVI generating robust cash flows which often exceed the supply of investment opportunities that meet our strategic, risk and return criteria. While we have strong ambitions for organic and value-adding acquisitive growth, this paradigm of cash generation in excess of reinvestment need is likely to persist in future. AVI will seek to supplement underlying shareholder return generation through the prudent use of corporate capital management strategies including share repurchases, leverage and special dividends, where appropriate.

CHAIRMAN and CEO'S REVIEW

GAVIN R TIPPER *Chairman*

Overview

Eight years after the Global Financial Crises stock markets are at elevated levels despite some of the more significant international economies still showing signs of fragility. The volume of quantitative easing over the last few years seems to have suspended normal economic rules and while the likely rise in US interest rates may arrest some of the capital flows, it seems likely that low interest rates and abundant capital will persist for some time.

The South African economy has underperformed for an extended period and it is difficult to see how this will change. Despite efforts by many in business and some in government to address the major impediments to meaningful economic growth there has been little or no progress towards real growth and the likelihood of a ratings downgrade in the next year is high. The ongoing failure to address the fundamental issues in the economy, coupled with the added financial pressures that will result should South Africa's debt rating be downgraded, do not bode well for the South African consumer.

AVI produced pleasing results given the difficult economic environment and the constraints on our customers during the year. Revenue increased by 8,4%, operating profit rose by 12,4%, and headline earnings were up by 11,5%. Rand weakness during the period contributed to a strong result from I&J but created significant input cost pressure in our other businesses, only some of which could be recovered through price increases.

Entyce's performance was underpinned by strong volume growth in creamer and effective management of selling prices across tea, coffee and creamer. Snackworks performed effectively in a challenging environment maintaining gross margin and sales volumes. I&J benefited materially from the weaker Rand and lower fuel costs, notwithstanding a difficult fishing environment in the second semester of the financial year. Indigo's brands performed well in a competitive environment resulting in good profit growth for the year. In the footwear and apparel brands demand cooled as cash constrained consumers reacted to the higher selling prices necessary to preserve margins following the impact of the weaker Rand on the cost of goods sold. This together with significant levels of store refurbishment and a disappointing Green Cross performance, impacted negatively on profitability. The International business, comprising mainly of exports into Africa, achieved sound growth notwithstanding challenging currency movements in several important markets, and contributed 9% of Group operating profit for the year.

The South African retail landscape is evolving and in addition to the normal challenges of Rand cost inflation and financially stressed consumers, we are seeing disruptions as international entities with non-traditional operating models play increasingly larger roles in our markets. This will benefit the consumer but will challenge both existing retailers and producers, particularly those that have not anticipated the changes.

We again made substantial investments in capacity and efficiency projects in the manufacturing operations and new and refurbished stores in the retail businesses. Capital expenditure in the period included R259,9 million for I&J's new vessels, which have contributed significantly to our fishing capacity.

The reductions in our disabling injury frequency rate continued with the rate decreasing from 0,60 to 0,57. Certain of our operations take place in potentially dangerous environments and it is encouraging that the investments we have made in safety are bearing dividends. The emphasis on the area will continue with the objective of ensuring further improvements.

Further share options under the Company's Black Staff Empowerment Share Scheme vested during the year. To date approximately 14 594 employees have benefited and have received a total gross benefit of R681,3 million.

The Company's variable remuneration structure was reviewed and benchmarked during the year. People are a critical resource and in a shrinking domestic talent pool it is important that we are able to retain the talent we have developed and are able to attract new people with the attributes necessary to drive the business forward. Accordingly, a number of changes to the remuneration system have been recommended to shareholders and the revised remuneration policy will be subject to a non-binding vote by shareholders at the Annual General Meeting.

Our BBBEE rating remained at a level 8. Despite improvements in a number of the underlying scores, the rating was once again computed as a level 7 and discounted to a level 8 as we fell below the minimum points requirement for "supplier development". Considerable effort and expense is devoted to analysing the requirements of the codes and to formulating and implementing plans to achieve compliance in a sensible and sustainable manner. We are confident that our rating will continue to improve and that our focus on meaningful transformation and compliance with the spirit of the codes will yield benefits for shareholders, employees, our suppliers and the communities in which we operate.

Financial review

Revenue increased 8,4% from R11,24 billion to R12,19 billion, with the Group realising higher selling prices in all categories to offset cost pressure from the weakening of the Rand and an increase in wage costs of R45,9 million, in line with the new wage equalisation legislation effective from April 2015. Sales volumes were resilient with notable growth achieved in Creamer, body sprays and I&J. Gross profit rose by 8,6% to R5,35 billion with the consolidated gross profit margin improving from 43,8% to 43,9%. Operating profit increased by 12,4% from R1,92 billion to R2,15 billion with the growth in gross profit supported by good containment of selling and administration expenses across the Group. The operating profit margin increased from 17,0% to 17,7%.

Cash generated by operations, before working capital changes, increased 15,3% to R2,76 billion. Working capital rose R469,3 million, reflecting good trading at the end of the year, higher stock values from rising input costs and planned increases in stock levels ahead of scheduled disruptions arising from capital projects. Capital expenditure of R881,8 million included payments for I&J's new vessels, capacity and efficiency projects in the manufacturing operations, and new and refurbished stores in the retail businesses. Other material outflows during the period were dividends of R1,13 billion and taxation of R508,6 million. Net debt at the end of June 2016 was R1,43 billion compared to R1,20 billion at the end of June 2015.

The return on capital employed for the period was 27,9%. This ratio has remained above 20% since 2011 and is substantially higher than the Company's weighted average cost of capital.

SIMON CRUTCHLEY *Chief Executive Officer*

Dividend

In terms of the Company's dividend policy, a final dividend of 220 cents per share has been declared. This brings the total normal dividend for the year to 370 cents, an increase of 11,5% over the prior year.

Investing for growth

We have continued to invest heavily in our own business with capital expenditure for the year of R881,8 million. This included replacements of and improvements to existing facilities and operations, and expansion of our capacity in a number of important areas.

The expenditure included a third creamer tower and packaging equipment in Entyce, oven and line upgrades in Snackworks, an upgrade of the Bryanston campus, payments on the new freezer and wet vessels and related upgrades, an expansion of the abalone farm, distribution centre upgrades in Indigo and new store openings and refurbishments in Spitz, Kurt Geiger and Green Cross.

The returns on the investments to date have been satisfactory and we will continue to invest in areas of the business where we believe that additional capacity will be important, where new opportunities exist or where we can drive efficiencies and cost savings.

Green Cross has performed below expectations and while we expected some reduction in profits as we built capacity, the result to date has been disappointing. The investment case for the business remains sound and it offers important opportunities in the current constrained economic conditions; the business has a solid base, where appropriate changes have been made and we expect improvements.

In addition to the investments in our own business we will continue to look at acquisitions where they are appropriate to the Group and can be acquired at prices that will yield an acceptable risk adjusted return to shareholders.

Corporate governance

AVI's Board is committed to ensuring that we operate with a clear recognition of the various relationships the Company has with its different stakeholders, and of the need for returns to be generated in a sustainable manner. Our efforts in this regard are set out in the sustainable development section of this report.

The recommendations of the King Report ("King III") have been integrated into our Board and sub-committee charters, as have the requirements of the Companies Act. The corporate governance section of this report sets out our approach to corporate governance and our compliance with King III.

Board

There were no changes to the Board during the financial year.

Our thanks go to our colleagues for their support and counsel.

Outlook

We stated last year that we expected 2016 to be a more difficult year than 2015. Unfortunately we were correct and at the time of writing there are no obvious catalysts for the changes necessary to ensure that 2017 will be a better year for South African businesses and consumers than 2016.

The South African consumer is under considerable financial pressure; while wage settlements generally exceed inflation, the lack of any meaningful economic growth in an environment of population growth has meant that unemployment levels remain high and the number of welfare recipients increases steadily. In addition, there is a norm that administered price increases exceed the consumer price index and cost pressures arising from the weaker Rand often result in price increases that substantially exceed the inflation rate. Unless our political leadership take steps to restore investor confidence in the country and in the governance thereof, to rein in government spending and to address the lack of growth in the economy, the standard of living for the average South African consumer is likely to decline.

We have worked hard over a number of years to drive efficiencies in the business and to position the Group for success in the difficult economic environment we are likely to face for some time. We have a number of projects in the pipeline for 2017 that should add to our ability to remain competitive in the evolving South African environment.

Active management of our brands is critical to our continued success. While we have the benefit of iconic brands that have become household names over several generations, we recognise the importance of anticipating our customers' changing needs and innovating to meet those needs. This remains an area of considerable focus and investment.

As we look forward we have significant concerns regarding the effect of any further Rand weakness. Our ability to absorb further cost pressure is limited and price increases are likely to affect volumes given the financially stressed state of our customers. Our hedging programme will provide some protection in the short term but should there be a combination of events that result in a weaker Rand for an extended period, margins will be affected.

I&J will benefit from any Rand weakness, subject to the impact thereof on certain of its input costs which are denominated in hard currency. Unfortunately, uncertainty is being created in the fishing industry with unexplained delays in allocating the inshore quota and the much publicised allocation of an "experimental quota" for horse mackerel, which bypassed decades of good resource management and the established quota regime, to individuals who have no history or investment in the fishing sector. Unless properly resolved the uncertainty will prejudice investment in a sector that is an important employer in the coastal regions.

We remain confident that AVI is well positioned to compete in the current difficult trading environment. We will continue to pursue growth opportunities from the current brand portfolio, prudently manage fixed and variable costs and recognising the challenging environment, be alert for appropriate acquisition opportunities both domestically and regionally.

Acknowledgements

The commitment, passion and energy of our people is critical to our success and we thank all of our staff for their hard work and sacrifice. The continued support of our suppliers, service providers, retail partners and customers is invaluable and our thanks go to those parties. Finally, the ongoing support from our shareholders is acknowledged and appreciated.

Gavin Tipper
Chairman

Simon Crutchley
Chief Executive Officer

ENTYCE BEVERAGES
A DIVISION OF NATIONAL BRANDS LIMITED

Revenue of R3,42 billion was 12,5% higher than 2015, mainly due to selling price increases in response to input cost pressures, primarily from the weaker Rand, as well as sales volumes growth in the creamer and premium speciality coffee categories. The gross profit margin improved from 41,6% to 42,0% largely due to volume leverage in the creamer category.

Selling and administrative cost increases were well contained, and tea, coffee and creamer all had improved operating profit margins for the year. Operating profit increased by 21,4% from R545,2 million to R661,7 million and the operating profit margin improved from 17,9% to 19,3%.

Tea

Tea revenue grew 14,4% primarily due to price increases necessary to offset significantly higher rooibos tea input costs and the impact of the weaker Rand on other raw material costs. Rooibos raw material availability was constrained with drought conditions in the Western Cape compounded by rising demand, resulting in substantial increases in rooibos raw material prices. Overall tea category demand declined due to higher prices; however Five Roses, Freshpak and Trinco all improved their volume and value market shares strengthening Entyce's tea market leadership. Entyce black tea sales volumes were up 0,2% while rooibos volumes were down 5,4%.

The tea gross profit margin declined marginally with higher input costs not fully recovered by trade selling price increases in the current year owing to the constrained consumer environment and aggressive pricing by competitors for part of the year. Selling and administrative costs increased slightly ahead of inflation with increased marketing and sales costs to drive sales volumes.

Operating profit for the tea category increased by 15,4% and operating profit margin was slightly higher than last year.

Coffee

Coffee revenue was up 9,2% with price increases to ameliorate the impact of the weaker Rand on raw coffee bean prices and a 1,8% increase in sales volumes. Overall coffee category demand was in line with last year, however Entyce's volumes were buoyed by the first full year's sales of Hug in a Mug, a speciality flavoured coffee in a convenient format. Mixed instant coffee volumes declined due to aggressive competitor activity on both mixed instant and pure instant coffee and affordable brewed volumes were constrained by higher price points and the trend towards more convenient coffee offerings.

The coffee category recorded a slight decline in gross margin percentage, with the impact of the weaker Rand and higher glucose prices not fully recovered in the year. Selling and administrative costs were well controlled resulting in a higher operating profit margin and a 13,1% increase in operating profit.

Creamer

Creamer revenue rose by 16,5%, benefiting from price increases, disciplined price management and a 9,1% growth in sales volumes. Following the commissioning of additional capacity in September 2015, Entyce had sufficient capacity to take advantage of inconsistent competitor service levels, resulting in a strong improvement in Ellis Brown's volume and value market shares.

Volume leverage resulted in an improved gross profit margin, notwithstanding the impact of the weaker Rand on raw material costs and selling and administrative costs were well-controlled. Operating profit margin improved and operating profit grew by 45,6%.

Ciro Out of Home Coffee Solutions

Revenue for the year grew by 8,2% due mainly to selling price increases and 1,5% growth in core coffee and tea volumes. Selling prices were increased to recover the impact of higher costs, particularly the weaker Rand on coffee bean prices. Sales volumes were favourably impacted by new group customer roll-outs.

An improved product mix, improved service levels and factory efficiencies resulted in an improved gross profit performance. This together with well controlled selling and administrative costs resulted in an 18,4% improvement in operating profit.

Capital expenditure

Entyce's capital expenditure of R130,7 million in 2016 included final payments of R15,3 million for the third creamer spray drying tower, R10,0 million for replacement of the creamer wet mixing equipment and R5,6 million for a new filling machine for Hug in a Mug speciality coffee at the coffee and creamer plant. In the tea plant, R23,3 million was spent on various new black tea and rooibos packing lines and end-of-line automation solutions. Ciro spent R26,9 million on new vending equipment.

ENTYCE BEVERAGES

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	Change 2016 vs 2015 %
REVENUE	**3 421,9**	3 041,2	2 717,4	2 414,9	2 330,7	2 112,2	1 957,5	1 841,6	1 638,7	1 417,0	**12,5**
OPERATING PROFIT	**661,7**	545,2	442,4	397,8	415,4	402,2	329,9	280,8	253,9	237,0	**21,4**
OPERATING MARGIN (%)	**19,3**	17,9	16,3	16,5	17,8	19,0	16,9	15,2	15,5	16,7	**7,8**
CAPITAL EXPENDITURE	**130,7**	196,6	180,4	219,8	205,2	127,9	90,4	81,3	67,7	36,4	

Snackworks
That's Good Times!

Revenue of R3,6 billion was 7,0% higher than last year with growth in both biscuits and snacks revenue due predominantly to higher selling prices. The gross profit margin improved from 41,5% last year to 41,9% with improved profitability across both biscuits and snacks. Operating profit improved 14,2% from R533,4 million to R609,1 million and operating profit margin increased from 15,7% to 16,7%.

Biscuits

Biscuit revenue grew 7,1% due to higher selling prices with sales volume flat on last year. The volume performance was negatively impacted by the need to take early price increases, in a constrained consumer environment, to protect margins against the impact of the weaker Rand and labour equalisation costs at the Westmead factory. The sweet biscuit portfolio benefited from continued growth on Bakers Good Morning and additional market share as a result of the competing Moir's range exiting the market during the prior year. This was largely offset by declines in savoury volume during the first semester with project activity and capacity constraints hindering our ability to service demand during peak periods. Capital investment has been made to alleviate this constraint as we move into the next financial year.

Gross profit margin improved slightly due to top-line growth and procurement savings which were largely offset by higher raw material costs and labour equalisation costs.

Selling and administration costs were well contained with inflationary increases partly offset by savings in distribution costs. Overall the biscuit category delivered operating profit growth of 11,1% and a further improvement in the operating profit margin.

Snacks

Revenue increased 6,7% due to higher selling prices and an improved volume performance as a result of flavour extensions. As in our other businesses, the weaker Rand had a material adverse impact on raw material costs which was largely recovered with selling price increases. Gross profit margin benefited from a more profitable sales mix and procurement savings, improving on last year.

Selling and administration costs were well controlled and operating profit increased materially. Although it is encouraging to achieve an improved operating profit margin this still remains below the targeted level and plans are in place to facilitate continued growth and improvement in this area.

Capital expenditure

Snackworks' capital expenditure of R239,2 million for the year incorporates extensive project activity at all three manufacturing sites that will increase capacity and enhance quality and efficiency. One of the biscuit lines purchased from Pioneer in the previous financial year has been installed in Isando to increase our Eet Sum Mor capacity while the other line will be installed in Westmead in the 2017 financial year.

The upgrade of process and packaging equipment at the Rosslyn snacks factory is an important underpin to sustaining improved profitability in the snacks category.

Snackworks That's Good Times!	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	Change 2016 vs 2015 %
REVENUE	**3 643,2**	3 405,3	3 057,9	2 681,6	2 428,7	2 159,7	2 080,9	2 036,8	1 677,2	1 394,2	**7,0**
OPERATING PROFIT	**609,1**	533,4	474,5	387,9	328,5	263,9	232,8	192,5	185,8	156,8	**14,2**
OPERATING MARGIN (%)	**16,7**	15,7	15,5	14,5	13,5	12,2	11,2	9,5	11,1	11,2	**6,4**
CAPITAL EXPENDITURE	**239,2**	225,1	76,1	143,9	171,8	117,6	46,6	44,8	58,3	47,3	

Revenue increased by 10,8% from R1,96 billion to R2,17 billion due to selling price increases both domestically and internationally, including the benefit of the weaker Rand on export sales, and increased sales volumes as a result of additional catching capacity from the introduction of new fishing vessels to the fleet during the year. Marginal foreign currency price increases were achieved on the export market, while price increases were taken domestically to mitigate cost pressure from the weak Rand.

The gross profit margin expanded from 32,4% to 33,2% as a result of the currency benefit, lower fuel prices and increased volumes associated with the additional fishing capacity from new vessels. This was partially offset by a reduction in freezer fleet catch rates, and an increased proportion of small fish landed by the wet fleet, negatively impacting production efficiency and product mix.

Selling and administrative costs were in line with last year due to the recognition of foreign exchange gains in the current year compared to losses in the prior year. Operating profit increased from R248,4 million to R331,0 million, and the operating profit margin expanded to 15,2%.

Simplot joint venture

In addition to the operating profit reflected above, I&J's joint ventures yielded equity earnings of R58,1 million compared to R9,5 million last year. These earnings primarily relate to the joint venture with Simplot (Australia) Proprietary Limited, with significant year-on-year improvement due to non-repetition of prior year restructure costs, combined with improved trading performance, favourable currency movements and benefits of the cost savings achieved by the prior year restructure.

Capital expenditure

Capital expenditure of R345,7 million included R259,9 million associated with the acquisition of the new deep sea fishing trawler built in Spain and the used freezer factory vessel from Norway. Both these vessels have been integrated into the fleet and are performing well. Further expenditure included the expansion of the Danger Point abalone farm, down payments for backup power generators at key sites, as well as maintenance of the fishing fleet and processing facilities.

RSA hake resource

The South African hake total allowable catch ("TAC") remained unchanged from 2015, following declines of 0,5% in 2014 and 5% in 2015. I&J's quota amounted to 41,245 tons, accounting for 28% of the TAC.

The TAC and I&J's quota for the last 10 years are summarised in the table on the following page.

The changes in TAC are in accordance with a well-established management programme based on research voyages and catch data recorded by quota holders. During 2015 the Marine Stewardship Council ("MSC") recertified that the South African hake resources met the requisite environmental standards for sustainable fishing for a further five years, which will be due for review again in 2020. This certification gives assurance to buyers and consumers that the seafood comes from a well-managed and sustainable resource, which is increasingly relevant in I&J's export markets. The South African Deep Sea Trawling Association will continue to work closely with the Department of Agriculture, Forestry and Fisheries ("DAFF") to maintain a sustainable fishery into the future, including activities such as research voyages, the on-board observer programme and effective patrolling of the fishery.

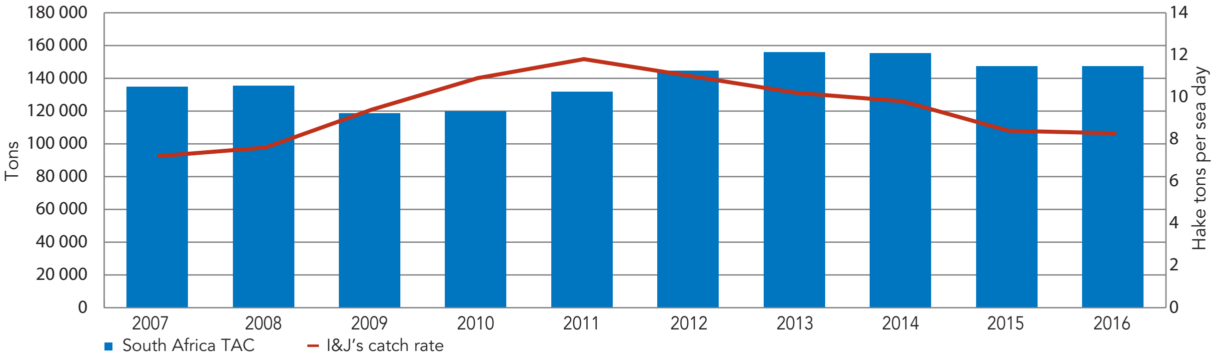
In the past 12 to 18 months I&J has caught a high proportion of small fish, negatively impacting on freezer catch rates and land-based processing owing to an increase in the number of fish to be processed for an equivalent volume. This has been experienced

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	**Change 2016 vs 2015 %**
REVENUE	**2 171,8**	1 960,5	1 823,1	1 591,9	1 515,4	1 369,3	1 381,8	1 597,5	1 476,8	1 427,2	**10,8**
OPERATING PROFIT	**331,0**	248,4	244,6	165,8	178,6	92,1	74,3	237,9	160,4	112,9	**33,3**
OPERATING MARGIN (%)	**15,2**	12,7	13,4	10,4	11,8	6,7	5,4	14,9	10,9	7,9	**19,7**
CAPITAL EXPENDITURE	**345,7**	212,5	183,7	112,9	67,1	40,9	42,7	65,5	27,1	35,0	

previously and is part of the natural biomass cycle, which is influenced by various environmental factors, such as El Niño. Although this proliferation of small fish negatively impacts performance in the short term, it is understood that this is attributable to a strong recruitment, with the expectation that this will give rise to an abundance of larger fish in the coming years as the current high volume of small fish mature.

A number of fishing rights have come up for renewal during 2016, including the hake inshore trawl, horse mackerel and patagonian toothfish. I&J has reapplied for these rights, and is awaiting the outcome of the Department of Agriculture, Forestry & Fisheries adjudication process. The current long-term Deep Sea hake rights expire at the end of 2020.

SOUTH AFRICAN HAKE TAC AND I&J CATCH RATES
(hake tons per sea day)



Hake quota

(tons)	**2016**	2015	2014	2013	2012	2011	2010	2009	2008	2007
South Africa	**147 500**	147 500	155 308	156 088	144 742	131 847	119 861	118 578	130 531	135 000
I&J	**41 245**	41 222	43 471	43 689	40 515	36 906	33 550	33 199	36 531	37 741
% of TAC	**28,0**	27,9	28,0	28,0	28,0	28,0	28,0	28,0	28,0	28,0

Fashion brands

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	Change 2016 vs 2015 %
REVENUE	**2 950,7**	2 829,2	2 659,3	2 518,2	2 005,2	1 842,6	1 583,7	1 400,6	1 253,3	1 058,1	**4,3**
Indigo	**1 096,4**	1 033,0	1 043,8	982,1	918,1	890,3	802,8	730,2	623,5	555,9	**6,1**
Spitz	**1 467,5**	1 409,6	1 246,4	1 170,4	1 044,3	900,5	732,2	629,9	601,5	502,2	**4,1**
Green Cross	**339,7**	336,0	326,5	327,5	–	–	–	–	–	–	**1,1**
Other	**47,1**	50,6	42,6	38,2	42,8	51,8	48,7	40,5	28,3	–	**(7,0)**
OPERATING PROFIT	**563,0**	602,2	560,1	576,9	463,6	368,5	255,4	196,2	206,3	208,4	**(6,5)**
Indigo	**218,0**	198,0	172,0	167,1	155,7	132,4	104,7	94,5	73,4	63,3	**10,1**
Spitz	**320,2**	355,7	322,6	326,4	304,6	238,6	157,8	114,2	139,0	145,1	**(10,0)**
Green Cross	**27,3**	45,0	58,8	79,9	–	–	–	–	–	–	**(39,3)**
Other	**(2,5)**	3,5	6,7	3,5	3,3	(2,5)	(7,1)	(12,5)	(6,1)	–	**(171,4)**
OPERATING MARGIN (%)	**19,1**	21,3	21,1	22,9	23,1	20,0	16,1	14,0	16,5	19,7	**(10,3)**
Indigo	**19,9**	19,2	16,5	17,0	17,0	14,9	13,0	12,9	11,8	11,4	**3,7**
Spitz	**21,8**	25,2	25,9	27,9	29,2	26,5	21,6	18,1	23,1	28,9	**(13,5)**
Green Cross	**8,0**	13,4	18,0	24,4	–	–	–	–	–	–	**(40,3)**
Other	**(5,3)**	6,9	15,7	9,2	7,7	(4,8)	(14,6)	(30,9)	(21,6)	–	**(176,8)**
CAPITAL EXPENDITURE	**153,9**	108,3	88,5	80,3	85,7	113,3	138,6	49,4	89,3	55,0	
Indigo	**54,6**	19,4	24,5	31,5	35,0	71,5	127,2	26,8	24,9	17,3	
Spitz	**60,3**	46,9	32,6	44,0	49,3	41,6	11,2	21,1	55,3	37,7	
Green Cross	**30,2**	39,1	31,2	3,5	–	–	–	–	–	–	
Other	**8,8**	2,9	0,2	1,3	1,4	0,2	0,2	1,5	9,1	–	

Personal Care

In the personal care category, Indigo's revenue from owned brands grew by 10,3% due to price increases and volume growth of 4,3%. Aerosol volumes lead the way with solid volume growth and were well supported by colour cosmetics, lotions and roll-ons. Overall revenue growth was negatively impacted by lower volumes manufactured for Coty.

A new agreement was finalised with Coty, securing business for a further three years at reduced fees.

Operating profit grew by 10,1% from R198,0 million to R218,0 million. The operating margin increased from 19,2% to 19,9%, a result of sound gross margin management and controlled selling and administrative expenses.

Capital expenditure

Capital expenditure of R54,6 million included the installation of a backup power solution for the Epping site, the first year's investment of an upgrade to the distribution centre and the routine replacement of colour cosmetic in-store merchandising units and manufacturing equipment.

Personal Care

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	Change 2016 vs 2015 %
REVENUE	**1 096,4**	1 033,0	1 043,8	982,1	918,1	890,3	802,8	730,2	623,5	555,9	**6,1**
OPERATING PROFIT	**218,0**	198,0	172,0	167,1	155,7	132,4	104,7	94,5	73,4	63,3	**10,1**
OPERATING MARGIN (%)	**19,9**	19,2	16,5	17,0	17,0	14,9	13,0	12,9	11,8	11,4	**3,6**
CAPITAL EXPENDITURE	**54,6**	19,4	24,5	31,5	35,0	71,5	127,2	26,8	24,9	17,3	

Footwear and Apparel

The Footwear and Apparel category increased revenue by 3,2% to R1,85 billion while operating profit decreased by 14,7% from R404,2 million to R345,0 million. The operating profit margin decreased from 22,5% to 18,6%.

Footwear and Apparel

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	Change 2016 vs 2015 %
REVENUE	**1 854,3**	1 796,2	1 615,5	1 536,1	1 087,1	952,3	780,9	670,4	629,8	502,2	**3,2**
OPERATING PROFIT	**345,0**	404,2	388,1	409,8	307,9	236,1	150,7	101,7	132,9	145,1	**(14,7)**
OPERATING MARGIN (%)	**18,6**	22,5	24,0	26,7	28,3	24,8	19,3	15,2	21,1	28,9	**(17,3)**
CAPITAL EXPENDITURE	**99,3**	88,9	64,0	48,8	50,7	41,8	11,4	22,6	64,4	37,7	

Includes Green Cross from 1 July 2012.

SPITZ

In the Spitz business revenue grew 4,1% as a result of higher selling prices and increased clothing sales volumes, offset by lower footwear sales volumes. Core brands performed well in the context of a constrained consumer environment, notwithstanding weaker sales volumes in the second semester following the implementation of selling price increases.

Selling prices were carefully managed in pursuit of the optimum balance between consumer demand and recovering higher costs to protect gross profit margin, but significantly higher costs from the weaker Rand could not be fully recovered in the current year. Consequently gross profit margin decreased from 59,0% to 57,2%. Together with cost inflation and the profit disruption from opening new stores and refurbishing existing stores, this resulted in a decrease in operating profit from R355,7 million to R320,2 million. The operating profit margin declined from 25,2% to 21,8%.

Spitz benefited from new store openings in the year. Kurt Geiger continues to improve trading densities and has shown good sales growth with the addition of six new stores. Key trading statistics are shown below.

Capital expenditure

Capital expenditure of R60,3 million was primarily directed at new store openings and refurbishment of older stores. Spitz opened three new stores and closed one, while Kurt Geiger opened six new stores and closed one. A total of 10 stores were either relocated or refurbished.

SPITZ

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm	Change 2016 vs 2015 %
REVENUE	**1 467,7**	1 409,6	1 246,4	1 170,4	1 044,3	900,5	732,2	629,9	601,5	502,2	**4,1**
OPERATING PROFIT	**320,2**	355,7	322,6	326,4	304,6	238,6	157,8	114,2	139,0	145,1	**(10,0)**
OPERATING MARGIN (%)	**21,8**	25,2	25,9	27,9	29,2	26,5	21,6	18,1	23,1	28,9	**(13,5)**
CAPITAL EXPENDITURE	**60,3**	46,9	32,6	44,0	49,3	41,6	11,2	21,1	55,3	37,7	

SPITZ CARVELA KURT GEIGER LACOSTE GANT nina roche TOSONI

SPITZ	2016	2015	2014	2013	2012	2011	2010
NUMBER OF STORES	**76**	74	70	64	61	57	56
TURNOVER (R'm)	**1 271**	1 231	1 093	1 044	959	876	720
AVERAGE (m^2)	**19 388**	18 442	17 264	16 357	15 107	15 233	15 147
TRADING DENSITY (R/m^2)	**65 550**	66 767	63 300	63 820	63 460	57 480	47 539
CLOSING (m^2)	**19 726**	19 144	17 813	16 586	15 662	14 991	15 012

KURT GEIGER	2016	2015	2014	2013	2012	2011	2010
NUMBER OF STORES	**34**	29	32	30	26	15	3
TURNOVER (R'm)	**196**	179	154	127	86	25	12
AVERAGE (m^2)	**4 187**	4 045	3 825	3 845	2 839	953	318
TRADING DENSITY (R/m^2)	**46 883**	44 139	40 175	32 897	30 140	26 149	38 241
CLOSING (m^2)	**4 266**	3 677	3 880	3 751	3 507	1 910	318

GREEN CROSS

Revenue grew marginally from R336,0 million to R339,7 million. In the retail business, eight new stores were opened and six stores were refurbished during the year, materially improving the footprint that will drive medium-term revenue growth and operating leverage. Growth in retail sales of 7,4% was offset by a decline in wholesale volumes, reflecting ongoing pressure from competitors in this channel as well as a general increase in footwear retail space. Both retail and wholesale channels were negatively impacted by the challenging economic environment, input cost inflation, and interrupted trade due to retail store and mall refurbishments.

Gross profit margin improved, despite diminishing protection from currency hedges through the year, in line with an increased relative contribution from retail. Wholesale margins declined as input cost inflation exceeded price inflation. Selling and administrative expenses grew ahead of inflation, driven by the roll out of new stores and store refurbishment costs.

Capital expenditure continued to be invested in growing retail and improving factory efficiencies, with R18,0 million allocated to stores and R12,2 million invested in machinery and upgrading the warehouse and distribution facility.

Investment in retail stores will continue during the 2017 financial year as the business continues to pursue growth opportunities for the Green Cross brand.

GREEN CROSS	**2016 R'm**	2015 R'm	2014 R'm	2013 R'm	2012 R'm	**Change 2016 vs 2015 %**
REVENUE	**339,7**	336,0	326,5	327,5	315,5	**1,1**
OPERATING PROFIT	**27,3**	45,0	58,8	79,9	82,6	**(39,3)**
OPERATING MARGIN (%)	**8,0**	13,4	18,0	24,4	26,2	**(40,3)**
CAPITAL EXPENDITURE	**30,2**	39,1	31,2	3,5	3,4	

Green Cross has been included in the Group's results from 1 July 2012.

	2016	2015	2014	2013	2012
NUMBER OF STORES	**38**	30	31	30	30
TURNOVER (R'm)	**238**	221	205	200	185
AVERAGE (m^2)	**4 210**	3 457	3 394	3 382	3 324
TRADING DENSITY (R/m^2)	**56 484**	64 021	60 416	59 014	55 524
CLOSING (m^2)	**4 697**	3 529	3 517	3 382	3 382


Love being
in your shoes

AVI INTERNATIONAL

Structurally, AVI International's business has remained unchanged during the year, with subsidiary operations in Botswana, Zambia and Namibia. These markets have all achieved strong volume, revenue and operating profit growth in the year despite challenging trading conditions and currency movements.

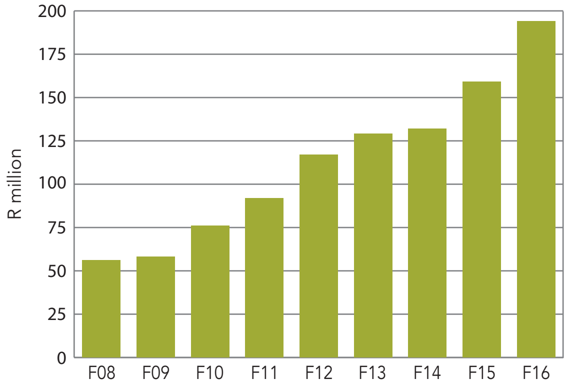
Markets serviced through third-party distributors have achieved mixed performances during the year. Zimbabwe, despite its many difficulties, has performed extremely well in the personal care and creamer categories but biscuits performance has been constrained by restrictive import permit requirements.

Angola and Mozambique have both experienced severe foreign currency liquidity crises during the year. The resultant macroeconomic downturns in these markets have negatively affected the biscuits and personal care categories, which make up the bulk of their sales. AVI International has limited its exposure in these markets by trading at sustainable levels and ensuring credit has not been extended beyond insured limits.

Freshpak rooibos tea has continued on its strong growth trajectory across all markets despite significant price increases which had to be taken in response to sharply increasing raw material input costs. The creamer and snacks categories have achieved significant improvements in revenue and operating profit, particularly in Namibia and Botswana, reflecting the fruit of sustained effort to improve market position and pricing. The personal care category has achieved significant growth in Zambia, and is well positioned to benefit from launches planned for the 2017 financial year.

Operating profit increased by 21,6% to R193,7 million and operating profit margin increased from 18,1% to 20,1%, comparing favourably to the profit margins achieved in South Africa.

OPERATING PROFIT HISTORY



AVI International

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	2008 R'm	Change 2016 vs 2015 %
REVENUE	**962,2**	879,6	769,0	639,4	557,5	497,8	446,1	392,9	315,5	**9,4**
OPERATING PROFIT	**193,7**	159,3	131,9	128,9	117,5	91,7	76,2	58,3	55,8	**21,6**
OPERATING MARGIN (%)	**20,1**	18,1	17,2	20,2	21,1	18,4	17,1	14,8	17,7	**11,0**

This table is an aggregation of results included in Entyce Beverages, Snackworks and Indigo Brands.

FINANCIAL REVIEW

AVI's results for the 12 months ended 30 June 2016 reflect the quality of our brands, with generally sound demand in a period of increasing pressure on consumer spending and higher input costs. The weaker Rand had a significant impact on costs, particularly in the second half of the financial year. Proactive and tactile selling price management, supported by our consistent foreign currency and commodity hedging policies, helped to maintain profit margins.

Revenue increased 8,4%, from R11,24 billion to R12,19 billion, with the Group realising higher selling prices in all categories to offset cost pressure from the weakening of the Rand and an increase in wage costs of R45,9 million, in line with the new wage equalisation legislation effective from April 2015. Sales volumes were resilient with notable growth achieved in Creamer, Body Sprays and I&J. Gross profit rose by 8,6% to R5,35 billion with the consolidated gross profit margin improving from 43,8% to 43,9%. Operating profit increased by 12,4%, from R1,92 billion to R2,15 billion with the growth in gross profit supported by good containment of selling and administrative expenses across the Group. The operating profit margin increased from 17,0% to 17,7%.

Entyce's performance was underpinned by strong volume growth in Creamer and effective management of selling prices across Tea, Coffee and Creamer. Snackworks performed effectively in a challenging environment maintaining gross profit margin and sales volumes. I&J benefited materially from the weaker Rand and lower fuel costs, notwithstanding a difficult fishing environment in the second semester of the financial year. Indigo's brands performed well in a competitive environment resulting in good profit growth for the year. In the footwear and apparel brands demand cooled as cash constrained consumers reacted to higher selling prices necessary to preserve long-term margin targets following the impact of the weaker Rand on the cost of goods sold. This, the significant refurbishment of stores and a disappointing Green Cross performance, impacted negatively on profitability. The International business, comprising mainly of exports into Africa, achieved sound growth notwithstanding challenging currency movements in several important markets, and contributed 9,0% of Group operating profit for the year.

Headline earnings rose 11,5%, from R1,34 billion to R1,49 billion with the growth in operating profit and an improved result from I&J's Australian joint venture tempered by higher finance costs in line with the targeted increase in gearing. Headline earnings per share increased 10,6% from 419,7 cents to 464,1 cents with a 0,8% increase in the weighted average number of shares in issue due to the vesting of employee share options, including the AVI Black Staff Empowerment Scheme.

Cash generated by operations, before working capital changes, increased 15,3% to R2,76 billion. Working capital rose R469,3 million, reflecting good trading at the end of the year, higher stock values from rising input costs and planned increases in stock levels ahead of scheduled disruptions arising from capital projects. Capital expenditure of R881,8 million included R259,9 million for I&J's new vessels, capacity and efficiency projects in the manufacturing operations, and new and refurbished stores in the retail businesses. Other material cash outflows during the period were dividends of R1,13 billion and taxation of R508,6 million. Net debt at the end of June 2016 was R1,43 billion compared to R1,20 billion at the end of June 2015.

Segmental review

Year ended 30 June

	Segmental revenue			Segmental operating profit		
	2016 R'm	2015 R'm	Change %	**2016 R'm**	2015 R'm	Change %
Food & Beverage brands	**9 236,9**	8 407,0	9,9	**1 601,8**	1 327,0	20,7
Entyce Beverages	**3 421,9**	3 041,2	12,5	**661,7**	545,2	21,4
Snackworks	**3 643,2**	3 405,3	7,0	**609,1**	533,4	14,2
I&J	**2 171,8**	1 960,5	10,8	**331,0**	248,4	33,3
Fashion brands	**2 950,7**	2 829,2	4,3	**563,0**	602,2	(6,5)
Personal Care	**1 096,4**	1 033,0	6,1	**218,0**	198,0	10,1
Footwear & Apparel	**1 854,3**	1 796,2	3,2	**345,0**	404,2	(14,6)
Corporate	**1,3**	7,5		**(10,2)**	(12,3)	
Group	**12 188,9**	11 243,7	8,4	**2 154,6**	1 916,9	12,4

Definitions

Number of ordinary shares in issue

Total issued ordinary share capital.

Weighted average number of ordinary shares in issue

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

Earnings per ordinary share

- Earnings and headline earnings respectively for the year in cents divided by the weighted average number of ordinary shares in issue.
- Diluted earnings and diluted headline earnings per ordinary share are calculated taking account of the unexercised share options as disclosed in Note 32 of the annual financial statements on pages 123 to 126, duly adjusted to take account of the shares to be issued at fair value calculated in accordance with IAS 33. Calculations are presented in Note 29 of the annual financial statements.

Dividend cover

Diluted headline earnings per share from continuing operations divided by the ordinary dividends declared to shareholders of the Company in respect of the results for the year.

Financial ratios

- Operating margin:
  Operating profit as a percentage of revenue.
- Return on capital employed:
  Operating profit before capital items and after taxation from continuing operations, as a percentage of average capital employed. Capital employed is total equity plus net interest-bearing debt.
- Net working capital:
  Inventories and trade receivables, less trade payables.
- Free cash flow:
  Cash available from operating activities and investments, less net capital expenditure.
- Free cash flow per ordinary share:
  Free cash flow for the year in cents divided by the weighted average number of ordinary shares in issue.
- EBITDA:
  Operating profit before capital items and depreciation and amortisation.
- Net debt/(cash):
  Financial liabilities and borrowings and current borrowings less cash and cash equivalents.
- Interest cover ratio:
  EBITDA divided by net finance costs.
- Net debt/capital employed:
  Net debt divided by capital employed.

Key statistics for continuing operations

	2016	2015	2014	2013	2012
Financial ratios (%)					
– Operating margin	**17,7**	17,0	16,7	16,6	16,6
– Return on capital employed	**27,9**	28,3	27,6	27,4	29,4
– Net working capital as a percentage of revenue	**20,3**	18,6	18,5	19,1	18,1
– EBITDA (R'm)	**2 504,7**	2 227,9	1 998,6	1 785,2	1 593,2
Liquidity					
– Free cash flow (R'm)	**782,9**	709,3	970,1	551,2	510,5
– Free cash flow per ordinary share (cents)	**243,5**	222,4	309,1	179,5	170,6
– Net debt/capital employed (%)	**24,1**	23,4	7,6	15,6	(5,1)
– Interest cover ratio	**19,4**	38,3	41,3	33,9	111,4
Employees at 30 June[1]	**11 587**	11 100	10 834	10 500	9 659
Revenue – continuing operations (R'm)	**12 188,9**	11 243,7	10 267,4	9 218,3	8 287,1
Revenue per employee (R'000)	**1 051,9**	1 012,9	947,7	877,9	858,0

[1] *Includes permanent and temporary employees.*

Share statistics – five-year summary

	2016	2015	2014	2013	2012
Number of ordinary shares in issue ('000)	**347 558**	346 701	344 938	343 953	342 145
Weighted average number of ordinary shares in issue ('000)	**321 536**	318 940	313 804	306 994	299 229
Share performance – continuing operations (cents per share)					
Earnings	**460,7**	417,7	419,3	340,1	316,7
Diluted earnings	**455,4**	410,9	409,3	325,5	302,0
Headline earnings	**464,1**	419,7	383,6	341,2	320,0
Diluted headline earnings	**458,8**	412,9	374,5	326,5	305,2
Dividends declared (excluding special dividends)	**370,0**	332,0	300,0	260,0	203,0
Dividend cover (times)	**1,25**	1,25	1,25	1,25	1,50
Market price per share (cents)					
– At year-end	**8 300**	8 155	6 125	5 945	5 000
– Highest	**9 296**	8 900	6 301	6 338	5 150
– Lowest	**7 050**	5 897	4 917	4 952	2 846
– Volume weighted average	**8 288**	7 541	5 630	5 662	4 036
Total market capitalisation at closing prices (R'm)	**28 847,3**	28 273,4	21 127,5	20 448,0	17 107,3
Price earnings ratio[1]	**17,9**	19,4	16,0	17,4	15,6
Value of shares traded (R'm)	**24 558,2**	15 090,3	11 390,4	15 022,0	12 023,0
Value traded as a percentage of average capitalisation (%)	**85,3**	57,7	58,7	77,1	87,1
Number of shares traded (millions)	**296,3**	200,1	202,3	265,3	297,9
Liquidity – number traded as percentage of shares in issue at year-end (%)	**85,3**	57,7	58,7	77,1	87,1
Average weekly Rand value traded (R'm)	**481,5**	295,9	223,3	294,5	235,7

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

Value added statement

	2016 R'm	2016 %	2015 R'm	2015 %
VALUE ADDED				
Revenue	12 188,9		11 243,7	
Cost of materials and services	(6 857,9)		(6 495,4)	
Value added by operations	5 331,0	99	4 748,3	100
Capital items (gross)	(14,3)	0	(8,7)	0
	5 316,7	99	4 739,6	100
Investment and other income	64,6	1	16,6	0
	5 381,3	100	4 756,2	100
VALUE DISTRIBUTED AND RETAINED				
Employees				
Salaries, wages and other benefits	2 409,2	45	2 154,8	45
Providers of capital	1 471,8	27	1 898,1	40
Dividends paid to Group shareholders	1 126,9	21	1 634,7	34
Interest paid	135,9	2	65,3	2
Operating lease expenses	209,0	4	198,1	4
Government	799,4	15	698,0	15
Taxation	799,4	15	698,0	15
Reinvested in the Group	700,9	13	5,3	0
Depreciation	346,6	6	307,7	6
Profit for the year	1 481,2	28	1 332,3	28
Dividends paid	(1 126,9)	(21)	(1 634,7)	(34)
	5 381,3	100	4 756,2	100

Group at a glance

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	Change 2016 vs 2015 %
AVI (continuing operations)						
Revenue	**12 188,9**	11 243,7	10 267,4	9 218,3	8 287,1	8,4
Operating profit	**2 154,6**	1 916,9	1 712,5	1 526,2	1 372,5	12,4
Operating margin (%)	**17,7**	17,0	16,7	16,6	16,6	4,1
Capital expenditure	**881,8**	848,9	531,9	566,9	541,1	3,9
Entyce Beverages						
Revenue	**3 421,9**	3 041,2	2 717,4	2 414,9	2 330,7	12,5
Operating profit	**661,7**	545,2	442,4	397,8	415,4	21,4
Operating margin (%)	**19,3**	17,9	16,3	16,5	17,8	7,8
Capital expenditure	**130,7**	196,6	180,4	219,8	205,2	(33,5)
Snackworks						
Revenue	**3 643,2**	3 405,3	3 057,9	2 681,6	2 428,7	7,0
Operating profit	**609,1**	533,4	474,5	387,9	328,5	14,2
Operating margin (%)	**16,7**	15,7	15,5	14,5	13,5	6,4
Capital expenditure	**239,2**	225,1	76,1	143,9	171,8	6,3
I&J						
Revenue	**2 171,8**	1 960,5	1 823,1	1 591,9	1 515,4	10,8
Operating profit	**331,0**	248,4	244,6	165,8	178,6	33,3
Operating margin (%)	**15,2**	12,7	13,4	10,4	11,8	19,7
Capital expenditure	**345,7**	212,5	183,7	112,9	67,1	62,7
Fashion brands						
Revenue	**2 950,7**	2 829,2	2 659,3	2 518,2	2 005,2	4,3
Operating profit	**563,0**	602,2	560,1	576,9	463,6	(6,5)
Operating margin (%)	**19,1**	21,3	21,1	22,9	23,1	(10,3)
Capital expenditure	**153,9**	108,3	88,5	80,3	85,7	42,1
Personal Care						
Revenue	**1 096,4**	1 033,0	1 043,8	982,1	918,1	6,1
Operating profit	**218,0**	198,0	172,0	167,1	155,7	10,1
Operating margin (%)	**19,9**	19,2	16,5	17,0	17,0	3,6
Capital expenditure	**54,6**	19,4	24,5	31,5	35,0	181,5
Footwear & Apparel						
Revenue	**1 854,3**	1 796,2	1 615,5	1 536,1	1 087,1	3,2
Operating profit	**345,0**	404,2	388,1	409,8	307,9	(14,7)
Operating margin (%)	**18,6**	22,5	24,0	26,7	28,3	(17,3)
Capital expenditure	**99,3**	88,9	64,0	48,8	50,7	11,7
Spitz (including Kurt Geiger stores)						
Revenue	**1 514,6**	1 460,0	1 289,0	1 208,6	1 087,1	3,7
Operating profit	**317,7**	359,2	329,3	330,0	307,9	(11,6)
Operating margin (%)	**21,0**	24,6	25,5	27,3	28,3	(14,6)
Capital expenditure	**69,1**	49,8	32,8	45,3	50,7	38,8
Green Cross						
Revenue	**339,7**	336	326,5	327,5	315,5	1,1
Operating profit	**27,3**	45,0	58,8	79,9	82,6	(39,4)
Operating margin (%)	**8,0**	13,4	18,0	24,4	26,2	(40,3)
Capital expenditure	**30,2**	39,1	31,2	3,5	3,4	(22,7)

Group balance sheets – five-year summary

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
ASSETS					
Non-current assets					
Property, plant and equipment	**3 352,4**	2 839,0	2 317,1	2 088,2	1 756,9
Intangible assets and goodwill	**1 145,4**	1 146,6	1 146,6	1 145,6	748,6
Investments	**414,5**	357,4	406,8	375,1	328,4
Deferred tax asset	**24,6**	30,8	41,8	45,4	47,2
	4 936,9	4 373,8	3 912,3	3 654,3	2 881,1
Current assets					
Inventories and biological assets	**1 889,6**	1 572,5	1 382,7	1 270,7	1 042,0
Trade and other receivables including derivatives	**1 895,5**	1 625,2	1 509,1	1 425,8	1 315,6
Cash and cash equivalents	**309,1**	462,5	298,5	212,4	242,1
Assets classified as held-for-sale	**–**	–	–	5,6	49,1
	4 094,2	3 660,2	3 190,3	2 914,5	2 648,8
Total assets	**9 031,1**	8 034,0	7 102,6	6 568,8	5 529,9
EQUITY AND LIABILITIES					
Capital and reserves					
Attributable to equity holders of AVI	**4 489,5**	3 940,5	4 216,2	3 677,6	3 615,1
Non-controlling interests	**–**	–	–	–	(17,8)
Total equity	**4 489,5**	3 940,5	4 216,2	3 677,6	3 597,3
Non-current liabilities					
Borrowings and operating lease straight-line liabilities	**10,6**	12,0	16,2	16,1	15,7
Employee benefit liabilities	**342,9**	383,6	348,5	347,9	349,7
Deferred taxation	**354,9**	290,7	269,8	240,3	90,9
	708,4	686,3	634,5	604,3	456,3
Current liabilities					
Current borrowings	**1 737,7**	1 665,1	647,5	893,5	63,2
Trade and other payables including derivatives	**2 081,7**	1 731,3	1 599,8	1 375,7	1 338,7
Current tax liabilities	**13,8**	10,8	4,6	17,5	15,3
Liabilities classified as held-for-sale	**–**	–	–	0,2	59,1
	3 833,2	3 407,2	2 251,9	2 286,9	1 476,3
Total equity and liabilities	**9 031,1**	8 034,0	7 102,6	6 568,8	5 529,9

Group income statements – five-year summary

	2016 R'm	2015 R'm	2014 R'm	2013 R'm*	2012 R'm*
CONTINUING OPERATIONS					
Revenue	**12 188,9**	11 243,7	10 267,4	9 218,3	8 287,1
Operating profit before capital items	**2 154,6**	1 916,9	1 712,5	1 526,2	1 372,5
Interest received	**6,5**	7,1	7,6	10,4	13,8
Finance costs	**(135,9)**	(65,3)	(56,0)	(63,1)	(28,1)
Share of equity-accounted earnings of joint ventures	**58,1**	9,5	28,5	23,9	46,8
Capital items	**(14,3)**	(8,7)	138,0	(4,6)	(13,8)
Profit before taxation	**2 069,0**	1 859,5	1 830,6	1 492,8	1 391,2
Taxation	**(587,8)**	(527,2)	(514,9)	(448,6)	(443,6)
Profit after taxation	**1 481,2**	1 332,3	1 315,7	1 044,2	947,6
Earnings attributable to owners of AVI	**1 481,2**	1 332,3	1 315,7	1 044,2	947,6
Capital items after tax	**11,0**	6,4	(111,9)	3,3	9,9
Headline earnings	**1 492,2**	1 338,7	1 203,8	1 047,5	957,5

** Excludes Real Juice which is classified as discontinued and was disposed of 1 October 2012.*

Group cash flow statements – five-year summary

	2016 R'm	2015 R'm	2014 R'm	2013 R'm*	2012 R'm*
CONTINUING OPERATIONS					
Operating activities					
Cash generated by operations before working capital changes	**2 761,8**	2 395,3	2 102,8	1 750,6	1 678,9
Increase in working capital	**(469,3)**	(301,7)	(101,1)	(194,1)	(226,3)
Cash generated by operations	**2 292,5**	2 093,6	2 001,7	1 556,5	1 452,6
Interest paid	**(135,9)**	(65,3)	(56,0)	(63,1)	(28,1)
Taxation paid	**(508,6)**	(487,5)	(465,1)	(406,6)	(396,3)
Net cash available from operating activities	**1 648,0**	1 540,8	1 480,6	1 086,8	1 028,2
Investing activities					
Interest received	**6,5**	7,1	7,6	10,4	15,0
Property, plant and equipment – net investment	**(871,6)**	(838,6)	(518,1)	(546,0)	(532,7)
Additions to intangible assets	**(2,4)**	(3,3)	(4,0)	–	–
Payment from Coty on revision of commercial relationship	**–**	–	150,0	–	–
Acquisition of Green Cross	**–**	–	–	(426,1)	–
Other movements in investments	**53,3**	28,2	27,1	69,4	66,7
Net cash used in investing activities	**(814,2)**	(806,6)	(337,4)	(892,3)	(451,0)
Financing activities					
Capital returned to shareholders	**–**	–	–	–	(100,7)
Net increase in shareholder funding	**56,3**	44,8	93,9	85,9	99,9
Increase/(decrease) in short-term funding	**72,6**	1 017,7	(246,1)	830,9	(524,2)
Dividends paid	**(1 126,9)**	(1 634,7)	(910,2)	(1 195,4)	(475,5)
Net cash used in financing activities	**(998,0)**	(572,2)	(1 062,4)	(278,6)	(1 000,5)
DISCONTINUED OPERATIONS	**–**	–	–	39,3	253,4
(Decrease)/increase in cash and cash equivalents	**(164,2)**	162,0	80,8	(44,8)	(169,9)
Cash and cash equivalents at beginning of year	**462,5**	298,5	212,4	242,1	404,1
Translation of cash equivalents of foreign subsidiaries at beginning of year	**10,8**	2,0	5,3	15,1	7,9
Cash and cash equivalents at end of year	**309,1**	462,5	298,5	212,4	242,1
Attributable to:					
Continuing operations	**309,1**	462,5	298,5	212,4	242,1
Discontinued operations	**–**	–	–	–	–

** Excludes Real Juice which is classified as discontinued and was disposed of 1 October 2012.*

SUSTAINABLE DEVELOPMENT REPORT

Introduction and overview

Sustainable development enables corporate citizens to prosper in a responsible manner and within a framework that safeguards both their and future generations' long-term sustainability. It requires the identification and active management of those issues that could materially affect the long-term successful existence of the enterprise in the context of all stakeholders – including, but not exhaustively, shareholders and institutional investors, consumers, employees, customers, suppliers, government, unions, and local communities.

AVI Limited ("the Company") has a well-run governance framework that enables it to identify and manage those material sustainability issues that exist, or that may come to exist. The Company operates in a manner that ensures that the needs of the present generation of stakeholders are met without compromising future generations. Sustainability matters are monitored and managed, for example, by the appropriate diversity committee, health and safety committee, internal review committee, audit committee or social and ethics committee, while the overarching responsibility for matters before these committees remains vested with the Company's Board of directors ("Board"). Sustainability matters that are deemed to be of a material nature, or that require heightened focus, are elevated to the Board. Executives within the Company remain responsible for specific matters and are held accountable for their successful implementation and management.

The Company considers its sustainability responsibilities under the following three broad categories:

- **Ethics** – ethics are at the foundation of an effective and sustainable organisation that must be able to operate without censure or compromise in the long term. Proper ethics and appropriate values are central to the Company's culture and therefore the behaviour of its employees. They assist in establishing a willingness to accept and embrace broader issues in our society, forming the basis of the Company's interactions with its stakeholders.
- **Scarce resources** – in order to ensure that future generations have access to the resources on which the Company is reliant, and that the Company's viability is not compromised in the long term, the Company is intent on carefully managing those resources relevant to its operation. In addition to managing the very specific risk relating to its finite Cape Hake fishing resources, the Company is committed to the application of sustainable practices across its operations.
- **Transformation and good corporate citizenship** – the Company recognises the moral, social and economic imperative to embrace and support transformation in South Africa and to be regarded as a valuable participant in the South African economy and society. The Company also recognises the need to be, and to be seen as, a good corporate and socially responsible citizen that it is desirable to do business with.

Guiding framework

The following guidelines and/or standards were consulted when compiling this report:

- The King Report on Corporate Governance for South Africa, 2009 ("King III report").
- The Listings Requirements of the JSE Limited ("Listings Requirements").
- The JSE Socially Responsible Investment Index ("JSE SRI") criteria; and
- The Global Reporting Initiative ("GRI") framework.

While the King III report and Listings Requirements require the Company to prepare an integrated report, various other reporting frameworks deal with the underlying sustainability reporting criteria. The GRI framework and JSE SRI have been identified by the Company as appropriate frameworks for reporting on these issues based on the Company's specific needs, its areas of operation and stakeholder concerns.

During the year the Company identified material group-wide issues for reporting purposes and an index indicating where these issues are referenced throughout this Integrated Annual Report can be found on page 51. While these issues have been categorised according to the GRI framework, the Company has not undertaken a detailed self-assessment nor been formally assessed and the decision to use the GRI and JSE SRI frameworks for guidance in compiling this report is not intended to declare compliance as understood in either framework. The Company remains committed to ongoing review and reassessment of the scope of its reporting, as well as to the advisability and need for formal reporting or assessment against the accepted frameworks.

Disclosures on the Company's approach to managing the matters reflecting on the Company's sustainability can be found throughout the report either as an introduction to the relevant sections or as specific disclosures on relevant issues.

Social and Ethics Committee

The Social and Ethics Committee was constituted in August 2011 in terms of the Companies Act No 71 of 2008, as amended, and the Regulations thereto ("the Companies Act 2008"), and adopted formal terms of reference, delegated to it by the Board, as its charter. The charter is subject to the provisions of the Companies Act 2008 (in particular section 72 as read with Regulation 43). The committee has discharged its functions in terms of its charter, and in particular reviewed the Company's activities, having regard to relevant legislation and other legal requirements and best practice, relating to:

- Social and economic development;
- Good corporate citizenship;
- The environment, health and public safety;
- Consumer relationships;
- Labour and employment; and
- The Company's ethics codes and performance.

The committee has unrestricted access to all Company information, employees and directors and is authorised, after discussion with the Chairman of the Board or the Chief Executive Officer where necessary, to investigate any matters within its terms of reference; seek external professional advice; secure the attendance of relevant consultants at its meetings; and implement policies approved by the Board. In addition the committee has the mandate to bring matters within its remit to the attention of the Board and to report back to shareholders at the Annual General Meeting.

For further details regarding the composition and meetings of the committee, shareholders are referred to the Corporate Governance Report on page 62.

Stakeholder engagement

Stakeholder engagement is an important aspect of the Company's sustainability responsibilities and it formally identifies and recognises the material stakeholders with legitimate interests with whom it engages on relevant issues. Engagement with these stakeholders takes a variety of forms, depending on the matter at hand, and may vary in frequency. Where key topics and concerns are raised through such stakeholder engagements, the Company responds to the relevant stakeholders in a variety of ways, including directly or through its annual reporting. The table on the following page lists the more obvious stakeholders and provides examples of the nature of the engagements that the Company has with them.

Stakeholder type	Nature of engagement
Shareholders, analysts and media	• Annual General Meeting at which shareholders have an opportunity to vote on material resolutions, including the appointment and remuneration of directors • Distribution of information via the website, including financial, brand, governance, social, ethics, and sustainability matters • Press releases and SENS announcements • Formal presentation of the half year and final financial results in Cape Town and Johannesburg • Annual integrated report • Interviews and media briefings • Scheduled bi-annual meetings with analysts • Ad hoc meetings with analysts and investors, both locally and overseas, as required
Customers and consumers	• Daily contact in own and customers' stores • Meetings • Consumer and product research • Marketing campaigns • Websites • Customer care and complaint lines • Customer audits
Employees and employee representative bodies (including unions)	• Intranet and published newsletters or notices • Bi-annual presentations by the Chief Executive Officer to the executive community • Presentations and written communication (e.g. newsletters and posters) on material issues and regulations affecting employees • Conferences and general staff meetings • Performance appraisals • Union representative forums • Workplace forums such as the employment equity and learning and development forums • Industry relevant Sector Education and Training Authorities • Independent anonymous reporting hotline • Intranet-based incident reporting system • Ad hoc events
Suppliers	• Supplier product and relationship management conferences • Visits and meetings • Supplier audits • Senior operational and procurement staff day-to-day interactions
Communities and non-profit organisations	• Corporate social investment programmes • Workplace learning and development programmes for unemployed learners • AVI graduate development programme • Partnerships and sponsorships • Ad hoc community engagements in surrounding communities, including Company sponsored employee volunteer days
Business associations	• Participation in, or membership of numerous associations such as the South African Chamber of Commerce & Industry; Accelerate Cape Town; the Consumer Goods Council; a number of fishing industry associations including the South African Deep-Sea Fishing Industry Association, the Responsible Fishing Alliance, the World Wildlife Fund's South African Sustainable Seafood Initiative, the Abalone Farmers Association and the South African Mid-water Trawling Association; the Association of Food and Science Technology; the Restaurant Association; the Speciality Coffee Association; the Cosmetic, Toiletry and Fragrance Association; the Aerosol Manufacturers' Association; the Institute of Packaging; the South African Rooibos Council, and the Responsible Packaging Management Association of South Africa • Participation in association initiatives
Government or regulators	• Regular contact with significant industry regulators through business associations

Ethics

The Company has a well-established and comprehensive Code of Conduct and Ethics ("the code") that applies to all directors and employees and provides clear guidance on what is considered to be acceptable conduct. The code requires all directors and employees to maintain the highest ethical standards and ensure that the Company's affairs are conducted in a manner which is beyond reproach. The code is communicated to all new employees as part of their induction training, published on the intranet for access at all times by employees, and published on the external website for public access. The code is aligned with the recommendations in the King III report and is regularly reviewed to ensure that it remains up-to-date and relevant.

In order to monitor ongoing compliance with the code, the Company has a formal governance framework. Within the governance framework material issues are highlighted in management reports that are reviewed by the operating executives. If appropriate, matters are elevated to the Company's Board or Audit and Risk Committee. This formal framework is supported by the Company's internal audit function, which is responsible for investigating identified areas of concern and reporting its findings to the Company's Chief Financial Officer and the Audit and Risk Committee. The Company subscribes to an independent and professional hotline disclosure service as an important component of an ethical environment. This service facilitates confidential reporting on fraud and other unethical conduct. Communication drives are undertaken from time to time to remind employees of this "whistle-blowing" service. In addition the Company has implemented an in-house intranet-based incident reporting service that requires employees to report incidents, or potential incidents, which have caused, or could have caused, harm to the Company's property or people on the Company's premises. A senior employee actively manages the incident management reporting system and also engages with the ethics hotline service providers. All anonymous reports and other reported incidents are reviewed on a daily basis, and, if appropriate, thoroughly investigated. The Company has a proven track record of dealing appropriately with matters arising from the ethics hotline and incident management reporting systems. Investigations and disciplinary hearings have been held and, where appropriate, civil and criminal action has been taken.

In addition to the formal framework, it is imperative to promote a culture that is consistent with the ethical values that the Company aspires to. This is achieved through the example set by the Board and executive management, consistent enforcement of these values, and the careful selection of employees that display the desired attributes and values. The Company continues to communicate formally with suppliers and customers to secure their support for and compliance with its ethical standards.

Scarce resources and biodiversity

The Company's primary exposure to scarce resources that could materially impact its business is the performance of its fishing resources in South Africa. I&J has secured long-term hake fishing rights at a level that can support economic returns provided that the resource remains healthy. A number of fishing rights came up for renewal during 2016, including the hake inshore trawl, horse mackerel and patagonian toothfish. I&J has reapplied for these rights and is awaiting the decision of the Department of Agriculture, Forestry & Fisheries ("the Department").

The health of the South African fishing resource is managed by the Department. The Department sets an industry-wide annual "total allowable catch" ("the TAC") for each species under management and, for certain species, also sets a "total allowance effort" ("the TAE") in which a limit is placed on the number of boats, number of men, and the number of days per year that each boat is licensed to fish. In addition to the TAC, hake trawling sector and effort limitations apply which seek to ensure that the capacity of the deep-sea trawling fleet does not grow too big for the available resources.

In response to falling catch rates – as evidenced by scientific surveys – the TAC was substantially reduced between 2002 and 2009, followed by a period of sustained health and growth in the hake resource resulting in TAC increases annually from 2011 to 2013. Again in response to scientific data showing a poor recovery of hake, the TAC was reduced by 0,5% in 2014 and by 5% in 2015, resulting in an I&J quota of 41 223 tons. The TAC remained unchanged in 2016. In the past 12 to 18 months I&J has caught a high proportion of small fish, negatively impacting on freezer catch rates and land based processing owing to an increase in the number of fish to be processed for an equivalent volume. This has been experienced previously and is part of the natural biomass cycle, which is influenced by various environmental factors, such as El Niño. Although this proliferation of small fish negatively impacts performance in the short term, it is understood that this is attributable to a strong recruitment, with the expectation that this will give rise to an abundance of larger fish in the coming years as the current high volume of small fish mature.

After a four year lay-up, during which it underwent a major re-fit, the Departmental research vessel, the RV Africana, used to maintain the scientific input underlying the TAC calculations, was re-commissioned in May 2016. All six Departmental vessels are now back at sea, fulfilling the patrol and research requirements of the Department.

In May 2015 the Marine Stewardship Council recertified that the South African hake resources met the requisite environmental standards for sustainable fishing for a further five years. This certification gives assurance to buyers and consumers that the seafood comes from a well-managed and sustainable resource, which is increasingly relevant in I&J's export markets.

I&J strives to lead initiatives to manage fishing effort and protect breeding areas off the South African coast. Effort control measures, such as the ring-fencing initiative for the demarcation of trawling grounds, are being monitored and I&J continues to partner with the Department to ensure compliance and enforcement thereof. I&J has a good working relationship with the World Wildlife Fund South Africa ("WWF-SA") which has resulted in the development of projects such as the responsible fisheries training programme and initiatives to reduce the incidental mortality of sea birds. During 2009 WWF-SA and I&J, together with other major South African fishing companies, formed the Responsible Fisheries Alliance ("RFA"). The alliance is intended to ensure that all stakeholders understand and support the implementation of an Ecosystem Approach to Fisheries ("EAF") management in South Africa's fisheries. EAF seeks to protect and enhance the health of marine ecosystems. The goals of the RFA include promoting responsible fisheries practices, influencing policy on fishery governance, and supporting skills development and research in the industry.

I&J is the signatory to a Participation Agreement with WWF-SA's Sustainable Seafood Initiative (WWF-SASSI) which provided that by the end of 2015 all seafood sold by I&J would be either:

- certified by the Marine Stewardship Council (MSC) for wild caught products; or
- certified by the Aquaculture Stewardship Council (ASC) for farmed products; or
- green-listed by the South African Sustainable Seafood Initiative (WWF-SASSI); or
- the subject of a credible, time bound improvement project.

I&J's commitments have been incorporated into the I&J Sustainable Seafood Policy (SSP), a comprehensive document that sets out the standards to which I&J strives to adhere and the standards expected from its suppliers. With the policy in place customers are assured that all I&J seafood products are derived from sustainably managed fisheries or aquaculture operations or fisheries working under an improvement programme. However, notwithstanding this policy, during I&J's fishing operations there will be incidences where species with sustainability concerns may be caught as unavoidable by-catch. I&J cannot completely avoid or exclude these species from its fishing operations but it is committed to ensuring that these species are included in an effective By-Catch Management Plan and best practice solutions are proactively implemented to manage and mitigate the impact on these vulnerable species.

I&J's Danger Point abalone farm is situated immediately adjacent to the sea and is the Company's only property in or adjacent to an area of high bio-diversity. South Africa's high energy coastline is generally unsuitable for offshore fish farming and land-based aquaculture allows for better control over environmental factors so that the impact on the environment can be limited. Although abalone aquaculture has a relatively low impact on the environment, in order to minimise any potential harm, the global abalone farming industry, including I&J, has engaged with the WWF to develop a set of standards. The Danger Point abalone farm has adopted these recently developed Global Abalone Standards and has been audited by the Aquaculture Stewardship Council. Accreditation was granted in November 2015 and this eco-label is used to guarantee that I&J's abalone products are and continue to be raised in an environmentally responsible manner.

Transformation and good corporate citizenship

Transformation

The Company recognises the moral, social and economic imperative to embrace and support transformation in South Africa and to be a valuable participant in the South African economy and society. A transformed company in the South African context is not only one that has a workforce that is representative of the country's racial and gender demographics and that operates with a bias towards broad-based empowerment opportunities, but one that also embraces diversity.

The Company continues to focus on its transformation and remains intent on providing a workplace that encourages diversity. Transformation is considered in the context of broad-based black economic empowerment ("BBBEE") and is measured annually by an external verification agency against the generic BBBEE scorecard. A central senior manager actively coordinates the Company's efforts and ensures that the subsidiaries are well educated on the various facets of transformation. The subsidiaries' progress is monitored and they are centrally assisted in the implementation of targets and various initiatives. During the year under review significant time and funds were invested in advancing the transformation plans that had been developed during the previous years. The progress of these plans was reviewed at half year where appropriate and revised activities were agreed upon, where necessary.

From FY10 to FY14, on the "old" BBBEE Codes of Good Practice, AVI materially improved its rating from a level 6 contributor (at 53,78%) to a level 4 contributor (at 70,25%). With the implementation of the "new" Codes early in 2015 the Company's June 2015 and June 2016 verifications were done against the "new" Codes. The 2016 consolidated score was level 7 (60,58 points, an improvement on the 55 points achieved in 2015), but discounted to level 8 for failing to achieve the required 40% threshold on supplier development, which is an ongoing area of focus. The other minimum thresholds for equity ownership, skills development, preferential procurement and enterprise development were all met.

BBBEE scorecard

A comparison of the FY15 and FY16 scorecard elements is set out below. As the "new" Codes differ significantly from the "old" Codes, a comparison to years prior to 2015 would be inappropriate.

Two-year BBBEE scorecard

Element	2016 %	2015 %
Ownership	**58,20**	55,95
Management control	**24,33**	25,94
Skills development	**68,73**	69,26
Enterprise and supplier development	**56,66**	43,09
Socio-economic development	**100**	100

EMPOWERLOGIC
Your Logical Empowerment Solution

Broad Based Black Economic Empowerment Verification Certificate

A Consolidated Verification Certificate Issued to

AVI Limited and Subsidiaries

Level 8

Measured Entity

Company Name	AVI Limited and Subsidiaries
Registration Number	1944/017201/06
VAT Number	Refer page 2 of Certificate
Address	2 Harries Road, Illovo Johannesburg 2196

B-BBEE Status

B-BBEE Status Level	Level 8
Element Points Obtained	EO: 14.55 points; MC: 4.62 points; SD: 13.75 points; ESD: 22.66 points; SED: 5 points
Black Ownership	11.92% Black Ownership; 4.98% Black Women Ownership
Modified Flow Through Applied	No
Exclusion Principle Applied	Yes
Discounting Principle Applied	Yes
Empowering Supplier	Yes
BEE Procurement Recognition	10%
Issue Date	26/08/2016
Expiry Date	25/08/2017
Certificate Number	ELC6595RGENBB
Version	Final
Applicable Scorecard	Codes - Generic
Applicable BBBEE Codes	Generic Codes Gazetted on 11 October 2013

BEE Procurement Recognition Levels

Level	Qualification	%
1	≥ 100 Points	135%
2	≥ 95 but < 100	125%
3	≥ 90 but < 95	110%
4	≥ 80 but < 90	100%
5	≥ 75 but < 80	80%
6	≥ 70 but < 75	60%
7	≥ 55 but < 70	50%
8	≥ 40 but < 55	10%
Non-Compliant	<40	0%

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EMPOWERLOGIC

EmpowerLogic (Pty) Ltd
Reg. No. : 1995/000523/07
BBBEE Verification Agency

Per E Ackroyd CA(SA)
Member - Verification Committee

SANAS Accredited
sanas
BBBEE Verification Agency
BVA018

This certificate is the result of an independent and impartial verification of the BBBEE status of the measured entity measured against the Codes of Good Practice on Broad Based Black Economic Empowerment. The objective of our verification is to verify the validity and accuracy of the BBBEE status represented by the measured entity. EmpowerLogic is not responsible for ensuring completeness of information provided to support the BBBEE status. This certificate must be validated at www.bbbeescorecards.co.za/search/new before reliance is placed thereon. EmpowerLogic does not take responsibility for certificates that have not been validated.

Ownership

The Company achieved an ownership score of 58,2% and met the 40% threshold. This is principally owing to the Company's Black Staff Empowerment Share Scheme ("the Scheme"), which was launched during January 2007 and the changes made to the Scheme in 2010, which allowed the Company to secure recognition of the Scheme for BBBEE rating purposes, thereby visibly providing support to the Company's transformation agenda. The Scheme placed 7,7% of the Company's total issued share capital or 26 million ordinary AVI shares in a trust for the benefit of its eligible black employees and, in aggregate, the participants will benefit from growth in the share price over a seven-year period, with the first tranche vesting after five years.

The first tranche of shares, being one-third of the total allocation made on 1 January 2007, vested on 1 January 2012. Over the life of the Scheme to date, approximately 14 594 participants have benefited from the Scheme and received a total gross benefit of R681,3 million, including 1 409 participants who left the Company's employ in a manner that classified them as "good leavers" and which good leavers received a total gross benefit of R97,1 million.

In accordance with the changes made to the Scheme during 2010, participants were entitled to – and many did – vote on the resolutions proposed at the Company's Annual General Meeting held on 5 November 2015.

At a subsidiary level, the Company remains committed to ensuring that a direct economic benefit flows to I&J employees and the Company's Board has approved the continuation of a 5% black staff shareholding up to 2020. The total amount paid to participants since commencement of the scheme in May 2005 amounts to R23,7 million – a significant contribution towards the financial and social upliftment of I&J's employees. This is an important aspect of the focus on the transformation of the fishing industry.

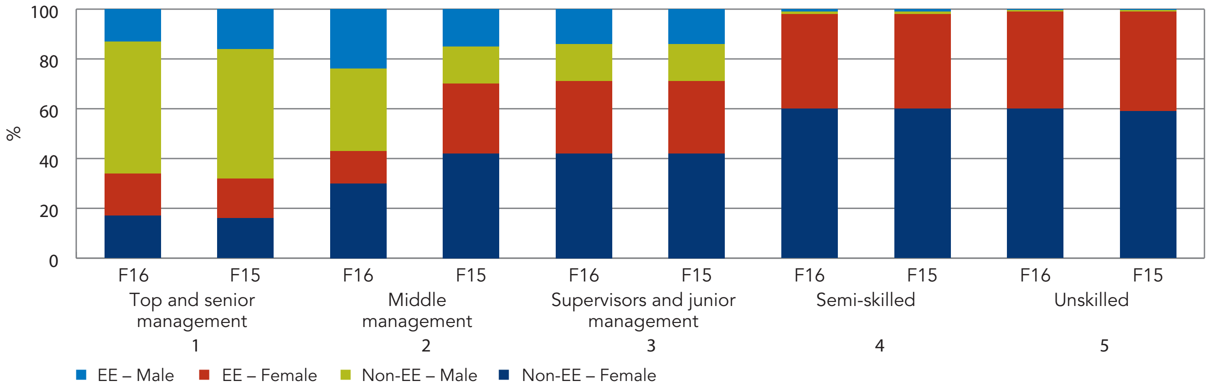
Management control

Management control now measures both Board participation and employment equity as one element.

The Company achieved a score of 24,33%. Whilst management control is not a priority element in terms of the codes, it remains an area of material importance and heightened focus for the Company.

Attracting senior black candidates from their current employment in these less certain economic times is difficult. During the year the Company has furthered its efforts to appoint, develop and retain black employees, especially where representation is required in the middle, senior and top management bands. The Company's employment equity efforts remain behind training, developing and mentoring black employees with the objective of retaining them and preparing them for more senior roles.

AVI EMPLOYMENT EQUITY DEMOGRAPHICS



Skills development

Development of the Company's employees remains a priority and, under the leadership of the senior learning and development manager and the Group HR executive, the central learning and development service has made material progress over the past few years by successfully originating relevant learning opportunities for a broad community of employees, continually reviewing current learning services and requirements and enhancing their alignment to the Company's needs, assisting the Company in developing its employees in an appropriate manner and progressing the Company's transformation agenda. The appointment of a senior learning and development manager in the Western Cape has also ensured that the businesses in this region receive additional support in developing site training objectives, accessing funding, identifying suitable training programmes, and developing skills matrices, ladders of learning and training materials for the operations.

The Company continues to have strong and credible relationships with six key Sector Education and Training Authorities ("SETA"), including the Food and Beverage SETA (which presented the Company with an award for effective management of Pivotal Programmes), the Wholesale and Retail SETA, the Transport SETA and the Chemical Industries SETA, which enabled the Company to successfully receive discretionary grant payments of R8,8 million. Total SETA funding to the Company during FY16 was R9,2 million. The Group skills development facilitator continues to focus on the management of learnerships, apprenticeships, internships, and graduate and work experience programmes and during the year the Company had 721 learners (the majority of whom were black) on these types of skills development programmes. The past year also saw the launch of a formal AVI Graduate Programme which started with the employment of seven engineering graduates. These graduates have all been assigned executive mentors and engaged on key projects throughout the Group. The graduates are all registered with the Engineering Council of South Africa and will pursue professional registration over the next two years.

National Brands' SETA accreditation allows the Company to run accredited internal programmes and offers access to additional funding opportunities. Several programmes have been submitted for approval with pilot programmes scheduled for early FY17. The programmes include Food Safety and certain Baking elective modules, such as Mixing, Forming and Baking. Final approval of the programmes is expected to be given by the SETA following the successful completion of the pilot programmes.

In the past year there has been significant focus on the development of on-line training courses in an effort to reduce the cost and complexity of classroom based programmes, particularly in the retail businesses. Spitz launched an on-line product training programme that has been well received by staff. As at time of writing a customer service module was in the final stages of completion and roll-out. On-line training programmes will continue to be identified to replace classroom options where possible.

Learnerships remain a priority with I&J and Field Marketing taking the lead. Field Marketing supported 106 learners on key programmes including Wholesale and Retail, and Contact Centre Operations and Support. 53 sales representatives attended Marketing & Sales training offered by the Milpark Business School. I&J continues with the training of seamen as well as making an overall contribution to the development of the maritime community. The past year saw 163 unemployed people receive formal training on the following programmes – NQF2 Fishing Operations; NQF2 Environmental Practices; NQF3 Maritime Operations; New Venture Creations; and NQF2 Fish and Seafood qualifications. Indigo Brands focused their efforts on Production Technology and Stores & Warehousing learnerships. As an accredited training centre, Green Cross trained 29 unemployed people in Manufacturing Processes, particularly in Lasting, Closing and Clicking. Spitz successfully enrolled 80 people on UNISA Retail Programmes, including Retail Management and Introduction to Retail. Ciro enabled 26 unemployed people to complete their Barista Upliftment Programme and Beverage Packaging learnership. Snackworks saw 31 people complete Confectionery and Packaging as well as Production Technology qualifications.

In FY16 the HR Foundation Academy was introduced to all HR employees throughout the Group in an effort to enhance understanding and awareness of key HR areas and processes. In future this programme will form the foundation of an on-boarding programme for all new HR employees.

Attention is currently being given to the design and development of an AVI Sales Academy, focused on enhancing commercial and business acumen as well as providing development for progression to top performers within Field Marketing to feed into the business unit sales' structures. Other ongoing business skills programmes continue to be run in areas where they are required. These include computer skills training, Financial Acumen, Assertive Communication, Manager as Coach, and Performance Management, to name just a few.

The amount spent on recorded skills development initiatives in FY16 was R39,12 million, an amount equivalent to 1,9% of its total payroll costs. A total of 4 453 employees or 48% of the total workforce (including permanent and fixed-term contract employees), were trained during the year, 87,5% of whom were black (African, Coloured and Indian).

The Company achieved a score of 68,73% in the June 2016 verification and met the required 40% threshold. Skills development remains a priority area for the Company.

Enterprise and supplier development

Under the "new" Codes this element now comprises preferential procurement, enterprise development and supplier development.

The Chief Procurement Officer, in collaboration with specialist procurers in the Company and a focus on favouring local empowering suppliers (as defined in the "new" Codes), plays a large role in the Company's enterprise and supplier development strategy. Measured on the "new" Codes, the Company scored 56,66%, a significant improvement over the 43,09% scored in 2015 and an endorsement of the Company's enhanced procurement practices. The Company met the 40% threshold in both preferential procurement (66,7%) and enterprise development (100%) but failed to meet the threshold in supplier development. There was, however, an improvement in the supplier development score from 5,2% in 2015 to 9,89% in 2016 and procurement continue working on this element. In particular the Group Supplier Development Manager, appointed in FY15, partners with relevant stakeholders to develop and implement sustainable supplier development initiatives.

The Company engages with suppliers regarding their transformation needs and requires its suppliers to register on the Department of Trade and Industry IT portal, which provides a single national catalogue of vendors and their BBBEE profiles. In addition the Company engages with suppliers regarding their empowering supplier status and assists suppliers where necessary to achieve this requirement.

The subsidiaries have procurement policies in place addressing such matters as BBBEE targets, origin of materials, environmental awareness and sustainability, as well as labour practices and ethics. Potential suppliers are required to undergo a thorough vendor evaluation and selection process in which they address these issues. Wherever possible, locally based suppliers are preferred over international suppliers. The Company makes every effort to ensure that it only does business with suppliers who comply with all applicable legislation and has not identified any of its suppliers where employees' labour and human rights are, or are at risk of, being violated.

Good corporate citizenship

The Company recognises the benefits of being a good corporate citizen with a commitment to contributing to sustainable economic, social and environmental development through working with employees, their families, the local communities and society at large to improve quality of life, and being an organisation that it is desirous to do business with.

Labour data and practices

	2016	2015
Number of permanent employees (South Africa at 30 June)	8 677	8 324
Gender split (%)		
Male	59	60
Female	41	40
Ethnic split (%)		
African	62	61
White	9	9
Indian/Chinese	4	5
Coloured	24	24
Non-South African	1	1
Ethnic and gender split (%)		
Black (African, Indian/Chinese and Coloured) male	53	55
White male	5	5
Black female	37	35
White female	4	5

Approximately 40,04% of the Company's permanent employees are members of recognised trade unions covered by collective agreements defining the terms of the relationship between the Company, the unions and the members, as well as their engagement on matters ranging from operational changes to annual negotiations on wages and other substantive issues. Union engagement is managed at an executive level within the subsidiaries, with oversight from the Company, in particular from the Group HR executive.

The Company requires the subsidiaries to have appropriate policies and procedures in place to address employee and industrial relations issues and to ensure that these policies and procedures are communicated to all employees and other relevant stakeholders.

The Company complies with all applicable labour and employment legislation, including legislation pertaining to freedom of association, child labour, and forced and compulsory labour, and is committed to the protection of all employees' human rights, the provision of decent work, and fair and sustainable labour practices. During the year no infringements of these rights or incidents of discrimination were reported.

Health, safety and wellness

The Company provides a healthy and safe work environment to its employees as a basic right and recognises that a healthy and safe workplace enhances employee morale and productivity. It is also recognised that a healthy and safe workplace is essential in the food handling industry and ensures that consumers are protected and product quality assured.

Health and safety requirements are firstly monitored and reviewed within the risk management framework of the Company and legislative compliance is required as a minimum standard. The requisite health and safety committees are in place and training occurs on an ongoing basis. These on-site committees deal with issues as and when required, and if necessary they elevate matters to the internal review committees that they report to. If necessary, matters are referred to the Company's Board of directors or Audit and Risk Committee. In addition the Social and Ethics Committee monitors these matters. There are also various supplementary health and wellness initiatives that form part of the Company's employee engagement framework.

Statistically the Company's safety record is viewed against the industry standard Disabling Injury Frequency Rate ("DIFR"), which measures the percentage of employees that suffer a disabling injury for every 200 000 man hours worked. A disabling injury is an injury that causes an employee to miss a shift following the one on which they were injured. At a Group level the Company experienced 80 disabling injuries (which remained constant from the previous year) resulting in 1 087 lost days and achieved a DIFR of 0,57 for the year, a slight improvement over the previous year's rating of 0,60. Steps are continually being taken to proactively identify and prevent potentially harmful situations and improve employee training.

As Company-wide statistics can mask events, the Company categorises all injuries into one of three classes. Class 1 being damage that permanently alters a person's life ranging to class 3 that inconveniences a person's life. During the year under review there was a decrease in all classes of injuries with many of the injuries resulting from employees failing to take due care or, in the case of I&J, working in poor weather conditions. Seven of the Company's employees suffered class 1 injuries comprising severe lacerations, fractures and, regrettably, partial or total finger or toe amputations, owing to the incorrect use or maintenance of equipment or failure to adhere to safety measures. The businesses in question have implemented additional safety measures and retrained employees.

The high safety standards adopted by the operations are continually being enhanced by accreditation with independent standard-regulating authorities.

Regrettably store robberies in the retail sector remain a reality and both Spitz and Green Cross are taking all possible measures to limit the probabilities of and risks associated with robberies in their stores. In addition they maintain a close relationship with the AVI Employee Wellness Programme to ensure that all affected staff receive counselling after any traumatic event.

The Westmead and Isando biscuit factories are FSSC 22000:2010, an international standard for the certification of Food Safety Management Systems, and ISO 14001 (environmental management system) certified and have maintained certification to the AIB (American Institute of Baking) Food Safety Standard. The Durban tea and Rosslyn snacks' factories are ISO 22000 (food safety quality management system) certified. All of the Company's tea, coffee, and cosmetics' manufacturing sites remain ISO 9001 (quality management system) certified. In addition the Indigo Brands cosmetics' factory is SANS 1851 (Control of Quality: Trade Metrology Act) certified, the Isando biscuit factory is OHSAS 18001 certified, the Durban tea factory is SANS 10330 (food safety) certified, both the Durban tea and Isando coffee factories are HACCP (Hazard Analysis and Critical Control Points, a systematic preventive approach to food safety from biological, chemical, and physical hazards in production processes that can cause the finished product to be unsafe, and designs measurements to reduce these risks to a safe level) certified, and all three biscuit and snack factories have their Certificates of Acceptability from the local authorities. The Isando coffee and creamer factory, the Durban tea factory, and the Isando and Westmead biscuit factories, are all ISO 14001 (environmental management system) certified. The I&J Woodstock and Valued Added Processing sites have "A" listed BRC (British Retail Consortium for Global Standards), Higher Level International Food Standards ("IFS") global food safety certification, MSC (Marine Stewardship Council) Chain of Custody Certification (a sustainability certification) and SABS 1841 (Control of Quantity – Trade Metrology Act) certification. The Micro laboratory at the Woodstock factory has SANAS17025 accreditation and the Auckland Cold Store in Paarden Eiland is ISO 22000 accredited. In addition to applying standards to the Company's own operations, the factories continue to make progress through supplier audits with a view to having all their suppliers certified to a recognised Food Safety standard.

All of the Company's sites are reviewed annually by independent risk management consultants and continual improvement is driven through risk committees at each site, which in turn report their findings to the Company's Audit and Risk Committee, which has the responsibility for the consideration of risk management throughout the Group.

The Company is also a Top 50 subscriber to the Food Safety Initiative which operates under the auspices of the Consumer Goods Council of South Africa. It takes all reasonable steps to collaborate with stakeholders to ensure that food produced, distributed and marketed in South Africa meets with the highest standards of food safety and nutrition and complies with legal requirements or recognised codes of good practice.

The Company continues to recognise the detrimental social and economic impact that HIV/Aids is having in South Africa. The Company has a formal HIV/Aids policy which details, inter alia, the Company's philosophy, responsibilities, and support programmes. The Company's Board accepts responsibility for the Group's response to the issue of HIV/Aids and holds the boards of the Group subsidiaries accountable for the implementation and monitoring of the response strategies as set out in the policy framework. Flowing from this, policies and practices have evolved over the years that include the placement of permanent clinics at the larger sites; knowledge, attitude and practices surveys; awareness and education programmes; voluntary counselling and testing programmes; individual case management; the provision of universal precautions to prevent accidental transmission in the workplace; and the dispensing of free condoms.

Following the success of the Company-wide HIV/Aids voluntary counselling and testing ("VCT") programme that was introduced in 2007, the Company continues to offer this service at all sites to all employees. The VCT programme achieves the objectives of raising awareness, increasing significantly the number of employees that know their HIV status and providing the Company with detailed information per site so that its efforts are appropriately focused.

The Company's larger sites have active primary health care clinics either on a full-time or part-time basis. They are well equipped and managed by appropriate medical professionals, including a doctor employed on a full-time basis in I&J. These clinics play a material role in the day-to-day healthcare management of the Company's lower income earning employees, and in a number of instances provide an outreach programme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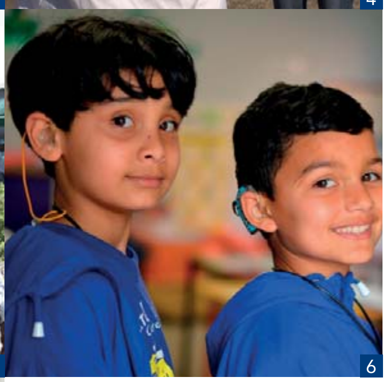
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for immediate family members. Many of the clinics are involved in doing annual medical checks for all employees, running VCT programmes, and providing flu vaccines to high-risk employees at no cost to the employees.

Utilisation levels of the employee wellness programme, managed by ICAS and introduced throughout the Company during April 2009, remain constant and the programme is well used by the Company's HR community, the Company's employees and their immediate families. The employee wellness programme covers areas that address the entire spectrum of psychosocial stressors in the workplace and at home, lifestyle diseases, and work-life balance by providing an independent, impartial, professional and confidential counselling and advisory service that extends beyond healthcare and, amongst other services, gives the Company's employees and their immediate family members access to financial and legal advisory services. The Company and its subsidiaries continue to actively promote the use of the employee wellness programme.

In addition to the formal employee wellness programme, a number of sites from time to time hold wellness programmes and days on matters such as diabetes; tuberculosis; HIV/Aids; eye care; cancer awareness; and generally maintaining a healthy lifestyle.

Corporate social investment

The Company's corporate social investment ("CSI") programme is aimed at bringing about positive social and economic changes to historically disadvantaged communities in the environments in which the Company operates. The Company achieved a score of 100% for its socio-economic development in the most recent BBBEE rating. On an annual basis an amount of approximately 1% of the Company's pre-tax profits achieved in the previous year is set aside for this purpose. The areas of focus are broadly education and skills development; sports, arts and culture; the environment; and health and welfare. Grants are managed through various established structures within the Company but mostly through the Company's Community Investment Trust. This trust is served by elected employees who have shown an interest in CSI and an ability to manage the CSI programme. All material projects are properly vetted and monitored by

1. Peninsula Feeding Scheme Programme
2. Ruth First Jeppe High School Bursary Holders
3. Afrika Tikkun Youth Development Programme
4. Employee Volunteer Programme – Walter Sisulu Primary School
5. Kliptown Youth Programme
6. Carol du Toit Trust Fund
7. Star Schools Programme

the trustees to ensure that they achieve what was initially intended. In addition the Company is always cognisant of the impact, both negative and positive, that its operations could have on local communities and commits to identifying any such communities and to engaging with them regarding the prevention or mitigation of negative impacts.

During the year under review R22,8 million was available to the Company's CSI programmes. As at 30 June 2016, R20,8 million of these funds had been disbursed and the balance had been allocated to formal initiatives but not yet spent. The disbursement of these funds continues into the new financial year.

The greatest portion of the Company's CSI funding was spent on education and skills development projects. The Company supported a large group of senior scholars and channelled further support into a more focused group of tertiary students in the following manner:

- 150 scholars were supported through the Company's Star Schools Incubator Programme, which affords grade 10, 11 and 12 children from 27 schools in disadvantaged areas the opportunity to attend additional classes in mathematics, science and English. The Company sponsored three programmes which assisted the scholars who attend school on Saturday mornings and during school holidays. The programme has proven to be very successful with a pass rate of 99,9% for grade 12 scholars at the end of the 2015 academic year, compared to the national average of 75,5%. Furthermore 77% of those scholars obtained university exemption, compared to a national average of 28,3%.
- The Company provided full or partial bursaries to 22 students through its Tertiary Bursary Programme. The bursaries assisted these students to further their higher education at various universities, technikons and colleges. The students were selected based on their financial means, academic results and preferred fields of study, which were aligned to the Company's graduate recruitment needs. In addition and where possible, the Company places students within the business to complete one year of in-service training required to qualify in their chosen fields. A student mentorship programme runs in parallel to this initiative which provides extensive and ongoing support to these students.
- The Company again partnered with the Foundation of School Leadership and Management, an initiative established by former school principals aimed at sustainable, proactive and skills-based interventions which directly benefit schools' leadership, learners and their communities.
- The St Mungo Diepsloot Community Action allows youths over the age of 18 years who have not achieved their matric to achieve a matric equivalent education and skills and enables them to become employable or self-employed through the Adult Basic Education and Training, or carpentry and sewing programmes. The project also provides formal mentoring and other support to graduates in their employment location for as long as is needed.
- The Company has supported the Kliptown Youth Programme since 2008. The organisation is situated in the Kliptown informal settlement in Soweto and provides a safe haven and educational support for 460 children between the ages of seven and 18 years. The Company's support has not only been monetary but has included support through a transfer of business, finance and leadership skills and direct involvement by the Company's employees through the AVI employee volunteer programme. In addition learners from this organisation are recipients of scholarships through the Theo Jackson and Ruth First scholarship programmes, both of which are supported by the Company. For the first time in 2016 the Company also contributed towards tertiary education loans by paying the shortfall for a number of students who received National Student Financial Aid Scheme loans.
- The Rural Education Access Programme ("REAP") assists disadvantaged youth to access tertiary education through a partnership with the National Student Financial Aid Scheme and the National Skills Fund. In 2015 REAP supported 479 students from all nine provinces, enrolled at 16 universities and studying a broad range of disciplines. All of the students came from economically disadvantaged homes and matriculated from rural schools, many of which are severely under-resourced.
- The Theo Jackson and Ruth First Scholarship programmes sponsor disadvantaged boys and girls attendance at Jeppe High Schools for Boys and Girls respectively, with full tuition and boarding costs to grade 12. The Company is currently sponsoring two boys and three girls. Three of these scholars originated from the Kliptown Youth Programme.

Other worthy CSI initiatives that the Company supported during the year were:

- The Peninsula School Feeding Scheme that feeds children in six primary schools in the Western Cape on a daily basis. Often this is the only meal of the day for many of the children.
- The Service Dining Rooms which have been serving nourishing meals every weekday to Cape Town's

most vulnerable people and communities for more than three generations. This objective is served in various ways, including the famous daily 5 cent meal served at Canterbury Street, and by sourcing, cooking and providing meals, food parcels and food supplies to various at-risk communities such as old age pensioners and school-going children by partnering with several other organisations doing work in these communities.

- The Love Trust which has established a skills development centre to train early childhood development educators in and around Tembisa.
- The National Sea Rescue Institute ("the NSRI") of which I&J is a platinum member and to which it makes an annual donation. Over the years I&J has made a substantial contribution to the organisation's infrastructure, building a state-of-the-art rescue station in Cape Town harbour, donating a number of rescue craft, and supporting the "Waterwise" initiative which teaches children between the ages of nine and 14 what to do in an emergency and how to "breathe for their buddy" whilst waiting for the emergency services to arrive.
- I&J is a founding sponsor of the Two Oceans' Aquarium in Cape Town and has supplied fresh fish to this spectacular educational facility since it opened in November 1995. I&J also sponsors the Aquarium's Young Biologist training programme.
- The Red Cross Children's Hospital where I&J's contributions since 1997 have funded the construction of consultation rooms, a radiology facility in the trauma unit, an isolation ward in the burns' unit and more recently in collaboration with government and the Red Cross Children's Trust, the establishment of the Child Speech and Hearing Clinic at the Mitchell's Plein Hospital.
- The Whale Coast Conservation Trust (WCCT) was established in 2002 with the mission to unify, coordinate and promote environmentally sustainable living in the Cape Whale Coast region of the Western Cape. I&J has collaborated with the WCCT to inspire environmental learning and an understanding of one-planet/sustainable lifestyles by sponsorship of the environmental education programmes for Eco-schools in the Overberg district.
- Enactus, which is an international non-profit organisation that brings together student, academic and business leaders who are committed to using the power of entrepreneurial action to improve the quality of life and standard of living for people in need. The Company supported the Enactus teams at the University of Fort Hare, the Mangosuthu University of Technology and the University of Zululand.
- Afrika Tikkun, which provides education, health and social services to vulnerable children, youth and their families through centres in six South African communities with the aim to ensure a sustainable future for the children and empower the communities to develop generations of production citizens.
- Arebaokeng Hospice, which operates a terminal and respite care hospice, and day care centre for orphans and vulnerable children in Tembisa.

The Company has also been involved in or made donations to a number of smaller but just as important initiatives, such as the Rapport Onderwysfonds, Look Good Feel Better, Little Eden, Heartworks, Learn to Earn, St. Mary's Outreach Programme, Carel du Toit Trust and Woodland Primary School.

At a more personal level, the Company's employees are encouraged to become involved with their local communities on Company sponsored employee volunteer days branded as "I am Inspired". All of the projects are selected from organisations with which the Company has established relationships and the Company gives employees time off to provide their services to these projects.

Environmental policy

The Company recognises that its use of natural resources has a socio-economic and physical impact on the environment, accepts responsibility for such impact, and pursues responsible environmental and climate change practices. This involves:

- Reducing the Company's environmental impact and continually improving the Company's environmental performance as an integral part of the Company's business strategy and operating methods;
- Compliance with all applicable environmental legislation or standards;
- The practice of responsible environmental management related to inputs (material, energy and water) and outputs (emissions, effluents and waste) affecting ecosystems and communities;
- Independent annual environmental audits at each manufacturing site measuring the impact that the particular operation has on its environment and reviewing compliance with legislation and Company policy;
- Providing a framework for setting and reviewing objectives and targets;
- Ensuring that all employees understand the environmental policy and conform to the standards it requires; and
- Reporting in the Company's Integrated Annual Report on performance against targets.

The Company's Board of directors is responsible for the environmental policy and for ensuring that its principles are taken into consideration in formulating the Company's business plans, and the Company's Chief Executive Officer and senior management are in turn responsible for implementation of the business plans, and communication of the policy. The Board of directors has delegated the responsibility for monitoring compliance with the policy to the Company's Audit and Risk Committee. Certain aspects of this subject are also considered by the Social and Ethics Committee.

The Company remains committed to the responsible management of all applicable environmental matters, including those which impact on climate change and relate to responsible and sustainable environmental practices, such as greenhouse gas emissions; raw materials usage and recycling; resource usage and efficiency (including water and electricity); impacts on biodiversity; and emissions, effluents and waste management. In particular the Company is alert to the impact that climate change could have on natural resources and the effect that legislative changes could have on the way the Company does business. The Company monitors relevant global and local legislation, regulations and emission-reduction targets.

Environmental data

During the year under review the Company identified key areas of environmental impact for measurement, management and reporting.

			Data				
	Indicator	Unit	**2016**	2015	2014	2013	2012
1	**Total water consumption by source**						
1.1	Municipal	Litres	**1 097 171 582**	1 063 057 427	1 043 354 478	981 630 869	876 674 227
1.2	Ground water (borehole)*	Litres	**1 301 000**	2 224 000	2 152 000	43 690 000	48 650 000
2	**Total energy consumption**						
2.1	Purchased electricity	kWh	**107 211 709**	99 915 717	106 484 439	104 363 238	102 942 232
2.2	Coal	Tons	**19 612**	14 038	13 541	14 364	13 479
2.3	Petrol	Litres	**1 138 870**	1 155 078	996 017	1 089 360	1 101 370
2.4	Diesel	Litres	**10 585 592**	9 481 650	12 268 956	19 039 640	6 498 706
2.5	Liquefied petroleum gas ("LPG")	Litres	**1 961 562**	1 680 034	1 823 823	1 591 998	1 493 206
2.6	Natural gas	Cubic metres	**3 396 701**	3 289 399	3 482 760	3 283 150	3 371 258
2.7	Marine/heavy fuel oil*	Litres	**14 071 795**	10 727 200	8 234 325	–	11 247 428
2.8	Paraffin	Litres	**821 770**	855 096	970 877	1 064 317	1 011 376
3	**Carbon emissions for above indicators**						
3.1	Total carbon emissions	Metric tons	**231 568**	188 626	196 794	216 558	208 837
3.2	Carbon emissions per employee	Metric tons	**26,69**	22,66	24,44	28,24	28,86

** The reduction in borehole water consumption between 2013 and 2014 arose from the discontinuation of use by the Snackworks' Rosslyn factory of borehole water owing to water quality issues.*

The Company will continue defining and implementing the scope and methods of monitoring and reporting on these issues and, whereas the quantity of water, energy and materials used, and the waste produced vary depending on the operational objectives of the Company at any given time, establishing a method to set relevant objectives and targets and to manage progress towards those.

In addition to the key areas referred to above the Company will, during the year ahead, consider further areas of environmental impact for possible measurement and reporting, as well as initiatives to mitigate environmental impacts of products and services, where relevant.

Environmental practices

During the year, the subsidiary companies continued their initiatives to measure and mitigate detrimental environmental impact. Some of the Company's activities and achievements were:

- **Environmental management systems** – The Isando coffee and creamer factory, the Durban tea factory and both the Isando and Westmead biscuit factories are all ISO 14001 certified. This environmental quality management system enables the factories to identify and control the environmental impact of their activities; continually improve their environmental performance; and implement a systematic approach to setting environmental objectives and targets, achieving these and demonstrating that they have been achieved. I&J has the Marine Stewardship Council's Chain of Custody Certification for sustainability in the fishing industry and the Aquaculture Stewardship Council Certification for sustainable abalone farming.
- **Energy conservation** – The current energy shortage, and global efforts to reduce greenhouse gas emissions, make conserving energy a priority for the Company. Efforts include electricity saving initiatives such as:
  - Improving the efficiencies of production machinery, equipment and processes, and the installation of energy efficient lighting solutions, to maximise energy savings and limit wastage.
  - Optimising the use of cold storage space at I&J and decommissioning underutilised cold storage space.
  - The installation of electricity meters per site for the measurement of electricity consumption and consumption patterns and Demand Site Management Surveys by Eskom to enable the formulation of improvement plans to correct excessive use or wastage.
  - Electrical load shifting where possible bearing in mind the Company's operational requirements and the installation of power correction units to maintain a constant, minimum level power supply.

  In addition the Company's subsidiaries are taking steps to measure and manage their carbon footprint through, inter alia, the use of the Greenhouse Gas Accounting Protocol and the ISO 14064 International Standard for GHG Emissions Inventories and Verification.

- **Water conservation** – Poor water quality and shortages are a significant potential risk to the Company and the subsidiaries take steps to minimise these risks. These steps include utilising borehole water where appropriate, reservoirs for storing water, recycling condensate produced during the heating processes back to the boilers, recycling production effluent with a view to reclaiming waste water, and adopting environmentally friendly storm water reticulation, while simultaneously taking measures to measure and manage water consumption.
- **Fuel consumption** – Within its distribution operations there is ongoing focus on optimisation of delivery routes and consideration of distribution networks through the utilisation of routing and scheduling software throughout the Company, the deployment of onboard technology, advanced fuel management systems, more efficient engines and matching of loads to vehicles, as well as driver training academies, which all remain key issues in reducing fuel consumption and the Company's carbon footprint.
- **Emissions, effluents and waste** – The Company is committed to an overall waste management strategy, reducing the use of raw materials, reducing waste, reusing waste wherever possible, and recycling waste that cannot be eliminated or reused. Key to managing waste is the monitoring and analysis of waste volumes and component parts to give the Company the information it needs to manage waste effectively. The Company also recognises its responsibility in terms of the Air Quality Act of 2004 and is committed to efficient and effective air quality management and thus ensures that all ovens, paraffin and oil-fired boilers, and boiler stacks are correctly operated, well maintained and routinely inspected. In addition the factories engage with approved inspection authorities and conduct air emission surveys.
  - Effluent management at the Isando biscuit factory through the installation of a new water recycling and treatment plant with a view to reclaiming at least 50% of the waste water. At the Westmead biscuit factory effluent management involves

flocculation and removal of solids from the water, and reduction of the pH and chemical oxygen demand ("COD") levels. At the distribution centres all vehicles are washed using biodegradable chemicals and grease traps are cleaned regularly to prevent contamination of the main sewer system. In general, waste materials are classified for possible re-use, recycling or disposal and disposals are done through registered waste disposal and recycling companies.

  – Where appropriate the factories are installing new equipment and modifying old equipment in order to reduce emissions.
  – I&J routinely recycles metal, corrugated cartons, used sunflower oil and used marine oil. Entyce Beverages has implemented various initiatives to reduce the weight (and resultant waste) of packaging by downgauging of flexible packaging and tin and removing excess packaging. In addition it is encouraging consumers to recycle by including recycle logos and categorisation on packaging.
  – Indigo Brands has developed a waste management plan which is aligned with statutory requirements and local government initiatives regarding waste management. Indigo also participates in related initiatives. The waste management plan guides the compliance to legislation as well as the identification of initiatives to ensure effective waste reduction and control. A proposal for the upgrading of the effluent treatment facility has been developed and will be executed during the second half of FY17.

- **Raw materials** – The Company's use of sustainable raw materials, including recycled and recyclable materials and materials derived from ethical and sustainable sources as certified by bodies such as the Roundtable on Sustainable Palm Oil ("RSPO"), the Forestry Stewardship Council ("FSC") (for packaging materials produced from sustainable forests), the Convention on Biological Diversity, and the Right Rooibos initiative, is an integral part of the Company's sustainability strategy. The Company is a member of and has representation on the Board of the South African Rooibos Council, a non-profit organisation whose goal is to protect the Rooibos Industry and to ensure the sustainability of this scarce raw material. All of the palm oil procured by the Company is from RSPO certified suppliers and the yellow maize procured for the manufacture of liquid glucose is certified as non-genetically modified. The high performance paperboard used in I&J retail packs is produced from a certified, renewable resource and all paperboard materials can be recycled multiple times. These retail cartons are packed into outer cartons supplied by local companies that meet the environmental management standard ISO 14001 and are certified by the FSC, and all I&J outer cartons are 100% recyclable. All paperboard materials used by National Brands are produced from sustainable forests which are FSC compliant, contain no heavy metals or mineral oils, and no fossil fuel energy is used in the production of these products. These materials are also 100% recyclable. Furthermore, National Brands' major corrugate, carton and tin packaging suppliers are certified by SEDEX (a not for profit membership organisation dedicated to driving improvements in ethical and responsible business practices in global supply chains) and the business continues to encourage its wider supply base to aim for SEDEX certification. Ciro Full Service Coffee Co. sells a range of Fairtrade, Organic, Rain Forest Alliance and UTZ (an international standard for sustainable farming of coffee, cocoa and tea) certified products, and a partnership with Mbokomu Rural Cooperative Society in Tanzania assists farmers and farming communities to improve the quality of their coffee and improve processing to reduce waste.

Seven non-compliance notices were issued to the Westmead biscuit factory by the eThekwini Municipality's Pollution Control Division and Water and Sanitation Division for high COD and sugar levels in the waste water, which will be addressed by upgrading the effluent treatment plant in the year ahead, including the installation of a water recycling and treatment facility. R1 000 fines were levied and paid for each notice. Prior to completion of the new water recycling and treatment plant two non-compliance notices were issued to the Isando biscuit factory for high COD in the waste water and fines of R22 000 and R24 000 were levied in November 2015 and April 2016 respectively. A non-conformance notice, without a fine, was issued to the I&J Woodstock processing plant from the City of Cape Town regarding the quality of waste water and breach of the Industrial By-Laws. Corrective actions were taken to remedy all non-compliances and to prevent future non-compliances. Other than the notices and fines referred to above, no other fines or non-monetary sanctions for infringement of or non-compliance with environmental laws and regulations were recorded and/or levied against the Company, directors, officers or employees during the period under review and the Company experienced no major environmental incidents. No formal requests or directives have been issued by government agencies or local authorities for the reduction of air emissions.

Consumer and product legislation

The Company's internal legal advisers keep the Company abreast of generic and industry specific consumer and product related legislative and regulatory developments, both pending and apparent, and ensure that the Board, management and employees are informed and, where necessary, trained on these developments and the implementation thereof.

In the year under review the Company continued addressing changes brought about by relevant legislation, including the Carbon Tax Bill, proposals for sugar taxes, voluntary Healthy Food Options, as well as draft standards for advertising to children. The Company works closely with relevant industry and government bodies, such as the Consumer Goods Council and the Department of Health, to develop sensible and sustainable criteria for, inter alia, nutrient profiles, advertising and marketing.

The Company's central marketing and Group legal functions ensure that there is adherence to laws, standards and voluntary codes relating to marketing and communications, including advertising, promotions, competitions and sponsorships.

All applicable labelling legislation is regularly reviewed and, where appropriate, changes are made. The research and development managers in the subsidiary companies are responsible for ensuring applicable compliance.

The Company remains a member of a number of industry associations as set out in more detail in the stakeholder engagement table.

No judgments, damages, penalties, or fines for infringement of or non-compliance with consumer or product related legislation were recorded and/or levied against the Company, directors, officers or employees during the period under review.

Major risks

The Company and its subsidiaries have well run governance processes and sound systems of internal control which are effective in managing the conventional key areas of business risk such as brand management, manufacturing, financial management and information technology. Other risks that are often more challenging to manage, and pose a greater threat to business success, are summarised below:

Key risks	Comments
Failure to stay in touch with and react quickly to changing consumer perspectives and needs, resulting in lost growth opportunities or erosion of market share	• Product formats and price points are managed flexibly in different parts of the consumer cycle, in line with consumer needs • Each business unit gives high priority to understanding the risks and opportunities that South Africa's growing black consumer base presents, and responding in a manner appropriate to each category • The characteristics of our African export geographies are studied carefully so that we can enhance the relevance of our offering in each geography • New product development is aligned with the points above and actively pursued • Brand investment is material and consistent, with ongoing efforts to improve the efficiency and effectiveness of this spend. Under or over-spend of marketing money without an economic imperative could lead to unsustainable or diminishing brand equity
Availability of experienced and commercially minded business leaders to seek improvement and grow profits	• This is an ongoing challenge, particularly given the diversity of AVI's operations. Considerable resources are expended in identifying people and, where appropriate, attracting them • The Group has a flexible operating model which provides high transparency to the centre and facilitates effective interaction on key matters when needed • Remuneration and reward systems provide meaningful wealth generation opportunities for managers who excel but a low level of retention in share option schemes in periods of low share price growth, and delays in addressing this, means a loss of senior employees to more attractive opportunities, lower morale of senior employees in general, and an environment in which it is harder to attract the best people • Various formal and informal internal learning and development initiatives are provided but developing in-house talent is becoming increasingly more important • Inadequate progress with transformation would make it difficult to attract top equity candidates and reduce credibility with stakeholders and business partners • The difficulty in recruiting scare skills creates inter alia poor management depth and limited succession planning with a risk of reduced business credibility and business effectiveness

Key risks	Comments
Changing competitive landscape that impacts on profitability	• A volatile currency with the risk of rapid and material weakening has traditionally been an effective protection against import competition, but has proven less so in the last few years and may not be in the future • A fairly small domestic market reduces the attractiveness of major greenfields investment in South Africa. There is the risk that surplus capacity in the market will inhibit the ability to generate economic returns on investment • New suppliers or customers entering the South African FMCG market can present both risks and opportunities. We believe that the Company has sufficient scale and relevance with its strong brand portfolio to be important to new entrants, and to be able to forge mutually beneficial trading relationships • The Company's best protection in a changing competitive landscape is to continually work to keep our brands and products relevant to consumers, to improve efficiency so that margins can be sustained when prices are constrained, and to be diligent in managing the price/volume/margin equation flexibly as circumstances require • A growth of house brands means increased price competition, difficulty in getting fair representation on shelf, pressure to manufacture house brands, and changes in consumer perceptions of house brands which could lead to increased support and investment in capacity
Over reliance on third party brands and diminished profitability if licences are not renewed	• Most of the Company's core brands are owned • Key third party brands that the Company has access to are the Lacoste brand in Spitz, the Coty brand in Indigo Brands, and the Lavazza brand in Entyce Beverages. While we have a long history of strong and successful relationships with all these parties and believe that our business units represent compelling opportunities to each licensor that will be difficult for other licensees to match, there is always a risk of disproportionate dependence on third party brands and under-investment in owned brands
Sustaining and growing profit margins	• Top line growth is a continual focus area for all of our businesses and brings with it the opportunity to leverage fixed costs and expand profit margins • Over-reliance on the strength of core brands could lead to the retardation of key disciplines • A failure to recognise the importance of product attributes in current or innovated products leads to a reliance on brand equity and/or marketing investment • A failure to adjust objectives and strategies to current realities may lead to sudden or gradual under-performance and/or enterprise failure • A failure to invest in manufacturing capacity and/or technology at the correct time may create a risk of market share erosion from both local sources and imports, and major capacity investment remains imperative • Many of the Company's Key Value Items ("KVI's") enjoy a brand premium because of their long legacy of delivery and quality. We seek to preserve this premium through retention of product intrinsics and high focus on product quality. We will continue to invest in replacement capital expenditure in those parts of our business where it is necessary to sustain efficient and high quality production • The Company has extensive exposure to foreign exchange and commodity price volatility. These exposures are hedged in a manner that allows selling prices to be managed predictably and responsibly and historically our businesses with their strong brands have demonstrated the ability to recover lost profit margin fairly quickly after periods of pressure. The notable exception being I&J, which has little ability to compensate for the impact of a strong Rand on its material export revenues, but similarly also benefits materially when the Rand is weaker • There remain many opportunities to improve profit margins across the Group over the next few years. These include initiatives such as central procurement, ongoing improvements in logistics and field marketing, new technology and increased automation in our factories

Key risks	Comments
Social and political environment	• I&J's long-term fishing rights are dependent on an ongoing review process. If this process becomes politicised it may result in a reduced allocation of hake quota to I&J • The inability of the Department of Agriculture, Forestry and Fisheries to timeously resolve the renewal of hake inshore fishing rights, which should have been resolved in 2014 • Ongoing increases in administered charges for electricity, water and property rates create additional cost pressure and reduce competitiveness relative to imports • In a two-tiered economy the Company increasingly competes with smaller operators who are not measured or monitored effectively against increasing and onerous legislated requirements where there is an increasing new entrant risk due to low barriers to entry technology and high margins • Increasingly inflexible labour legislation, including in particular the changes effected to the Labour Relations Act early in 2015, and increasing demands and industrial action by labour unions, reduce competitiveness against imports, increase investment hurdles and create a growing disparity in wage costs between formal (unionised) and informal sectors • Availability of vital utilities, such as power and water, necessary to run business can be mitigated at extra cost, but reduce competitiveness. The declining quality of municipal water in many areas could force increased dependence on borehole water (where available) or the installation of water filtering and purification plants, all at an extra cost to the businesses • The imposition of price controls pursuant to a populist political and social agenda could impact on parts of the Company's product portfolio • Dissatisfaction with service delivery by government and municipalities could lead to civil disruption and strikes with a material adverse effect on volumes and profit • The continued decline of educational standards erodes the supply of essential skills to maintain our medium-term competitiveness • The emergence of new and ambitious social programmes that place too heavy a burden on organised business and tax-payers, to the extent that the availability of capital reduces in South Africa, and over time that compromises our ability to sustain our current asset base and competitiveness • Compliance with increasing consumer facing legislation such as in respect of labelling, advertising, genetically modified organisms (GMOs), salt, and sugar and the increased focus on providing "healthy" alternatives to existing products, requires increased work and pressure on research and development • Changes to the Broad-Based Black Economic Empowerment Codes of Good Practice with, inter alia, substantially increased financial requirements for meeting minimum compliance levels, have had a material negative impact on the scorecard rating and made it difficult to achieve and maintain the historical rating • There is increasing financial demand on the private sector to fund the government's budget deficit and over reliance on the private sector to address social issues, e.g. University fees • Regulators such as the Competition Commission and the Department of Trade and Industry increasingly see their role as maintaining jobs without regard for the underlying economic merit of their decisions and proposals
Environmental	• The impact of climate change on natural resources through changing weather patterns and increased global temperatures could affect natural and agricultural resources on which the Company is dependent • Climate change will attract regulatory costs which will increase operating costs • Government commitments to emission-reduction targets could have a significant impact on the operating and distribution practices of the Company • Deteriorating water quality through pollution, including tainted groundwater from mining operations

Going forward

The Company will continue reporting on sustainability issues in a way that focuses on the material issues and provides a balanced view of the economic, social and environmental aspects of the Company to stakeholders. In particular there will be focus on:

- Further defining and implementing the scope and methods of monitoring and reporting on the environmental issues identified during the year under review, and establishing a method to set relevant objectives and targets.
- Reviewing and evolving the principles and practices of sustainable development established throughout the Company.
- Reviewing and evolving the Company's integrated reporting to ensure the appropriate reporting of environmental, social and economic sustainability, underpinned by good corporate governance.

Index of material issues

Aspect	Core indicator		Page/not reported
General standard disclosures			
Strategy and analysis	G4-1	Statement from the most senior decision maker of the Company about the relevance of sustainability to the Company and its strategy, particularly with regard to managing the challenges associated with economic, environmental and social performance	6 – 9
	G4-2	Description of key impacts, risks and opportunities	6 – 9; 47 – 49
Organisational profile	G4-3	Name of the Company	Inside front and back covers
	G4-4	Primary brands, products and/or services	1
	G4-5	Location of Company's headquarters	Inside back cover
	G4-6	Number of countries where the Company operates and names of countries with major operations or that are specifically relevant to the sustainability issues covered in the report	90 – 93
	G4-7	Nature of ownership and legal form	1
	G4-8	Markets served (geographical, sector and types of customers)	90 – 93
	G4-9	Scale of the Company, including: • Number of employees • Number of operations • Net sales • Total capitalisation in terms of debt and equity • Quantity of products provided	Annual financial statements from page 81
	G4-10	• Total number of employees by contract and gender • Total number of permanent employees by employment type and gender • Total workforce by employees and supervised workers and gender • Total workforce by region and gender • Report whether substantial portion of work is performed by workers who are legally recognised as self-employed or individuals other than employees or supervised workers, including employees or supervised workers of contractors • Report significant variations in employment numbers	40
	G4-11	Report the percentage of total employees covered by collective bargaining agreements	40
	G4-12	Describe the organisation's supply chain	32 – 50
	G4-13	Significant changes during the reporting period regarding size, structure or ownership	83 – 85

Aspect	Core indicator		Page/not reported
Organisational profile continued	G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	32 – 50
	G4-15	List externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	32 – 50
	G4-16	List members of associations in which the organisation: • Holds a position on the governing body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	32 – 50
Identified material aspects and boundaries	G4-17	List all entities included in the consolidated financial statements and report whether any entity included in the consolidated financial statements is not covered by the report	Annual financial statements from page 81
	G4-18	Explain the process for defining the report content and the aspect boundaries and explain how the organisation has implemented the reporting principles for defining report content	Inside front cover
	G4-19	List all the material aspects identified in the process for defining report content	Inside front cover, 32 and 3
	G4-20	For each material aspect report the aspect boundary within the organisation	32 and 33
	G4-21	For each material aspect report the aspect boundary outside the organisation	32 and 33
	G4-22	Report the effect of any restatements of information provided in previous reports and the reasons for such restatements	Entire Integrated Annual Report, where applicable
	G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	Not applicable
Stakeholder engagement	G4-24	Provide a list of stakeholder groups engaged by the organisation	33 and 34
	G4-25	Report the basis for identification and selection of stakeholders with whom to engage	33 and 34
	G4-26	Report the organisation's approach to stakeholder engagement, including the frequency of engagement and an indication of whether engagement was undertaken specifically as part of the report preparation process	33 and 34
	G4-27	Report key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded. Report the stakeholder groups that raised each of the key topics and concerns	33 and 34
Report profile	G4-28	Reporting period	Inside front cover
	G4-29	Date of most recent previous report	Inside front cover
	G4-30	Reporting cycle	Inside front cover
	G4-31	Contact point for questions regarding the report or its contents	Inside front cover
	G4-32	• Report the "in accordance" option the organisation has chosen • Report the GRI Content Index for the chosen option • Report the reference to the External Assurance Report	32 and 33
	G4-33	Policy and current practice with regard to seeking external assurance	33

Aspect	Core indicator		Page/not reported
Governance	G4-34	Governance structure of the Company, including Board committees	62 – 72
	G4-35	Report the process for delegating authority for economic, environmental and social topics from the Board to senior executives and other employees	62 – 72
	G4-36	Report whether the organisation has established an executive-level position/s with responsibility for economic, environmental and social topics and whether post holders report directly to the Board	62 – 72
	G4-37	Report processes for consultation between stakeholders and the Board on economic, environmental and social topics	62 – 72
	G4-38	Report the composition of the Board and its committees	62 – 72
	G4-39	Report whether the Chairman of the Board is also an executive officer (and, if so, their function within the Company's management and the reasons for this arrangement)	62 – 72
	G4-40	Report the nomination and selection processes for the Board and its committees including any considerations of diversity, and whether and how stakeholders are involved	62 – 72
	G4-41	Processes in place for the Board to ensure conflicts of interest are avoided and managed and whether conflicts of interest are reported to stakeholders	62 – 72
	G4-42	Report the Board and senior executive's roles in the development, approval and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	62 – 72
	G4-43	Report the measures taken to develop and enhance the Board's collective knowledge of economic, environmental and social topics	62 – 72
	G4-44	• Report the processes for evaluation of the Board's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment • Report actions taken in response to the above evaluation	62 – 72
	G4-45	• Report the Board's role in the identification and management of economic, environmental and social impacts, risks and opportunities • Report whether stakeholder consultation is used to support the above	62 – 72
	G4-46	Report the Board's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	62 – 72
	G4-47	Report the frequency of the Board's review of economic, environmental and social impacts, risks and opportunities	62 – 72
	G4-48	Report the highest committee that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered	62 – 72
	G4-49	Report the process for communicating critical concerns to the Board	62 – 72
	G4-50	Report the nature and total number of critical concerns that were communicated to the Board and the mechanisms used to address and resolve them	62 – 72

Aspect	Core indicator		Page/not reported
Governance continued	G4-51	Report the remuneration policies for the Board and senior executives for the below types of remuneration: • Fixed pay and variable pay • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits Report how performance criteria in the remuneration policy relate to the Board and senior executives' economic, environmental and social objectives	73 – 80
	G4-52	Key topics and concerns that have been raised through stakeholder engagement, and how the Company has responded to those key topics and concerns, including through its reporting	33; 34 and 72
	G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	33; 34 and 72
	G4-54	Report the ratio of the annual total compensation for the organisation's highest paid individuals to the median annual total compensation for all employees (excluding the CEO)	Not reported
	G4-55	Report the ratio of percentage increase in annual total compensation for the organisation's highest paid individual to the median percentage increase in annual total compensation for all employees	Not reported
	G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	32 – 35; 44; 45; 62 – 72
	G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	35
	G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisation integrity, such as escalation through management, whistle-blowing mechanisms or hotlines	35
Specific standard disclosures by aspects			
Environmental	G4-EN1	Materials used by weight or volume	45
	G4-EN2	Percentage of materials used that are recycled input materials	45 – 47
	G4-EN3	Energy consumption within the organisation	45
	G4-EN4	Energy consumption outside the organisation	Not reported
	G4-EN5	Energy intensity ratio	Not reported
	G4-EN6	Reduction of energy consumption	45
	G4-EN7	Reductions in energy requirements of sold products and services	Not reported
	G4-EN8	Total water withdrawal by source	45
	G4-EN9	Water sources significantly affected by withdrawal of water	Not reported
	G4-EN10	Percentage and total volume of water recycled and reused	Not reported
	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	35 and 36

Aspect	Core indicator		Page/not reported
Environmental continued	G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	35 and 36
	G4-EN13	Habitats protected or restored	35 and 36
	G4-EN14	Total number of ICUN red species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	35 and 36
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	45
	G4-EN16	Energy indirect greenhouse gas emissions (Scope 2)	Not reported
	G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	Not reported
	G4-EN18	Green gas emissions intensity	Not reported
	G4-EN19	Reduction of greenhouse gas emissions	45
	G4-EN20	Emissions of ozone-depleting substances	Not reported
	G4-EN21	NO_x, SO_x and other significant air emissions	Not reported
	G4-EN22	Total water discharge by quality and destination	Not reported
	G4-EN23	Total weight of waste by type and disposal method	Not reported
	G4-EN24	Total number and volume of significant spills	None
	G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous, and percentage of transported waste shipped internationally	Not applicable
	G4-EN26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	Not applicable
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	44 – 47
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Not reported
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	47
	G4-EN30	Significant environmental impact of transporting products and other goods and materials for the organisation's operations and transporting members of the workforce	Not reported
	G4-EN31	Total environmental protection expenditures and investments by type	44 – 47
	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Not reported
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	44 – 47
	G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	None

Aspect	Core indicator		Page/not reported
Human rights	G4-HR1	Percentage and total number of significant investment agreements and contracts that include human rights' clauses, or that underwent human rights screening	Not reported
	G4-HR2	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to the operations, including the percentage of employees trained	Not reported
	G4-HR3	Total number of incidents of discrimination and corrective actions taken	None
	G4-HR4	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	None
	G4-HR5	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	None
	G4-HR6	Operations and significant suppliers identified as having significant risks for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of all forms of forced or compulsory labour	None
	G4-HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures	Not reported
	G4-HR8	Total number of incidents of violations involving rights of indigenous people and actions taken	None
	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	100%
	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Not reported
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	40
	G4-HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	None

Aspect	Core indicator		Page/not reported
Labour practices and decent work	G4-LA1	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Comply with labour and employment legislation and collective agreements
	G4-LA2	Return to work and retention rates after parental leave, by gender	Comply with labour and employment legislation and collective agreements
	G4-LA3	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Comply with labour and employment legislation and collective agreements
	G4-LA4	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Comply with labour and employment legislation and collective agreements
	G4-LA5	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities	40 and 41
	G4-LA6	Workers with high incidence or high rates of diseases related to their occupation	Not reported
	G4-LA7	Health and safety topics covered in formal agreements with trade unions	Comply with labour and employment legislation and collective agreements
	G4-LA8	Average hours of training per year per employee, by gender and by employee category	38 and 39
	G4-LA9	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	38 and 39
	G4-LA10	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Not reported
	G4-LA11	Composition of governance bodies and breakdown of employees per employee category by gender, age, minority group membership, and other indicators of diversity	40; 62 – 65
	G4-LA12	Ratio of basic salary and remuneration of women to men by employee category	Not reported
	G4-LA13	Percentage of new suppliers that were screened using labour practices criteria	Not reported
	G4-LA14	Significant actual and potential negative impacts for labour practices	Not reported
	G4-LA15	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	Not reported
	G4-LA16	Percentage and total number of business units analysed for risks related to corruption	100%

Aspect	Core indicator		Page/not reported
Society	G4-SO1	Percentage of operations with implemented local community engagements, impact assessments and development programmes	32 – 48
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	32 – 48
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	100%
	G4-SO4	Communication and training on anti-corruption policies and procedures	33 and 35
	G4-SO5	Confirmed incidents of corruption and actions taken	Not reported
	G4-SO6	Total value of political contributions by country and recipient	None
	G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	None
	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None
	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Not reported
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	32 – 48
	G4-SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	None
Product responsibility	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	48
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	None
	G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	48
	G4-PR4	Total number of incidents of non-compliance with legislation and voluntary codes concerned product and service information and labelling, by type of outcomes	Not reported
	G4-PR5	Results of surveys measuring customer satisfaction	Not reported
	G4-PR6	Sale of banned or disputed products	None
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcome	Not reported
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

Aspect	Core indicator		Page/not reported
Economic	G4-EC1	Direct economic value generated and distributed	27
	G4-EC2	Financial implications and other risks and opportunities due to climate change	44 – 50
	G4-EC3	Coverage of the organisation's defined benefit plan obligations	96; 97; 117; 123 – 127
	G4-EC4	Significant financial assistance received from government	38 and 39
	G4-EC5	Report the ratios of standard entry level wage by gender compared to local minimum wages	Not reported
	G4-EC6	Report proportion of senior management hired from local community	Not reported
	G4-EC7	Development and impact of significant infrastructure investments and services supported and impact on communities and local economies through commercial, in-kind, or pro-bono engagement	Not reported
	G4-EC8	Report significant indirect economic impacts, including the extent of impacts	Not reported
	G4-EC9	Report the proportion of spending on local suppliers	Not reported

BOARD OF DIRECTORS

1 **Andisiwe Kawa** (54)
Independent non-executive director

Qualifications: MBA (Wharton, University of Pennsylvania), MA, Ed M (Columbia University), BSc (Walter Sisulu University)
Directorships: AVI Limited, Interwaste Holdings Limited, Chuma Holdings Proprietary Limited

Andy is a businesswoman with a portfolio of interests. She is chairman of Interwaste Holdings and Chuma Holdings and is a trustee of the Chuma Foundation. She is also the Chairman of Kwanele-Enuf Foundation and a member the Aspen Global Leadership Network. Andy was appointed to the AVI Board on 15 July 2010.

2 **Simon L Crutchley** (52)
Chief Executive Officer and executive director

Qualifications: BBusSci (UCT)
Directorships: AVI Limited

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

3 **Gavin R Tipper** (51)
Independent non-executive Chairman

Qualifications: BCom, BAcc (Wits), MBA (UCT), CA(SA)
Directorships: AVI Limited, Interwaste Holdings Limited, Hyprop Investments Limited, Redefine International Plc, York Timber Holdings Limited

Gavin completed his articles at KPMG in 1987. He went on to hold the position of technical partner at the firm before joining Coronation Holdings Limited in 2001 as chief operating officer. Gavin left the Coronation group in 2011 and now serves on a number of boards. He was appointed to the AVI Board on 26 March 2007 and was appointed Chairman of the Board on 1 July 2012.

4 **Neo P Dongwana (nee Hani)** (44)
Independent non-executive director

Qualifications: BCom (Cape Town), BCom (Hons) (Cape Town), Postgraduate Diploma in Accounting (Cape Town), CA(SA)
Directorships: AVI Limited, Barloworld Limited, Mutual and Federal Insurance Company Limited, Mpact Limited, SABSA Holdings Limited

Neo is a Chartered Accountant (CA(SA)) with a BCom honours degree in Financial Analysis and Portfolio Management. She currently serves as an independent non-executive director on a number of boards. Prior to being a non-executive director, she was an Audit Partner at Deloitte for almost 10 years. Neo is a trustee of the Women's Development Bank and also a member of the Financial Services Board (FSB) Appeal Board. In 2015 Neo concluded her term as a member of the inaugural audit committee of the Southern African Development Community (SADC) as a representative of the South African government on that committee. This committee reported and provided technical support to the SADC Council of Ministers. Neo is also an active member of her profession and was until recently a member of the Education and Monitoring Committees of the Independent Regulatory Board for Auditors (IRBA). Neo is passionate about the growth and transformation of the chartered accountancy (CA) profession and in particular the development of women CAs. She is a committed member of the African Women Chartered Accountants (AWCA) and serves as a director of its investment arm, AWCA Investment Holdings (AIH). After qualifying as a CA(SA), Neo worked as an equities analyst at Gensec Asset Management. Neo was appointed to the AVI Board on 15 March 2011.

5 **Michael J Bosman** (55)
Independent non-executive director

Qualifications: BCom LLM (Hons) (Cape Town) AMP (Harvard) CA(SA)
Directorships: AVI Limited, MTN South Africa Proprietary Limited

Mike is the former CEO of One Digital Media. Prior to that he was the Group CEO of TBWA, which included South Africa's top-ranked creative advertising agency TBWA Hunt Lascaris, chairman of several other communication companies in the TBWA group, and executive director of FCB Worldwide, an advertising agency group based in New York. Mike was appointed to the AVI Board on 1 March 2010.

6 **Owen P Cressey** (49)
Chief Financial Officer and executive director

Qualifications: DipAcc (Natal), CA(SA)
Directorships: AVI Limited

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

7 **Richard Inskip** (54)
Independent non-executive director

Qualifications: BCom (University of Port Elizabeth)
Directorships: AVI Limited, Cafeine Retail Consulting Proprietary Limited, Inguquka Proprietary Limited, iKamva Safaris Proprietary Limited

Richard worked as a senior director in the retail and retail financial services industry in South Africa with more than 30 years of relevant experience. His most recent executive role was as the operations and financial services director of Woolworths Holdings and he served on a number of boards within the Woolworths Group. He was a founding member of the executive committee of the Consumer Goods Council of South Africa. Richard was appointed to the AVI Board on 18 June 2014.

8 **Michael Koursaris** (39)
Business Development Director and executive director

Qualifications: BCom Finance (Hons), HDip Com Law (Wits), MBA (Columbia), CFA
Directorships: AVI Limited

Michael joined AVI in 2002 as business development analyst and was appointed to the role of business development executive in January 2011. Prior to joining AVI Michael held the position of associate at New York headquartered financial management consultancy Stern Stewart and Co., working in its Johannesburg office from 1999 to 2002. Michael was appointed to the AVI Board on 9 September 2013.

9 **James R Hersov** (52)
Independent non-executive director

Qualifications: MA (Cantab)
Directorships: AVI Limited

James was co-founder and joint managing director of Otterbea International Proprietary Limited from 1989 to 1994. From 1994 to 1998 he served on the board and the executive committee of Anglovaal Limited. He served on the board of Aveng Limited from 1999 until 2008 and was also a member of its audit and risk committee. He has served as a director of Control Instruments Group Limited and WesBank. He was the executive chairman of Amatheon Agri Zambia Proprietary Limited from 2011 through 2014. James was appointed to the AVI Limited Board on 23 March 1995.

10 **Adriaan Nühn** (63)
Independent non-executive director

Qualifications: BBusAdmin (Hogere Economische School, Eindhoven, The Netherlands), MBA (Univ of Puget Sound, Washington)
Directorships: AVI Limited, Cloetta AB, Sligro Food Group NV, H. International BV

Adriaan started his career as a financial analyst with Xerox Corporation, after which he spent 10 years with Richardson Vicks Proctor and Gamble in Belgium, South Africa, Sweden and Austria. He thereafter spent 17 years with the Sara Lee Corporation, the last six years of which he was CEO and chairman of the board of management of Sara Lee International. Adriaan was appointed to the AVI Board on 14 November 2007.

11 **Abe M Thebyane** (56)
Independent non-executive director

Qualifications: BAdmin (University of the North), Postgraduate Diploma in HR Management (Wits Business School), Diploma in Company Direction (Graduate Institute of Management and Technology), MBA (De Montfort University, UK)
Directorships: AVI Limited, Reagile IHS Proprietary Limited

Abe is group executive: human resources, Nedbank Group Limited. Previously he was executive head: human resources, Anglo Platinum Limited and executive director: human resources, Iscor Limited. In addition, Abe has held senior human resources and business-related positions in various South African companies, i.e. General Electric SA Proprietary Limited, Gemini Consulting, etc. Abe was appointed to the AVI Board on 3 December 2010.

Front row left to right: 1 Andisiwe Kawa, 2 Simon L Crutchley, 3 Gavin R Tipper, 4 Neo P Dongwana

Back row left to right: 5 Michael J Bosman, 6 Owen P Cressey, 7 Richard Inskip, 8 Michael Koursaris, 9 James R Hersov, 10 Adriaan Nühn, 11 Abe Thebyane

CORPORATE GOVERNANCE REPORT

Framework

AVI Limited ("the Company") is a public company incorporated in South Africa under the provisions of the Companies Act No 71 of 2008, as amended and the Regulations thereto ("the Companies Act") and is listed on the JSE Limited ("the JSE").

The Company's Board of directors ("the Board") is committed to ensuring that the Company is governed appropriately. The Board recognises the responsibility of the Company to conduct its affairs with prudence, transparency, accountability, fairness and in a socially and environmentally responsible manner. The Company complies with the provisions of the Companies Act and the JSE Listings Requirements, and the principles of the Code of Corporate Governance Principles and Practices as recommended in the King Report on Governance for South Africa 2009 ("King III").

Board governance structure

The general powers of the Board and the directors are conferred in the Company's Memorandum of Incorporation. Terms of reference for the Board are set out in the Company's Board charter which is reviewed periodically. The charter covers the powers and authority of the Board and provides a clear and concise overview of the responsibilities and accountability of Board members, collectively and individually. It includes the policy and procedures for appointments to the Board as assisted by the Remuneration, Nomination and Appointments Committee. Appointments to the Board are done in a formal and transparent manner and are a matter for the Board as a whole. The Board charter is available on request from the Company Secretary.

To ensure conflicts of interest are avoided the Board members annually provide a general disclosure of their personal financial interests in terms of section 75 of the Companies Act 2008, and are reminded at the commencement of every Board and Board committee meeting that they are required to declare any material personal financial interests that they may have in contracts entered into or authorised by the Company or in any matters to be discussed at the meeting, as well as any changes to their interests as previously declared.

The Board has adopted a unitary structure and no individual member of the Board has unfettered powers of decision making. The responsibility for running the Board and executive responsibility for the conduct of the business are differentiated in the Board charter. Accordingly the roles of the Chairman of the Board and of the Chief Executive Officer are separated, with Gavin Tipper and Simon Crutchley, respectively, holding these positions for the year under review.

Directorate

As at 30 June 2016 the Board comprised three executive directors and eight non-executive directors. All of the non-executive directors are independent as defined by King III and have the required knowledge, skills and independence of thought to pass sound judgement on the key issues relevant to the business of the Company, independent of the Company's management. Consideration is given to gender and racial diversity, as well as diversity in business, geographic and academic backgrounds, when appointing directors. Tailored induction programmes are run to familiarise newly appointed directors with the Group's operations. The particulars of the directors are set out in the Board of directors' section of this Integrated Annual Report.

At least one-third of the Board's members retire each year at the Annual General Meeting in terms of the Company's Memorandum of Incorporation. Retiring directors are eligible for re-election.

Board and director assessment

The Board is required to assess its performance against its charter requirements on an annual basis. The assessment was done and it was found that in all material respects the Board complied with these requirements. The Chairman continued to monitor and manage the participation of the Board's members, and considered the development requirements, if any, of each director.

In addition, during the year under review, the Board independently considered the performance of the Chairman and Chief Executive Officer. The Chairman and the Chief Executive Officer did not participate in the Board's discussions regarding their own performance.

Board meetings

During the year under review the Board met formally on four occasions to conduct the normal business of the Company. Attendance at these meetings is summarised in the table below.

Name	04/09/2015	19/11/2015	04/03/2016	08/06/2016
GR Tipper	√	√	√	√
MJ Bosman	√	√	√	√
SL Crutchley	√	√	√	√
OP Cressey	√	√	√	√
NP Dongwana	√	√	√	√
JR Hersov	√	√	√	√
RJD Inskip	√	√	√	√
A Kawa	√	√	√	√
M Koursaris	√	√	√	√
A Nühn	√	√	√	√
AM Thebyane	√	√	X	√

√ in attendance; X not in attendance

In addition to these formal meetings and as a prelude to the Board meeting of 8 June 2016, the Board met with the executive management of the Company's subsidiaries on 7 June 2016, reviewed their performance for the past year and considered their objectives, strategies and budgeted performance for the year ahead.

Company Secretary

The Company Secretary for the year under review was Sureya Naidoo.

All directors have unlimited access to the advice and services of the Company Secretary, who is accountable to the Board for ensuring that Board procedures are complied with and that sound corporate governance and ethical principles are adhered to.

The Company Secretary's principal responsibilities to the Board and to individual directors are to:

- Guide them in the discharge of their duties, responsibilities and powers;
- Provide information, advice and education on matters of ethics and good governance; and
- Ensure that their proceedings and affairs, and those of the Company, are properly administered in compliance with all relevant legislation, in particular the Companies Act 2008 and the JSE Listings Requirements.

As required by the JSE Listings Requirements, the Board assessed and satisfied itself at the Board meeting of 9 September 2016, of the competence, qualifications and experience of the Company Secretary and that she has maintained an arm's length relationship with the Board and the directors.

Board committees

The Board is assisted in the discharge of its duties and responsibilities by the Audit and Risk Committee, the Remuneration, Nomination and Appointments Committee and the Social and Ethics Committee. The ultimate responsibility at all times for Board duties and responsibilities, however, resides in the Board and it does not abdicate its responsibilities to these committees.

These committees act within formalised terms of reference which have been approved by the Board and which reflect the Company's application, where appropriate, of the principles embodied in King III, the statutory requirements of the Companies Act and the JSE Listings Requirements. The terms of reference set out the committees' purpose, membership requirements, duties, and reporting procedures. Relevant legislative requirements, such as those incorporated in the Companies Act, are incorporated in the committee charters. Board committees, and the members thereof, may take independent professional advice at the Company's expense.

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

There is full disclosure, transparency and reporting from these committees to the Board at each Board meeting, and the chairpersons of the committees attend the Annual General Meeting to respond to applicable shareholder queries.

Audit and Risk Committee ("Audit Committee")

During the year under review the Audit Committee comprised Mike Bosman (the Chairman), James Hersov and Neo Dongwana, all of whom are independent non-executive directors. In compliance with the Companies Act shareholders will be asked at the Annual General Meeting on 3 November 2016 to elect the members of the Audit Committee. The current members will be available for re-election.

The Company's external auditors, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group's head of internal audit and other senior executives attend the Audit Committee meetings by invitation.

Each operating subsidiary has an internal review committee which monitors risk management and compliance activities. These committees are chaired by the Company's Chief Financial Officer and meet at least twice a year with the external auditors and the Group's head of internal audit, with the relevant financial and managing directors in attendance. Audit Committee members attend the subsidiary internal review meetings by open invitation. There is a formal reporting line from the various internal review committees into the Audit Committee via the Company's Chief Financial Officer.

The Audit Committee met twice during the year under review. The attendance of the members is reflected in the table below:

Name	02/09/2015	26/02/2016
MJ Bosman	√	√
NP Dongwana	√	√
JR Hersov	√	√

√ in attendance; X not in attendance

The Audit Committee is responsible for the consideration of key financial and operating control risks and in particular assists the Board in the following matters:

- Monitoring the financial reporting process;
- Recommending the appointment of an independent registered auditor, determining the terms of engagement and approving fees for audit and non-audit work undertaken;
- Monitoring the operation and effectiveness of internal control systems, including information technology controls;
- Overseeing the internal audit function, monitoring its effectiveness, and reviewing corrective action in relation to findings;

- Overseeing the implementation and effective operation of a structured risk management process that incorporates insurance, health and safety, and environmental issues;
- Implementing sound corporate governance policies;
- Reviewing and recommending to the Board for approval the interim and annual financial statements, the going concern status of the Company, interim and final dividends and other special payments to shareholders; and
- Considering and satisfying itself, on an annual basis, of the expertise and experience of the Chief Financial Officer.

KPMG Incorporated was reappointed as the Company's external auditor by shareholders at the Company's Annual General Meeting on 5 November 2015. With specific reference to the non-audit services provided by the external auditor, and at the recommendation of the Audit Committee, the Board has resolved that the auditors shall not:
- Function in the role of management;
- Audit their own work; and
- Serve in an advocacy role for the Company.

In accordance with the requirements of the Companies Act all non-audit specific service engagements with the external auditors were pre-approved by the Audit Committee. Dedicated internal audit resources continued to be provided via a service provision arrangement with Ernst & Young Advisory Services Limited.

The Audit Committee discharged the functions ascribed to it in terms of the Companies Act and the JSE Listings Requirements as reported in the Directors' Report. It also complied in all material respects with its mandate and the responsibilities prescribed to it in the Audit Committee charter.

Remuneration, Nomination and Appointments Committee ("Remcom")

During the year under review the members of Remcom were Adriaan Nühn (the Chairman), Andy Kawa, Abe Thebyane and Gavin Tipper. The Company's Chief Executive Officer and Human Resources Executive attend relevant parts of Remcom meetings by invitation.

Remcom met four times during the year under review and the attendance detail is reflected in the table below:

Name	07/08/2015	03/09/2015	18/11/2015	06/06/2016
A Nühn	√	√	√	√
A Kawa	√	√	√	√
AM Thebyane	√	√	√	√
GR Tipper	√	√	√	√

√ in attendance; X not in attendance

Remcom assists the Board by overseeing the following matters:
- Ensuring that the Company's directors and the Group's senior executives are competitively rewarded for their individual contributions to the Group's overall performance. Remcom ensures that the remuneration of the senior executive members of the Group is set by a committee of Board members who have no personal interest in the outcomes of their decisions and who will give due regard to the interests of shareholders and to the financial and commercial health of the Company;
- Succession planning for, and approving the appointment of, senior executives within the Group;
- Assessing the performance of the Chief Executive Officer and reviewing his assessment of senior management's performance;
- Recommending an appropriate remuneration and reward framework (including salaries, benefits, share options and incentive schemes) to ensure that the Group's employees are appropriately engaged and retained. The framework includes guaranteed remuneration, short-term and long-term incentives, and benefits;
- Reviewing the composition of the Board and its committees with respect to size, diversity, skills and experience; and
- Recommending the appointment of directors to shareholders.

In the interests of efficiency, the Remuneration Committee and the Nomination Committee are combined. In terms of the JSE Listings Requirements, the Chairman of the Board must be appointed as the chair of the Nomination Committee. Discussions pertaining to agenda items related to Nomination Committee matters are therefore chaired by the Chairman of the Board.

Remcom complied in all material respects with its mandate and the responsibilities prescribed in its charter.

Social and Ethics Committee

During the year under review the Social and Ethics Committee comprised two independent non-executive directors, namely Neo Dongwana (the Chairman) and Richard Inskip, as well as executive members, Willem Visser, the Group asset protection manager; Sarah-Anne Orphanides, the managing director of Entyce Beverages; and Catherine Makin, the Group marketing executive. On 7 August 2015 Darryl Wright, the Group HR executive, was appointed a member of the committee. In addition the Company's Chairman, Chief Executive Officer and Chief Financial Officer attend the meetings by invitation.

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

Name	03/09/2015	03/03/2016
NP Dongwana	√	√
RJD Inskip	√	√
C Makin	√	√
SA Orphanides	√	√
W Visser	√	√
D Wright	√	√

√ in attendance; X not in attendance

The Social and Ethics Committee assists the Board in the following matters:

- Monitoring the Company's activities with regard to social and economic development; good corporate citizenship; the environment, health and public safety; consumer relationships; and labour and employment;
- Drawing matters within its mandate to the attention of the Board as the occasion requires;
- Ensuring that the Company's ethics are managed effectively; and
- Reporting to the shareholders at the Company's Annual General Meeting on the matters within its mandate.

The Social and Ethics Committee discharged the functions ascribed to it in terms of the Companies Act. It also complied in all material respects with its mandate and the responsibilities prescribed in its charter.

Dealings in JSE securities

The Company and its directors comply with the JSE Listings Requirements regarding trading in shares.

In terms of the Company's closed-period policy, all directors and staff are precluded from dealing in Company shares during closed periods, namely from 31 December and 30 June of each year, until the release of the Group's interim and final results, respectively. The same arrangements apply to other closed periods declared during price-sensitive transactions, for directors, officers and participants in the share incentive schemes and staff who may have access to price-sensitive information. A pre-approval policy and process for all dealings in Company shares by directors and selected key employees is strictly followed. Details of directors' and the Company Secretary's dealings in Company shares are disclosed through the Stock Exchange News Service (SENS) in accordance with the JSE Listings Requirements.

The Company Secretary regularly disseminates written notices to brief the directors, executives, and employees on insider trading legislation, and to advise them of closed periods.

Further, in accordance with the JSE Listings Requirements, the Company's non-disclosure and confidentiality agreement in use for suppliers and other third parties, contains provisions and undertakings regarding the disclosure of price sensitive information and insider trading.

Investor relations and communication with stakeholders

The Company identifies key stakeholders with legitimate interests and expectations relevant to the Company's strategic objectives and long-term sustainability and strives to have transparent, open and clear communications with them. Reports, announcements and meetings with investment analysts and journalists, as well as the Company's website, are useful conduits for information. Further detail of these key stakeholders and the Company's engagements with them is set out in the Sustainable Development Report.

The Chairmen of the Board and the Board committees are expected to attend the Company's Annual General Meeting, and shareholders can use this opportunity to direct any questions they may have. A summary of the proceedings of general meetings and the outcome of voting on the items of business is available on request.

Keeping abreast of legislative requirements

The Company's internal legal advisers keep the Company abreast of generic and industry specific legislative and regulatory developments, both pending and apparent, and ensure that the Board, management and employees are informed of and, where necessary, trained on these developments and the implementation thereof.

Participation in industry forums

The Company and its subsidiaries participate in various forums that represent the interests of an industry or sector of the economy, including the Consumer Goods Council of South Africa, the Rooibos Council, the Aerosol Manufacturers' Association of South Africa, the Cosmetic, Toiletry and Fragrance Association of South Africa, the Responsible Fisheries' Alliance, the Association of Food and Science Technology, and the White Fish Technical Committee (a sub-committee of the Deep-Sea Fishing Industry Association). Care is taken to ensure that proceedings at these forums do not contravene competition regulations.

King III compliance disclosures

In compliance with the JSE Listings Requirements the Company discloses hereunder details pertaining to its compliance with the principles of King III. In addition to these specific disclosures, statements are included throughout the Integrated Annual Report dealing with these principles.

Principle		Implementation
Chapter 1: Ethical leadership and corporate citizenship		
1.1	The Board should provide effective leadership based on an ethical foundation	The Board operates within the powers conferred on it in the Memorandum of Incorporation and Board charter; bases deliberations, decisions and actions on strategic objectives and ethical and moral values; considers the legitimate interests of all stakeholders; and aligns its conduct to drive the Company's business
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	The Board is responsible for economic, social and environmental performance and reporting, and the Company has credible and well coordinated programmes in respect of social and environmental issues and stakeholder engagement
1.3	The Board should ensure that the Company's ethics are managed effectively	The Company has a Code of Conduct and Ethics which is communicated internally and externally and the importance of ethical behaviour is emphasised in all of the Company's engagements. Ethical issues are considered by risk committees, internal review committees, the Company's Audit and Risk Committee and Social and Ethics Committee, and at Board level
Chapter 2: Boards and directors		
2.1	The Board should act as the focal point for and custodian of corporate governance	The Board operates within the powers conferred in the Memorandum of Incorporation and Board charter which place it in the position to direct, govern and effectively control the Company
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	The Board annually reviews the Company's objectives, strategies, and risks
2.3	The Board should provide effective leadership based on an ethical foundation	See 1.1 above
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	See 1.2 above
2.5	The Board should ensure that the Company's ethics are managed effectively	See 1.3 above
2.6	The Board should ensure that the Company has an effective and independent Audit Committee	See Chapter 3 below
2.7	The Board should be responsible for the governance of risk	See Chapter 4 below
2.8	The Board should be responsible for information technology governance	See Chapter 5 below

	Principle	Implementation
Chapter 2: Boards and directors continued		
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	See Chapter 6 below
2.10	The Board should ensure that there is an effective risk-based internal audit	See Chapter 7 below
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation	See Chapter 8 below
2.12	The Board should ensure the integrity of the Company's integrated report	See Chapter 9 below
2.13	The Board should report on the effectiveness of the Company's system of internal controls	See Chapters 7 and 9 below
2.14	The Board and its directors should act in the best interests of the Company	The Board and directors are, inter alia, required to exercise care, skill and diligence; act in good faith; exercise objective judgement; declare any personal financial interests or conflicts of interest; and not deal in the Company's securities during closed or other price sensitive periods
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Companies Act	The Board monitors the Company's solvency and liquidity and is aware of and understands its responsibilities regarding business rescue proceedings
2.16	The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of Chairman of the Board	The position of Chairman is held by an independent non-executive director
2.17	The Board should appoint the CEO and establish a framework for the delegation of authority	The CEO is appointed by the Board and his role and responsibilities are set out in the Board charter
2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	The Board comprises a majority of independent non-executive directors
2.19	Directors should be appointed through a formal process	The Board charter defines a formal process for the appointment of directors by the Board with the assistance of the Remuneration, Nomination and Appointments Committee
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	New directors undergo a thorough induction and orientation programme. Directors have access to ongoing training and development regarding matters relevant to the Company, including but not limited to accounting standards and policies, the environment in which the Company operates, corporate governance, and legislation

Principle		Implementation
Chapter 2: Boards and directors continued		
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	A Company Secretary is appointed in compliance with the Companies Act 2008, the JSE Listings Requirements and the recommendations of King III
2.22	The evaluation of the Board, its committees and the individual directors should be performed every year	The Board, committees and directors are evaluated annually against their roles, functions, duties and performance criteria, and the results of the evaluations of executive directors are considered in determining their remuneration and benefits
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The Board has delegated certain responsibilities, but without abdicating responsibility, to the Audit and Risk Committee; the Remuneration, Nomination and Appointments Committee; the Social and Ethics Committee; and, from time to time, ad hoc committees are appointed to deal with specific matters. In particular, the functions of the Risk Committee are incorporated into the Audit and Risk Committee, and the functions of the Nomination Committee are incorporated into the Remuneration, Nomination and Appointments Committee
2.24	A governance framework should be agreed between the Group and its subsidiary boards	A governance framework exists between the Company and its subsidiaries, which recognises the legal and regulatory requirements that apply to subsidiaries of a listed company, including the Companies Act and the JSE Listings Requirements
2.25	Companies should remunerate directors and executives fairly and responsibly	The Remuneration, Nomination and Appointments Committee reviews directors' and executives' salaries annually taking into account benchmarking exercises and their performance
2.26	Companies should disclose the remuneration of each individual director and prescribed officer	The remuneration of directors and prescribed officers is disclosed in the Integrated Annual Report
2.27	Shareholders should approve the Company's remuneration policy	Shareholders approve the Company's remuneration policy as contained in the Integrated Annual Report on a non-binding advisory vote at the Annual General Meeting
Chapter 3: Audit committees		
3.1	The Board should ensure that the Company has an effective and independent Audit Committee	The Company has an effective and independent Audit Committee elected by shareholders at the Annual General Meeting
3.2	Audit Committee members should be suitably skilled and experienced independent non-executive directors	All Audit Committee members are appointed after being assessed as being suitably skilled and experienced independent non-executive directors in compliance with the Companies Act
3.3	The Audit Committee should be chaired by an independent non-executive director	The Audit Committee is chaired by an independent non-executive director
3.4	The Audit Committee should oversee integrated reporting	The Audit Committee operates within the functions defined in the Audit Committee charter, including overseeing integrated reporting

Principle		Implementation
Chapter 3: Audit committees continued		
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	The assurance activities of management, internal and external audit are coordinated with each other, with the relationship between the external assurers and management being monitored by the Audit Committee
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function	The Audit Committee annually evaluates the expertise, experience and adequacy of resources in the Group's finance function
3.7	The Audit Committee should be responsible for overseeing of internal audit	In terms of the Audit Committee charter, the Audit Committee oversees the internal audit function and monitors its effectiveness
3.8	The Audit Committee should be an integral component of the risk management process	The Audit Committee oversees the risk management processes across the Group
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The Audit Committee annually recommends the appointment of the external auditors to shareholders at the Annual General Meeting and is responsible for oversight of the external audit process as more fully set out on pages 63 and 88
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties	The Audit Committee reports to the Board at every Board meeting, and to shareholders at the Annual General Meeting, on the discharge of its functions, as well as in this Integrated Annual Report on page 88
Chapter 4: The governance of risk		
4.1	The Board should be responsible for the governance of risk	In terms of the Board charter, the Board is responsible for the governance of risk, which is delegated to the Audit and Risk Committee but without abdicating the Board's responsibility
4.2	The Board should determine the levels of risk tolerance	Risks are reviewed and prioritised by the Board on a regular basis and as part of normal operational management processes
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	See principle 4.1 above
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	Management has responsibility for the risk management plan in accordance with the Board approved policy and framework. The Audit and Risk Committee monitors the risk management process.
4.5	The Board should ensure that risk assessments are performed on a continual basis	Formal risk assessments are conducted at least annually. Risks are assessed on an ongoing basis as part of normal operational management processes
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	The consideration of unpredictable risks is incorporated into regular business review processes

Principle		Implementation
Chapter 4: The governance of risk continued		
4.7	The Board should ensure that management considers and implements appropriate risk responses	Appropriate risk responses are considered and implemented by management on an ongoing basis
4.8	The Board should ensure continual risk monitoring by management	The monitoring of risk is incorporated into regular business review processes and exceptions are highlighted to the Board
4.9	The Board should receive assurance regarding the effectiveness of the risk management process	Assurance by management regarding the risk management process is incorporated into regular business review processes
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	The statutory Annual Financial Statements include disclosure on financial risks and the operating environment is commented on in this Integrated Annual Report to the extent deemed prudent, taking into account commercially privileged information
Chapter 5: The governance of information technology		
5.1	The Board should be responsible for information technology (IT) governance	The Board is responsible for IT governance in terms of the Board charter and the IT governance policy. The Audit and Risk Committee monitors the IT governance process
5.2	IT should be aligned with the performance and sustainability objectives of the Company	IT is aligned with the performance and sustainability objectives of the Company in accordance with the IT governance charter
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework	Management has the responsibility for the implementation of the IT governance framework in accordance with the IT governance charter
5.4	The Board should monitor and evaluate significant IT investments and expenditure	The Board monitors and evaluates significant IT investments and expenditures in accordance with the IT governance charter
5.5	IT should form an integral part of the Company's risk management	IT forms an integral part of the Company's risk management in accordance with the risk management framework and IT governance charter
5.6	The Board should ensure that information assets are managed effectively	The management of IT assets is incorporated into regular business review processes
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities	See principle 5.1 above

Principle		Implementation
Chapter 6: Compliance with laws, codes, rules and standards		
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	In terms of the Board charter the Company is committed to compliance with applicable laws and the Company remains informed on and complies with all applicable laws, and considers adherence to relevant non-binding rules, codes and standards
6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business	In terms of the Board charter the Board and individual directors are required to have a working knowledge of all applicable laws, rules, codes and standards, and they are educated on these matters as appropriate
6.3	Compliance risk should form an integral part of the Company's risk management process	Compliance risk forms part of the Company's risk management framework and processes
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes	Compliance risk forms part of the risk management framework, the implementation of which is delegated to management and overseen by the Audit and Risk Committee and the Board
Chapter 7: Internal audit		
7.1	The Board should ensure that there is an effective risk based internal audit	The Company has an effective risk based internal audit function, outsourced to an independent professional firm, whose duties and responsibilities are defined in the internal audit charter
7.2	Internal review should follow a risk based approach to its plan	Internal audit follows a risk based approach in accordance with the internal audit charter
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal control and risk management	Internal audit is outsourced to an independent professional firm. The need for and requirements that need to be met in order to obtain this assurance are being evaluated
7.4	The Audit Committee should be responsible for overseeing internal audit	In terms of the Audit Committee charter the Audit Committee is responsible for overseeing internal audit
7.5	Internal audit should be strategically positioned to achieve its objectives	Internal audit is independent and objective and well-positioned to achieve its objectives

Principle		Implementation
Chapter 8: Governing stakeholder relationships		
8.1	The Board should appreciate that stakeholders' perceptions affect a Company's reputation	Stakeholder engagement is an important aspect of the Company's responsibilities and it formally identifies and recognises material stakeholders with legitimate interests with whom it engages on relevant issues
8.2	The Board should delegate to management to proactively deal with stakeholder relationships	Management has the responsibility to proactively deal with stakeholder relationships and engagements
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	The Company recognises material stakeholders with legitimate interests with whom it engages as necessary on relevant issues
8.4	Companies should ensure the equitable treatment of shareholders	All holders of the same class of shares, including minorities, are treated equitably in accordance with the preferences, rights, limitations and other terms applicable to such shares and any other relevant provisions of the Companies Act and the JSE Listings Requirements
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	The Company communicates with stakeholders in a variety of forms as more fully set out in this Integrated Annual Report on pages 33 and 34
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Disputes with stakeholders would be addressed in the appropriate forum and steps taken to ensure that such disputes are resolved as effectively, efficiently and expeditiously as possible
Chapter 9: Integrated reporting and disclosure		
9.1	The Board should ensure the integrity of the Company's Integrated Annual Report	The Board is responsible for integrated reporting, including the integrity of the report
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting	Sustainability reporting and disclosure form an integral part of the Integrated Annual Report
9.3	Sustainability reporting and disclosure should be independently assured	External assurance will be considered when the Sustainable Development Report has been more fully developed

REMUNERATION REPORT

This report sets out the Company's remuneration and reward philosophy, policy and practice for non-executive directors, executive directors, executives and senior managers. It also provides details of the remuneration paid to and share options acquired by non-executive directors, executive directors and certain executives during the financial year ended 30 June 2016, and their interests in the Company's shares as at 30 June 2016.

Remuneration and reward philosophy

The intended consequence of the Company's remuneration and reward framework is to attract, retain and motivate the most talented people available to the Group to align with its determination to deliver superior returns to shareholders.

The reward framework is designed to:

- attract and recruit talented people from a shrinking pool of talent;
- retain competent employees who enhance business performance;
- direct employees' activities towards business priorities;
- recognise and reward employees for superior performance;
- support a high performance environment;
- address diverse employee motivational needs across differing categories; and
- support the Company's transformation agenda.

During the year under review the Company's remuneration and reward practices played a material role in retaining key talent and supporting the achievement of the Company's objectives.

Key developments

At the Annual General Meeting held on 5 November 2015 and in accordance with the recommendations of the King Report on Corporate Governance for South Africa, 2009 ("King III"), shareholders endorsed the Company's remuneration policy as set out in the remuneration report contained in the Integrated Annual Report, by way of a non-binding advisory vote.

During the year the Company's Remuneration Committee reviewed and benchmarked the Company's short and long-term reward framework and recommended certain changes. Details of these changes are set out in this report. Shareholders will be asked at the Annual General Meeting to be held on 3 November 2016 to consider the changes on which shareholder approval is required and to approve the amended remuneration policy.

Composition of remuneration and rewards

In the year under review, the remuneration packages of executive directors and senior management continued to comprise:

- a guaranteed remuneration package (structured as the employee's total cost to the Company);
- an annual bonus based on business and individual performance;
- long-term incentive plans; and
- access to retirement fund and medical aid benefits funded from their guaranteed remuneration package.

Guaranteed remuneration

Remcom reviews the salaries of the executive directors and executive management annually, benchmarked against the market median in similar sized companies and industries.

Assessments against the market are done in respect of total remuneration as well as the component parts using, inter alia, the Deloitte Executive survey and the PricewaterhouseCoopers ("PwC") REMchannel benchmarking tool, which, together with an AVI specific company sizing methodology, determines a competitive and reasonable market against which to measure AVI executive and senior management remuneration.

The Company remunerates its employees who are regarded as established performers within reasonable proximity to the market median, subject to their experience and individual contribution to the Company. Employees who are clear out-performers may be remunerated from the median to within reasonable proximity of the upper quartile, while employees who are regarded as under-performers are paid below the median and are actively managed. This approach recognises the market forces in play and the heightened requirement to attract and retain talented employees. In recent times the Company has often found that it is necessary to offer to remunerate executives with proven track records at the upper quartile to attract them to the Company.

Short-term incentive schemes

Annual or short-term incentives are based on a combination of performance targets, including operating profit, headline earnings and capital employed and a set of non-financial targets, measured after the finalisation of the audited year-end results. The more an employee is able to influence the financial performance of a subsidiary, due to his/her role and levels of responsibility, the more his/her annual incentive is aligned with the financial performance of that subsidiary. Executive management recommends annual incentives to Remcom for approval. Remcom retains the absolute discretion to authorise incentives.

The annual incentives payable to executive and other management, for targeted levels of performance, range between 15% and 60% of an employee's guaranteed remuneration package, depending on roles, responsibilities and individual contributions, determined with reference to market norms and as deemed appropriate by Remcom. The actual incentive payment for the year under review for executive and other management was R114 million which was 22% of the total remuneration cost to the Company of this group of employees, excluding the cost of the incentives. The payment for the prior year was R103 million or 23% of the total remuneration cost to the Company.

Earning potentials

The maximum potential bonus awards for short-term incentives for the Chief Executive Officer, executive directors and prescribed officers were reviewed by the Company. In order to bring certain categories of employees to the relevant benchmark level the following changes were approved by the Remuneration Committee:

Category of employee	On-target bonus (TCTC) %	New on-target bonus (TCTC) %	Bonus range (TCTC) %	New bonus range (TCTC) %	Company performance portion of bonus %	Individual performance portion of bonus %
CEO	60	80	0 – 120	0 – 180	75	25
Executive directors	50	55	0 – 100	0 – 124	75	25
Prescribed officers	35 – 50	50	0 – 100	0 – 112,5	50 – 75	25 – 50

Weighting of short-term incentive measures

The measures and weightings used for the Chief Executive Officer, executive directors and prescribed officers for the year ended 30 June 2016 were:

	Weightings
Financial measure: • Profit and capital employed achieved relative to target	75%
Individual KPIs, comprising: • Effective management and delivery of core responsibilities • Attraction and retention of key talent • Effective brand development activity • Successful execution of key projects • Achievement of transformation objectives and targets • Progress made on medium-term programmes	25%

Long-term incentive schemes

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

The share incentive schemes currently in operation at the Company were all approved by shareholders. There are currently three share incentive schemes in place – the AVI Limited Executive Share Incentive Scheme, the AVI Limited Out-Performance Scheme and the Black Staff Empowerment Share Scheme. The level of participants, and the extent of their participation, are benchmarked against the market and are approved by Remcom.

The review of the Company's variable remuneration structure during the year identified the need for the implementation of a deferred bonus share scheme to align the level of incentives with market benchmarks and the need to change the current AVI Limited Executive Share Incentive Scheme into a share appreciation rights scheme (the Revised AVI Limited Executive Share Incentive Scheme) in order to limit the dilution impact of share issuances, and to include a further performance condition. In addition the Remuneration Committee approved a change to the AVI Limited Out-Performance Scheme to provide for zero vesting below median TSR performance.

Insofar as the proposed deferred bonus share scheme is concerned, the value of awards allocated will be determined with reference to each eligible participant's annual bonus earned under the Group's existing short-term bonus incentive framework. Deferred bonus shares will be settled in equity and subject to a further holding period before vesting, during which period the bonus shares remain restricted. The awarding of the bonus shares will be regulated in terms of the rules of the Deferred Bonus Share Plan.

The salient features of the Revised AVI Limited Executive Share Incentive Scheme and the AVI Limited Deferred Bonus Share Plan are set out in annexures 1 and 2 to the Notice of Annual General Meeting.

In addition to the Company's long-term incentive schemes, the Group's subsidiary companies operate "phantom share option schemes" which enable the Company to reward appropriate employees for the results that their efforts generate within the subsidiaries in which they are employed. Notional share options in the subsidiaries are granted to select employees that are either within the top three levels of management or that are regarded as key skills that require retention. The recipients benefit from the appreciation of the notional share price. Annual allocations of notional shares are made to eligible employees within a range of 35% to 165% of their guaranteed remuneration package, depending on their role and individual contribution to the subsidiary. The value of the shares is calculated based on the Company's price earnings ratio and the audited operating profit after tax of the relevant subsidiary company, with constraints to ensure that the schemes do not reward undeserved outcomes. Remcom approves the allocations annually.

In summary, the nature and key characteristics of the various schemes, including the changes on which shareholders will be asked to vote at the Annual General Meeting on 3 November 2016, are set out in the following table:

	Title and nature	Participants	Allocation method	Performance conditions	Vesting period	Exercise period
1.	The AVI Limited Executive Share Incentive Scheme (A share option scheme that delivers value against share price appreciation)	Executive and senior management of the Company and shared services	Annual, percentage of remuneration (between 35% and 235%) determined by Remcom, based on seniority and contribution	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance targets aligned to the annual short-term incentive measures • The share price on exercise must be greater than the allocation price	Three years from grant date	Within two years from vesting date

	Title and nature	Participants	Allocation method	Performance conditions	Vesting period	Exercise period
	Proposed changes to the AVI Limited Executive Share Incentive Scheme to be approved by shareholders at the Annual General Meeting on 3 November 2016					
	The Revised AVI Limited Executive Share Incentive Scheme (A share appreciation rights scheme that delivers value against share appreciation while limiting the dilution impact of share issuances)	No change	No change	Additional performance condition – Average Return on Capital Employed over the vesting period ahead of the Weighted Average Cost of Capital	No change	No change
2.	Various Phantom Share Schemes (Notional share option schemes that deliver value against the subsidiaries' performance and the Company's price earnings ratio)	Executive and senior management of the subsidiaries	Annual, percentage of remuneration (between 35% and 165%) determined by Remcom, based on seniority and contribution	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance targets aligned to the annual short-term incentive measures • The share price on exercise must be greater than the allocation price	Three years from grant date	Within two years from vesting date
	Proposed AVI Limited Deferred Bonus Share Plan to be approved by shareholders at the Annual General Meeting on 3 November 2016					
3.	Deferred Bonus Share Plan (Awards shares based on historical performance)	Executive and senior management of the Company, and high impact employees at the Remuneration Committee's discretion	Annual, a percentage of remuneration (between 0% and 112,5%) based on a fixed allocation multiple in relation to the individual's bonus multiple achieved during the relevant financial year	• Linked to performance entry criteria for the short-term incentive scheme during the relevant financial year • The employee must remain employed by the Group throughout the vesting period	Three years from grant date	Not applicable

	Title and nature	Participants	Allocation method	Performance conditions	Vesting period	Exercise period
4.	The AVI Limited Out-Performance Scheme (A share grant scheme that delivers value dependent upon the Company's performance relative to its peers)	Directors of the Company and select executives of the Company and subsidiaries	Annual, percentage of remuneration (between 50% and 60%) determined by Remcom, based on seniority and contribution, subject to sacrifice of incentive plan instruments under the Executive or Phantom Share Incentive Schemes	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance hurdles aligned to the annual short-term incentive measures • The Company must meet total shareholder return performance thresholds relative to its peers. There is a minimum performance threshold below which the share grants are nullified	Three years from grant date	On the vesting date
	Changes to the AVI Limited Out-Performance Scheme approved by Remcom					
	No change	No change	No change	The vesting schedule is altered to provide for zero vesting below median TSR performance	No change	No change
5.	The Black Staff Empowerment Share Scheme (A share rights scheme that delivers value against share price appreciation)	Black employees (as defined in terms of the Broad-Based Black Economic Empowerment Act of 2003) of the Group	On appointment and on promotion over the period 1 January 2007 to 31 December 2011, between 70% and 200% of remuneration, based on seniority	• The employee must remain employed by the Group throughout the vesting period	In equal portions on five, six and seven years from grant date	Up to year seven from grant date
	The first tranche of shares in the AVI Black Staff Empowerment Scheme, being one-third of the total allocation made on 1 January 2007, vested on 1 January 2012. Over the life of the Scheme to date, approximately 14 594 participants have benefited from the Scheme with a total gross benefit of R681,3 million, including 1 409 participants who left the Company's employ in a manner that classified them as "good leavers" and which good leavers have received a total gross benefit of R97,1 million.					

The various long-term share incentive schemes do not permit rights or options to be issued at a discount to their value at the grant date and they do not permit rights and options to be re-priced.

Shareholders have granted specific approval for a maximum of 26 500 000 shares to be made available to the Black Staff Empowerment Share Scheme and 10 279 154 shares to be made available to each of the AVI Limited Executive Share Incentive Scheme and the AVI Limited Out-Performance Scheme. The remaining authority to the share schemes as at 30 June 2016, excluding the Black Staff Empowerment Share Scheme, is 3 445 690 shares to the AVI Limited Executive Share Incentive Scheme and 4 165 958 shares to the AVI Limited Out-Performance Share Scheme, which jointly represent 2,2% of the issued share capital of the Company.

At the Annual General Meeting on 3 November 2016, if shareholders approve the AVI Limited Deferred Bonus Share Plan and the Revised AVI Limited Executive Share Incentive Scheme, they will also be asked to rescind the authorities previously granted to the Company in respect of the AVI Limited Executive Share Incentive Scheme and the AVI Limited Out-Performance Scheme and to approve new authorities in respect of the Revised AVI Limited Executive Incentive Scheme, the AVI Limited Out-Performance Scheme and the AVI Limited Deferred Bonus Share Plan, as set out in the following table, being a summary of the AVI shares currently authorised for use in the approved share schemes and the new authorities to be considered and approved by shareholders:

Scheme name	Authorised	Issued	Remaining authorised but not issued	New authority to be approved at AGM on 3 November 2016	% of total issued share capital*
AVI Limited Executive Share Incentive Scheme (share appreciation rights plan)	10 279 154	6 833 464	3 445 690	5 213 369	1,5
AVI Deferred Bonus Share Plan	–	–	–	5 213 369	1,5
AVI Out-Performance Scheme	10 279 154	6 113 196	4 165 958	6 915 158	2
The Black Staff Empowerment Share Scheme	26 500 000	26 500 000	–	Not applicable	Not applicable

** As at 30 June 2016.*

The total authority for all three schemes will be approximately 5% of the total issued share capital, in line with current guidelines.

Benefits

Retirement fund contributions

Defined contribution pension and provident fund arrangements exist throughout the Group. Retirement funding contributions are charged against expenditure when incurred. Executive and management employees are remunerated on a total cost to company basis and therefore all funding requirements for retirement benefits are borne by these employees. The assets of retirement funds are managed separately from the Group's assets by boards of trustees. The trustees are both Company and employee elected, and where appropriate the boards have pensioner representation. The boards of trustees oversee the management of the funds and ensure compliance with all relevant legislation.

Medical aid contributions

The Anglovaal Group Medical Scheme, a restricted membership scheme, offers medical benefits for the employees of participating employers in the Group. The scheme is managed by a Board of Trustees elected by members (including pensioners) and employer companies and is administered by Discovery Health. The Board of Trustees is assisted by an audit and investment committee and a committee of management. As with the Group's retirement funds, the assets of the scheme are managed separately from those of the Group. The Board of Trustees ensures compliance with all relevant legislation and, in particular, manages the relationship with the Council of Medical Schemes. Executive and management employees are remunerated on a total cost to company basis and therefore all funding requirements for this scheme are borne by employees.

Executive directors' emoluments

Emoluments paid to executive directors of the Company by the Company during the year under review:

Executive directors	Salary R'000	Bonus and performance-related payments: Rating %	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 2016 R'000	Total 2015 R'000
	2016							
SL Crutchley	**6 493**	**90**	**4 209**	**505**	**20 032**	**60**	**31 299**	30 181
OP Cressey	**4 083**	**88**	**2 187**	**319**	**4 190**	**60**	**10 839**	19 213
M Koursaris	**2 913**	**92**	**1 615**	**284**	**4 619**	**30**	**9 461**	10 673

The expense for the year in respect of share options granted to executive directors, determined in accordance with IFRS 2 – *Share-Based Payments*, was R5,9 million (2015: R4,7 million).

The executive directors of the Company receive no emoluments from the subsidiaries of the Company.

Non-executive directors' emoluments

Non-executive directors are remunerated in line with market-related rates for the time required to discharge their ordinary responsibilities on the Board and its sub-committees. A portion of the fees is paid as a retainer with the balance being paid for attendance of normal scheduled meetings. For extraordinary ad hoc services rendered that fall outside their ordinary duties, the non-executive directors are remunerated by way of a market related hourly fee, subject to authorisation by Remcom. No ad hoc services fees were paid during the year under review.

Non-executive directors are not appointed under service contracts, their remuneration is not linked to the Company's financial performance and they do not qualify for participation in any share incentive schemes.

At the Annual General Meeting held on 5 November 2015 shareholders approved the fees payable to the Chairman and non-executive directors for their services to the Board and other Board committees for the 2016 financial year as follows:

Non-executive directors' fees

Chairman of the Board	R818 000
Resident non-executive directors	R263 000
Non-resident non-executive director	€44 700
Chairman of the Audit Committee	R212 000
Members of the Audit Committee	R98 000
Non-resident Chairman of the Remuneration, Nomination and Appointments Committee	€14 700
Members of the Remuneration, Nomination and Appointments Committee	R90 000
Chairman of the Social and Ethics Committee	R98 000
Members of the Social and Ethics Committee	R66 300

Remuneration disclosure in terms of King III

The following disclosure is made in accordance with the King III recommendation on disclosure of remuneration paid to the three most highly paid employees who are not directors in the Company:

Employee	Salary R'000	Bonus and performance-related payments Rating %	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 2016 R'000
1	**2 918**	**83**	**1 257**	**321**	**13 235**	**49**	**17 780**
2	**3 042**	**85**	**1 801**	**234**	**9 222**	**–**	**14 299**
3	**3 913**	**90**	**1 999**	**362**	**6 552**	**76**	**12 902**

Key management emoluments

Key management, as defined in International Accounting Standard 24 – *Related Party Disclosures,* are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The following disclosure includes the total emoluments paid to key management personnel across the AVI Group:

	2016 R'000	2015 R'000
Salary and other benefits and allowances	**106 027**	100 769
Bonuses and performance related payments	**44 789**	36 097
Pension fund contributions	**9 059**	7 551
Termination benefits	**4 569**	4 220
Gains on exercise of share options	**53 939**	43 166
Total	**218 383**	191 803

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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated 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 consolidated financial statements were published on Monday, 12 September 2016.

The annual financial statements of the Company are presented separately from the consolidated annual financial statements and were approved by the directors on 9 September 2016, the same date as these consolidated financial statements. The separate annual financial statements are available on the AVI website www.avi.co.za.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated 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 and its subsidiaries' ability to continue as going concerns and there is no reason to believe they will not be going concerns in the year ahead.

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of AVI Limited, which appear on pages 83 to 88 and 90 to 140, were authorised for issue by the Board of directors on 9 September 2016 and are signed on its behalf.

GR Tipper
Non-executive Chairman

SL Crutchley
Chief Executive Officer

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

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

Financial
The results of operations for the year are set out in the statement of comprehensive income on page 105.

Revenue and operating profit before capital items were as follows:

	2016 R'm	2015 R'm
REVENUE		
Branded consumer products	**12 187,6**	11 236,2
Corporate	**1,3**	7,5
Total	**12 188,9**	11 243,7
OPERATING PROFIT/(LOSS) BEFORE CAPITAL ITEMS		
Branded consumer products	**2 164,8**	1 929,2
Corporate	**(10,2)**	(12,3)
Total	**2 154,6**	1 916,9

Details of this analysis are provided in the segmental report, which follows the Directors' Report.

A five-year summary of the Group's consolidated balance sheet, income statement and cash flow statement is presented on pages 29 to 31.

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 9 to the financial statements, on page 115.

Issues and redemptions during the year
A summary of the movement in the number of ordinary shares in issue during the year is given in Note 9 to the financial statements, on page 115.

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 intercompany 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 30 to the financial statements on page 122.

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 appointments 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 Group's various share incentive schemes are set out in Note 32, on pages 123 to 127 of the financial statements.

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 to 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.

Share incentive scheme interests

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
THE AVI EXECUTIVE SHARE INCENTIVE SCHEME							
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 provided 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.

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
THE AVI OUT-PERFORMANCE SCHEME							
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.

Emoluments

	2016						2015
	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	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.*

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

	2016 R'000	2015 R'000
NON-EXECUTIVE DIRECTORS' AND COMMITTEE FEES		
GR Tipper (Chairman)	**1 072**	982
JR Hersov	**361**	338
A Nühn[1]	**979**	802
MJ Bosman	**475**	444
A Kawa	**353**	330
AM Thebyane	**321**	258
NP Dongwana	**459**	429
RJD Inskip	**329**	276
BJK Smith[2]	**–**	89
	4 350	3 948
	55 949	64 016

Details relating to the Group's remuneration practices are set out in the Corporate Governance Report on pages 73 to 80.

The IFRS 2 expense recognised in profit or loss in respect of options granted to directors is as follows:

	2016 R'000	2015 R'000
SL Crutchley	**3 324**	2 713
OP Cressey	**1 548**	1 206
M Koursaris	**1 077**	791
	5 949	4 710

[1] *Paid in Euros.*
[2] *Resigned 30 October 2014.*

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 lll") 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.

For further details regarding the Audit Committee, shareholders are referred to the Corporate Governance Report on page 63.

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 consolidated financial statements of AVI Limited, which comprise the balance sheet as at 30 June 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, the segment reporting, the accounting policies and the notes to the financial statements, as set out on pages 86 and 87 and 90 to 137.

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 consolidated financial position of AVI Limited at 30 June 2016, and its consolidated financial performance and consolidated 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 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

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

SEGMENT REPORTING

	Food and Beverage brands					
	Entyce Beverages		Snackworks		I&J	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm	**2016 R'm**	2015 R'm
Revenue from customers	**3 421,9**	3 041,2	**3 643,2**	3 405,3	**2 171,8**	1 960,5
Total segment revenue	**3 421,9**	3 041,2	**3 643,2**	3 405,3	**2 171,8**	1 960,5
Intersegment revenue	**–**	–	**–**	–	**–**	–
Segment result						
Operating profit/(loss) before capital items	**661,7**	545,2	**609,1**	533,4	**331,0**	248,4
Share of equity accounted earnings of joint ventures	**–**	–	**–**	–	**58,1**	9,5
Operating profit/(loss) from ordinary activities	**661,7**	545,2	**609,1**	533,4	**389,1**	257,9
Income from investments	**2,0**	2,9	**0,4**	1,3	**4,7**	4,9
Interest expense	**(90,7)**	(70,4)	**(35,2)**	(26,1)	**(39,1)**	(14,8)
Taxation	**(173,8)**	(141,8)	**(153,3)**	(137,6)	**(95,1)**	(63,3)
Segment profit before capital items	**399,2**	335,9	**421,0**	371,0	**259,6**	184,7
Capital items (after tax)						
Profit for the year						
Segment assets	**2 369,0**	2 039,9	**1 596,9**	1 364,4	**2 370,4**	2 161,9
Segment liabilities	**2 162,3**	1 825,0	**838,0**	677,7	**985,5**	1 069,6
Additions to property, plant and equipment	**130,7**	196,6	**239,2**	225,1	**345,7**	212,5
Depreciation and amortisation	**97,2**	83,9	**82,9**	73,5	**76,9**	72,4
Impairment losses	**–**	–	**0,2**	0,2	**2,2**	–
Number of employees at year-end	**1 052**	1 019	**2 281**	2 449	**2 551**	1 991

	2016		2015	
	R'm	**%**	R'm	%
TOTAL OPERATIONS				
Segmental revenue by market				
The Group's consolidated revenue by geographic market, regardless of where goods were produced, was as follows:				
South Africa	**9 952,1**	**81,6**	9 216,6	82,0
International operations	**655,2**	**5,4**	543,6	4,9
Exports from South Africa	**1 581,6**	**13,0**	1 483,5	13,2
	12 188,9	**100,0**	11 243,7	100,0
Analysis of non-current assets* by geographic area				
South Africa	**4 486,5**	**91,5**	3 975,7	91,8
Other African	**16,6**	**0,3**	14,3	0,3
Australia	**402,4**	**8,2**	341,5	7,9
	4 905,5	**100,0**	4 331,5	100,0

** Comprises non-current assets less deferred tax assets, and other investments.*
*** Includes AVI Field Marketing Services. Costs attributable to AVI Field Marketing Services have been allocated to the appropriate segments.*

Fashion brands							
Personal Care		Footwear & Apparel		Corporate & consolidation		Total	
2016 R'm	2015 R'm	2016 R'm	2015 R'm	2016 R'm	2015 R'm	2016 R'm	2015 R'm
1 096,4	1 033,0	1 854,3	1 796,2	1,3	7,5	12 188,9	11 243,7
1 097,4	1 034,1	1 854,3	1 796,2	95,3	95,9	12 282,9	11 333,2
(1,0)	(1,1)	–	–	(94,0)	(88,4)	(94,0)	(89,5)
218,0	198,0	345,0	404,2	(10,2)	(12,3)	2 154,6	1 916,9
–	–	–	–	–	–	58,1	9,5
218,0	198,0	345,0	404,2	(10,2)	(12,3)	2 212,7	1 926,4
0,5	0,8	0,7	0,8	(1,8)	(3,6)	6,5	7,1
(9,2)	(9,0)	(33,7)	(21,0)	72,0	76,0	(135,9)	(65,3)
(54,6)	(48,5)	(87,3)	(107,0)	(27,0)	(31,3)	(591,1)	(529,5)
154,7	141,3	224,7	277,0	33,0	28,8	1 492,2	1 338,7
						(11,0)	(6,4)
						1 481,2	1 332,3
689,0	587,2	877,1	765,9	1 128,7	1 114,7	9 031,1	8 034,0
471,7	355,8	854,3	673,2	(770,2)	(507,8)	4 541,6	4 093,5
54,6	19,4	99,3	88,9	12,3	106,4	881,8	848,9
22,2	24,5	58,5	49,0	12,4	7,7	350,1	311,0
0,6	–	–	–	–	–	3,0	0,2
354	349	1 982	1 937	3 367	3 355**	11 587	11 100

Basis of segment presentation

The segment information has been prepared in accordance with IFRS 8 – *Operating Segments* ("IFRS 8") which defines requirements for the disclosure of financial information of an entity's operating segments. The standard requires segmentation based on the Group's internal organisation and internal accounting presentation of revenue and operating income.

Identification of reportable segments

The Group discloses its reportable segments according to the entity components that management monitor regularly in making decisions about operating matters. The reportable segments comprise various operating segments primarily located in South Africa.

The revenue and operating assets are further disclosed within the geographical areas in which the Group operates. Segment information is prepared in conformity with the basis that is reported to the CEO, who is the chief operating decision maker, in assessing segment performance and allocating resources to segments. These values have been reconciled to the consolidated financial statements. The basis reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment revenue excludes value added taxation and includes intersegment revenue. Revenue from customers represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis.

Segment operating profit before capital items represents segment revenue less segment operating expenses, excluding capital items included in Note 21.

Segment expenses include direct and allocated expenses. Depreciation and amortisation have been allocated to the segments to which they relate.

The segment assets comprise all assets that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

The number of employees per segment represents the total number of permanent and temporary employees at year-end.

Reportable segments

Entyce Beverages

Revenue in this segment is derived from the sale of tea, coffee and creamer, primarily in South Africa and neighbouring countries.

The coffee category includes the supply of premium ground coffee and beverage service solutions to the out-of-home consumption market including airports, hotels, caterers, restaurants and corporates.

Snackworks

The principal activity within this segment is the sale of a full range of sweet and savoury biscuits and baked and fried potato and maize snacks, primarily in South Africa and neighbouring countries.

I&J

I&J catches fish in South African waters, and processes, markets and distributes premium quality value-added seafood in local and international markets (mainly Europe and Australia).

Fashion brands

Fashion brands provides personal care and footwear and apparel offerings.

Personal Care

Indigo Brands, which forms the base for the Personal Care segment, creates, manufactures and distributes leading cosmetic and toiletry products that range from mass market to bridge fragrances. These products are sold primarily in South Africa and neighbouring countries.

Footwear and Apparel

Spitz, Green Cross and Gant make up the footwear and apparel segment and retail a portfolio of owned and licensed footwear and apparel brands in South Africa.

Corporate

The corporate office provides strategic direction, as well as financial, treasury, legal and information technology services to the largely autonomous subsidiaries. Other entities in this segment comprise the various staff scheme share trusts.

Geographical information

The Group's operations are principally located in South Africa. The Australian asset comprises I&J's interest in an Australian fish processing joint venture with Simplot (Australia) Proprietary Limited.

Major customers

The Group's most significant customers, being two South African retailers, individually contribute more than 10% of the Group's revenue (R2 988,0 million in the current year and R2 650,6 million in the previous year) in the Entyce, Snackworks, I&J and Personal Care segments.

ACCOUNTING POLICIES

AVI Limited (the "Company") is a South African registered company. The consolidated financial statements of the company for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures.

Statement of compliance

The consolidated 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 the following assets and liabilities which are stated at their fair value:

- derivative financial instruments;
- biological assets; and
- liabilities for cash-settled share-based payment arrangements.

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 1 – useful lives and residual values of property, plant and equipment
Note 2 – useful lives and impairment tests on intangible assets
Note 5 – utilisation of tax losses
Note 11 – measurement of defined benefit obligations.

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 Group.

Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Where an investment in a subsidiary is acquired or disposed of during the financial year its results are included from, or to, the date control commences or ceases. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

Subsidiaries are those entities controlled by the Group. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

Joint arrangements

Joint arrangements are those entities in respect of which there is a contractual agreement whereby the Group and one or more other parties undertake an economic activity, which is subject to joint control.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group's participation in joint ventures is accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the equity-accounted investees, until the date on which joint control ceases.

Eliminations on consolidation
Intercompany balances and transactions, and any unrealised gains or losses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in these enterprises. Unrealised losses on transactions with joint ventures are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill
All business combinations are accounted for by applying the "acquisition method", as at acquisition date, which is the date on which control is transferred to the Group. For acquisitions taking place on or after 1 July 2009, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in profit or loss.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

A bargain purchase gain arising on an acquisition is recognised directly in profit or loss as a capital item.

Premiums and discounts arising on subsequent purchases from, or sales to, non-controlling interests in subsidiaries
Following the presentation of non-controlling interests in equity, any increases and decreases in ownership interests in subsidiaries without a change in control are recognised as equity transactions in the consolidated financial statements. Accordingly, any premiums or discounts on subsequent purchases of equity instruments from, or sales of equity instruments to, non-controlling interests are recognised directly in the equity of the parent shareholder.

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

Black economic empowerment ("BEE") transactions
BEE transactions involving the disposal or issue of equity interests in subsidiaries are only recognised when the accounting recognition criteria have been met.

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

Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of an asset, that requires a substantial period of time to prepare for its intended use, are capitalised. Interest is capitalised over the period during which the qualifying asset is being acquired or constructed and where expenditure for the asset and borrowings have been incurred. Capitalisation ceases when the construction is interrupted for an extended period or when the qualifying asset is substantially complete. All other borrowing costs are recognised in profit or loss using the effective interest method.

Cash and cash equivalents

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

Capital items

Capital items are items of income and expense relating to the acquisition, disposal or impairment of investments, businesses, property, plant and equipment and intangible assets.

Capital items relate to separately identifiable remeasurements (not adjusted for related taxation and related non-controlling interests) other than remeasurements specifically included in headline earnings as defined in Circular 2/2013 – Headline earnings.

Dividends payable

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

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised in profit or loss during the period in which the employee renders the related service.

The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the Group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary levels at the reporting date.

Defined contribution plans

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

Defined benefit obligations

The Group's obligations to provide post-retirement medical aid benefits are defined benefit obligations. The projected unit credit method is used to determine the present value of the defined benefit obligations, the related current service cost and, where applicable, the past service cost.

The Group recognises all actuarial gains and losses in respect of defined benefit obligations directly in other comprehensive income immediately.

Other long-term employee benefits

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

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

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw from the offer of those benefits and when the Group recognises costs of a restructuring. If the benefits are payable more than 12 months after the reporting date, they are discounted to their present value.

Share-based payment transactions

Group 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.

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

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

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 holding 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 Group becomes a party to the contractual arrangements. Subsequent to initial recognition these instruments are measured as detailed below:

Financial assets
Financial assets are recognised when the Group has rights 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.

Loans and other long-term receivables
Loan receivables are stated at amortised cost using the effective interest method less impairment losses.

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

Cash and cash equivalents
Cash and cash equivalents initially are 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 Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments
The Group uses derivative financial instruments to manage its exposure to risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Subsequent to initial recognition, derivative instruments are measured at fair value through profit or loss. Fair value is determined by comparing the contracted rate to the current rate of an equivalent instrument with the same maturity date. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Hedging
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and presented in the cash flow hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged firm commitment or forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount is recognised in profit or loss in the period when the commitment or forecast transaction affects profit or loss.

Where the hedging instrument or hedge relationship is terminated or no longer meets the criteria for hedge accounting but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in profit or loss when the underlying transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in profit or loss immediately.

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit or loss.

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

Foreign currencies
Foreign currency transactions
Transactions in foreign currencies are translated to South African Rand, being the functional currency of the Company, at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to South African Rand at the exchange rates ruling at that date. Gains or losses on translation are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations
The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to South African Rand at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Rand at approximate foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. The foreign currency translation reserve applicable to a foreign operation is released to profit or loss upon disposal of that foreign operation.

Government grants

Government grants are only recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to them.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the related costs, for which the grants are intended to compensate, are expensed. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire depreciable assets, are deducted from the cost of the related assets in calculating their carrying amounts and are recognised in profit or loss over the useful life of the assets as a reduced depreciation expense.

Government grants relating to expenses or losses already incurred and where no future expenses or losses are expected, are recognised when they become receivable.

Impairment of non-financial assets

The carrying amounts of the Group's assets other than deferred tax assets, biological assets, inventories and 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.

For goodwill and intangible assets that have an indefinite useful life the recoverable amount is estimated at least annually.

The recoverable amount of assets is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in profit or loss as a capital item, when the carrying amount exceeds the recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates resulting in a higher recoverable amount.

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

All impairment losses are recognised in profit or loss.

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, the reversal is recognised in profit or loss.

Intangible assets

Intangible assets, excluding goodwill, acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Where the useful life of an intangible asset is assessed as indefinite, the intangible asset is not amortised, but is tested annually for impairment.

Subsequent expenditure on acquired intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands, is recognised in profit or loss as an expense when incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is based on the first-in-first-out method or a weighted average cost basis whichever is applicable, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Biological assets

Biological assets are stated at fair value less estimated costs to sell, with any resultant gain or loss recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

Investments in subsidiary companies

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

Lease payments

Operating lease payments

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases with fixed escalation clauses are recognised in profit or loss on a straight-line basis over the term of the lease. Contingent rentals are expensed when incurred.

Income from operating lease arrangements is recognised in profit or loss on a straight-line basis over the term of the lease.

Finance lease payments

Leases that transfer substantially all of the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest method to determine the lease finance cost, which is recognised in the profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that future economic benefits embodied within the item will flow to the Group and the cost of such item can be measured reliably. All other costs are recognised in profit or loss as an expense when incurred.

Vessels

Major vessel reconstructions are capitalised where such reconstructions extend the useful life of a vessel. The reconstructions are written off over the remaining expected useful life of the vessel.

Depreciation
Land is not depreciated. Freehold buildings, plant and equipment are depreciated on a straight-line basis over their expected useful lives to an estimated residual value. The current estimated useful lives are as follows:

• Buildings		40 – 50 years
• Plant and machinery		3 – 20 years
• Vehicles	– trucks	3 – 8 years
	– aircraft	15 years
	– other	3 – 5 years
• Vessels	– hull	35 – 45 years
	– other components	5 – 10 years
• Furniture and equipment		3 – 10 years

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

Derecognition
The gain or loss arising from the derecognition of an item of property, plant and equipment, being the difference between the carrying amount and any proceeds received, is included in profit or loss when the item is derecognised.

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

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

Goods and services
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances, trade discounts and Value-Added Tax. Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services, including the distribution of third-party products, is recognised over the period that the services are rendered.

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. Repurchased 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 Group 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.

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 Group 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 Group'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.

Earnings per share

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

New standards and interpretations in issue not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2016. These include the following standards and interpretations and amendments to standards that are applicable to the business of the Group, and have not been applied in preparing these financial statements:

- Amendments to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations*
  Under the amendment to IFRS 11 business combination accounting is required to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in joint operations while the joint operator retains joint control. The additional interest acquired is measured at fair value while previously held interests in joint operations are not remeasured. The amendment places focus on the definition of a business as the key determinant as to whether the acquisition should be accounted for as a business combination or as the acquisition of a collection of assets.

  The amendments will apply to the year ending 30 June 2017 on a prospective basis. The amendment is not expected to impact the Group's results.

- 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 Group'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 Group'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 15 – *Revenue from Contracts with Customers*
  The new revenue standard introduces a new revenue recognition model for contracts with customers. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue, at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

  The standard is effective for the year ending 30 June 2019. Management has not yet assessed the impact of this standard but does not expect a significant impact on the Group's results following its implementation.

- 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.

- IFRS 16 – *Leases*
  IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases Standard, IAS 17 – *Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being recorded on the balance sheet. No significant changes have been included for lessors.

  The amendments are effective for the Group for the year ending 30 June 2020, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. Management has not yet performed a detailed assessment of 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 Group and management has concluded that they are not applicable to the business of the Group 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			
Property, plant and equipment	1	**3 352,4**	2 839,0
Intangible assets and goodwill	2	**1 145,4**	1 146,6
Investment in joint venture	3	**407,7**	345,9
Long-term receivables	4	**6,8**	11,5
Deferred taxation	5	**24,6**	30,8
		4 936,9	4 373,8
Current assets			
Inventories	6	**1 792,0**	1 495,6
Biological assets	7	**97,6**	76,9
Other financial assets including derivatives	14	**47,6**	38,9
Current tax assets		**19,8**	32,6
Trade and other receivables	8	**1 828,1**	1 553,7
Cash and cash equivalents		**309,1**	462,5
		4 094,2	3 660,2
Total assets		**9 031,1**	8 034,0
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	**17,1**	17,1
Share premium	9	**97,2**	62,1
Treasury shares	9	**(435,9)**	(453,7)
Premium on transactions with non-controlling interests		**(2,7)**	(2,7)
Reserves	10	**459,4**	333,2
Retained earnings		**4 354,4**	3 984,5
Total equity		**4 489,5**	3 940,5
Non-current liabilities			
Employee benefit liabilities	11	**342,9**	383,6
Operating lease straight-line liabilities	12	**10,6**	12,0
Deferred taxation	5	**354,9**	290,7
		708,4	686,3
Current liabilities			
Current borrowings	13	**1 737,7**	1 665,1
Other financial liabilities including derivatives	14	**66,3**	55,8
Trade and other payables	15	**2 015,4**	1 675,5
Current tax liabilities		**13,8**	10,8
		3 833,2	3 407,2
Total equity and liabilities		**9 031,1**	8 034,0

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016	Notes	2016 R'm	2015 R'm
Revenue	16	**12 188,9**	11 243,7
Cost of sales		**(6 842,3)**	(6 320,3)
Gross profit		**5 346,6**	4 923,4
Selling and administrative expenses		**(3 192,0)**	(3 006,5)
Operating profit before capital items	17	**2 154,6**	1 916,9
Interest received	18	**6,5**	7,1
Finance costs	19	**(135,9)**	(65,3)
Share of equity-accounted earnings of joint ventures	20	**58,1**	9,5
Capital items	21	**(14,3)**	(8,7)
Profit before taxation		**2 069,0**	1 859,5
Taxation	22	**(587,8)**	(527,2)
Profit for the year		**1 481,2**	1 332,3
Other comprehensive income, net of tax:		**114,3**	(37,3)
Items that are or may subsequently be reclassified to profit or loss			
– Foreign currency translation differences		**75,1**	(26,8)
– Cash flow hedging reserve		**15,8**	(0,4)
– Taxation on items that are or may subsequently be reclassified to profit or loss		**(4,4)**	0,1
Items that will never be reclassified to profit or loss			
– Actuarial gain/(loss) recognised		**38,6**	(14,2)
– Taxation on items that will never be reclassified to profit or loss		**(10,8)**	4,0
Total comprehensive income for the year		**1 595,5**	1 295,0
Profit attributable to:			
Owners of AVI		**1 481,2**	1 332,3
		1 481,2	1 332,3
Total comprehensive income attributable to:			
Owners of AVI		**1 595,5**	1 295,0
		1 595,5	1 295,0
Basic earnings per share (cents)	29	**460,7**	417,7
Diluted earnings per share (cents)	29	**455,4**	410,9

Details of the headline earnings and dividends declared per ordinary share are given in Notes 29 and 30 to the financial statements, on pages 121 and 122.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016	Notes	**2016 R'm**	2015 R'm
Cash flows from/(utilised by) operating activities			
Cash generated by operations	23	**2 761,8**	2 395,3
Increase in working capital	24	**(469,3)**	(301,7)
Cash generated by operating activities		**2 292,5**	2 093,6
Interest paid		**(135,9)**	(65,3)
Taxation paid	25	**(508,6)**	(487,5)
Net cash available from operating activities		**1 648,0**	1 540,8
Investing activities			
Interest received		**6,5**	7,1
Additions to property, plant and equipment		**(881,8)**	(848,9)
Additions to intangible assets		**(2,4)**	(3,3)
Proceeds from disposals of property, plant and equipment		**10,2**	10,3
Movement in joint ventures	26	**53,3**	28,2
Net cash utilised in investing activities		**(814,2)**	(806,6)
Financing activities			
Increase in shareholder funding	27	**56,3**	44,8
Short-term funding raised		**72,6**	1 017,7
Dividends paid	28	**(1 126,9)**	(1 634,7)
Net cash utilised in financing activities		**(998,0)**	(572,2)
(Decrease)/increase in cash and cash equivalents		**(164,2)**	162,0
Cash and cash equivalents at beginning of year		**462,5**	298,5
Net increase as a result of the translation of the cash equivalents of foreign subsidiaries		**10,8**	2,0
Cash and cash equivalents at end of year		**309,1**	462,5

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	Premium on transactions with non-controlling interest R'm	Total equity R'm
Balance at beginning of year	79,2	(453,7)	333,2	3 984,5	(2,7)	3 940,5
Total comprehensive income for the year						
Profit for the year	–	–	–	1 481,2	–	1 481,2
Other comprehensive income						
Foreign currency translation differences	–	–	75,1	–	–	75,1
Actuarial gains recognised, net of tax	–	–	27,8	–	–	27,8
Cash flow hedging reserve, net of tax	–	–	11,4	–	–	11,4
Total other comprehensive income for the year	–	–	114,3	–	–	114,3
Total comprehensive income for the year	–	–	114,3	1 481,2	–	1 595,5
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Share-based payments	–	–	15,0	–	–	15,0
Group share scheme recharge	–	–	9,1	–	–	9,1
Dividends paid	–	–	–	(1 126,9)	–	(1 126,9)
Issue of ordinary shares to Company's share trusts	35,1	(35,1)	–	–	–	–
Own ordinary shares sold by Company's share trusts	–	52,9	–	3,4	–	56,3
Transfer between reserves	–	–	(12,2)	12,2	–	–
Total contributions by and distributions to owners	35,1	17,8	11,9	(1 111,3)	–	(1 046,5)
Balance at end of year	114,3	(435,9)	459,4	4 354,4	(2,7)	4 489,5

For the year ended 30 June 2015	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	Premium on transactions with non-controlling interest R'm	Total equity R'm
Balance at beginning of year	29,5	(448,1)	350,2	4 287,3	(2,7)	4 216,2
Total comprehensive income for the year						
Profit for the year	–	–	–	1 332,3	–	1 332,3
Other comprehensive income						
Foreign currency translation differences	–	–	(26,8)	–	–	(26,8)
Actuarial losses recognised, net of tax	–	–	(10,2)	–	–	(10,2)
Cash flow hedging reserve, net of tax	–	–	(0,3)	–	–	(0,3)
Total other comprehensive income for the year	–	–	(37,3)	–	–	(37,3)
Total comprehensive income for the year	–	–	(37,3)	1 332,3	–	1 295,0
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Share-based payments	–	–	12,3	–	–	12,3
Group share scheme recharge	–	–	8,0	–	–	8,0
Dividends paid	–	–	–	(1 634,7)	–	(1 634,7)
Issue of ordinary shares to Company's share trusts	49,7	(49,7)	–	–	–	–
Own ordinary shares sold by Company's share trusts	–	44,1	–	(0,4)	–	43,7
Total contributions by and distributions to owners	49,7	(5,6)	20,3	(1 635,1)	–	(1 570,7)
Balance at end of year	79,2	(453,7)	333,2	3 984,5	(2,7)	3 940,5

1. Property, plant and equipment

	Land R'm	Buildings R'm	Plant and machinery R'm	Vehicles, furniture and equip-ment R'm	Vessels R'm	Equip-ment subject to finance leases R'm	Total R'm
2016							
Cost							
At beginning of year	86,6	586,8	2 220,3	1 194,1	764,9	0,4	4 853,1
Additions	–	98,6	332,3	198,1	252,8	–	881,8
Disposals	–	(0,6)	(42,1)	(84,7)	(17,9)	–	(145,3)
Effect of movement in exchange rates	–	0,4	0,1	1,1	–	–	1,6
At end of year	86,6	685,2	2 510,6	1 308,6	999,8	0,4	5 591,2
Accumulated depreciation and impairment charges							
At beginning of year	–	109,6	928,9	663,2	312,0	0,4	2 014,1
Disposals	–	(0,2)	(37,9)	(68,4)	(17,3)	–	(123,8)
Effect of movement in exchange rates	–	0,1	0,2	0,8	–	–	1,1
Depreciation charge for the year	–	14,2	149,1	133,5	49,8	–	346,6
Impairment charge for the year	–	–	0,2	–	0,6	–	0,8
At end of year	–	123,7	1 040,5	729,1	345,1	0,4	2 238,8
Net carrying value							
At beginning of previous year	86,6	467,8	1 036,9	420,5	305,3	–	2 317,1
At end of previous year	86,6	477,2	1 291,4	530,9	452,9	–	2 839,0
At end of current year	86,6	561,5	1 470,1	579,5	654,7	–	3 352,4

1. Property, plant and equipment continued

	Land R'm	Buildings R'm	Plant and machinery R'm	Vehicles, furniture and equipment R'm	Vessels R'm	Equipment subject to finance leases R'm	Total R'm
2015							
Cost							
At beginning of year	86,6	564,2	1 867,2	1 067,4	605,8	0,4	4 191,6
Additions	–	22,7	384,9	246,0	195,3	–	848,9
Disposals	–	(0,1)	(31,6)	(119,1)	(36,2)	–	(187,0)
Effect of movement in exchange rates	–	–	(0,2)	(0,2)	–	–	(0,4)
At end of year	86,6	586,8	2 220,3	1 194,1	764,9	0,4	4 853,1
Accumulated depreciation and impairment charges							
At beginning of year	–	96,4	830,3	646,9	300,5	0,4	1 874,5
Disposals	–	–	(29,7)	(105,3)	(33,2)	–	(168,2)
Effect of movement in exchange rates	–	–	–	(0,1)	–	–	(0,1)
Depreciation charge for the year	–	13,2	128,1	121,7	44,7	–	307,7
Impairment charge for the year	–	–	0,2	–	–	–	0,2
At end of year	–	109,6	928,9	663,2	312,0	0,4	2 014,1
Net carrying value							
At beginning of previous year	86,6	432,5	965,9	426,5	176,7	–	2 088,2
At end of previous year	86,6	467,8	1 036,9	420,5	305,3	–	2 317,1
At end of current year	86,6	477,2	1 291,4	530,9	452,9	–	2 839,0

	2016 R'm	2015 R'm
Land comprises:		
Freehold	**86,6**	86,6

- The current estimated useful lives of property, plant and equipment are reflected under accounting policies on page 101.
- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2016 was R298,7 million (2015: R434,3 million).
- The original cost of fully depreciated plant and equipment that was still in use at 30 June 2016 was R966,8 million (2015: R767,7 million).
- Property, plant and equipment with a carrying value of R33,5 million (2015: R33,5 million) has been ceded as security for interest-bearing borrowings (Note 13).
- Impairment losses during the year arose due to identified obsolescence on, damage to and underperformance of items of plant, machinery and equipment.
- Government grants received during the year of R42,5 million (2015: R1,7 million) have been deducted from the cost of additions.
- A register containing details of properties is available for inspection by shareholders or their duly authorised agents during business hours at the registered office of the Company.

2. Intangible assets and goodwill

	Goodwill R'm	Fishing rights R'm	Trademarks and licence agreements R'm	Customer relation-ships and contracts R'm	Total R'm
2016					
Cost					
At beginning of year	**492,6**	**4,7**	**693,9**	**15,3**	**1 206,5**
Additions*	**–**	**0,4**	**2,0**	**–**	**2,4**
At end of year	**492,6**	**5,1**	**695,9**	**15,3**	**1 208,9**
Accumulated amortisation and impairment charges					
At beginning of year	**15,6**	**2,5**	**26,5**	**15,3**	**59,9**
Amortisation charge for the year	**–**	**0,3**	**3,3**	**–**	**3,6**
At end of year	**15,6**	**2,8**	**29,8**	**15,3**	**63,5**
Net carrying value					
At beginning of previous year	**477,0**	**2,5**	**667,1**	**–**	**1 146,6**
At end of previous year	**477,0**	**2,2**	**667,4**	**–**	**1 146,6**
At end of current year	**477,0**	**2,3**	**666,1**	**–**	**1 145,4**
2015					
Cost					
At beginning of year	492,6	4,7	690,6	15,3	1 203,2
Additions	–	–	3,3	–	3,3
At end of year	492,6	4,7	693,9	15,3	1 206,5
Accumulated depreciation and impairment charges					
At beginning of year	15,6	2,2	23,5	15,3	56,6
Amortisation charge for the year	–	0,3	3,0	–	3,3
At end of year	15,6	2,5	26,5	15,3	59,9
Net carrying value					
At beginning of previous year	477,0	2,8	665,8	–	1 145,6
At end of previous year	477,0	2,5	667,1	–	1 146,6
At end of current year	477,0	2,2	667,4	–	1 146,6

* *Capitalisation of fishing rights application and trademark registration costs.*

Useful lives

The fishing rights are being amortised over the initial quota allocation period of 15 years.

Trademarks comprise well-established growing brands which are considered to have indefinite useful lives and are not amortised. Trademark registration costs are amortised over the registration period of 10 years. Customer relationships are amortised over a period of two years. Licence agreements and customer contracts are amortised over a period of 10 years.

2. Intangible assets and goodwill continued

Cash generating units containing goodwill and trademarks

The following units have significant carrying amounts of goodwill and trademarks, net of impairment losses:

	Goodwill		Trademarks		Total	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm	**2016 R'm**	2015 R'm
A&D Spitz	**449,2**	449,2	**69,5**	69,5	**518,7**	518,7
Carvela	**–**	–	**71,3**	71,3	**71,3**	71,3
Kurt Geiger	**–**	–	**15,3**	15,3	**15,3**	15,3
Green Cross	**–**	–	**399,7**	399,7	**399,7**	399,7
Yardley	**–**	–	**28,2**	28,2	**28,2**	28,2
Lenthéric	**–**	–	**37,0**	37,0	**37,0**	37,0
House of Coffees	**15,3**	15,3	**33,6**	33,6	**48,9**	48,9
Baker Street Snacks	**12,5**	12,5	**–**	–	**12,5**	12,5
Multiple units without significant balances	**–**	–	**11,5**	12,8	**11,5**	12,8
	477,0	477,0	**666,1**	667,4	**1 143,1**	1 144,4

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

Impairment tests

The carrying amounts of goodwill and trademarks with an indefinite useful life are reviewed at least annually on the basis of the forecast profits of the cash-generating units and the forecast sales of branded products. Management forecasts typically cover a three-year period and thereafter a reasonable rate of growth is applied based on market conditions. Goodwill impairment tests are performed using a discounted cash flow model, and trademarks on a relief from royalty method. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital of similar businesses in the same sector and of similar size, and range between 12,7% and 16,9% (2015: 12,3% and 16,3%) depending on the business' risk profile. Perpetuity growth rates were set at 5% (2015: 5%). Royalty rates used are determined with reference to industry benchmarks and profitability of products.

Impairment tests were also conducted on other intangible assets with impairment indicators.

Impairment losses

No impairment losses were recognised in the current and previous year.

3. Investment in joint venture

	Shares held		Effective percentage holding	
	2016 number	2015 number	**2016 %**	2015 %
Principal joint venture				
Simplot Seafood, Snacks and Meals division				
(unincorporated and operates in Australia, managed by Simplot Australia Proprietary Limited)				
– Equity-accounted, financial year-end 31 August				
– The joint venture processes, trades and distributes seafood	**–**	–	**40**	40

	2016 R'm	2015 R'm
Group carrying value of joint venture		
Cost of investment	**25,1**	25,1
Share of post-acquisition reserves	**382,6**	320,8
Total carrying value	**407,7**	345,9
I&J's proportionate share of assets and liabilities of Simplot Seafood, Snacks and Meals division		
Property, plant and equipment	**72,8**	69,5
Current assets	**438,3**	359,8
Current liabilities	**(105,0)**	(87,2)
Share of net assets	**406,1**	342,1
Summarised financial information in respect of the principal joint venture		
I&J's proportionate share of revenue and expenditure was:		
Revenue	**1 145,2**	1 014,1
Expenditure	**1 089,1**	1 007,2
Profit after taxation, reflected as share of equity accounted earnings of joint venture	**56,1**	6,9
Depreciation of property, plant and equipment	**12,3**	11,1
I&J's proportionate share of cash flow generated was:		
Cash generated by operating activities	**73,3**	15,4
Cash utilised in investing activities	**(3,1)**	(7,5)
Cash effects of financing activities	**(52,2)**	(27,7)
Net increase/(decrease) in cash and cash equivalents	**18,0**	(19,8)
Dividends paid to I&J	**52,2**	27,7
Capital commitments		
– contracted for	**2,2**	6,3
– not contracted for	**–**	–
	2,2	6,3

4. Long-term receivables

	2016 R'm	2015 R'm
Pension fund surplus	**10,9**	15,5
Loan receivables	**0,4**	0,8
	11,3	16,3
Less: short-term portion reflected in trade and other receivables (Note 8)	**4,5**	4,8
	6,8	11,5

	2016 R'm	2015 R'm
5. Deferred taxation		
Balance at beginning of year, being a net liability	**259,9**	228,0
Charge to profit or loss	**63,9**	43,8
– current year – temporary differences	**64,9**	37,7
– prior year (over)/under provision	**(1,0)**	6,1
Effect of movement in exchange rates recognised directly in other comprehensive income	**0,4**	0,2
Reserve movements in respect of actuarial gains/(losses) recognised directly in other comprehensive income	**10,8**	(4,0)
Reserve movements in respect of cash flow hedging recognised directly in other comprehensive income	**4,4**	(0,1)
Reserve movements in respect of Group share scheme recharge arrangements	**(9,1)**	(8,0)
Balance at end of year, being a net liability	**330,3**	259,9
Balance at end of year comprises:		
Accelerated capital allowances	**342,9**	271,5
Intangible assets temporary differences	**177,5**	177,8
Provisions and other temporary differences:	**(175,1)**	(176,2)
– post retirement medical aid	**(97,2)**	(107,0)
– leave pay and bonus accruals	**(77,4)**	(65,2)
– other deductible temporary differences	**(0,5)**	(4,0)
Cash flow hedge reserve	**(0,4)**	(4,4)
Group share scheme recharge receivable	**(13,5)**	(8,2)
Unused tax losses	**(1,1)**	(0,6)
	330,3	259,9
Deferred taxation is recognised at the following rates:		
South African operations – 28% (2015: 28%)	**325,2**	257,8
Foreign operations at average rate – 29,8% (2015: 30,0%)	**5,1**	2,1
	330,3	259,9
Reflected as:		
Deferred taxation asset	**24,6**	30,8
Deferred taxation liability	**354,9**	290,7

Deferred tax assets recognised on unused tax losses, except as noted below, were recognised as management considered it probable that future taxable profits will be available against which they can be utilised. The probable utilisation of the losses was based on budgeted and forecast results of subsidiary companies within three to five years depending on the stability of the business. The tax losses do not expire under current tax legislation.

	2016 R'm	2015 R'm
Estimated losses available for the reduction of future taxable income	**73,4**	67,5
Less: Estimated losses taken into account in calculating deferred taxation	**4,0**	2,1
Shareholders' interest in the estimated tax losses not yet recognised is therefore:	**69,4**	65,4

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

	2016 R'm	2015 R'm
6. Inventories		
Raw materials	**393,2**	312,4
Consumable stores	**174,3**	147,9
Work in progress	**44,2**	21,1
Manufactured finished goods	**578,3**	450,2
Merchandise – finished goods purchased for resale	**602,0**	564,0
	1 792,0	1 495,6
7. Biological assets		
Balance at beginning of year	**76,9**	68,3
Increase due to purchases	**39,0**	40,1
Transferred for processing and sold	**(109,9)**	(94,3)
Gains arising from change in fair value due to physical change	**78,9**	56,7
Gains/(losses) arising from change in fair value less estimated costs to sell attributable to price changes	**0,6**	(2,1)
Effect of movement in exchange rates	**12,1**	8,2
Balance at end of year	**97,6**	76,9

	Number of animals 2016	Number of animals 2015
Standing volume	**15 264 203**	12 033 393
Volume harvested/sold in current year	**2 965 380**	3 008 543

Biological assets comprise abalone which is farmed by I&J.

Measurement of fair value

The fair value measure for abalone of R97,6 million (2015: R76,9 million) has been categorised as a level 3 fair value based on inputs to the valuation techniques used. The valuation technique used in measuring fair value, as well as the significant unobservable inputs used are as follows:

Valuation technique

The Group adopts a combination of the market comparison and cost techniques in determining the fair value of abalone, based on the marketable size of the animal. The market comparison model is based on the current market price of abalone which takes cognisance of the animal size, less costs to sell. In the case of smaller animals where no active market exists the cost technique is adopted and considers the cost per animal taking into account operational costs incurred and the number of animals in the smaller class range.

Significant unobservable inputs

- Cost per animal in the smaller range, determined by the operational costs and the number of animals in the smaller class range;
- Current market price for the size classes where a principal active market exists;
- The current stock holding in tons of the different size classes;
- The changes in the operational costs to sell;
- The current exchange rate in US Dollars (market prices are US Dollar based);
- Growth rates of abalone determined on a monthly moving average in millimetres to gram ratio.

Inter-relationship between key unobservable inputs and the fair value measurement

The estimated fair value would increase/(decrease) if:

- the South African Rand were to weaken/(strengthen) relative to the US Dollar; or
- the size and volume of abalone, which is based on growth rates, harvest volumes, etc., were higher/(lower).

	2016 R'm	2015 R'm
8. Trade and other receivables		
Trade accounts	**1 757,3**	1 490,9
Short-term portion of pension fund surplus (Note 4)	**4,5**	4,8
Other receivables	**36,4**	29,6
VAT receivable	**36,6**	37,7
Prepayments	**38,7**	27,8
	1 873,5	1 590,8
Allowance for credit notes and discounts	**39,5**	31,9
Impairment losses allowance	**5,9**	5,2
Impairment losses allowance	**1 828,1**	1 553,7
9. Share capital and premium		
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) convertible redeemable preference shares of 20 cents each	**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	**17,1**	17,1
Total issued share capital	**17,1**	17,1
Share premium		
Balance at beginning of year	**62,1**	12,5
Premium on issue of ordinary shares to Company's share trusts	**35,1**	49,6
Balance at end of year	**97,2**	62,1
Total issued share capital and premium	**114,3**	79,2
Treasury shares		
Balance at beginning of year	**(453,7)**	(448,1)
Issue of ordinary shares to Company's share trusts	**(35,1)**	(49,7)
Own ordinary shares sold by the Company's share trusts during the year	**52,9**	44,1
Balance at end of year	**(435,9)**	(453,7)

	2016 Number	2015 Number
The number of ordinary shares in issue is summarised as follows:		
Total issued shares	**347 557 914**	346 700 741
Less: Shares held by the Company's share trusts and subsidiary	**(24 866 332)**	(26 579 646)
	322 691 582	320 121 095

	2016 R'm	2015 R'm
10. Reserves		
The balance at end of year comprises:		
Capital redemption reserve fund	–	3,5
Cash flow hedging reserve	**(1,5)**	(12,9)
Actuarial reserve	**(17,0)**	(44,8)
Foreign currency translation reserve	**211,9**	145,5
Share-based payment reserve	**266,0**	241,9
	459,4	333,2

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.

Cash flow hedging reserve

The reserve represents the Group's portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions falling due in the future.

Actuarial reserve

The reserve comprises the cumulative actuarial gains/losses in respect of the Group's post-retirement medical aid liability which have been recognised directly in other comprehensive income after taxation. Realisation of this reserve will not be reclassified to profit or loss.

Foreign currency translation reserve

The reserve comprises the cumulative foreign exchange differences arising as a result of the translation of the operations of foreign operations.

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.

	2016 R'm	2015 R'm
11. Employee benefit liabilities		
Post-retirement medical aid obligation	**349,4**	384,6
Earnings-linked performance bonus liability	**61,6**	55,3
I&J black staff employee benefit scheme liability (Note 33)	**15,4**	10,3
	426,4	450,2
Amount payable within one year included under trade and other payables (Note 15)	**(83,5)**	(66,6)
	342,9	383,6
Post-retirement medical aid obligation		
Reconciliation of benefit obligation recognised in balance sheet		
Balance at beginning of year	**384,6**	364,3
Recognised in profit or loss – operating profit	**31,8**	31,2
– Current service cost	**1,5**	1,5
– Interest cost	**30,3**	29,7
Actuarial (gain)/loss recognised in other comprehensive income	**(38,6)**	14,2
Contribution paid	**(28,4)**	(25,1)
Balance at end of year	**349,4**	384,6
Actuarial loss recognised directly in other comprehensive income		
Net cumulative amount at beginning of year	**44,8**	34,6
Recognised during the year	**(38,6)**	14,2
Deferred tax thereon	**10,8**	(4,0)
Net cumulative amount at end of year	**17,0**	44,8

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

The actuarial valuation of the post-retirement medical aid contributions liability was performed at 1 January 2016 and projected to 30 June 2016.

The principal actuarial assumptions used were:
Discount rate 10,10% (2015: 8,20%)
Medical inflation 8,00% (2015: 7,00%)

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

	One percentage point increase R'm	One percentage point decrease R'm
Effect on present value of the actuarially determined defined benefit obligation	35,8	(30,7)
Effect on the aggregate service and interest cost	3,8	(3,3)
Expected future expense		
Current service cost	1,2	1,5
Interest cost	33,8	30,3
Recognised in profit or loss – operating profit	35,0	31,8

Estimated employer contributions in respect of the post-retirement medical aid obligation for the coming year amount to R27,8 million (2015: R27,2 million*).

** As reported in the Group's Integrated Annual Report for 2015.*

		2016 R'm	2015 R'm
12.	**Operating lease straight-line liabilities**		
	Balance at beginning of year	**17,9**	18,2
	Recognised in profit or loss	**(0,5)**	(0,3)
	Balance at end of year	**17,4**	17,9
	Current portion included in trade and other payables (Note 15)	**(6,8)**	(5,9)
		10,6	12,0
13.	**Current borrowings**		
	Overnight call borrowings and bank overdrafts	**1 704,2**	1 631,6
	Vessel finance liability*	**33,5**	33,5
		1 737,7	1 665,1
	** The Avro Warrior, which was acquired during 2014, has been ceded as security against this liability. The amount owing is due and payable on 15 January 2017 with an option to extend to 30 June 2017, and will be settled through the return of the vessel concerned.*		
14.	**Other financial assets/liabilities including derivatives**		
	Forward exchange contract derivative asset	**44,7**	38,9
	Fuel swap derivative asset	**2,9**	–
	Other financial assets including derivatives	**47,6**	38,9
	Forward exchange contract derivative liability	**65,0**	52,0
	Fuel swap derivative liability	**1,3**	3,8
	Other financial liabilities including derivatives	**66,3**	55,8
15.	**Trade and other payables**		
	Trade accounts	**1 123,4**	929,6
	Other payables and accrued expenses	**801,7**	673,4
	Employee benefits falling due within one year (Note 11)	**83,5**	66,6
	Operating lease straight-line liability falling due within one year (Note 12)	**6,8**	5,9
		2 015,4	1 675,5
16.	**Revenue**		
	Revenue comprises the following:		
	– Sale of goods	**12 009,5**	11 063,3
	– Services, fees, commissions and royalties	**179,4**	180,4
		12 188,9	11 243,7

A segmental and geographical analysis of Group revenue is given on pages 90 and 91 in the segment report.

	2016 R'm	2015 R'm
17. Operating profit before capital items		
In arriving at the operating profit before capital items, the following have been taken into account:		
Amortisation	**3,6**	3,3
– Fishing rights	**0,3**	0,3
– Trademarks	**3,3**	3,0
Auditors' remuneration		
– Fees for audit	**9,9**	9,5
– Fees for other services	**2,0**	1,6
– Taxation services and consultations	**1,0**	1,0
– Other	**1,0**	0,6
Depreciation of property, plant and equipment	**346,6**	307,7
– Buildings	**14,2**	13,2
– Plant, equipment and vehicles	**282,6**	249,8
– Vessels	**49,8**	44,7
Employment costs (Note 32)	**2 409,2**	2 154,8
Foreign exchange losses/(gains)	**88,4**	(28,5)
Operating lease expenses	**209,0**	198,1
– Property	**197,8**	190,1
– Plant, equipment and vehicles	**11,2**	8,0
Research and development costs	**77,2**	65,0
18. Interest received		
Interest income on cash and cash equivalents and other investments	**6.5**	7.1
19. Finance costs		
Interest expense on borrowings	**(135,9)**	(65,3)
20. Share of equity-accounted earnings of joint ventures		
Equity-accounted profit of principal joint venture	**56,1**	6,9
Equity-accounted profit of non-principal joint venture	**2,0**	2,6
	58,1	9,5
21. Capital items		
Net loss on disposal of property, plant and equipment	**(11,3)**	(8,5)
Impairments	**(3,0)**	(0,2)
	(14,3)	(8,7)
Attributable taxation (Note 22)	**3,3**	2,3
	(11,0)	(6,4)

	2016 R'm	2015 R'm
22. Taxation		
South African normal taxation	**482,3**	462,3
Deferred taxation	**64,9**	37,7
Foreign taxation	**38,6**	20,9
Dividend Withholding Tax	**7,2**	8,7
Prior year (over)/under provisions		
– Current	**(4,2)**	(8,5)
– Deferred	**(1,0)**	6,1
	587,8	527,2
Dealt with as follows:		
In respect of profit before capital items	**591,1**	529,5
In respect of capital items (Note 21)	**(3,3)**	(2,3)
	587,8	527,2
	%	%
Reconciliation of rate of taxation		
Standard rate of company taxation	**28,0**	28,0
Increase/(reduction) in effective rate as a result of:		
– Disallowable expenditure	**0,6**	0,6
– Exempt income	**(0,3)**	(0,4)
– Dividend Withholding Tax	**0,3**	0,4
– Effect of foreign tax differential	**0,1**	(0,1)
Prior year over provisions	**(0,3)**	(0,1)
Effective rate of taxation for the year	**28,4**	28,4
23. Cash generated by operations		
Operating profit before capital items	**2 154,6**	1 916,9
Adjusted for:		
– non-cash items	**607,2**	478,4
– depreciation of property, plant and equipment	**346,6**	307,7
– amortisation of intangible assets	**3,6**	3,3
– foreign currency translations	**23,0**	(7,8)
– equity-settled share-based payments	**15,0**	12,3
– movement in provisions and other non-cash items	**219,0**	162,9
	2 761,8	2 395,3
24. Increase in working capital		
Increase in inventories and biological assets	**(317,5)**	(187,5)
Increase in trade and other receivables	**(276,0)**	(80,8)
Increase/(decrease) in trade and other payables	**124,2**	(33,4)
	(469,3)	(301,7)

The net movement in working capital has been adjusted to take account of the foreign exchange differences and other known non-cash items.

	2016 R'm	2015 R'm
25. Taxation paid		
Amount owing at beginning of year	**10,8**	4,6
Amount overpaid at beginning of year	**(32,6)**	(22,4)
Net amount prepaid at beginning of year	**(21,8)**	(17,8)
	523,9	483,4
Charge per profit or loss	**587,8**	527,2
Deferred taxation included therein (Note 5)	**(63,9)**	(43,8)
Effect of movement in foreign exchange rates	**0,5**	0,1
Net amount prepaid at end of year	**6,0**	21,8
Amount owing at end of year	**(13,8)**	(10,8)
Amount pre-paid at end of year	**19,8**	32,6
Amount paid during year	**508,6**	487,5
26. Movement in joint ventures		
Dividends received	**53,3**	28,2
27. Increase in shareholder funding		
Sale of own ordinary shares by the Company's share trusts	**56,3**	44,8
28. Dividends paid		
Ordinary dividend paid	**1 126,9**	995,9
Special dividend paid	**–**	638,8
Dividend paid and reflected in statement of changes in equity	**1 126,9**	1 634,7

29. Earnings and headline earnings

The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 321 536 201 (2015: 318 939 594) ordinary shares in issue.

Diluted earnings and headline earnings per share are calculated based on a weighted average of 325 220 785 (2015: 324 200 493) ordinary shares.

	2016 Gross R'm	2016 Net of tax and non-controlling interests R'm	2015 Gross R'm	2015 Net of tax and non-controlling interests R'm
Determination of headline earnings				
Earnings attributable to owners of AVI		**1 481,2**		1 332,3
Adjustment for capital items	**(14,3)**	**(11,0)**	(8,7)	(6,4)
Net loss on disposal of property, plant and equipment	**(11,3)**	**(8,2)**	(8,5)	(6,3)
Impairments	**(3,0)**	**(2,8)**	(0,2)	(0,1)
Headline earnings	**–**	**1 492,2**	–	1 338,7

	2016 Number	2015 Number
29. Earnings and headline earnings continued		
Reconciliation of weighted average number of ordinary shares		
Issued shares at beginning of year	**346 700 741**	344 938 392
Effect of own shares held by trusts and subsidiary	**(26 579 646)**	(27 817 215)
Effect of treasury shares sold in July – September	**73 249**	84 862
Effect of treasury shares sold in October – December	**1 129 693**	1 521 215
Effect of treasury shares sold in January – March	**25 951**	42 150
Effect of treasury shares sold in April – June	**186 213**	170 190
Weighted average number of ordinary shares	**321 536 201**	318 939 594
Effect of share options outstanding during the year in incentive scheme trusts	**707 445**	823 315
Effect of share options outstanding during the year in the Black Staff Empowerment Scheme Trust	**2 211 790**	3 927 466
Effect of Out-Performance Scheme instruments outstanding during the year	**765 350**	510 118
Weighted average diluted number of ordinary shares	**325 220 785**	324 200 493

For determining the dilutive effect of these options, the IFRS 2 – *Share-Based Payment* charge not yet expensed is added to the exercise price.

	2016 Cents	2015 Cents
Headline earnings per ordinary share	**464,1**	419,7
Diluted headline earnings per ordinary share	**458,8**	412,9
Earnings per ordinary share	**460,7**	417,7
Diluted earnings per ordinary share	**455,4**	410,9

	2016 R'm	2015 R'm
30. Dividends paid		
Ordinary shares		
No 81 of 180 cents, paid 20 October 2014		574,3
No 82 of 132 cents, paid 7 April 2015		421,6
No 83 of 200 cents, paid 7 April 2015		638,8
No 84 of 200 cents, paid 19 October 2015	**642,9**	
No 85 of 150 cents, paid 18 April 2016	**484,0**	
	1 126,9	1 634,7
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 Integrated Annual Report.	**709,9**	

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.

	2016 R'm	2015 R'm
31. Commitments and contingent liabilities		
Commitments		
Capital commitments		
Capital expenditure authorised by the directors		
Property, plant and equipment		
– contracted for	**183,9**	377,6
– not contracted for	**143,5**	262,4
	327,4	640,0

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.

	2016 R'm	2015 R'm
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**150,4**	146,1
Between two and five years	**279,5**	240,4
After five years	**29,4**	45,2
	459,3	431,7

Certain retail outlets rented by Spitz, Green Cross and Gant are subject to contingent rentals which are determined in reference to the respective stores' turnover in the year concerned. Turnover rentals are calculated as a fixed percentage of the sales exceeding the agreed targets, both of which are defined in the respective rental agreements. In most instances turnover rentals have been limited to a maximum amount payable. The majority of retail leases are subject to annual escalations at varying rates and cover a period of three to five years with an option to renew on expiry.

The Company has signed limited guarantees with certain major banks in respect of funding advanced by the banks to some of the Company's subsidiaries.

	2016 R'm	2015 R'm
32. Employee benefits		
Employment cost	**2 409,2**	2 154,8
Short-term employment benefits	**2 174,5**	1 927,2
Termination benefits	**8,1**	13,9
Retirement benefits	**126,1**	111,0
Post-retirement medical aid costs	**31,8**	31,2
Share-based payments – equity-settled	**15,0**	12,3
Earnings linked performance bonuses	**48,6**	53,8
I&J black staff employee benefit scheme (Note 33)	**5,1**	5,4

32.1 Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 11 587 (2015: 11 100) employees, 8 005 (2015: 7 960) are members of defined contribution Group pension and provident funds or state-administered funds in other jurisdictions. South African funds are governed by the Pension Funds Act 1956, as amended. Other funds are governed by the respective legislation of the countries concerned. The contributions paid by the Group companies for retirement benefits are charged to profit or loss as they are incurred, and amounted to R126,1 million (2015: R111,0 million).

32. Employee benefits continued

32.2 Share incentive schemes

The interests of the directors are given on page 86 in the Directors' Remuneration Report.

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

The AVI Executive Share Incentive Scheme

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 Financial Services Cash-Settled Share Appreciation Rights Plan

Date of grant	Exercise price per share R	Instruments outstanding at 30 June 2015 number	Granted number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2016 number**
October 2011	32,60	9 663	–	(9 663)	–	**–**
		9 663	–	(9 663)	–	**–**

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

32. Employee benefits continued

32.2 Share incentive schemes continued

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.

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.

32. Employee benefits continued

32.2 Share incentive schemes continued

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 from the trust ordinary AVI shares in three equal tranches after the fifth, sixth and seventh anniversary of acceptance of the offer by the participant. The right to purchase is subject to the express condition that the participant is still an employee at the relevant exercise date. 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.

32. Employee benefits continued

32.3 Share-based payments

The fair value of the equity instruments issued under the AVI Executive Share Incentive Scheme and the AVI Black Staff Empowerment Scheme is measured using the Black-Scholes model. The fair value of equity instruments issued under the Out-Performance Scheme are measured using the Black-Scholes model as well as the Monte Carlo valuation methodology, which is used to project the TSR performance of the Group against a predefined peer group. In addition to these equity-settled share-based payment schemes, management and staff of AVI Financial Services participate in a cash-settled share-based payment plan linked to the share price of AVI Limited, which is accounted for in terms of IFRS 2 – *Share-based Payment*.

The contractual life of the equity instruments is used as an input into the model. The equity instruments are granted under a service condition and the expected attrition is considered in estimating the number of options expected to vest.

The fair value of the estimated number of options expected to vest is expensed over the vesting period of the underlying equity instrument. In the event of accelerated vesting, the remaining fair value of the vested instruments is expensed in the period of vesting.

	2016	2015
Assumptions applied in arriving at fair value of instruments issued during the year		
Equity instruments issued by the AVI Executive Share Incentive Scheme Trust		
Fair value at grant date	**R17,11 – R20,04**	R9,13 – R16,09
Share price	**R82,67 – R83,06**	R67,47 – R84,45
Exercise price	**R82,67 – R83,06**	R67,47 – R84,45
Expected volatility	**25,8% – 30,8%**	17,0% – 21,8%
Option life	**3,5 years**	3,5 years
Dividend yield	**4,56% – 4,97%**	4,47% – 5,36%
Risk-free interest rate	**8,44% – 9,11%**	7,74% – 8,38%
Equity instruments issued by the Out-Performance Scheme Trust		
Fair value at grant date	**R45,63**	R33,37
Share price	**R81,62**	R65,44
Option life	**3 years**	3 years
Dividend yield	**4,4%**	4,2%
Risk-free interest rate	**8,44%**	7,74%
Expected mean TSR performance	**9,9%**	9,1%

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

The R186 bond rate (2015: R207 bond rate) was used to determine a risk-free interest rate at grant date or measurement date.

	2016 R'm	2015 R'm
Share-based payment expense		
Equity-settled		
Options granted under the AVI Executive Share Incentive Scheme	**7,7**	6,3
Instruments granted under the Out-Performance Scheme	**7,0**	4,6
Equity instruments granted to all black employees	**0,3**	1,4
	15,0	12,3

33. 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 direct BEE shareholding in I&J is 25% (2015: 25%).

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

Accounting recognition of the non-controlling interests in I&J

Notwithstanding that the BEE transactions have been completed and that the BEE shareholders have beneficial ownership and voting control over their 25% shareholdings, the accounting recognition in the Group's consolidated financial statements of a non-controlling interest in respect of shares held by the BEE companies in I&J is effectively deferred until such shares in I&J are regarded as issued outside of the Group.

Main Street

The sale of the 20% interest to Main Street was an equity instrument that was considered to have fully vested in the hands of the participants before 1 January 2005. Under the exemption offered by IFRS 1 – *First-time Adoption of IFRS* the transaction was not accounted for as a share-based payment.

The Main Street Memorandum of Incorporation allows for the payment of ordinary dividends equal to 10% of dividends received by Main Street from I&J to Main Street's shareholders on an annual basis. Furthermore the I&J shareholders' agreement provides for put and call options between the Company and Main Street, the exercise price thereof determined by a fixed formula. No derivative asset or liability is recognised on consolidation for the put and call options as the Company is deemed to control Main Street in terms of the principles of IFRS 10 – *Consolidated Financial Statements* while the preference shares remain outstanding.

I&J Black Staff HoldCo

The I&J Black Staff HoldCo shareholders' agreement provides for the payment of ordinary dividends equal to 10% of dividends received from I&J, through the shareholding in Richtrau, to I&J Black Staff HoldCo's shareholders (who are employees of I&J) on an annual basis. Furthermore, when employee vesting conditions are met, I&J Black Staff HoldCo has undertaken to repurchase ordinary shares from the employees at a price based on the earnings performance of I&J less the remaining redeemable preference share liability. The Company has undertaken to provide funding for the repurchase commitments of I&J Black Staff HoldCo, if required. The arrangement has been accounted for as a long-term employee benefit under the requirements of IAS 19 – *Employee Benefits* in the consolidated financial statements as ultimately the obligation is to the employees of the Group. The liability (Note 11 – R15,4 million at 30 June 2016 and R10,3 million at 30 June 2015) has been measured using the projected unit credit method and an expense of R5,1 million (2015: R5,4 million) has been recognised in the current year.

	2016 R'm	2015 R'm
34. Related party transactions		
Transactions with Group entities		
Trade receivables from joint ventures	**20,5**	19,3
Royalties received from joint ventures	**19,2**	17,4
Sales to joint ventures	**95,6**	104,0

Details of the joint ventures and principal subsidiaries are given on pages 112 and 138.

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 individual directors' emoluments paid in respect of the financial period under review are set out in the Directors' Remuneration Report on page 87.

Directors' service contracts

Standard terms and conditions of employment apply to executive directors, which 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.

Transactions with key management personnel

The directors of the Company, directors of any of its subsidiaries and business unit management with executive responsibility have been identified as the key management personnel of the Group.

The key management personnel costs are as follows:

	2016 R'm	2015 R'm
Short-term employee benefits	**150,8**	136,9
Post-employment benefits	**9,1**	7,6
Termination benefits	**4,6**	4,2
Share-based payment expense	**24,3**	42,4
	188,8	191,1

Executives also participate in the Company's share option schemes, details of which are provided in Note 33.

35. Financial risk management

35.1 Overview

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing financial risk, and the Group'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 Group'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 Group's financial risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees management's monitoring of compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the financial risks faced by the Group. The Group 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 Group Audit Committee.

35.2 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. The Board of directors monitors the return on average capital employed, which the Group defines as operating profit before capital items from continuing operations, after taxation, divided by average total shareholders' equity plus net debt.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target, which is determined by the AVI Board, is to achieve a return on average capital employed at 120% of the weighted average cost of capital, which was estimated at 11,2% (2015: 10,8%). In 2016 the return was 27,9% (2015: 28,3%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 8,37% (2015: 7,50%).

From time to time the Group 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 Group's share option programmes. Buying decisions are made under specific mandates from the executive directors.

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

The AVI Group is subject to and complies with the following financial covenants required by some of the Group's bankers:
- consolidated net debt to EBITDA less than 2,5
- consolidated debt to EBITDA less than 3,0
- consolidated EBITDA to finance costs greater than 3,5

Internal debt limits used by executive management on a day-to-day basis are more conservative than the above.

35. Financial risk management continued

35.3 Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically there is concentration of credit risk in the South African market.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount; these limits are reviewed annually or when conditions arise that warrant a review. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Most of the Group's customers have been transacting with the Group for over three years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity and history of previous financial difficulties. Trade and other receivables relate mainly to the Group's retail and wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis. Overdue accounts are put on hold until payments are received to return them to within limits.

Most goods sold are subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Cash and cash equivalents, loan receivables and other investments

The majority of the Group's 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 Group 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:

	Carrying amount	
	2016 R'm	2015 R'm
Other investments	**6,8**	11,5
Derivatives	**47,6**	38,9
Trade and other receivables*	**1 752,8**	1 488,2
Cash and cash equivalents	**309,1**	462,5
Total	**2 116,3**	2 001,1

** Excludes prepayments and VAT receivables.*

35. Financial risk management continued

35.3 Credit risk continued

Exposure to credit risk continued

The maximum exposure to credit risk for trade receivables for the Group at the reporting date by geographic region was:

	Carrying amount 2016 R'm	Carrying amount 2015 R'm
South Africa	**1 316,2**	1 136,4
Europe	**164,9**	120,3
Australasia	**19,5**	19,0
Rest of Africa	**180,3**	152,5
Other	**36,9**	30,8
Total	**1 717,8**	1 459,0

The maximum exposure to credit risk for trade receivables for the Group at the reporting date by type of customer was:

	Carrying amount 2016 R'm	Carrying amount 2015 R'm
Wholesale customers	**581,4**	384,1
Retail customers	**928,1**	846,4
End-user customers and direct sales	**208,3**	228,5
Total	**1 717,8**	1 459,0

The Group's most significant customers, being two South African retailers, accounted for 28,3% of the trade receivables carrying amount at 30 June 2016 (2015: 28,4%).

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2016 R'm	Impairment 2016 R'm	Gross 2015 R'm	Impairment 2015 R'm
Not past due	**1 644,4**	**–**	1 364,4	–
Past due 0 – 30 days	**35,8**	**(0,1)**	54,2	–
Past due 31 – 120 days	**18,9**	**(0,4)**	24,4	–
Past due 121 days – 1 year	**14,1**	**(1,3)**	11,1	(1,3)
Past due more than 1 year	**4,6**	**(4,1)**	4,9	(3,9)
Total	**1 717,8**	**(5,9)**	1 459,0	(5,2)

The majority of trade receivables not past due relates to credit extended to large South African retailers and wholesalers and is considered to be of a high grade.

Based on historical default rates, the Group believes that a nominal impairment allowance is appropriate in respect of trade receivables not past due.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016 R'm	2015 R'm
Balance as at 1 July	**(5,2)**	(3,3)
Impairment loss recognised in profit or loss	**(2,8)**	(3,5)
Impairment loss reversal	**0,1**	–
Impairment loss utilised	**2,0**	1,6
Balance as at 30 June	**(5,9)**	(5,2)

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

35. Financial risk management continued

35.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

The Group actively manages short-term funding requirements via the Group Treasury with regular forecasts. Typically the Group ensures that it has sufficient liquidity to meet expected operational expenses for a period of eight weeks, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group maintains R2 828 million of treasury facilities with banks. These are short-term facilities, some of which can be converted to medium term. Interest is payable at the quoted overnight borrowing rate applicable on the date of advance.

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 – 2 years R'm	+2 – 5 years R'm	More than 5 years R'm
30 June 2016							
Non-derivative financial liabilities							
Trade and other payables*	**1 890,9**	**1 890,9**	**1 890,9**	**–**	**–**	**–**	**–**
Vessel finance liability	**33,5**	**33,5**	**33,5**	**–**	**–**	**–**	**–**
Overdraft and current borrowings	**1 704,2**	**1 704,2**	**1 704,2**	**–**	**–**	**–**	**–**
	3 628,6	**3 628,6**	**3 628,6**	**–**	**–**	**–**	**–**
30 June 2015							
Non-derivative financial liabilities							
Trade and other payables*	1 603,0	1 603,0	1 603,0	–	–	–	–
Vessel finance liability	33,5	33,5	33,5	–	–	–	–
Overdraft and current borrowings	1 631,6	1 631,6	1 631,6	–	–	–	–
	3 268,1	3 268,1	3 268,1	–	–	–	–

**Excludes performance bonuses, post-retirement liabilities, operating lease straight-line liability and indirect tax liabilities.*

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

	Carrying amount R'm	Contractual cash flows R'm	6 months or less R'm	6 – 12 months R'm
30 June 2016				
FECs used for hedging				
– Imports	**(36,2)**	**(707,7)**	**(547,2)**	**(160,5)**
– Exports	**34,8**	**733,4**	**332,3**	**401,1**
	(1,4)	**25,7**	**(214,9)**	**240,6**
30 June 2015				
FECs used for hedging				
– Imports	(31,4)	(948,9)	(824,5)	(124,4)
– Exports	14,1	835,7	515,7	320,0
	(17,3)	(113,2)	(308,8)	195,6

35. Financial risk management continued

35.5 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 Group'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.

The Group buys foreign currency derivatives in order to manage foreign exchange risks. Such transactions are carried out within the guidelines set by the Group Treasury. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

The Group also enters into fuel swaps to manage a portion of its exposure to fluctuations in oil prices.

The Group does not enter into commodity contracts other than to meet the Group's expected usage requirements; such contracts are not settled net.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The Group is primarily exposed to the Euro, the United States Dollar and the Australian Dollar.

Generally the Group hedges 25 to 75 percent of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months. The Group hedges between 75 and 100 percent of all trade receivables, trade payables and firm and ascertainable commitments denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, all with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

In respect of transactions not covered by forward exchange contracts or other monetary assets and liabilities denominated in foreign currencies that arise in the normal course, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

The Group's investments in foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

Exposure to currency risk

The Group's exposure to significant foreign currency risk was as follows, based on nominal amounts:

	Trade receivables FC'm	Cash and cash equivalents FC'm	Trade payables FC'm	Balance sheet exposure FC'm	Estimated forecast sales* FC'm	Estimated forecast purchases* FC'm	FECs on sales/ receivables FC'm	FECs on purchases/ payables FC'm	Net forecast FC exposure FC'm
Group									
Net exposure as at 30 June 2016									
Australian Dollar	**1,8**	**0,1**	**–**	**1,9**	**9,7**	**–**	**6,3**	**–**	**17,9**
Botswana Pula	**30,1**	**37,9**	**(14,6)**	**53,4**	**–**	**–**	**–**	**–**	**53,4**
Euro	**10,0**	**3,2**	**(5,6)**	**7,6**	**58,6**	**(33,1)**	**32,8**	**(16,8)**	**49,1**
US Dollar	**1,7**	**2,1**	**(10,7)**	**(6,9)**	**13,4**	**(78,2)**	**6,4**	**(39,0)**	**(104,3)**
Zambian Kwacha	**26,4**	**1,8**	**(1,9)**	**26,3**	**–**	**–**	**–**	**–**	**26,3**
Net exposure as at 30 June 2015									
Australian Dollar	2,0	0,9	(0,1)	2,8	13,7	–	(7,8)	–	8,7
Botswana Pula	23,0	48,7	(11,8)	59,9	–	–	–	–	59,9
Euro	8,8	6,4	(4,2)	11,0	61,1	(35,4)	(32,9)	25,5	29,3
US Dollar	2,4	9,3	(6,2)	5,5	19,7	(85,3)	(9,2)	44,0	(25,3)
Zambian Kwacha	15,8	7,1	(4,5)	18,4	–	–	–	–	18,4

**Estimated forecast sales and purchases reflect anticipated transactions for the 12 months from 30 June.*

35. Financial risk management continued

35.5 Market risk continued

Exposure to currency risk continued

The following significant exchange rates applied during the year:

1FC = X ZAR	Reporting date 30 June 2016 Closing rate	30 June 2016 Average for the year	30 June 2015 Closing rate	30 June 2015 Average for the year
Australian Dollar	**10,8696**	**10,5956**	9,4877	9,4775
Botswana Pula	**1,3448**	**1,3402**	1,2398	1,2140
Euro	**16,2422**	**16,0931**	13,7883	13,6388
US Dollar	**14,6168**	**14,5571**	12,2990	11,4951
Zambian Kwacha	**1,5152**	**1,3889**	1,6798	1,7164

Sensitivity analysis

A 10% weakening of the Rand against the following currencies at 30 June applied against the net forecast foreign currency exposure for the next 12 months would result in the following changes to operating profit over a 12 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as 2015.

	Profit/(loss) 2016 R'm	2015 R'm
Australian Dollar	**19,5**	8,3
Botswana Pula	**7,2**	7,4
Euro	**79,7**	40,4
US Dollar	**(152,5)**	(31,1)
Zambian Kwacha	**4,0**	3,1
	(42,1)	28,1

A 10% strengthening of the Rand against the above currencies at 30 June would have had the equal but opposite effect to the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

The Group, 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 Group's interest-bearing financial instruments was:

	Carrying amount 2016 R'm	2015 R'm
Fixed rate instruments		
– Financial liabilities	**–**	–
	–	–
Variable rate instruments		
– Financial assets	**320,4**	478,8
– Financial liabilities	**(1 704,2)**	(1 631,6)
	(1 383,8)	(1 152,8)

35. Financial risk management continued

35.5 Market risk continued

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.

	Profit/(loss) 2016 R'm	Profit/(loss) 2015 R'm
Variable rate instruments		
– Financial assets	**3,2**	4,8
– Financial liabilities	**(17,0)**	(16,3)
Net cash flow sensitivity	**(13,8)**	(11,5)

36. Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the Group'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	Fair value – hedging instru-ments 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 measured at fair value	47,6	47,6	–	–	47,6	–	47,6	–	47,6
Forward exchange contract derivative asset	44,7	44,7	–	–	44,7	–	44,7	–	44,7
Fuel swap derivative asset	2,9	2,9	–	–	2,9	–	2,9	–	2,9
Financial assets not measured at fair value	2 068,7	–	2 068,7	–	2 068,7	–	–	–	–
Loan receivable	0,4	–	0,4	–	0,4	–	–	–	–
Pension fund surplus	10,9	–	10,9	–	10,9	–	–	–	–
Trade and other receivables									
– Trade accounts	1 711,9	–	1 711,9	–	1 711,9	–	–	–	–
– Other receivables	36,4	–	36,4	–	36,4	–	–	–	–
Cash and cash equivalents	309,1	–	309,1	–	309,1	–	–	–	–
Financial liabilities measured at fair value	(66,3)	(66,3)	–	–	(66,3)	–	(66,3)	–	(66,3)
Forward exchange contract derivative liability	(65,0)	(65,0)	–	–	(65,0)	–	(65,0)	–	(65,0)
Fuel swap derivative liability	(1,3)	(1,3)	–	–	(1,3)	–	(1,3)	–	(1,3)
Financial liabilities not measured at fair value	(3 662,8)	–	–	(3 662,8)	(3 662,8)	–	–	–	–
Overnight call borrowings and bank overdrafts	(1 704,2)	–	–	(1 704,2)	(1 704,2)	–	–	–	–
Vessel finance liability	(33,5)	–	–	(33,5)	(33,5)	–	–	–	–
Trade and other payables									
– Trade payables	(1 123,4)	–	–	(1 123,4)	(1 123,4)	–	–	–	–
– Other payables and accrued expenses	(801,7)	–	–	(801,7)	(801,7)	–	–	–	–

36. Financial assets and liabilities continued

Accounting classifications and fair values continued

	Carrying amount					Fair value			
	Total carrying amount R'm	Fair value – hedging instru-ments 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 2015									
Financial assets measured at fair value	38,9	38,9	–	–	38,9	–	38,9	–	38,9
Forward exchange contract derivative asset	38,9	38,9	–	–	38,9	–	38,9	–	38,9
Financial assets not measured at fair value	1 962,2	–	1 962,2	–	1 962,2	–	–	–	–
Loan receivable	0,8	–	0,8	–	0,8	–	–	–	–
Pension fund surplus	15,5	–	15,5	–	15,5	–	–	–	–
Trade and other receivables									
– Trade accounts	1 453,8	–	1 453,8	–	1 453,8	–	–	–	–
– Other receivables	29,6	–	29,6	–	29,6	–	–	–	–
Cash and cash equivalents	462,5	–	462,5	–	462,5	–	–	–	–
Financial liabilities measured at fair value	(55,8)	(55,8)	–	–	(55,8)	–	(55,8)	–	(55,8)
Forward exchange contract derivative liability	(52,0)	(52,0)	–	–	(52,0)	–	(52,0)	–	(52,0)
Fuel swap derivative liability	(3,8)	(3,8)	–	–	(3,8)	–	(3,8)	–	(3,8)
Financial liabilities not measured at fair value	(3 268,1)	–	–	(3 268,1)	(3 268,1)	–	–	–	–
Overnight call borrowings and bank overdrafts	(1 631,6)	–	–	(1 631,6)	(1 631,6)	–	–	–	–
Vessel finance liability	(33,5)	–	–	(33,5)	(33,5)	–	–	–	–
Trade and other payables									
– Trade payables	(929,6)	–	–	(929,6)	(929,6)	–	–	–	–
– Other payables and accrued expenses	(673,4)	–	–	(673,4)	(673,4)	–	–	–	–

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).

Measurement of fair value

The following table shows the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Derivative assets and liabilities at fair value: used for hedging	Market comparison technique: The fair value of foreign currency contracts and fuel swaps (used for hedging) are marked-to-market by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date.	Not applicable	Not applicable

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.

37. Post reporting date events

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

ANNEXURE A – INTERESTS IN OTHER ENTITIES

as at 30 June 2016

Principal subsidiary companies of AVI Limited

Name of company and nature of business	Class	Issued permanent capital* 2016 R'm	2015 R'm	Effective percentage holding 2016 %	2015 %
A&D Spitz Proprietary Limited – retailer of branded shoes and fashion accessories	Ord	–	–	100	100
AVI Investment Services Proprietary Limited – investment company	Ord	–	–	100	100
Green Cross – producer and retailer of branded shoes and footwear accessories					
Green Cross Manufacturers Proprietary Limited	Ord	–	–	100	100
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
Irvin & Johnson Holding Company Proprietary Limited – international integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord	–	–	75	75
Indigo Brands Proprietary Limited – manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord	–	–	100	100
National Brands Limited – manufacturers and marketers of branded food and beverage products	Ord	3,5	3,5	100	100
Nina Roche Shoe Collection Proprietary Limited – retailer of branded shoes and fashion accessories	Ord	–	–	100	100

All companies are incorporated in South Africa.

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

ANNEXURE B – ANALYSIS OF ORDINARY SHAREHOLDERS

as at 30 June 2016

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000 shares	8 005	51,70	3 946 849	1,14
1 001 – 10 000 shares	6 091	39,34	18 733 104	5,39
10 001 – 100 000 shares	1 036	6,69	32 437 815	9,33
100 001 – 1 000 000 shares	294	1,90	91 630 219	26,36
1 000 001 shares and over	57	0,37	200 809 927	57,78
Total	15 483	100,00	347 557 914	100,00
Distribution of shareholders				
Assurance companies	61	0,39	23 905 681	6,88
Close corporations	133	0,86	339 386	0,10
Collective investment schemes	552	3,57	129 265 436	37,19
Control accounts	1	0,01	68	0,00
Custodians	55	0,36	19 284 710	5,55
Foundations and charitable funds	161	1,04	1 713 830	0,49
Hedge funds	11	0,07	773 686	0,22
Insurance companies	19	0,12	939 982	0,27
Investment partnerships	56	0,36	286 782	0,08
Managed funds	87	0,56	11 395 813	3,28
Medical aid funds	29	0,19	734 491	0,21
Organs of State	5	0,03	52 979 170	15,24
Private companies	397	2,56	3 088 803	0,89
Public companies	16	0,10	678 999	0,20
Public entities	5	0,03	92 041	0,03
Retail shareholders	10 445	67,46	18 568 599	5,34
Retirement benefit funds	376	2,43	30 329 228	8,73
Scrip lending	17	0,11	5 806 609	1,67
Share schemes	2	0,01	7 631 980	2,20
Sovereign funds	17	0,11	7 767 461	2,23
Stockbrokers and nominees	37	0,24	1 459 129	0,42
Treasury	1	0,01	17 234 352	4,96
Trusts	2 989	19,31	13 266 230	3,82
Unclaimed scrip	11	0,07	15 448	0,00
Total	15 483	100,00	347 557 914	100,00
Shareholder type				
Non-public shareholders	10	0,07	77 221 780	22,22
Directors and associates (excluding employee share schemes)	3	0,02	887 500	0,25
Government Employees Pension Fund	4	0,03	51 467 948	14,81
AVI Investment Services Proprietary Limited	1	0,01	17 234 352	4,96
Employee share schemes	2	0,01	7 631 980	2,20
Public shareholders	14 086	99,93	270 336 134	77,78
Total	14 096	100,00	347 557 914	100,00

ANNEXURE B – ANALYSIS OF ORDINARY SHAREHOLDERS
continued

as at 30 June 2016

Shareholder type continued

Fund Managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Public Investment Corporation	48 745 546	14,03
Stanlib Asset Management	24 757 648	7,12
Fidelity Worldwide Investment	20 437 104	5,88
Abax Investments	16 026 447	4,61
Total	109 966 745	31,64
Beneficial shareholders with a holding greater than 3% of the issued shares		
Government Employees Pension Fund	51 467 948	14,81
Fidelity Worldwide Investment	18 877 723	5,43
Liberty Group	17 540 793	5,05
AVI Investment Services Proprietary Limited	17 234 352	4,96
Total	105 120 816	30,25

Total number of shareholdings	15 483
Total number of shares in issue	347 557 914

Share price performance

Opening price 1 July 2015	R81,57
Closing price 30 June 2016	R83,00
Closing high for the period (11 May 2016)	R92,01
Closing low for the period (18 January 2016)	R71,18
Number of shares in issue	347 557 914
Volume traded during period	296 279 192
Ratio of volume traded to shares issued (%)	85,25%
Rand value traded during the period	R24 558 212 789
Market capitalisation at 30 June 2016	R28 847 306 862

SHAREHOLDERS' DIARY

Reports and profit statements

Interim report announcement in press	Tuesday, 8 March
Annual results announcement in press	Tuesday, 13 September
Annual financial statements posted	Tuesday, 4 October

Final dividend

Dividends declared	Friday, 9 September
Details of dividends announcement in SENS	Monday, 12 September
Details of dividends announcement in press	Tuesday, 13 September
Last day to trade cum dividend on the JSE Limited ("JSE")	Tuesday, 11 October
First day trading ex dividend on the JSE	Wednesday, 12 October
Record date	Friday, 14 October
Payment date	Monday, 17 October

ADMINISTRATION AND PRINCIPAL SUBSIDIARIES

Administration

Company registration

AVI Limited ("AVI")

Reg no: 1944/017201/06
Share code: AVI
ISIN: ZAE000049433

Company Secretary
Sureya Naidoo

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

Postal address
PO Box 1897
Saxonwold 2132
South Africa

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

Auditors

KPMG Inc.

Sponsor

The Standard Bank of South Africa Limited

Commercial bankers

Standard Bank
FirstRand Bank

Transfer secretaries

Computershare Investor Services Proprietary Limited

Business address
70 Marshall Street
Marshalltown
Johannesburg 2001
South Africa

Postal address
PO Box 61051
Marshalltown 2107
South Africa
Telephone: +27 (0)11 370 5000
Telefax: +27 (0)11 370 5271

Principal subsidiaries

Food & Beverage brands

National Brands Limited

Reg no: 1948/029389/06
(incorporating Entyce Beverages and Snackworks)

30 Sloane Street
Bryanston 2021

PO Box 5159
Rivonia 2128

Managing directors
Sarah-Anne Orphanides
(Entyce Beverages)
Telephone: +27 (0)11 707 7100
Telefax: +27 (0)11 707 7799

Gaynor Poretti (Snackworks)
Telephone: +27 (0)11 707 7200
Telefax: +27 (0)11 707 7799

I&J

Irvin & Johnson Holding Company Proprietary Limited
Reg no: 2004/013127/07

1 Davidson Street
Woodstock
Cape Town 7925

PO Box 1628
Cape Town 8000

Managing director
Jonty Jankovich
Telephone: +27 (0)21 440 7800
Telefax: +27 (0)21 440 7270

Fashion brands

Personal Care

Indigo Brands Proprietary Limited
Reg no: 2003/009934/07

16 – 20 Evans Avenue
Epping 1 7460

PO Box 3460
Cape Town 8000

Managing director
Robert Lunt
Telephone: +27 (0)21 507 8500
Telefax: +27 (0)21 507 8501

Footwear & Apparel

A&D Spitz Proprietary Limited
Reg no: 1999/025520/07

29 Eaton Avenue
Bryanston 2021

PO Box 782916
Sandton 2145

Acting managing director
Simon Crutchley
Telephone: +27 (0)11 707 7300
Telefax: +27 (0)11 707 7763

Green Cross Manufacturers Proprietary Limited
Reg no: 1994/08549/07

26 – 30 Benbow Avenue
Epping Industria
7460

PO Box 396
Epping Industria 7475

Managing director
Tracey Chiappini-Young
Telephone: +27 (0)21 507 9700
Telefax: +27 (0)21 507 9707

Directors

Executive

Simon Crutchley
(Chief Executive Officer)

Owen Cressey
(Chief Financial Officer)

Michael Koursaris
(Business Development Director)

Independent non-executive

Gavin Tipper[1] (Chairman)
James Hersov[2]
Adriaan Nühn[1, 4]
Mike Bosman[2]
Andisiwe Kawa[1]
Abe Thebyane[1]
Neo Dongwana[2, 3]
Richard Inskip[3]

[1] *Member of the Remuneration, Nomination and Appointments Committee*
[2] *Member of the Audit and Risk Committee*
[3] *Member of the Social and Ethics Committee*
[4] *Dutch*



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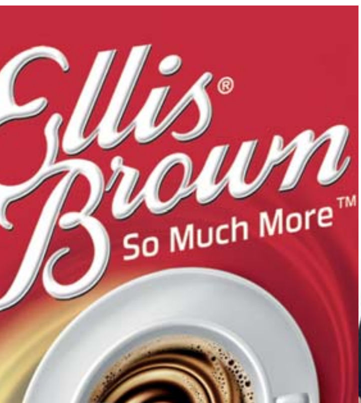
Ellis Brown
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