AVI

GROWING GREAT BRANDS

2017 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 2016 to 30 June 2017 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 2017, 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 2017, 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.

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

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.

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 158 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 which 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 R13,18 billion in this last financial year, AVI's brands are a household name in South Africa and growing every day.

OPERATING STRUCTURE

OUR BUSINESS HIGHLIGHTS

Sound performance in a challenging environment

Revenue up 8,2% to R13,18 billion

Gross profit margin recovered in second semester

Operating profit up 10,7% to R2,39 billion

Cash from operations up 8,4% to R2,99 billion

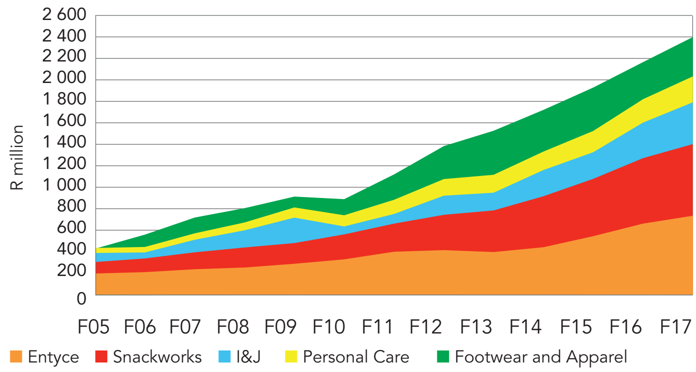
Capital expenditure of R545,6 million

Return on capital employed of 28%

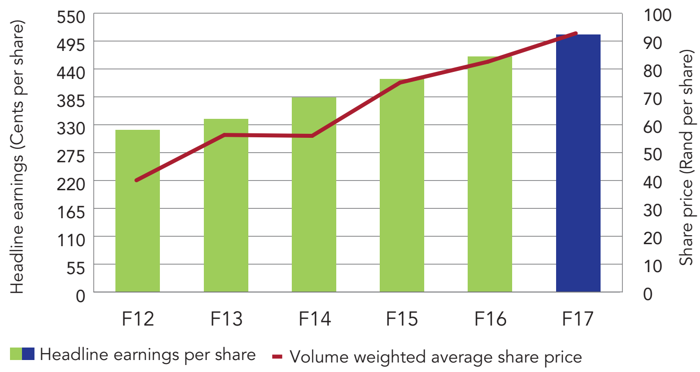
Headline earnings per share up 9,4% to 507,7 cents

Final dividend of 243 cents per share, total normal dividend up 9,5% to 405 cents per share

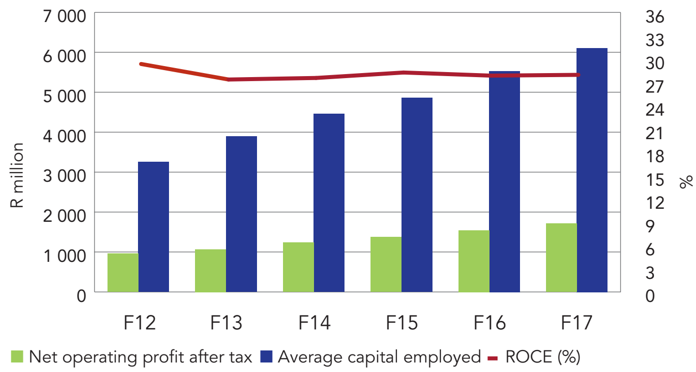
Operating profit history



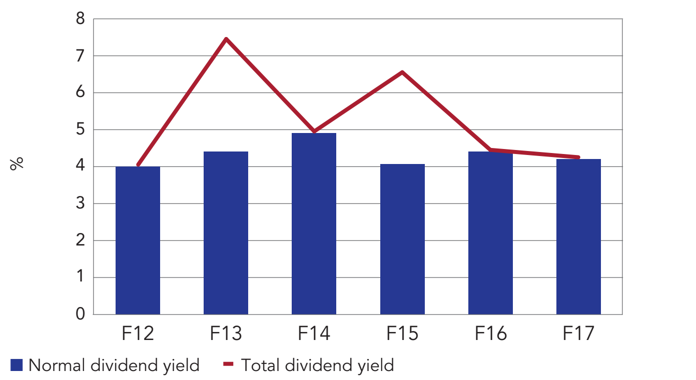
Historical headline earnings and share price



Return on capital employed



Historical dividend yield (based on closing share price)



AVI

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
REVENUE	**13 184,6**	12 188,9	11 243,7	10 267,4	9 218,3
OPERATING PROFIT	**2 385,3**	2 154,6	1 916,9	1 712,5	1 526,2
OPERATING MARGIN (%)	**18,1**	17,7	17,0	16,7	16,6
CAPITAL EXPENDITURE	**545,6**	881,8	848,9	531,9	566,9

ENTYCE BEVERAGES

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
REVENUE	**3 757,1**	3 421,9	3 041,2	2 717,4	2 414,9
OPERATING PROFIT	**735,1**	661,7	545,2	442,4	397,8
OPERATING MARGIN (%)	**19,6**	19,3	17,9	16,3	16,5
CAPITAL EXPENDITURE	**127,2**	130,7	196,6	180,4	219,8

Snackworks

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
REVENUE	**3 956,2**	3 643,2	3 405,3	3 057,9	2 681,6
OPERATING PROFIT	**666,4**	609,1	533,4	474,5	387,9
OPERATING MARGIN (%)	**16,8**	16,7	15,7	15,5	14,5
CAPITAL EXPENDITURE	**175,8**	239,2	225,1	76,1	143,9

I&J

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
REVENUE	**2 362,7**	2 171,8	1 960,5	1 823,1	1 591,9
OPERATING PROFIT	**389,1**	331,0	248,4	244,6	165,8
OPERATING MARGIN (%)	**16,5**	15,2	12,7	13,4	10,4
CAPITAL EXPENDITURE	**128,7**	345,7	212,5	183,7	112,9

Fashion brands

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
REVENUE	**3 108,6**	2 950,7	2 829,2	2 659,3	2 518,2
OPERATING PROFIT	**607,5**	563,0	602,2	560,1	576,9
OPERATING MARGIN (%)	**19,5**	19,1	21,3	21,1	22,9
CAPITAL EXPENDITURE	**104,7**	153,9	108,3	88,5	80,3

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. Our relative performance target is to earn top quartile total shareholder returns over successive rolling three year periods, while our absolute performance target is to deliver real combined dividend and share price appreciation exceeding 10% per annum.
The achievement of these targets 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 product 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 we operate.

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 TIPPER *Chairman*

Overview

In an environment where the economies of South Africa's major trading partners are improving, it is unfortunate that the South African economy is stagnating. While the South African economy was affected by the global financial crisis, the effect of that crisis on the local economy was, arguably, less than that on many other economies. In addition, South Africa had the economic capacity to take the steps necessary to address the consequences of the financial crisis and to return the economy to growth relatively quickly. Instead, the dry powder has been consumed and we are becoming accustomed to a low or no growth economy. The average South African is getting steadily poorer in real terms, many South Africans have little or no hope of gainful employment and we are rapidly losing the financial and intellectual capital that will be key to a country that can offer the majority of its citizens a decent life. Business has a responsibility to contribute to an inclusive, growing economy and a successful country, but it cannot fulfil that responsibility where there is a dearth of leadership from government, or worse, where government policies and practices that result in massive value destruction become the norm.

International interest rates remain artificially low and the consequent abundance of capital has supported asset prices. We are concerned that the normalisation of international interest rates is drawing closer and that process, combined with growing concerns by international investors regarding the level of financial risk in South Africa, does not bode well for local investment returns in the medium term. We are likely to see pressure on share ratings as companies struggle to generate adequate risk adjusted returns in a low growth economy, which will be compounded by the impact of large capital outflows and a requirement for higher returns should the seemingly inevitable local currency downgrades materialise.

AVI generated a satisfactory return in a difficult environment. Revenue increased by 8,2%, operating profit was up 10,7% and headline earnings per share were up 9,4%. The period was characterised by volume pressure in many of our categories with some input cost relief as the Rand strengthened over the year. Cash generation was strong and investment levels were, once again, significantly ahead of depreciation.

Entyce grew operating profit by 11,1%, with the effect of price increases being offset by lower volumes and higher raw material costs. Snackworks delivered a solid performance despite pressure on biscuit volumes with constrained demand at higher price points. I&J benefited from weaker Rand rates secured in the previous financial year with higher selling prices offset by lower volumes. Indigo produced another good performance with value and volume gains. The Footwear and Apparel business performed solidly on a relative basis with pressure on volumes at higher price points. The International business, which comprises largely of exports into Africa, produced muted growth, with the benefit of price increases offset by volume pressure. Economic difficulties in a number of the countries we trade in significantly influenced the result.

South African consumers are facing headwinds on a number of fronts with higher taxes, significant levels of administered inflation and limited income growth, mitigated slightly by a stronger Rand, reducing their spending power. Our retail partners are under pressure to produce growth and attach margin in a highly competitive space where the pie is not growing. These factors result in an environment where our ability to drive returns is dependent on efficient factories, careful management of value/volume relationships, investment in our brands and a willingness to rely on their pedigree, and a recognition that growth is often at the expense of our competitors.

We continue to invest in capacity and efficiency projects in the manufacturing operations and new and refurbished stores in the retail businesses. We are launching an exciting new store concept in Spitz that is directed at an increasingly important part of our market and what those customers value. We have expended considerable effort on the initiative and are optimistic that it will secure and grow an important market segment over the next few years.

Safety is an important part of our ethos and considerable effort has been devoted, over an extended period, to reducing our disabling injury frequency rate. Unfortunately the rate increased slightly from 0,57 to 0,60 during the current year but remains healthily below international norms for many areas in the Group. The emphasis on safety will continue with the objective of driving further improvements.

Further share options vested during the year under the Company's Black Staff Empowerment Share Scheme ("the Scheme"). Approximately 16 855 participants have benefited from the scheme receiving a total gross benefit of R776,8 million.

Our BBBEE rating is unchanged at a level 8. The rating was once again computed as a level 7 but was discounted to level 8 as we fell below the minimum point requirement for "supplier development." Considerable effort and expense are devoted to achieving meaningful transformation throughout the Group, and to doing so in a sustainable manner. Progress in this area is monitored at Board level with strong emphasis on compliance with the spirit of the codes and achieving transformation in a manner that contributes to the advancement of our people and the success of the Group over the long term.

Financial review

Revenue increased by 8,2% from R12,19 billion to R13,18 billion, with higher selling prices in response to weaker Rand exchange rates achieved and higher raw material costs, offset by volume pressure in a constrained spending environment. The impact of Rand weakness in the second half of the previous financial year was deferred into the current year through our hedge book with the result that last year's margins were protected while we had the opportunity to negotiate the compensating selling price increases that were carried into the current year. Gross profit rose by 7,8% to R5,76 billion while operating profit increased by 10,7% from R2,15 billion to R2,39 billion, underpinned by the improvement in gross profit and the containment of selling and administrative expenses. The operating profit margin increased from 17,7% to 18,1%.

While I&J's results benefited from the weaker Rand achieved as a result of our hedging profile, and the Company produced a sound processing performance, operating profit was reduced by an unprotected strike that cost in the order of R25 million, and an unexpected major vessel outage, coupled with lower quota, which affected volumes.

The investment in Green Cross was impaired by an amount of R150 million, pre-tax. While we are comfortable that the acquisition was well made and will provide growth opportunities in an important part of the shoe market that Spitz does not address, the impairment recognises that the business has taken longer than expected to generate required levels of profitability. We have implemented plans to address the major issues Green Cross faces and expect an improved performance in the next year.

Cash generated by operations, before working capital changes, increased 8,4% to R2,99 billion. Working capital rose R675,0 million, reflecting good trading in May and June and lower raw material creditors due to different timing of deliveries compared to last year. Capital expenditure of R545,6 million, which included capacity and efficiency projects in the manufacturing operations and new and refurbished stores in the retail businesses, was materially lower than last year, which included R259,9 million for I&J's new vessels. Other material cash outflows during the period were dividends of R1,24 billion and taxation of R546,7 million. Net debt at the end of June 2017 was R1,44 billion compared to R1,43 billion at the end of June 2016.

The return on capital employed for the period was 28% (2016: 27,9%). This ratio has been above 20% since 2011 and is substantially higher than the Company's weighted average cost of capital.

Dividend

A final dividend of 243 cents per share has been declared, in line with the Company's dividend policy. This brings the total dividend for the year to 405 cents, an increase of 9,5% over the prior year.

Investing for growth

Capital expenditure for the year amounted to R545,6 million. Significant items of capital expenditure included tea packaging equipment in Entyce, oven and line upgrades in Snackworks, a new logistics truck fleet, an expansion of the Danger Point abalone farm, an upgrade to the Indigo distribution centre and new and refurbished Spitz, Kurt Geiger and Green Cross stores.

SIMON CRUTCHLEY *Chief Executive Officer*

We have invested heavily in our own operations over the last five years with cumulative expenditure of R3,4 billion; the resultant efficiencies and capacity have been a critical factor in our ability to maintain margins in the current challenging environment.

A number of years ago the National Brands business was split into Entyce, the beverage business, and Snackworks, the biscuit and snacks business, in order to ensure that there was an appropriate focus on the different products and categories. The initiative was successful but carried the costs associated with duplicated structures. After a thorough review which took into account the maturity of our systems, the improvements in our factories and supply chains over recent years, and the capability of our people, the businesses were rationalised into a single unit during the year. The resultant savings were largely offset by the cost of the rationalisation process but we expect to derive meaningful benefits from the revised structure in future years.

Over the last few years we have invested substantial sums in I&J's processing facilities and in vessels. A number of fishing rights that were allocated in 2005 expired at the end of 2015 and had to be reapplied for in terms of a 2015 process. I&J was initially allocated 9,3% of the Hake In-shore Trawl (previously 34,1%) and after an appeal the allocation was increased to 18,4%. While the Hake In-shore Trawl quota is a relatively small part of I&J's overall quota, the current Hake Deep Sea Trawl long-term rights expire at the end of 2020 and the process followed in allocating in-shore rights raises concerns as to how the allocation of the deep sea rights may be dealt with. We are in regular communication with the authorities responsible for the allocation of rights and are considering various future options for I&J.

We have a substantial capital budget for the 2018 financial year and we will continue investing to maintain capacity, drive efficiency and growth in areas of the business where the risk adjusted returns are justified. We are conscious that extracting real growth in a stagnating economy where our customers' spending power is severely constrained is difficult and risky, and our investment decisions are tempered accordingly.

In addition to the investments in our own business we will continue to look at acquisitions that are appropriate to the Group and that 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 the Group operates with a clear recognition and appreciation of the nature of the relationships the Company has with different stakeholders, and the need to manage those relationships appropriately while generating returns 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 and the JSE Listings Requirements. The corporate governance section of this report sets out our approach to corporate governance and our compliance with King III.

We will report on our compliance with King IV in the 2018 integrated report. We comply with the principles contained in King IV and are assessing the relevance of the recommendations to our Group and the manner in which we will report on our overall compliance.

In compliance with the JSE Listings Requirements, AVI has adopted a formal gender diversity policy, which is covered on page 62 of this integrated report.

The policy contains a target for gender diversity at Board level and formalises practices which have existed in the Group for a considerable period.

Board

Richard Inskip resigned from the Board during the year to pursue personal interests. Richard made a considerable contribution during his tenure and we offer our thanks for that.

As always, a thank you to our colleagues for their support and counsel.

Outlook

The South African economy is in an unfortunate state and despite various undertakings by government to take measures to address the issues we face, the risks to the downside appear far more significant than the likelihood of improvements. As a country we seem to be developing an immunity to corruption, empty promises and a lack of the leadership necessary to arrest the downward trend that has been evident for some time.

Overlaying the general state of the economy, and a function of the mismanagement we have endured, are a number of factors that have the potential to significantly accelerate the current rate of economic decline (as measured by a population getting poorer in real terms). These factors include the volatility of the Rand, South Africa's dependence on capital inflows, the possibility and effect of a ratings downgrade in the near future, the impact of ever increasing national debt levels and servicing costs, particularly when all of the debt for which the state is responsible is taken into account, a growing, disenfranchised population which has little hope of gainful employment and a reasonable standard of living, and will not tolerate that indefinitely, and political leadership that is prepared to sacrifice economic sense for short-term gains. It is likely that the consequences of some of the above factors will be felt in the next year and more in the years after that, unless fundamental steps are taken to address the underlying issues.

AVI is exposed to a number of African countries with significantly different economies. While overall growth from Africa, other than South Africa, is likely to vary, our exposure is sufficiently diversified that despite low income levels and a long supply chain, these geographies will be an important contributor going forward.

AVI is well positioned to compete in a difficult environment and should deliver repeated strong performances on a relative basis, assuming reasonable levels of demand. Our brands are healthy, we have the ability to make further improvements to operational effectiveness and to reduce costs, and we have strong management with appropriate depth. The lack of growth in the economy will, however, mean that we will have to compete hard for any real growth and will have to carefully manage our share of the margin in the overall value chain.

We are privileged to own a number of iconic South African brands and we continue to invest behind those. We expend considerable effort on understanding what our customers want and aspire to, and innovating and evolving our products accordingly.

We have set out our concerns regarding the state of the economy and the macro risks we face. We have consistently operated a hedging book that will provide a level of protection should the Rand weaken materially and we have, and will continue to, adapt our businesses to the reality of a customer with constrained spending power. We will remain alert to market changes and will react quickly as we pursue the most appropriate balance of price, sales volumes and profit margins for each of our brands.

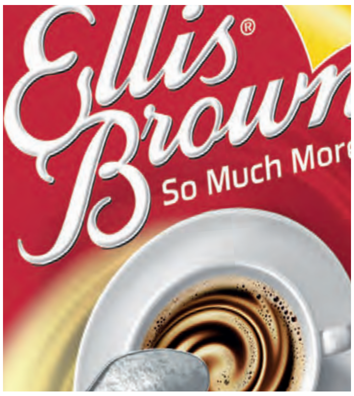
We will continue to evaluate opportunities to create value and drive returns for our shareholders, and will remain alert for acquisition opportunities, domestically and regionally.

Acknowledgements

The commitment, passion and energy of our people is critical to our success, particularly in difficult times, 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 fundamental to what we are and our thanks go to all of 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 R3,76 billion was 9,8% higher than last year with higher selling prices partly offset by lower sales volumes, primarily in the tea and creamer categories where the high prices and more aggressive competitor activity stifled demand. Exchange rates achieved were higher than last year with our consistent hedging practice deferring the impact of some of last year's weaker exchange rates into the current year. Selling price increases were limited by competitive constraints and did not fully recover higher input costs and consequently the gross profit margin declined from 42,0% last year to 40,9%.

Selling and administrative cost increases were well contained with lower marketing and incentive costs as well as savings from a review of organisational structures to improve operational efficiencies, although these were largely offset by once-off implementation costs and the full benefit will only be seen in the 2018 financial year. Operating profit increased 11,1% from R661,7 million to R735,1 million and the operating profit margin improved from 19,3% to 19,6%.

Tea

Tea revenue grew 15,2% on last year due to higher selling prices taken in response to materially higher raw material input costs as a result of the weaker Rand exchange rates achieved and higher rooibos raw material prices which resulted in a further aggressive price increase for the year. Sales volumes declined in line with the overall market with Trinco and Freshpak solidifying their positions with market share gains whilst Five Roses' market share reduced slightly on last year as a result of high selling prices and aggressive competitor pricing, particularly in the second half. Market share gains in Trinco were supported by good volume growth in line with the consumer trend towards affordability. The tea gross profit and operating profit both improved with higher selling prices providing some leverage to fixed costs and selling and administrative costs well contained.

Selling and administrative cost increases were kept below inflation as a result of lower marketing and incentive costs partly offset by once-off restructuring costs. The business restructuring prompted a review of the marketing strategy with some activity being re-phased. Operating profit for the tea category increased by 36,5% on last year, and as a result of price leverage the operating margin also improved.

Coffee

Coffee delivered good top line growth with revenue up 11,8% on last year due mainly to higher selling prices partly offset by a slight decline in volume. Selling price increases were taken to ameliorate the impact of higher coffee prices from the weaker Rand exchange rates achieved, increased glucose pricing in line with higher maize prices and higher robusta coffee bean prices. Lower volumes largely resulted from pressure in the mixed instant segment where the higher price points and aggressive competitor activity constrained demand. Our premium category performed well delivering good volume growth buoyed by continued growth from the speciality Hug In A Mug range.

Selling and administrative costs continued to be well controlled and remained in line with last year due to lower marketing and incentive costs as well as restructuring savings. Marketing efficiencies were achieved through the consolidation of winter promotional activity into a single focused campaign which saw the same level of activity achieved at a lower cost. Gross profit and operating profit both improved on last year with top line growth supported by cost savings.

Creamer

Creamer growth for the year was muted with revenue slightly better than last year with the benefit of selling price increases largely offset by a 4,6% reduction in volume. The overall market has seen volume declines over the last year with the key competitor extracting volume and value from the category as consumers moved to cheaper and more affordable pack sizes. This placed considerable pressure on our key variants and additional discounting was required to stimulate demand. With the market shift towards smaller formats an 800 gram variant was launched late in the second semester which is expected to gain good traction during next year and stabilise sales volumes. An inability to recover rising input costs and the deleveraging impact of lower sales volume resulted in lower gross profit for

the year. The lower gross profit and higher marketing costs to support demand resulted in a decline in operating profit from last year's record level. Operating profit margin declined but remains healthy, with some improvement expected in the year ahead as our new 800 gram variant gains traction.

Ciro Full Service Coffee Co.

Revenue for the year grew 5,6% due mainly to selling price inflation, offset by lower core coffee sales volumes in a constrained and competitive market. Raw material costs increased in Rand terms, notwithstanding slightly better Arabica coffee bean prices in US Dollar terms.

Gross profit was slightly higher than last year and inflationary increases in selling and administrative costs resulted in a small decrease in operating profit, although profitability in absolute terms remained good.

Capital expenditure

Entyce's capital expenditure of R127,2 million in 2017 was mostly normal replacement expenditure. It also included investment in a packing material store extension and upgrade at the tea factory, backup water supply and a new tea strip pack solution. Ciro spent R17,3 million on new vending equipment for lease to customers.

ENTYCE BEVERAGES

	2017 R'm	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 2017 vs 2016 %
REVENUE	3 757,1	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	9,8
OPERATING PROFIT	735,1	661,7	545,2	442,4	397,8	415,4	402,2	329,9	280,8	253,9	11,1
OPERATING MARGIN (%)	19,6	19,3	17,9	16,3	16,5	17,8	19,0	16,9	15,2	15,5	1,6
CAPITAL EXPENDITURE	127,2	130,7	196,6	180,4	219,8	205,2	127,9	90,4	81,3	67,7	(2,6)

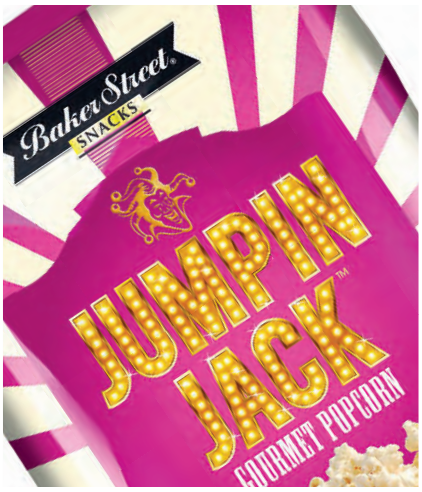
Snackworks
That's Good Times!

Revenue of R3,9 billion was 8,6% higher than last year with growth achieved in both biscuits and snacks due to higher selling prices and growth in snacks sales volumes, offset by lower biscuit sales volumes. The gross profit margin declined with higher raw material costs not fully recovered in biscuits. Exchange rates achieved were higher than last year with our consistent hedging practice deferring the impact of some of last year's weaker exchange rates into the current year. The snacks category achieved higher operating profit growth than biscuits, with overall operating profit growth of 9,4% from R609,1 million to R666,4 million. The operating profit margin increased to 16,8%.

Biscuits

Biscuit revenue grew 7,2% due mainly to higher selling prices with sales volumes declining 3,7% on last year. Significant input cost inflation from the weaker Rand exchange rates achieved and rising commodity costs necessitated higher price increases over the year which negatively impacted volumes. This was particularly evident over the second semester where volumes declined more aggressively. Both the sweet biscuit and savoury biscuit portfolios saw volumes decline over the year. Our more affordable offering, Toppers, achieved strong growth with some recovery of last year's volume declines in the wholesale channel. The Bakers Good Morning range continued to grow with good marketing support and incremental volume following the launch of a Peach & Apricot flavour extension. Capital investment in savoury production lines alleviated historical service level issues, however, higher selling prices and increased import competition constrained demand through the year.

Gross profit improved on last year as a result of top-line growth and continued focus on procurement savings and cost control partly to ameliorate the impact of higher raw material input costs. Unfavourable factory production variances related to the stabilisation of new equipment reduced during the year.



Selling and administrative costs were well contained with inflationary increases partly offset by savings in marketing and incentive costs. Marketing costs were managed carefully with some activity delayed to avoid stock build pressure during the commissioning of factory projects. Operating profit growth was constrained by lower sales volumes in the second semester, and the operating profit margin declined slightly.

Snacks

Snacks had a strong year with good volume growth on the maize product range supported by flavour extensions. Revenue increased 13,5% due to higher selling prices and an improved volume performance, despite potato chip volumes being suppressed by constrained potato supply in the first semester. Weaker Rand exchange rates achieved and higher maize prices had a material adverse impact on raw material costs which were mostly recovered through selling price increases. Gross profit margin benefited from a more profitable sales mix, procurement savings and improved factory performance with capital investment over recent years paying dividends.

Selling and administrative costs were well controlled and supported strong operating profit growth for the year.

Capital expenditure

Snackworks' capital expenditure of R175,8 million for the year was focused predominantly on increasing capacity and enhancing quality and efficiency in our biscuit facilities with the upgrade of process and packaging equipment at the Rosslyn snacks factory largely complete. The last of the biscuit lines purchased from Pioneer in 2015 was installed in Westmead early in the financial year and a R29,3 million deposit was paid ahead of a major project to increase capacity and capability on our Westmead chocolate biscuit lines. The Isando biscuit plant experienced a significant level of activity during the year which negatively impacted efficiencies as lines took time to bed down. The investment in our savoury and Good Morning lines will, however, improve capacity and efficiencies going forward.

Investment in the Rosslyn snacks factory has been an important underpin supporting improved profitability in the snacks category and further improvements are being evaluated.

Snackworks That's Good Times!

	2017 R'm	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 2017 vs 2016 %
REVENUE	**3 956,2**	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	8,6
OPERATING PROFIT	**666,4**	609,1	533,4	474,5	387,9	328,5	263,9	232,8	192,5	185,8	9,4
OPERATING MARGIN (%)	**16,8**	16,7	15,7	15,5	14,5	13,5	12,2	11,2	9,5	11,1	0,6
CAPITAL EXPENDITURE	**175,8**	239,2	225,1	76,1	143,9	171,8	117,6	46,6	44,8	58,3	(26,5)

Revenue increased by 8,8% from R2,17 billion to R2,36 billion due to selling price increases both domestically and internationally, including the benefit of the weaker Rand on export sales due to favourable forward exchange cover in place, much of it secured in the second half of the last financial year when rates were materially weaker. This was partly offset by a 6,8% decline in sales volume due to lower quota and higher proportion of processed fish sales in the current year.

Gross profit improved as a result of the currency benefit, selling price increases, lower fuel prices, and improvements in production yield and efficiency at both factories. The ongoing expansion of the abalone farm also contributed to the improved gross margin as a result of increased sales volume and additional fair value recognised on the increased level of growing stock. This was partly offset by increased fishing costs due to a decline in catch rates on the wet fleet, and the impact of the unprotected strike in August 2016.

Selling and administrative costs were well managed and operating profit increased from R331,0 million to R389,1 million, and the operating profit margin increased to 16,5%.

Simplot joint venture

In addition to the operating profit reflected above, I&J's joint ventures yielded equity earnings of R63,2 million, compared to R58,1 million last year. These earnings primarily relate to the joint venture with Simplot (Australia) Proprietary Limited which delivered improved retail and seafood trading results.

Capital expenditure

Capital expenditure of R128,7 million included the ongoing investment in the abalone farm expansion, backup power generators at key sites, and maintenance of the fishing fleet and processing facilities.

RSA hake resource

The South African hake total allowable catch ("TAC") decreased by 5% for the 2017 calendar year. I&J's quota for the 2017 calendar year is 37 901 tons, accounting for 27% of the TAC, with the Hake Inshore Trawl allocation decreasing from 34,0% to 18,4% following the 2016 Fishing Rights Allocation Process. The long-term Deep Sea hake rights expire at the end of 2020.

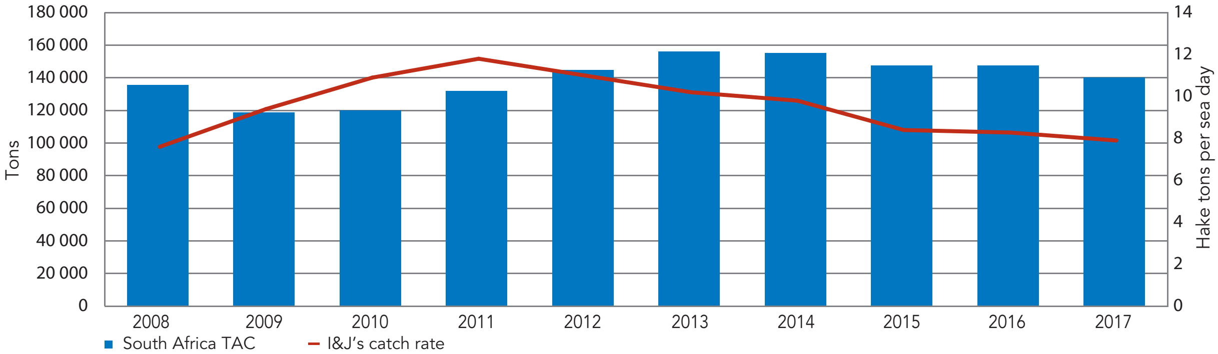
The TAC and I&J's quota for the last 10 years are summarised in the table on the following page.

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 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 two to three years I&J has caught a high proportion of small fish, negatively impacting 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 increase in the proportion of larger fish in the coming years as the current high volume of small fish mature.

	2017 R'm	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 2017 vs 2016 %
REVENUE	**2 362,7**	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	**8,8**
OPERATING PROFIT	**389,1**	331,0	248,4	244,6	165,8	178,6	92,1	74,3	237,9	160,4	**17,5**
OPERATING MARGIN (%)	**16,5**	15,2	12,7	13,4	10,4	11,8	6,7	5,4	14,9	10,9	**8,6**
CAPITAL EXPENDITURE	**128,7**	345,7	212,5	183,7	112,9	67,1	40,9	42,7	65,5	27,1	**(62,8)**

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



Hake quota

(tons)	**2017**	2016	2015	2014	2013	2012	2011	2010	2009	2008
South Africa	**140 126**	147 500	147 500	155 308	156 088	144 742	131 847	119 861	118 578	130 531
I&J	**37 901**	41 245	41 222	43 471	43 689	40 515	36 906	33 550	33 199	36 531
% of TAC	**27,0**	28,0	27,9	28,0	28,0	28,0	28,0	28,0	28,0	28,0

Fashion brands

	2017 R'm	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 2017 vs 2016 %
REVENUE	**3 108,7**	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	5,3
Indigo	**1 194,5**	1 096,4	1 033,0	1 043,8	982,1	918,1	890,3	802,8	730,2	623,5	8,9
Spitz	**1 497,4**	1 467,5	1 409,6	1 246,4	1 170,4	1 044,3	900,5	732,2	629,9	601,5	2,0
Green Cross	**371,9**	339,7	336,0	326,5	327,5	–	–	–	–	–	9,5
Other	**44,8**	47,1	50,6	42,6	38,2	42,8	51,8	48,7	40,5	28,3	(4,8)
OPERATING PROFIT	**607,5**	563,0	602,2	560,1	576,9	463,6	368,5	255,4	196,2	206,3	7,9
Indigo	**241,5**	218,0	198,0	172,0	167,1	155,7	132,4	104,7	94,5	73,4	10,8
Spitz	**339,9**	320,2	355,7	322,6	326,4	304,6	238,6	157,8	114,2	139,0	6,2
Green Cross	**26,8**	27,3	45,0	58,8	79,9	–	–	–	–	–	(1,8)
Other	**(0,7)**	(2,5)	3,5	6,7	3,5	3,3	(2,5)	(7,1)	(12,5)	(6,1)	71,5
OPERATING MARGIN (%)	**19,5**	19,1	21,3	21,1	22,9	23,1	20,0	16,1	14,0	16,5	2,1
Indigo	**20,2**	19,9	19,2	16,5	17,0	17,0	14,9	13,0	12,9	11,8	1,7
Spitz	**22,7**	21,8	25,2	25,9	27,9	29,2	26,5	21,6	18,1	23,1	4,0
Green Cross	**7,2**	8,0	13,4	18,0	24,4	–	–	–	–	–	(10,3)
Other	**(1,6)**	(5,4)	6,9	15,7	9,2	7,7	(4,8)	(14,6)	(30,9)	(21,6)	70,1
CAPITAL EXPENDITURE	**104,7**	153,9	108,3	88,5	80,3	85,7	113,3	138,6	49,4	89,3	(32,0)
Indigo	**55,6**	54,6	19,4	24,5	31,5	35,0	71,5	127,2	26,8	24,9	1,7
Spitz	**33,5**	60,3	46,9	32,6	44,0	49,3	41,6	11,2	21,1	55,3	(44,4)
Green Cross	**15,5**	30,2	39,1	31,2	3,5	–	–	–	–	–	(48,6)
Other	**0,1**	8,8	2,9	0,2	1,3	1,4	0,2	0,2	1,5	9,1	(99,1)

Personal Care

In the personal care category, Indigo's revenue from owned brands grew by 11,3%, a result of good price management and volume growth of 3,7%. Aerosol volumes remained solid, with market share gains in both male and female. There were good performances in lotions, roll-ons and colour cosmetics. Overall revenue growth was tempered by lower revenues from Coty; a consequence of the reduced fees agreed at the commencement of the financial year. New product launches into export markets performed well and offset declines in several key markets due to currency shortages and volatility.

Selling and administrative costs were well managed and operating profit grew by 10,8% to R241,5 million. The operating margin increased from 19,9% to 20,2%.

Capital expenditure

Capital expenditure of R55,6 million included the second 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

	2017 R'm	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 2017 vs 2016 %
REVENUE	**1 194,5**	1 096,4	1 033,0	1 043,8	982,1	918,1	890,3	802,8	730,2	623,5	**8,9**
OPERATING PROFIT	**241,5**	218,0	198,0	172,0	167,1	155,7	132,4	104,7	94,5	73,4	**10,8**
OPERATING MARGIN (%)	**20,2**	19,9	19,2	16,5	17,0	17,0	14,9	13,0	12,9	11,8	**1,5**
CAPITAL EXPENDITURE	**55,6**	54,6	19,4	24,5	31,5	35,0	71,5	127,2	26,8	24,9	**1,8**

YARDLEY LONDON · LENTHÉRIC LONDON • PARIS · COTY PARIS • NEW YORK · RIMMEL LONDON · adidas

Footwear and Apparel

Footwear and Apparel

	2017 R'm	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 2017 vs 2016 %
REVENUE	**1 914,1**	1 854,3	1 796,2	1 615,5	1 536,1	1 087,1	952,3	780,9	670,4	629,8	**3,2**
OPERATING PROFIT	**366,0**	345,0	404,2	388,1	409,8	307,9	236,1	150,7	101,7	132,9	**6,1**
OPERATING MARGIN (%)	**19,1**	18,6	22,5	24,0	26,7	28,3	24,8	19,3	15,2	21,1	**2,7**
CAPITAL EXPENDITURE	**49,1**	99,3	88,9	64,0	48,8	50,7	41,8	11,4	22,6	64,4	**(50,6)**

Includes Green Cross from 1 July 2012.

SPITZ KURT GEIGER

The Spitz business managed to achieve revenue growth of 2,0% in a difficult trading environment with selling price increases largely offset by a 14,4% decline in footwear sales volumes. Selling price increases mostly reflected the annualisation of increases taken in F16. No price increase was implemented for core ranges, supported by easing exchange rate driven cost pressures in the second semester. This supported improved second half performance which lifted full year growth.

Retail selling prices were closely managed and the gross profit margin increased to 58,7% from the previous year's 57,2%. Good cost management was supported by savings from a review of organisational structures, although these were largely offset by once-off implementation costs and the full benefit will only be seen in the 2018 financial year. Operating profit grew by 6,2% and the operating profit margin increased from 21,8% to 22,7%.

Capital expenditure

Spitz opened two new stores and closed one, while Kurt Geiger closed three stores and opened two new stores.

SPITZ KURT GEIGER	2017 R'm	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 2017 vs 2016 %
REVENUE	**1 497,4**	1 467,7	1 409,6	1 246,4	1 170,4	1 044,3	900,5	732,2	629,9	601,5	**2,0**
OPERATING PROFIT	**339,9**	320,2	355,7	322,6	326,4	304,6	238,6	157,8	114,2	139,0	**6,2**
OPERATING MARGIN (%)	**22,7**	21,8	25,2	25,9	27,9	29,2	26,5	21,6	18,1	23,1	**4,1**
CAPITAL EXPENDITURE	**33,5**	60,3	46,9	32,6	44,0	49,3	41,6	11,2	21,1	55,3	**(44,4)**

SPITZ CARVELA KURT GEIGER LACOSTE GANT nina roche TOSONI

SPITZ	2017	2016	2015	2014	2013	2012	2011	2010
NUMBER OF STORES	**77**	76	74	70	64	61	57	56
TURNOVER (R'm)	**1 287**	1 271	1 231	1 093	1 044	959	876	720
AVERAGE (m^2)	**19 776**	19 388	18 442	17 264	16 357	15 107	15 233	15 147
TRADING DENSITY (R/m^2)	**65 071**	65 550	66 767	63 300	63 820	63 460	57 480	47 539
CLOSING (m^2)	**20 037**	19 726	19 144	17 813	16 586	15 662	14 991	15 012

KURT GEIGER	2017	2016	2015	2014	2013	2012	2011	2010
NUMBER OF STORES	**33**	34	29	32	30	26	15	3
TURNOVER (R'm)	**211**	196	179	154	127	86	25	12
AVERAGE (m^2)	**4 135**	4 187	4 045	3 825	3 845	2 839	953	318
TRADING DENSITY (R/m^2)	**50 920**	46 883	44 139	40 175	32 897	30 140	26 149	38 241
CLOSING (m^2)	**4 115**	4 266	3 677	3 880	3 751	3 507	1 910	318

GREEN CROSS

Revenue grew 9,5% from R339,7 million to R371,9 million driven by new store openings. A 15,5% growth in retail sales was offset by a 4,7% decline in wholesale, reflecting ongoing competitive pressures within this channel and a consumer migration to retail outlets for higher priced footwear. Exchange rate pressure translated into above inflation price increases, although higher costs were not fully recovered because of extensive and sustained discounting by competitors, resulting in a slight decrease in gross profit margin. Overall sales volumes decreased by 4,6% with retail volumes up 3,2%.

Selling and administrative expenses rose above inflation, driven by the roll out of new stores, with full operating costs incurred for the eight new stores opened last year as well as costs for the four new stores opened in the current year. Centralised overhead costs remained flat, with inflationary increases offset by headcount reduction. Operating profit decreased marginally from R27,3 million to R26,8 million.

Capital expenditure

Capital expenditure declined from R30,2 million to R15,5 million with the completion of the store refurbishment programme. Investment in retail stores will continue during the 2018 financial year as the business continues to expand its footprint.

GREEN CROSS	**2017 R'm**	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	**Change 2017 vs 2016 %**
REVENUE	**371,9**	339,7	336,0	326,5	327,5	315,5	**9,5**
OPERATING PROFIT	**26,8**	27,3	45,0	58,8	79,9	82,6	**(1,8)**
OPERATING MARGIN (%)	**7,2**	8,0	13,4	18,0	24,4	26,2	**(10,0)**
CAPITAL EXPENDITURE	**15,5**	30,2	39,1	31,2	3,5	3,4	**(48,6)**

	2017	2016	2015	2014	2013	2012
NUMBER OF STORES	**42**	38	30	31	30	30
TURNOVER (R'm)	**275**	238	221	205	200	185
AVERAGE (m^2)	**4 925**	4 210	3 457	3 394	3 382	3 324
TRADING DENSITY (R/m^2)	**55 778**	56 484	64 021	60 416	59 014	55 524
CLOSING (m^2)	**5 218**	4 697	3 529	3 517	3 382	3 382


Urban style. Uncompromising comfort.
GREEN CROSS

AVI INTERNATIONAL

AVI International experienced a challenging year with continued foreign currency liquidity crises in Angola and Mozambique as well as in Zimbabwe. This has resulted in significant devaluation of local currencies and driven high inflation on imported goods, which has had a negative impact on demand in those markets.

AVI International's subsidiary operations in Botswana, Zambia and Namibia have had mixed performances during the year, with strengthening of the Rand against local currencies putting pressure on foreign currency-denominated earnings. Demand during the year was constrained and inflationary growth was high, driven by increased input costs across most product categories and currency fluctuations.

Strong growth has been achieved in some established distributor-serviced markets as well as new territories.

Freshpak has continued to show high levels of inflationary growth due to large price increases taken in response to increasing raw material input costs. Strong growth has been achieved on speciality teas.

Biscuits' performance has been constrained, with the poor conditions in Mozambique and Zimbabwe contributing significantly to the pressure on the category. Zimbabwe has implemented a complete prohibition on the importation of sweet biscuits. Further pressure is being brought to bear on the category across most markets by new entrants into the category with affordable product offerings.

The Personal Care portfolio achieved solid revenue growth over the prior year. Strong growth was achieved on affordable brands and product formats at the expense of the more premium offerings.

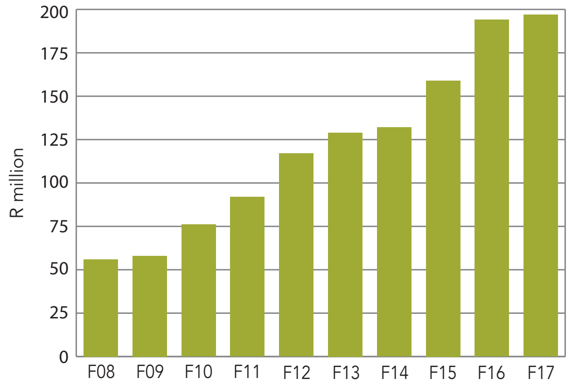
Snacks' revenue grew at a disappointing rate, with potato chip volumes constrained by availability of potatoes. Gross profit pressure due to aggressive competitor pricing constrained operating profit growth.

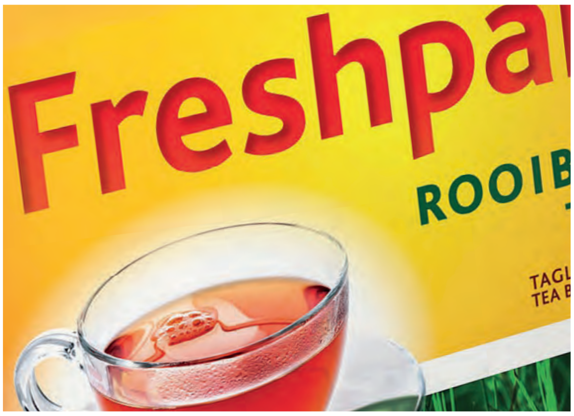
Creamer performance was significantly impacted during the year by the impact of new competitor product offerings which placed price pressure on the category.

The Coffee category achieved strong growth, driven mainly by good performance in most major markets of the Hug In A Mug speciality coffee range. Frisco has performed well against competitor products.

Overall operating profit growth over the prior year has been constrained based on the revenue growth achieved. This, together with pressure on gross profit margins, has resulted in a small growth in operating profit over the prior year and a small decrease in the operating profit margin, which remains healthy at 19,4%.

OPERATING PROFIT HISTORY





AVI International

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Change 2017 vs 2016
	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	%
REVENUE	**1 016,2**	962,2	879,6	769,0	639,4	557,5	497,8	446,1	392,9	315,5	**5,6**
OPERATING PROFIT	**196,9**	193,7	159,3	131,9	128,9	117,5	91,7	76,2	58,3	55,8	**1,7**
OPERATING MARGIN (%)	**19,4**	20,1	18,1	17,2	20,2	21,1	18,4	17,1	14,8	17,7	**(3,5)**

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

FIVE ROSES · Freshpak · frisco · Ellis Brown · BAKERS · Willards · YARDLEY LONDON · LENTHÉRIC LONDON • PARIS · COTY PARIS • NEW YORK

FINANCIAL REVIEW

AVI's high quality brand portfolio underpinned a sound result in a challenging environment characterised by low economic growth and constrained consumer spending.

Group revenue for the year increased by 8,2%, from R12,19 billion to R13,18 billion. Revenue growth was substantially due to higher selling prices in response to weaker Rand exchange rates achieved and higher raw material costs, offset by volume pressure in a constrained spending environment. The impact of Rand weakness in the second half of the prior financial year was deferred into the current year by our consistent hedging practices, with the result that last year's profit margins were protected while we had opportunity to negotiate compensatory selling price increases that have carried into the current year. Gross profit margins were well protected overall, dropping slightly from 43,9% to 43,7%, and recovered in the second semester as exchange rate driven cost pressure eased in line with Rand strengthening during the year. Gross profit rose by 7,8% to R5,76 billion while operating profit increased by 10,7%, from R2,15 billion to R2,39 billion underpinned by the improvement in gross profit and the containment of selling and administrative expenses. The operating profit margin increased from 17,7% to 18,1%.

Entyce and Snackworks both performed soundly, with good growth in operating profit notwithstanding pressure on sales volumes in most categories, and particularly the biscuit category in the second half. Indigo Brands delivered a pleasing result with good performance from owned brands and gains in market shares in key categories. Spitz had a much improved second half supported by lower selling price inflation in line with the stronger Rand, resulting in credible growth for the full year in the current environment. Green Cross was adversely impacted by extensive and sustained discounting of competing product ranges which constrained sales volumes and selling prices, resulting in a slight decrease in operating profit for the year. I&J achieved profit growth mainly from favourable exchange rates, although the result was tempered by an operating profit shortfall of approximately R25 million due to a three-week unprotected strike at the trawling operations in August 2016.

Headline earnings rose 10,3%, from R1,49 billion to R1,65 billion with the growth in operating profit and an improved result from I&J's Australian joint venture partially offset by higher finance costs in line with higher interest rates. Headline earnings per share increased 9,4% from 464,1 cents to 507,7 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.

Capital items includes an impairment of R150,0 million provided against the Green Cross trademark in recognition of the longer period required to grow the business to its target profitability.

Cash generated by operations, before working capital changes, increased 8,4% to R2,99 billion. Working capital rose R675,0 million, reflecting good trading in May and June and lower raw material creditors due to different timing of deliveries compared to last year. Capital expenditure of R545,6 million, which included capacity and efficiency projects in the manufacturing operations as well as new and refurbished stores in the retail businesses, was materially lower than last year, which included R259,9 million for I&J's new vessels. Other material cash outflows during the period were dividends of R1,24 billion and taxation of R546,7 million. Net debt at the end of June 2017 was R1,44 billion compared to R1,43 billion at the end of June 2016.

Segmental review

Year ended 30 June

	Segmental revenue			Segmental operating profit		
	2017 R'm	2016 R'm	Change %	**2017 R'm**	2016 R'm	Change %
Food & Beverage brands	**10 076,0**	9 236,9	9,1	**1 790,6**	1 601,8	11,8
Entyce Beverages	**3 757,1**	3 421,9	9,8	**735,1**	661,7	11,1
Snackworks	**3 956,2**	3 643,2	8,6	**666,4**	609,1	9,4
I&J	**2 362,7**	2 171,8	8,8	**389,1**	331,0	17,6
Fashion brands	**3 108,6**	2 950,7	5,4	**607,5**	563,0	7,9
Personal Care	**1 194,5**	1 096,4	8,9	**241,5**	218,0	10,8
Footwear & Apparel	**1 914,1**	1 854,3	3,2	**366,0**	345,0	6,1
Corporate	**–**	1,3		**(12,8)**	(10,2)	
Group	**13 184,6**	12 188,9	8,2	**2 385,3**	2 154,6	10,7

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 127 to 130, 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

	2017	2016	2015	2014	2013
Financial ratios (%)					
– Operating margin	**18,1**	17,7	17,0	16,7	16,6
– Return on capital employed	**28,0**	27,9	28,3	27,6	27,4
– Net working capital as a percentage of revenue	**22,4**	20,3	18,6	18,5	19,1
– EBITDA (R'm)	**2 782,7**	2 504,7	2 227,9	1 998,6	1 785,2
Liquidity					
– Free cash flow (R'm)	**1 091,9**	782,9	709,3	970,1	551,2
– Free cash flow per ordinary share (cents)	**336,8**	243,5	222,4	309,1	179,5
– Net debt/capital employed (%)	**22,9**	24,1	23,4	7,6	15,6
– Interest cover ratio	**18,3**	19,4	38,3	41,3	33,9
Employees at 30 June	**10 944**	11 587	11 100	10 834	10 500
Revenue – continuing operations (R'm)	**13 184,6**	12 188,9	11 243,7	10 267,4	9 218,3
Revenue per employee (R'000)	**1 204,7**	1 051,9	1 012,9	947,7	877,9

Share statistics – five-year summary

	2017	2016	2015	2014	2013
Number of ordinary shares in issue ('000)	**350 799**	347 558	346 701	344 938	343 953
Weighted average number of ordinary shares in issue ('000)	**324 230**	321 536	318 940	313 804	306 994
Share performance – continuing operations (cents per share)					
Earnings	**479,0**	460,7	417,7	419,3	340,1
Diluted earnings	**475,2**	455,4	410,9	409,3	325,5
Headline earnings	**507,7**	464,1	419,7	383,6	341,2
Diluted headline earnings	**503,6**	458,8	412,9	374,5	326,5
Dividends declared (excluding special dividends)	**405**	370	332	300	260
Dividend cover (times)	**1,25**	1,25	1,25	1,25	1,25
Market price per share (cents)					
– At year end	**9 500**	8 300	8 155	6 125	5 945
– Highest	**10 481**	9 296	8 900	6 301	6 338
– Lowest	**8 182**	7 050	5 897	4 917	4 952
– Volume weighted average	**9 307**	8 288	7 541	5 630	5 662
Total market capitalisation at closing prices (R'm)	**33 325,9**	28 847,3	28 273,4	21 127,5	20 448,0
Price earnings ratio[1]	**18,7**	17,9	19,4	16,0	17,4
Value of shares traded (R'm)	**22 727,6**	24 558,2	15 090,3	11 390,4	15 022,0
Value traded as a percentage of average capitalisation (%)	**69,6**	85,3	57,7	58,7	77,1
Number of shares traded (millions)	**244,2**	296,3	200,1	202,3	265,3
Liquidity – number traded as percentage of shares in issue at year end (%)	**69,6**	85,3	57,7	58,7	77,1
Average weekly Rand value traded (R'm)	**445,6**	481,5	295,9	223,3	294,5

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

Value added statement

	2017 R'm	2017 %	2016 R'm	2016 %
VALUE ADDED				
Revenue	13 184,6		12 188,9	
Cost of materials and services	7 453,4		6 857,9	
Value added by operations	5 731,2	101	5 331,0	99
Capital items (gross)	(127,5)	(2)	(14,3)	0
	5 603,7	99	5 316,7	99
Investment and other income	68,3	1	64,6	1
	5 672,0	100	5 381,3	100
VALUE DISTRIBUTED AND RETAINED				
Employees				
Salaries, wages and other benefits	2 516,9	44	2 409,2	45
Providers of capital	1 619,5	29	1 471,8	27
Dividends paid to Group shareholders	1 240,9	22	1 126,9	21
Interest paid	157,5	3	135,9	3
Operating lease expenses	221,1	4	209,0	4
Government	833,2	15	799,4	15
Taxation	833,2	15	799,4	15
Reinvested in the Group	702,4	12	700,9	13
Depreciation	393,7	7	346,6	6
Profit for the year	1 553,2	27	1 481,2	28
Dividends paid	(1 244,5)	(22)	(1 126,9)	(21)
	5 672,0	100	5 381,3	100

Group at a glance

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	Change 2017 vs 2016 %
AVI (continuing operations)						
Revenue	**13 184,6**	12 188,9	11 243,7	10 267,4	9 218,3	8,2
Operating profit	**2 385,3**	2 154,6	1 916,9	1 712,5	1 526,2	10,7
Operating margin (%)	**18,1**	17,7	17,0	16,7	16,6	2,3
Capital expenditure	**545,6**	881,8	848,9	531,9	566,9	(38,1)
Entyce Beverages						
Revenue	**3 757,1**	3 421,9	3 041,2	2 717,4	2 414,9	9,8
Operating profit	**735,1**	661,7	545,2	442,4	397,8	11,1
Operating margin (%)	**19,6**	19,3	17,9	16,3	16,5	1,6
Capital expenditure	**127,2**	130,7	196,6	180,4	219,8	(2,6)
Snackworks						
Revenue	**3 956,2**	3 643,2	3 405,3	3 057,9	2 681,6	8,6
Operating profit	**666,4**	609,1	533,4	474,5	387,9	9,4
Operating margin (%)	**16,8**	16,7	15,7	15,5	14,5	0,6
Capital expenditure	**175,8**	239,2	225,1	76,1	143,9	(26,5)
I&J						
Revenue	**2 362,7**	2 171,8	1 960,5	1 823,1	1 591,9	8,8
Operating profit	**389,1**	331,0	248,4	244,6	165,8	17,5
Operating margin (%)	**16,5**	15,2	12,7	13,4	10,4	8,6
Capital expenditure	**128,7**	345,7	212,5	183,7	112,9	(62,8)
Fashion brands						
Revenue	**3 108,6**	2 950,7	2 829,2	2 659,3	2 518,2	5,3
Operating profit	**607,5**	563,0	602,2	560,1	576,9	7,9
Operating margin (%)	**19,5**	19,1	21,3	21,1	22,9	2,1
Capital expenditure	**104,7**	153,9	108,3	88,5	80,3	(32,0)
Personal Care						
Revenue	**1 194,5**	1 096,4	1 033,0	1 043,8	982,1	8,9
Operating profit	**241,5**	218,0	198,0	172,0	167,1	10,8
Operating margin (%)	**20,2**	19,9	19,2	16,5	17,0	1,5
Capital expenditure	**55,6**	54,6	19,4	24,5	31,5	1,8
Footwear & Apparel						
Revenue	**1 914,1**	1 854,3	1 796,2	1 615,5	1 536,1	3,2
Operating profit	**366,0**	345,0	404,2	388,1	409,8	6,1
Operating margin (%)	**19,1**	18,6	22,5	24,0	26,7	2,7
Capital expenditure	**49,1**	99,3	88,9	64,0	48,8	(50,6)
Spitz (including Kurt Geiger stores)						
Revenue	**1 542,2**	1 514,6	1 460,0	1 289,0	1 208,6	1,8
Operating profit	**339,2**	317,7	359,2	329,3	330,0	6,8
Operating margin (%)	**22,0**	21,0	24,6	25,5	27,3	4,8
Capital expenditure	**33,6**	69,1	49,8	32,8	45,3	(51,4)
Green Cross						
Revenue	**371,9**	339,7	336,0	326,5	327,5	9,5
Operating profit	**26,8**	27,3	45,0	58,8	79,9	(1,8)
Operating margin (%)	**7,2**	8,0	13,4	18,0	24,4	(10,0)
Capital expenditure	**15,5**	30,2	39,1	31,2	3,5	(48,6)

Group balance sheets – five-year summary

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
ASSETS					
Non-current assets					
Property, plant and equipment	**3 480,8**	3 352,4	2 839,0	2 317,1	2 088,2
Intangible assets and goodwill	**994,0**	1 145,4	1 146,6	1 146,6	1 145,6
Investments	**376,9**	414,5	357,4	406,8	375,1
Deferred taxation	**24,1**	24,6	30,8	41,8	45,4
	4 875,8	4 936,9	4 373,8	3 912,3	3 654,3
Current assets					
Inventories and biological assets	**2 068,8**	1 889,6	1 572,5	1 382,7	1 270,7
Trade and other receivables including derivatives	**2 074,9**	1 895,5	1 625,2	1 509,1	1 425,8
Cash and cash equivalents	**246,7**	309,1	462,5	298,5	212,4
Assets classified as held-for-sale	**–**	–	–	–	5,6
	4 390,4	4 094,2	3 660,2	3 190,3	2 914,5
Total assets	**9 266,2**	9 031,1	8 034,0	7 102,6	6 568,8
EQUITY AND LIABILITIES					
Capital and reserves					
Attributable to equity holders of AVI	**4 851,7**	4 489,5	3 940,5	4 216,2	3 677,6
Total equity	**4 851,7**	4 489,5	3 940,5	4 216,2	3 677,6
Non-current liabilities					
Operating lease straight-line liabilities	**12,8**	10,6	12,0	16,2	16,1
Employee benefit liabilities	**379,7**	342,9	383,6	348,5	347,9
Deferred taxation	**375,6**	354,9	290,7	269,8	240,3
	768,1	708,4	686,3	634,5	604,3
Current liabilities					
Current borrowings	**1 690,8**	1 737,7	1 665,1	647,5	893,5
Trade and other payables including derivatives	**1 925,8**	2 081,7	1 731,3	1 599,8	1 375,7
Current tax liabilities	**29,8**	13,8	10,8	4,6	17,5
Liabilities classified as held-for-sale	**–**	–	–	–	0,2
	3 646,4	3 833,2	3 407,2	2 251,9	2 286,9
Total equity and liabilities	**9 266,2**	9 031,1	8 034,0	7 102,6	6 568,8

Group income statements – five-year summary

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm*
CONTINUING OPERATIONS					
Revenue	**13 184,6**	12 188,9	11 243,7	10 267,4	9 218,3
Operating profit before capital items	**2 385,3**	2 154,6	1 916,9	1 712,5	1 526,2
Income from investments	**5,1**	6,5	7,1	7,6	10,4
Finance costs	**(157,5)**	(135,9)	(65,3)	(56,0)	(63,1)
Equity accounted earnings of joint ventures	**63,2**	58,1	9,5	28,5	23,9
Capital items	**(127,5)**	(14,3)	(8,7)	138,0	(4,6)
Profit before taxation	**2 168,6**	2 069,0	1 859,5	1 830,6	1 492,8
Taxation	**(615,4)**	(587,8)	(527,2)	(514,9)	(448,6)
Profit after taxation	**1 553,2**	1 481,2	1 332,3	1 315,7	1 044,2
Earnings attributable to owners of AVI	**1 553,2**	1 481,2	1 332,3	1 315,7	1 044,2
Capital items after tax	**92,8**	11,0	6,4	(111,9)	3,3
Headline earnings	**1 646,0**	1 492,2	1 338,7	1 203,8	1 047,5

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

Group cash flow statements – five-year summary

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm*
CONTINUING OPERATIONS					
Operating activities					
Cash generated by operations before working capital changes	**2 993,6**	2 761,8	2 395,3	2 102,8	1 750,6
Increase in working capital	**(675,0)**	(469,3)	(301,7)	(101,1)	(194,1)
Cash generated by operations	**2 318,6**	2 292,5	2 093,6	2 001,7	1 556,5
Interest paid	**(157,5)**	(135,9)	(65,3)	(56,0)	(63,1)
Taxation paid	**(546,7)**	(508,6)	(487,5)	(465,1)	(406,6)
Net cash available from operating activities	**1 614,4**	1 648,0	1 540,8	1 480,6	1 086,8
Investing activities					
Cash flow from investments	**5,1**	6,5	7,1	7,6	10,4
Property, plant and equipment – net investment	**(527,6)**	(871,6)	(838,6)	(518,1)	(546,0)
Intangible assets purchased	**(2,3)**	(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	**79,1**	53,3	28,2	27,1	69,4
Net cash used in investing activities	**(445,7)**	(814,2)	(806,6)	(337,4)	(892,3)
Financing activities					
Net increase in shareholder funding	**63,3**	56,3	44,8	93,9	85,9
(Decrease)/increase in short-term funding	**(46,9)**	72,6	1 017,7	(246,1)	830,9
Dividends paid	**(1 244,5)**	(1 126,9)	(1 634,7)	(910,2)	(1 195,4)
Net cash used in financing activities	**(1 228,1)**	(998,0)	(572,2)	(1 062,4)	(278,6)
DISCONTINUED OPERATIONS	**–**	–	–	–	39,3
(Decrease)/increase in cash and cash equivalents	**(59,4)**	(164,2)	162,0	80,8	(44,8)
Cash and cash equivalents at beginning of year	**309,1**	462,5	298,5	212,4	242,1
	249,7	298,3	460,5	293,2	197,3
Translation of cash equivalents of foreign subsidiaries at beginning of year	**(3,0)**	10,8	2,0	5,3	15,1
Cash and cash equivalents at end of year	**246,7**	309,1	462,5	298,5	212,4
Attributable to:					
Continuing operations	**246,7**	309,1	462,5	298,5	212,4

** 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 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 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 re-assessment 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 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 • Meetings to resolve queries on specific matters, e.g. the remuneration policy
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, 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 "whistleblowing" 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

Fishing resources

The Company's primary exposure to scarce resources that could materially impact its business is the performance of 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 that were allocated in 2005 expired at the end of 2015 and had to be reapplied for by means of the 2015 Fishing Rights Allocation Process ("FRAP2015"). After numerous delays in the process, the Department of Agriculture, Forestry and Fisheries ("the Department") announced the outcomes of the applications to the respective sectors between the end of 2016 and middle of 2017. Based on the allocation process I&J was allocated 9,3% of the Hake Inshore Trawl (previously 34,1%) and 4,3% of the Horse Mackerel (previously 11,7%) total allowable catch. No rights were awarded to I&J for Patagonian Toothfish or Kelp.

As provided for in FRAP2015 and, owing to concerns identified by I&J in regard to the allocations granted, I&J appealed to the Department against the outcome of each sector for which allocations had been announced. To date only the Hake Inshore Trawl appeal has been adjudicated by the Department which resulted in I&J's allocation being increased from 9,3% to 18,4%. Although the outcome of the Hake Inshore Trawl appeal addressed a number of concerns which had been raised by I&J and the fishing industry in general, the Department has yet to issue individual score calculations supporting the final allocation following the appeal process. As such, I&J has been unable to verify whether or not the final allocations of Hake Inshore Trawl rights allocated following the appeals process are fair and reasonable. Despite this the decision in the Hake Inshore Trawl rights appeal confirmed the requirement to follow the established allocation methodology.

The remainder of the FRAP2015 rights, currently under appeal, are expected to be adjudicated by the Department's appeal board in the near future.

The current Hake Deep Sea Trawl long-term rights expire at the end of 2020. The Department has indicated that they intend to initiate this rights allocation process during the course of 2018. Whereas I&J's experience in FRAP2015 has created a level of uncertainty regarding the 2020 process, I&J is working hard to be successful in that process.

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 allowable 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 and 2017, resulting in an I&J quota of 37 901 tons (including the recently allocated Hake Inshore Trawl quota). The TAC remained unchanged in 2016. In the past two to three years I&J has caught a high proportion of small fish, negatively impacting 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 a 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 biodiversity. 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 ASC. 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.

Water

I&J is highly dependent on potable water to produce ice for the fishing operations as well as for the processing and cleaning of fish at both the Woodstock Primary Process and Paarden Island Value Added Processing facilities. To date, I&J has implemented a number of water saving initiatives across the business, resulting in a significant reduction in usage. However, in view of the ongoing drought in the Western Cape and risk of significant water supply restrictions in Cape Town, I&J has engaged with both government and water specialists to assist in the process of investigating alternatives with a view to securing the supply of water sufficient to maintain operations, into the future.

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 and appropriate and revised activities were agreed upon, where necessary.

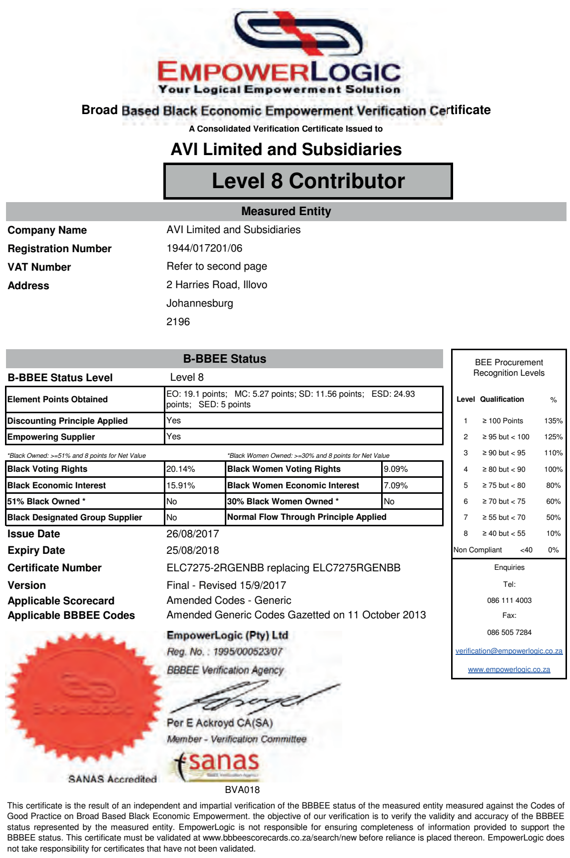
From FY10 to FY14, on the original BBBEE Codes of Good Practice, AVI materially improved its rating from a level 6 contributor (at 53,78%) to a level 4 contributor (at 70,25%). Since 2015 the verifications have been done against the amended Codes. The 2017 consolidated score was level 7 (65,86 points), 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, FY16 and FY17 scorecard elements is set out below. As the amended Codes differ significantly from the "old" Codes, a comparison to years prior to 2015 would not be meaningful without an accompanying analysis of the underlying data.

Three-year BBBEE scorecard

Element	2017 %	2016 %	2015 %
Ownership	**76,39**	58,20	55,95
Management control	**27,74**	24,33	25,94
Skills development	**57,82**	68,73	69,26
Enterprise and supplier development	**62,31**	56,66	43,09
Socio-economic development	**100**	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 Contributor

Measured Entity

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

B-BBEE Status

B-BBEE Status Level	Level 8
Element Points Obtained	EO: 19.1 points; MC: 5.27 points; SD: 11.56 points; ESD: 24.93 points; SED: 5 points
Discounting Principle Applied	Yes
Empowering Supplier	Yes

*Black Owned: >=51% and 8 points for Net Value
*Black Women Owned: >=30% and 8 points for Net Value

Black Voting Rights	20.14%	Black Women Voting Rights	9.09%
Black Economic Interest	15.91%	Black Women Economic Interest	7.09%
51% Black Owned *	No	30% Black Women Owned *	No
Black Designated Group Supplier	No	Normal Flow Through Principle Applied	

Issue Date	26/08/2017
Expiry Date	25/08/2018
Certificate Number	ELC7275-2RGENBB replacing ELC7275RGENBB
Version	Final - Revised 15/9/2017
Applicable Scorecard	Amended Codes - Generic
Applicable BBBEE Codes	Amended 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 (Pty) Ltd
Reg. No. : 1995/000523/07
BBBEE Verification Agency

Per E Ackroyd CA(SA)
Member - Verification Committee

SANAS Accredited
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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 76,39% and met the 40% threshold for Net Value (one of the sub-elements of equity ownership). This is in part 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 16 855 participants have benefited from the scheme and received a total gross benefit of R776,8 million, including 1 543 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 R101,3 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 3 November 2016.

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 R27,8 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.

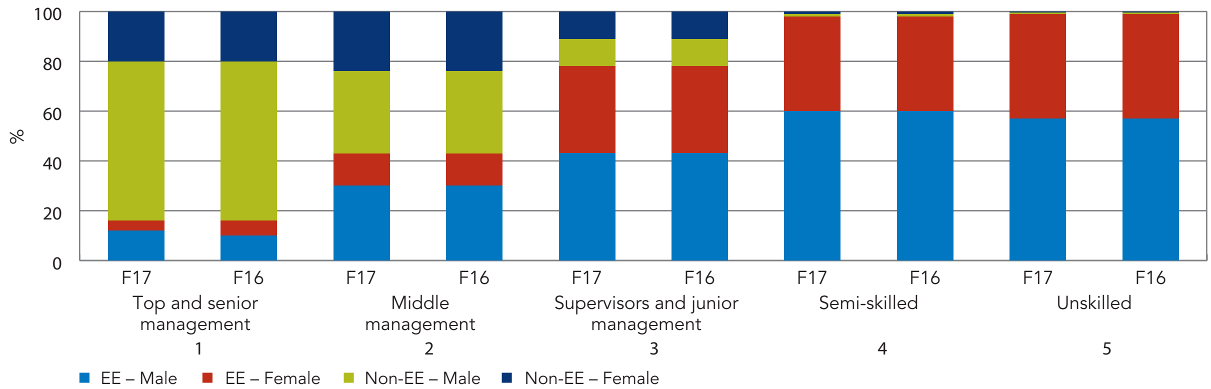
Management control

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

The Company achieved a score of 27,74%. 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 the central learning and development service has made material progress over the 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 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 excellence in implementing occupationally directed training 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 R7,5 million. Total SETA funding to the Company during FY17 was R10,2 million.

The Group skills development facilitator continues to focus on the management of learnership programmes, apprenticeships, internships, and graduate and work experience programmes and during the year the Company had 700 learners (the majority of whom were black) on these types of skills development programmes.

Learnership programmes remain a priority through the Group, particularly in I&J and Field Marketing. Field Marketing is currently supporting 121 learners on key programmes including Contact Centre Operations and Support. In I&J, 177 people received formal training in the past year on programmes including NQF2 Production Technology, NQF1 Food and Beverage Handling and NQF2 Fish and Seafood. Indigo Brands trained 32 learners and focused their attention on Production Technology and Stores & Warehousing learnership programmes. Green Cross put nine unemployed learners through learnership programmes in Manufacturing Processes, of whom five were retained as permanent employees. Spitz successfully enrolled 115 people on the Unisa retail programmes, including Retail Management and Introduction to Retail. Ciro enabled 12 unemployed people to complete their Barista Upliftment Programme. Snackworks trained 11 people in Production Technology and 54 on NQF4 Generic Management.

The AVI Graduate Programme, started in FY16, has now been running for 18 months. There are currently 12 engineering graduates on the programme, all of whom are actively involved in projects at their respective workplaces. Feedback from the sites and the executive mentors has been extremely positive. All 12 graduates – joined by other recognised young talent from across the Group – were enrolled on the Duke Corporate Education junior leadership programme. Other ongoing business skills programmes are run in areas as and where required, including programmes such as computer skills, financial acumen, assertive communication, and performance management.

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 and a pilot programme was implemented in FY17 to secure full accreditation. The programmes include Food Safety and certain Baking elective modules, such as Mixing, Forming and Baking. Final approval of the programmes is currently under way and full accreditation is expected by November 2017.

In the past year the Company has continued to focus on the development of online training courses in an effort to reduce the cost and complexity of classroom-based programmes, particularly in the retail businesses. Spitz launched a customer service online programme to 960 employees, 600 of whom have already completed the programme, which has been well received. Ciro launched, inter alia, the Vending Excellence Certificate, the Lavazza Excellence Certificate, the Tea Excellence Certificate and the Ciro Contact App. Indigo is currently developing an online Quality Management System. Online training programmes will continue to be identified to replace classroom options where possible.

FY17 saw the launch of the Sales Academy, which is focused on enhancing commercial and business acumen as well as providing development for the progression of top performers within Field Marketing into the business unit sale's structures. The programme was well received by attendees from Field Marketing and International. Participation by the National Brands' sales teams will take place during FY17.

The amount spent on recorded skills development initiatives in FY17 was R35,2 million, an amount equivalent to 1,6% of leviable amount. Of the total workforce 4 419 employees or 49% (including permanent and fixed term contract employees), were trained during the year, 92% of whom were black (African, Coloured and Indian).

The Company achieved a score of 57,82% in the June 2017 verification and met the required 40% threshold. Skills development remains a priority area for the Company.

Enterprise and supplier development

Under the amended 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 with a focus on favouring local empowering suppliers (as defined in the amended Codes), plays a large role in the Company's enterprise and supplier development strategy. Measured on the amended Codes, the Company scored 62,31%, a further improvement over the 56,66% scored in 2016 and 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 (67,23%) and enterprise development (100%) but failed to meet the threshold in supplier development. There was, however, an improvement in the supplier development score from 9,89% in 2016 to 31,2% in 2017 and procurement continue working on this element. In particular the Group Supplier Development Manager 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

	2017	2016
Number of permanent employees (South Africa at 30 June)	**8 535**	8 677
Gender split (%)		
Male	**59**	59
Female	**41**	41
Ethnic split (%)		
African	**63**	62
White	**8**	9
Indian/Chinese	**4**	4
Coloured	**24**	24
Non-South African	**1**	1
Ethnic and gender split (%)		
Black (African, Indian/Chinese and Coloured) male	**53**	53
White male	**5**	5
Black female	**37**	37
White female	**4**	4

Approximately 37,77% 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 84 disabling injuries resulting in 1 034 lost days and achieved a DIFR of 0,60 for the year, a slight deterioration over the previous year's rating of 0,57. 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 an increase in class 2 and 3 injuries but a decrease in class 1 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. Three of the Company's employees suffered class 1 injuries – a reduction in the seven class 1 incidents experienced the previous year – comprising one crush injury, one finger amputation and one partial finger amputation, all owing to inattention or lack of communication while using equipment. 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.

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, and the Isando coffee and creamer factory are FSSC 22000 certified (version 3), an international standard for the certification of Food Safety Management Systems. The Westmead and Isando biscuit factories have maintained certification to the AIB (American Institute of Baking) Food Safety Standard, a certification which the Rosslyn snack factory has also recently achieved. The Durban tea factory and Rosslyn snack factory are both ISO 22000 (food safety quality management system) certified. The biscuits, snacks, coffee and creamer, and tea factories have all acquired their Certificates of Acceptability from their local municipal authorities and the Isando biscuits factory has maintained its OHSAS 18001 certification. The Indigo Brands cosmetics factory is ISO 9001 (quality management system) and SANS 1851 (Control of Quality: Trade Metrology Act) certified. The I&J Woodstock and Valued Added Processing sites have "A" listed BRC (British Retail Consortium for Global Standards), Higher Level IFS (International Food Standard) global food safety certification, MSC 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 SANAS 17025 accreditation and the Auckland Cold Store in Paarden Eiland is ISO 22000 accredited and ZA282 certified (certification by the Department of Agriculture allowing the export of frozen product into the Southern African Development Community). The I&J chicken processing plant is ZA111 certified (certification by the Department of Agriculture allowing the processing of chicken products). 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 out-reach programme 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 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 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 R23,2 million was available to the Company's CSI programmes. As at 30 June 2017, R22,8 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:

- The Supplementary Trust, part of the Star Schools Programme, established two new centres in Winterveldt and Durban. They support 270 students from 19 beneficiary schools who attend the Star Schools Programme. Learners are assisted over a three-year period, from grades 10 to 12, and are provided with expert tuition on Saturdays and during the school holidays, necessary study materials, as well as career guidance, transport and food.
- 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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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 Diepsloot Foundation (previously St Mungo Diepsloot Community Action) allows disadvantaged 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 7 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. The Company also contributes 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. REAP has supported 479 students from all nine provinces, enrolled at 16 universities and studying a broad range of disciplines. To date 66% of these students have successfully completed their studies, 75% of whom have found full-time permanent employment. 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.
- The Rapport Onderwysfonds which supports young students from disadvantaged communities with bursaries to enable them to gain a tertiary education qualification with a view to qualifying as teachers. In 2016 the Company sponsored 12 new bursary recipients.
- The St Mary's School Waverley Foundation which provides critical resources and opportunities to girls from disadvantaged communities by supporting their education and training as teachers, and the funding of community affairs programmes. The Company has committed to the funding for one girl for five years to enable her to complete her studies. The bursary includes payment for tuition, boarding, study materials, uniforms, and extra-mural activities, including money to provide the necessary equipment for cultural and sporting activities.

1. Red Cross Children's Hospital Trust
2. Learn to Earn
3. Peninsula School Feeding Association
4. Symphonia
5. Kliptown Youth Service
6. Love Trust


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6

- The Learn to Earn foundation which trains students in Basic Computer skills, Office Administration, Sewing and Baking for Profit. The Company sponsored 62 students with a completion rate of 96%.

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 (the Nokuphila School) to train early childhood development educators in and around Tembisa. The Company sponsors the employment of an ECD trainer and made a contribution towards the completion of the school building. The school currently accommodates 340 learners in 17 classes from grades 000 to 6.
- 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. Over 320 000 children have been through the "Waterwise" programme since its inception in 2011.
- 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, in collaboration with government and the Red Cross Children's Trust, the establishment of the Child Speech and Hearing Clinic at the Mitchell's Plain 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 three schools in the Gansbaai district. Following completion of the programme these schools will be given "eco-school" status.
- 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 of ensuring a sustainable future for the children and empowering the communities to develop generations of productive citizens.
- Arebaokeng Hospice, which operates a terminal and respite care hospice, and day care centre for orphans and vulnerable children in Tembisa. The Company contributed towards the cost of building and equipping the facility and has a further five-year commitment to assist with running costs.
- Both Sides of the Story, which aims to improve relationships between parents, educators and learners through improved communication and mutual understanding.
- The Young Entrepreneur Foundation Programme, which teaches children between the ages of seven and 15 vital entrepreneurial and financial literacy skills and helps them to start and grow their own micro-enterprises in a fun and experiential way.

The Company has also been involved in or made donations to a number of smaller but just as important initiatives, such as the Regenesys Foundation, Look Good Feel Better, Heartworks, Carel du Toit Trust, Symphonia for Africa, and (through the Green Initiative programme in Epping to which Green Cross contributes) the Langa Baptist Church and the Church of Nazarene which both run soup kitchens and hand out food parcels to the homeless, as well as the Cart Horse Protection Association and the Khayelitsha Special 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 impact and a physical impact on the environment, accepts responsibility for such impacts, 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 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 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.

	Indicator	Unit	Data				
			2017	2016	2015	2014	2013
1	**Total water consumption by source**						
1.1	Municipal*	Litres	**927 850 679**	1 094 362 412	1 063 057 427	1 043 354 478	981 630 869
1.2	Ground water (borehole)	Litres	**1 811 000**	1 301 000	2 224 000	2 152 000	43 690 000
2	**Total energy consumption**						
2.1	Purchased electricity	kWh	**102 473 146**	107 211 709	99 915 717	106 484 439	104 363 238
2.2	Coal	Tons	**13 219**	19 612	14 038	13 541	14 364
2.3	Petrol	Litres	**1 062 496**	1 138 870	1 155 078	996 017	1 089 360
2.4	Diesel	Litres	**6 790 025**	10 585 592	9 481 650	12 268 956	19 039 640
2.5	Liquefied petroleum gas ("LPG")	Litres	**1 747 653**	1 961 562	1 680 034	1 823 823	1 591 998
2.6	Natural gas	Cubic metres	**3 130 938**	3 396 701	3 289 399	3 482 760	3 283 150
2.7	Marine/heavy fuel oil*	Litres	**16 141 409**	14 071 795	10 727 200	8 234 325	–
2.8	Paraffin	Litres	**422 060**	821 770	855 096	970 877	1 064 317
3	**Carbon emissions for above indicators**						
3.1	Total carbon emissions	Metric tons	**221 358**	231 568	188 626	196 794	216 558
3.2	Carbon emissions per employee	Metric tons	**25,51**	26,69	22,66	24,44	28,24

** The FY16 municipal water consumption for Green Cross was restated by 2 908 kilolitres to reflect municipal credits given after year-end.*

Owing to ongoing initiatives the past year has seen reductions across the Group in the majority of energy sources with a resultant reduction in total carbon emissions and carbon emissions per employee. The Company will continue defining and implementing the scope and methods of monitoring and reporting on these issues as well as setting relevant objectives and targets (within the operational objectives of the Company) and managing 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 impacts. 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 have maintained their ISO 14001 certification. 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 MSC'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 under utilised 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.
  - The installation of a photovoltaic array on the rooftop of the extended Bryanston office to provide clean energy and the installation of louvres which passively control heat gain allowing for maximum heat gain in winter and maximum shade in summer, ensuring that the building responds precisely to the various sun angles along the full length of its perimeter.

  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, whilst 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 on-board 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, re-using waste wherever possible, and recycling waste that cannot be eliminated or re-used. 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. Green Cross in particular is part of a Green Initiative programme in Epping involving the collection of recycled waste paper and cardboard by a local recycling business (also generating job creation) and contribution of a part of the proceeds received for the waste towards the Epping City Improvement District. These funds are then used to support various charitable organisations in Cape Town. The programme therefore supports not only

the environment but also directly contributes to the society in which Green Cross operates. Green Cross was awarded a Green Certificate for its role in this programme and is recognised by both Wasteplan and the City of Cape Town.

Other initiatives include the following:

- 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 down-gauging 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 with 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 completed during FY18.

• **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 SFI (Sustainable Forestry Initiative) and FSC certified, renewable resources 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 FSSC 22000, 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.

During the first half of FY17 four non-compliance notices were issued to the Westmead biscuit factory by the eThekwini Municipality's Pollution Control Division and Water and Sanitation Division and fines were levied in the amount of R4 000,00. There have, however, been no further notices issued or fines levied following the outsourcing of management of the effluent plant to a specialist company. The Isando biscuit factory received 14 non-compliances notices and fines in the amount of R29 892,00 were issued for high levels of aluminium and sodium owing to the type of flocculent used in the plant, high pH levels and commissioning of the new effluent plant. The Isando coffee factory received four non-compliance notices and fines in the amount of R86 200,00 for high COD and sodium levels in the waste water. A mini-upgrade of the effluent plant has now been done and a full effluent plant project is in progress in order to improve the effectiveness of the plant in FY18, which will include automation and outsourcing of the management of the plant. 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 monitoring and addressing changes brought about by relevant legislation, including the Carbon Tax Bill, the Health Promotion Levy on sugary beverages, Healthy Food Options, advertising to children, sodium reduction regulations and numerous food safety and packaging regulations, including the Global Trade Item Number Management Standard. 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 for senior employees in general, and an environment in which it is harder to attract the best people. This has been mitigated to some extent by the implementation (with shareholder approval) of new share incentive schemes in FY17 • 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 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 for those brands
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 of 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 ("KVIs") 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 • Timeous resolution by the Department of Agriculture, Forestry and Fisheries of the renewal of fishing rights. • 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, the interpretation of this legislation by the Courts in favour of permanent employment, 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 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 taxpayers, 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; 48 – 50
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	92 – 95
	G4-7	Nature of ownership and legal form	1
	G4-8	Markets served (geographical, sector and types of customers)	92 – 95
	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 33
	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; 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 re-used	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 – 37

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 – 37
	G4-EN13	Habitats protected or restored	35 – 37
	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 – 37
	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	Greenhouse 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	35 – 37
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	45 – 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	45 – 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	45 – 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	Not reported
	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	Not reported
	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	None
	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	45 – 47
	G4-EC3	Coverage of the organisation's defined benefit plan obligations	98; 99; 121; 127 – 132
	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

Simon L Crutchley (53)
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.

Gavin R Tipper (52)
Independent non-executive Chairman

Qualifications: BCom, BAcc (Wits), MBA (UCT), CA(SA)

Directorships: AVI 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.

Neo P Dongwana (nee Hani) (45)
Independent non-executive director

Qualifications: BCom (Hons) (Cape Town), Postgraduate Diploma in Accounting (Cape Town), CA(SA) MCom (Wits)

Directorships: AVI Limited, Barloworld Limited, Mpact Limited, Nedbank Limited

Neo is a chartered accountant (CA(SA)) with a BCom honours degree in Financial Analysis and Portfolio Management, as well as a Masters' degree in Commerce. 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. After qualifying as a CA(SA), Neo worked as an equities analyst at Gensec Management. Neo is also a trustee of the Women's Development Bank and a member of the Financial Services Board (FSB) Appeal Board. 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). Neo was appointed to the AVI Board on 15 March 2011.

Adriaan Nühn (64)
Independent non-executive director

Qualifications: BBusAdmin (Hogere Economische School, Eindhoven, The Netherlands), MBA (Univ of Puget Sound, Washington)

Directorships: AVI Limited, Cloetta AB, Takeaway NV, Wereldhave NV

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.

Owen P Cressey (50)
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.

Andisiwe Kawa (55)
Independent non-executive director

Qualifications: MBA (Wharton School of the University of Pennsylvania), MA, Ed M (Columbia University), BSc (Walter Sisulu University)

Directorships: AVI Limited, Chuma Holdings Proprietary Limited, Chuma Foundation, Kwanele-Enuf Foundation.

Andy is a seasoned businesswoman whose background is rooted in strategy, finance and business development. She has local and international experience (UK and US) in mining, financial services and various industrial sectors. She is founder and Chairman of Chuma Holding and the Kwanele-Enuf Foundation. She has served on several boards for more than 15 years in capacities of chairman; member of audit; remuneration; social and ethics and nominations committees. She was appointed to the AVI Board on 15 July 2010.

Abe M Thebyane (57)
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) and MSc in Banking Practice and Management (Ifs University College, 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.

Michael Koursaris (40)
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.

James R Hersov (53)
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.

Michael J Bosman (56)
Independent non-executive director

Qualifications: BCom (Hons), LLM (Cape Town), AMP (Harvard), CA(SA)

Directorships: AVI Limited, MTN South Africa Proprietary Limited, Vinimark Trading 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 an executive director of FCB Worldwide, an advertising agency group based in New York. Mike was appointed to the AVI Board on 1 March 2010.

CORPORATE GOVERNANCE REPORT

Framework

AVI Limited ("the Company") is a public company incorporated in South Africa under the provisions of the Companies Act 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").

The Company will comply with the principles of the King IV Report on Corporate Governance in South Africa 2016 ("King IV"), and will report in terms of King IV in the 2018 Integrated Annual Report.

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 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

During the year under review 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.

As required by paragraph 3.84(i) of the JSE Listings Requirements, the Company has adopted a formalised policy on the promotion of gender diversity at Board level, which aims to ensure that at least 25% of the Board is female. The Board currently comprises ten directors of which two are female. The Nomination Committee will take the policy into account in nominating and recommending the appointment of directors to the Board.

Richard Inskip resigned as a non-executive director on 23 November 2016.

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	09/09/2016	24/11/2016	03/03/2017	07/06/2017
GR Tipper	√	√	√	√
MJ Bosman	√	√	√	√
SL Crutchley	√	√	√	√
OP Cressey	√	√	√	√
NP Dongwana	√	√	√	√
JR Hersov	√	√	X	√
RJD Inskip	√			
A Kawa	√	√	√	√
M Koursaris	√	√	√	√
A Nühn	√	√	√	√
AM Thebyane	X	√	X	√

√ in attendance; X not in attendance ■ resigned

In addition to these formal meetings and as a prelude to the Board meeting of 7 June 2017, the Board met with the executive management of the Company's subsidiaries and major divisions on 6 June 2017, 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 Scheepers.

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 8 September 2017, 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 2 November 2017 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	01/09/2016	24/02/2017
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 3 November 2016. 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 attends 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	05/08/2016	08/09/2016	23/11/2016	05/06/2017
A Nühn	√	√	√	√
A Kawa	√	√	√	√
AM Thebyane	√	X	√	√
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; Catherine Makin, the Group marketing executive; and Darryl Wright, the Group HR executive. On 3 October 2016, 14 November 2016 and 23 November 2016, respectively, Sarah-Anne Orphanides, Darryl Wright and Richard Inskip resigned as members of the committee. In addition the Company's Chairman, Chief Executive Officer and Chief Financial Officer attended the meetings by invitation.

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

Name	08/09/2016	02/03/2017
NP Dongwana	√	√
RJD Inskip	√	
C Makin	√	√
SA Orphanides	√	
W Visser	√	√
D Wright	√	

√ in attendance; X not in attendance ▪ resigned

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 Company 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 accordingly
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, risks and performance
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 practices 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 2017, and their interests in the Company's shares as at 30 June 2017.

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 3 November 2016 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 97,27% non-binding advisory vote in favour of the policy. Shareholders are asked annually to consider the remuneration policy and to pass this vote.

During the year the Company implemented the changes to its short and long-term reward framework as recommended by the Remuneration Committee ("Remcom") and voted on and approved by shareholders at the Annual General Meeting on 3 November 2016.

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 benchmark 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 80% 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 R103 million which was 23% 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 R114 million or 22% 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 are as follows:

Category of employee	On-target bonus (TCTC) %	Bonus range (TCTC) %	Company performance portion of bonus %	Individual performance portion of bonus %
CEO	80	0 – 180	75	25
Executive directors	55	0 – 124	75	25
Prescribed officers	50	0 – 112,50	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 2017 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 five share incentive schemes in place, namely the:

- AVI Limited Executive Share Incentive Scheme (the last allocation on this scheme was made in April 2016 and will vest in April 2019);
- Revised AVI Limited Executive Share Incentive Scheme (the first allocation on this scheme was made in November 2016);
- AVI Limited Out-Performance Scheme;
- AVI Limited Deferred Bonus Share Plan; and
- AVI Black Staff Empowerment Share Scheme.

The level of participants in the share incentive schemes, and the extent of their participation, are benchmarked against the market and are approved by Remcom.

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 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) Last allocation made in April 2016	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
2.	**The Revised AVI Limited Executive Share Incentive Scheme** (A share appreciation rights scheme that delivers value against share appreciation whilst limiting the dilution impact of share issuances) First allocation made in November 2016	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 • Average return on capital employed over the vesting period ahead of the weighted average cost of capital	Three years from grant date	Within two years from vesting date
3.	**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
4.	**The AVI Limited Deferred Bonus Share Plan** (Awards shares based on historical performance)	Executive and senior management of the Company, and high impact employees at the Remcom's discretion	Annual, a percentage of remuneration (between 0% and 112,5%) based on a fixed allocation multiple in relation to the individual's EVA 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
5.	**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 ("TSR") performance thresholds relative to its peers • Zero vesting below median TSR performance	Three years from grant date	On the vesting date
6.	**The AVI 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 Share 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 16 855 participants have benefited from the scheme with a total gross benefit of R776,8 million, including 1 543 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 R101,3 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.

The number of shares authorised by shareholders for use in the various share schemes, and the balances not yet utilised, are summarised in the following table:

Scheme name	Authorised number	% of total issued share capital*	Remaining authorised but not issued number
AVI Limited Executive Share Incentive Scheme	–	0	–
Revised AVI Limited Executive Share Incentive Scheme (share appreciation rights plan)	5 213 369	1,5	5 213 369
AVI Limited Deferred Bonus Share Plan	5 213 369	1,5	4 902 493
AVI Limited Out-Performance Scheme	6 915 158	2	6 915 158
Total	17 341 896	5	17 031 020
AVI Black Staff Empowerment Share Scheme	26 487 980	7,7	

** As at date authority was granted.*

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 during the year under review:

	2017							
		Bonus and performance-related payments						
Executive directors	**Salary R'000**	**Rating %**	**R'000**	**Pension fund contributions R'000**	**Gains on exercise of share incentive instruments R'000**	**Other benefits and allowances R'000**	**Total 2017 R'000**	Total 2016 R'000
SL Crutchley	**7 078**	**90**	**7 304**	**550**	**23 998**	**64**	**38 994**	31 299
OP Cressey	**4 470**	**87**	**3 832**	**348**	**9 541**	**46**	**18 237**	10 839
M Koursaris	**3 175**	**91**	**2 787**	**309**	**5 365**	**32**	**11 668**	9 461

The expense for the year in respect of share options granted to executive directors, determined in accordance with IFRS 2 – *Share-Based Payments*, was R10,5 million (2016: R5,9 million).

The above emoluments were paid by AVI Financial Services Proprietary Limited, a wholly owned subsidiary of the Company. No emoluments were paid by any other 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 3 November 2016 shareholders approved the fees payable to the chairman and non-executive directors for their services to the Board and other Board committees for the 2017 financial year as follows:

Non-executive directors' fees

Chairman of the Board	R916 160
Resident non-executive directors	R284 040
Non-resident non-executive director	€45 594
Chairman of the Audit Committee	R228 960
Members of the Audit Committee	R105 940
Non-resident Chairman of the Remuneration, Nomination and Appointments Committee	€14 994
Members of the Remuneration, Nomination and Appointments Committee	R97 200
Chairman of the Social and Ethics Committee	R105 840
Members of the Social and Ethics Committee	R71 604

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 incentive instruments R'000	Other benefits and allowances R'000	Total 2017 R'000
1	3 205	81	827	310	16 324	52	20 717
2	4 245	91	2 093	394	13 026	80	19 838
3	3 877	84	2 413	270	12 095	73	18 728

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:

	2017 R'000	2016 R'000
Salary and other benefits and allowances	**104 482**	106 027
Bonuses and performance-related payments	**48 047**	44 789
Pension fund contributions	**8 231**	9 059
Termination benefits	**12 644**	4 569
Gains on exercise of share options	**150 058**	53 939
Total	**323 462**	218 383

CONTENTS

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

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

These annual financial statements were published on Monday, 11 September 2017.

The annual financial statements of the Company are presented separately from the consolidated annual financial statements and were approved by the directors on 8 September 2017, 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 2017, 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 have 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 92 to 145, were authorised for issue by the Board of directors on 8 September 2017 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 2017, 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 Scheepers
Company Secretary
Illovo, Johannesburg
8 September 2017

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 109.

Revenue and operating profit before capital items were as follows:

	2017 R'm	2016 R'm
REVENUE		
Branded consumer products	**13 184,6**	12 187,6
Corporate	**–**	1,3
Total	**13 184,6**	12 188,9
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Branded consumer products	**2 398,1**	2 164,8
Corporate	**(12,8)**	(10,2)
Total	**2 385,3**	2 154,6

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 120.

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 120.

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 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 2 November 2017.

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 assists the Company, inter alia, in making inter-company loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general authority avoids the need to refer each instance to shareholders for approval. This general authority was granted by shareholders at the 2016 Annual General Meeting of the Company and is valid up to and including the 2018 Annual General Meeting of the Company.

Dividends

Dividends, paid and proposed, are disclosed in Note 30 to the financial statements on page 126.

Directorate

Mr RJD Inskip resigned from the Board on 23 November 2016. There were no other changes to the Board during the year under review.

In terms of the Company's Memorandum of Incorporation, Messrs SL Crutchley, OP Cressey and GR Tipper 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' service 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 page 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 2017 and 30 June 2016, are as follows:

	Direct number	Beneficial indirect number	% of total
At 30 June 2017			
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 2016			
SL Crutchley	800 000	–	0,23
OP Cressey	5 000	–	0,01
M Koursaris	82 500	–	0,02
Total	887 500	–	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 2017, according to the information available to the directors, were:

	Number of ordinary shares	%
Government Employees Pension Fund	51 101 697	14,57
AVI Investment Services Proprietary Limited	17 234 352	4,91
Vanguard Investment Management	10 562 638	3,01

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 9 September 2016 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.
- To authorise the Company, in terms of section 45 of the Companies Act, to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company.

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 award	Award price per instrument (exercise price) R	Instruments[2] outstanding at 30 June 2016 number	Awarded number	Exercised number	Relinquished[3] number	Instruments[2] outstanding at 30 June 2017 number
THE AVI EXECUTIVE SHARE INCENTIVE SCHEME[1]							
SL Crutchley	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	128 252	–	–	–	**128 252**
	1 April 2016	83,06	199 671	–	–	(49 978)	**149 693**
OP Cressey	1 October 2013	58,50	72 145	–	(72 145)	–	**–**
	1 October 2014	67,47	68 218	–	–	–	**68 218**
	1 October 2015	82,67	61 705	–	–	–	**61 705**
M Koursaris	1 April 2014	53,38	62 399	–	–	–	**62 399**
	1 April 2015	84,45	38 323	–	–	(19 042)	**19 281**
	1 April 2016	83,06	64 097	–	–	–	**64 097**
			1 273 828	–	(279 305)	(69 020)	**925 503**

Name	Date of award	Award price per instrument R	Instruments[2] outstanding at 30 June 2016 number	Awarded number	Exercised number	Relinquished[3] number	Instruments[2] outstanding at 30 June 2017 number
THE REVISED AVI EXECUTIVE SHARE INCENTIVE SCHEME[1]							
SL Crutchley	1 April 2017	101,79	–	177 594	–	–	**177 594**
OP Cressey	23 November 2016	94,07	–	100 822	–	(26 333)	**74 489**
M Koursaris	1 April 2017	101,79	–	67 376	–	–	**67 376**
			–	345 792	–	(26 333)	**319 459**

[1] The AVI Executive Share Incentive Scheme was replaced by the Revised AVI Executive Share Incentive Scheme after approval by shareholders at the Annual General Meeting held on 3 November 2016 with no further allocations in terms of the AVI Executive Share Incentive Scheme after April 2016 (refer Note 32).
[2] 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.
[3] The number of relinquished instruments represents instruments sacrificed in favour of AVI Out-Performance Scheme options in terms of the rules of the AVI Out-Performance Scheme.

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2016 number	Awarded number	Exercised number	Relinquished number	Instruments outstanding at 30 June 2017 number
THE AVI OUT-PERFORMANCE SCHEME							
SL Crutchley	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**
	1 October 2016	92,35	–	49 978	–	–	**49 978**
OP Cressey	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**
	1 October 2016	92,35	–	26 333	–	–	**26 333**
M Koursaris	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**
	1 October 2016	92,35	–	19 042	–	–	**19 042**
			329 359	95 353	(117 260)	–	**307 452**

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

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2016 number	Awarded number	Vested number	Relinquished number	Instruments outstanding at 30 June 2017 number
THE AVI DEFERRED BONUS SHARE PLAN[4]							
SL Crutchley	18 November 2016	88,59	–	74 892	–	–	**74 892**
OP Cressey	18 November 2016	88,59	–	33 003	–	–	**33 003**
M Koursaris	18 November 2016	88,59	–	24 003	–	–	**24 003**
			–	131 898	–	–	**131 898**

[4] *The AVI Deferred Bonus Share Plan was approved by shareholders at the Annual General Meeting held on 3 November 2016 with the first allocation on 18 November 2016 (refer Note 32).*

Upon vesting, the shares become unrestricted in the hands of participants. The cost of the AVI shares is funded by way of contributions from employer companies in respect of participants who are their employees.

The vesting of shares prior to the completion of the three-year restriction period represents the portion allowed to vest on retirement, death, disability or retrenchment.

Emoluments

	2017						
Executive directors	**Salary R'000**	**Bonus and performance-related payments R'000**	**Pension fund contributions R'000**	**Gains on exercise of share incentive instruments* R'000**	**Other benefits and allowances R'000**	**Total R'000**	2016 R'000
SL Crutchley	**7 078**	**7 304**	**550**	**23 998**	**64**	**38 994**	31 299
OP Cressey	**4 470**	**3 832**	**348**	**9 541**	**46**	**18 237**	10 839
M Koursaris	**3 175**	**2 787**	**309**	**5 365**	**32**	**11 668**	9 461
	14 723	**13 923**	**1 207**	**38 904**	**142**	**68 899**	51 599

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

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

Non-executive directors' and committee fees	**2017 R'000**	2016 R'000
GR Tipper (Chairman)	**1 221**	1 072
JR Hersov	**356**	361
A Nühn[1]	**889**	979
MJ Bosman	**525**	475
A Kawa	**381**	353
AM Thebyane	**298**	321
NP Dongwana	**508**	459
RJD Inskip[2]	**112**	329
	4 290	4 350
	73 189	55 949

[1] *Paid in Euros.*

[2] *Resigned 23 November 2016.*

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

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

	2017 R'000	2016 R'000
SL Crutchley	**5 862**	3 324
OP Cressey	**2 754**	1 548
M Koursaris	**1 913**	1 077
	10 529	5 949

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 30 June 2017 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 Group'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 2016; and
   - The annual financial statements for the year ended 30 June 2017.
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 2017 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 2017 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 2018, 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
8 September 2017

INDEPENDENT AUDITORS' REPORT

To the shareholders of AVI Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of AVI Limited and its subsidiaries ("the Group") set out on pages 86 and 87 and 92 to 143, which comprise the consolidated balance sheet as at 30 June 2017, and the directors' remuneration report, segment reporting, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and notes to the consolidated financial statements, including Appendix A.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Annual impairment assessment of goodwill and trademarks – Refer to Note 2	
Goodwill and trademarks with an indefinite useful life comprise 10,7% of the total assets of the Group in the consolidated balance sheet. As required by IAS 36 – *Impairment of Assets*, the directors conduct annual impairment assessments to test the recoverability of carrying amounts of goodwill and trademarks, which are allocated to cash-generating units for the purpose of assessing impairment. Impairment assessments of goodwill and trademarks are performed using a discounted cash flow model. As disclosed in Note 2, there are a number of key judgements made in determining the inputs into the discounted cash flow model which include: • Revenue growth (including forecast profits of the cash-generating units and forecast sales on branded products); • Forecast profit and profit growth; • Perpetuity growth rates; and • The discount rates applied to the projected future cash flows. Given the significance of the goodwill and trademarks to the consolidated financial statements and of the judgements involved in assessing any potential impairment, the impairment assessment of goodwill and trademarks was considered to be a key audit matter.	We focused our testing of the directors' annual assessment of the impairment of goodwill and trademarks on the model used and the key assumptions applied. Our audit procedures included: • Critically evaluating whether the discounted cash flow model used by the directors to calculate the value in use of the individual cash-generating units complies with the requirements of IAS 36. • Challenging the assumptions used by the directors in the calculations for each cash generating unit by: – involving our internal valuation specialists, as part of our audit team, to evaluate and re-calculate the discount rates and evaluate the perpetuity growth rates in relation to external market data, and – assessing the reasonableness of assumptions relating to revenue growth and profit growth in relation to our knowledge of the Group and the industries in which it operates, and through performing the procedures on the projected cash flows as described below. • Analysing the future projected cash flows for the individual cash-generating units to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of each cash-generating unit. • Comparing the projected cash flows, including the assumptions relating to revenue growth rates, profit growth and perpetuity growth rates, against historical performance to test the accuracy of the directors' projections. • Subjecting the key assumptions to sensitivity analyses. • Evaluating the adequacy of the financial statement disclosures, including the disclosure of key assumptions made by the directors.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, and the rest of the information contained in the Integrated Annual Report. Other information does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 17 years.

KPMG Inc.
Registered Auditor

Per NH Southon
Chartered Accountant (SA)
Registered Auditor
Director
8 September 2017

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

SEGMENT REPORTING

	Food and Beverage brands					
	Entyce Beverages		Snackworks		I&J	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Revenue from customers	**3 757,1**	3 421,9	**3 956,2**	3 643,2	**2 362,7**	2 171,8
Total segment revenue	**3 757,1**	3 421,9	**3 956,2**	3 643,2	**2 362,7**	2 171,8
Intersegment revenue	**–**	–	**–**	–	**–**	–
Segment result						
Operating profit/(loss) before capital items	**735,1**	661,7	**666,4**	609,1	**389,1**	331,0
Share of equity-accounted earnings of joint ventures	**–**	–	**–**	–	**63,2**	58,1
Operating profit/(loss) from ordinary activities	**735,1**	661,7	**666,4**	609,1	**452,3**	389,1
Income from investments	**1,0**	2,0	**0,9**	0,4	**1,8**	4,7
Interest expense	**(91,1)**	(90,7)	**(82,6)**	(35,2)	**(16,7)**	(39,1)
Taxation	**(182,7)**	(173,8)	**(165,6)**	(153,3)	**(120,8)**	(95,1)
Segment profit before capital items	**462,3**	399,2	**419,1**	421,0	**316,6**	259,6
Capital items (after tax)						
Profit for the year						
Segment assets	**2 384,0**	2 369,0	**1 745,3**	1 596,9	**2 370,1**	2 370,4
Segment liabilities	**2 180,0**	2 162,3	**976,4**	838,0	**806,5**	985,5
Additions to property, plant and equipment	**127,2**	130,7	**175,8**	239,2	**128,7**	345,7
Depreciation and amortisation	**105,4**	97,2	**97,6**	82,9	**88,2**	76,9
Impairment losses	**–**	–	**2,3**	0,2	**–**	2,2
Number of employees at year-end	**1 092**	1 052	**2 076**	2 281	**2 242**	2 551

	2017		2016	
	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	**10 694,0**	**81,1**	9 952,1	81,6
International operations	**711,3**	**5,4**	655,2	5,4
Exports from South Africa	**1 779,3**	**13,5**	1 581,6	13,0
	13 184,6	**100,0**	12 188,9	100,0
Analysis of non-current assets* by geographic area				
South Africa	**4 468,5**	**92,1**	4 486,5	91,5
Other African	**14,4**	**0,3**	16,6	0,3
Australia	**367,8**	**7,6**	402,4	8,2
	4 850,7	**100,0**	4 905,5	100,0

** Comprises non-current assets less deferred tax assets, and other investments.*

*** An impairment loss of R150,0 million has been raised in the current year against the Green Cross trademark and recognised on consolidation (refer Note 2).*

**** Includes AVI Field Marketing Services. Costs attributable to AVI Field Marketing Services have been allocated to the appropriate segments.*

	Fashion brands				Corporate & consolidation		Total	
	Personal Care		Footwear & Apparel					
	2017 R'm	2016 R'm	**2017 R'm**	2016 R'm	**2017 R'm**	2016 R'm	**2017 R'm**	2016 R'm
	1 194,5	1 096,4	**1 914,1**	1 854,3	**–**	1,3	**13 184,6**	12 188,9
	1 194,5	1 097,4	**1 914,1**	1 854,3	**110,0**	95,3	**13 294,6**	12 283,9
	–	(1,0)	**–**	–	**(110,0)**	(94,0)	**(110,0)**	(95,0)
	241,5	218,0	**366,0**	345,0	**(12,8)**	(10,2)	**2 385,3**	2 154,6
	–	–	**–**	–	**–**	–	**63,2**	58,1
	241,5	218,0	**366,0**	345,0	**(12,8)**	(10,2)	**2 448,5**	2 212,7
	0,4	0,5	**0,8**	0,7	**0,2**	(1,8)	**5,1**	6,5
	(18,9)	(9,2)	**(46,3)**	(33,7)	**98,1**	72,0	**(157,5)**	(135,9)
	(56,4)	(54,6)	**(88,2)**	(87,3)	**(36,4)**	(27,0)	**(650,1)**	(591,1)
	166,6	154,7	**232,3**	224,7	**49,1**	33,0	**1 646,0**	1 492,2
							(92,8)	(11,0)
							1 553,2	1 481,2
	745,1	689,0	**1 020,0**	877,1	**1 001,7**	1 128,7	**9 266,2**	9 031,1
	502,0	471,7	**914,5**	854,3	**(964,9)**	(770,2)	**4 414,5**	4 541,6
	55,6	54,6	**49,1**	99,3	**9,2**	12,3	**545,6**	881,8
	26,8	22,2	**65,9**	58,5	**13,5**	12,4	**397,4**	350,2
	–	0,6		–	**150,0**	–**	**152,3**	3,0
	365	354	**1 819**	1 982	**3 350**	3 367***	**10 944**	11 587

SEGMENT REPORTING continued

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 to more than 10% of the Group's revenue (R3 273,7 million in the current year and R2 988,0 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 2017 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. The financial statements were approved for issue by the Board of directors on 8 September 2017.

Basis of preparation

These financial statements are prepared in millions of South African Rand ("Rm"), 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

The Group has adopted the following new accounting standards, including any consequential amendments to other standards, in the preparation of these results, all of which became effective for the Group from 1 July 2016:
- Amendments to IAS 1 (Disclosure Initiative)
- Annual improvements to IFRSs: 2012 – 2014 (various standards)

Amendments to IAS 1 (Disclosure Initiative)
The amendments were published by the IASB to provide clarification to IAS 1 – *Presentation of Financial Statements.* These amendments aim to improve presentation and disclosures in financial reporting to address both preparers' as well as users' concerns.

The application of the guidance provided by the amendments to IAS 1 has not significantly changed the Group's approach regarding disclosure.

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 implementation of the improvements has not had a significant impact on the Group's results.

The remaining standards, amendments and interpretations, which became effective in the period ended 30 June 2017 were assessed for applicability to the Group and management concluded that they were not applicable to the business of the Group and consequently have had no impact.

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.

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.

Joint arrangements

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

A joint venture is an arrangement over which the Group has joint control, where 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

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group 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.

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

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

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 for 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 shall be 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, the 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 fair 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. Subject to an operating segment ceiling test (before aggregation of segments), for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. 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 used to determine 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.

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

Recognition and measurement
Items of property, plant and equipment (including leasehold improvements), are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Vessels
Major vessel reconstructions are capitalised where such reconstruction extends the useful life of a vessel. The reconstruction is written off over the remaining expected useful life of the vessel.

Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. 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. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings		40 – 50 years
• Plant and machinery		3 – 20 years
• Vehicles	– trucks	3 – 8 years
	– aircraft	15 – 18 years
	– other	3 – 5 years
• Vessels	– hull	35 – 45 years
	– other components	5 – 10 years
• Furniture and equipment		3 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Derecognition
The gain or loss arising from the recognition 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 amount of revenue and the associated costs can be measured reliably and significant risks and rewards of ownership of the goods have passed to the buyer. Significant risk and rewards of ownership have passed when the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

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.

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

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 20%, effective from 22 February 2017 (15% before 22 February 2017), on dividends declared. Amounts withheld are not recognised as part of the Group's tax charge but rather as part of the dividend paid, 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 2017. 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:

Standard/Interpretation	Effective date Periods beginning on or after	Effective date for Group
IAS 7 – *Disclosure Initiative*	1 January 2017	30 June 2018
Various – Annual Improvements to IFRSs: 2014 – 2016	1 January 2017	30 June 2018
IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017	30 June 2018
IFRS 15 – *Revenue from Contracts with Customers*	1 January 2018	30 June 2019
IFRS 9 – *Financial Instruments*	1 January 2018	30 June 2019
IFRS 16 – *Leases*	1 January 2019	30 June 2020

- *Disclosure Initiative (Amendments to IAS 7)*
  The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group is not expecting to have to provide significant additional disclosure on adoption of these amendments. The amendments apply for annual periods beginning on or after 1 January 2017 and will be adopted in the year ending 30 June 2018.

- *Annual Improvements to IFRSs: 2014 – 2016 (various standards)*
  The new cycles of improvements form part of the IASB's ongoing annual improvements process to make non-urgent but necessary amendments to IFRS. Amendments have been made to a total of three standards. The Group is not expecting to have to provide significant additional disclosure on adoption of these improvements.

  The amendments apply for annual periods beginning on or after 1 January 2017 and will be adopted in the year ending 30 June 2018.

- IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*
  The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this. Further guidance is provided for deductible temporary differences relating to unrealised losses that are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

  The Group does not expect these amendments to significantly impact the recognition and measurement of its deferred tax assets. The amendments apply for annual periods beginning on or after 1 January 2017 and will be adopted in the year ending 30 June 2018.

- IFRS 15 – *Revenue from Contracts with Customers*
  The standard replaces the following standards: IAS 11– *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfer of Assets from Customers* and SIC-31 – *Revenue – Barter Transactions Involving Advertising Services*.

  The new revenue standard introduces a new revenue recognition model for contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

  The Group is in the process of performing a preliminary assessment of the potential impact of the adoption of IFRS 15. Management does not expect a significant impact on the measurement or timing of revenue recognition for the sale of goods. This is as a result of the following:
  – There is no material expected change in the transaction price; and
  – The date when control passes in terms of IFRS 15 is likely to be materially the same as the date on which revenue is currently recognised.

  For revenue derived from the rendering of services, management does not expect a significant impact on the measurement or timing of revenue recognition due to the nature and length of services rendered.

  It is expected that the disclosure required under IFRS 15 will expand significantly. This will include, but not limited to disclosures enabling users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

  The Group will perform a detailed assessment of the impact resulting from the application of IFRS 15 and the related disclosures.

  The standard is effective for annual periods beginning on or after 1 January 2018 and will be adopted in the year ending 30 June 2019.

- IFRS 9 – *Financial Instruments*
  On 24 July 2014, the IASB 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*.

  – IFRS 9 replaces the current IAS 39 categories of financial assets with three principal classification categories: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss.
  – The IFRS 9 impairment model has been changed from an "incurred loss" model per IAS 39 to an "expected credit loss" model, which will require revision of the calculation of the credit risk impairment provision.
  – IFRS 9 seeks to align hedge accounting more closely with risk management and provides updated hedge accounting guidance.

Management is in the process of performing a preliminary assessment of the impact of IFRS 9 on the Group's financial statements and related disclosures, with specific focus on the above mentioned areas.

- Given the nature of the Group's financial instruments, the Group does not believe that the new classification categories will significantly impact on the measurement of these instruments.
- Management does not expect a material impact on the credit risk provision calculation as a result of the transition from an "incurred loss" model to an "expected credit loss" model, but the significance thereof is still being assessed.
- Taking the current hedging policy into account, management does not expect IFRS 9 hedging changes to have a significant impact on the measurement of these instruments.

The Group will perform a more detailed assessment of the impact of these changes and related disclosures.

The standard is effective for annual periods beginning on or after 1 January 2018 and will be adopted in the year ending 30 June 2019.

- IFRS 16 – *Leases*
  IFRS 16 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 a number of leases previously recorded off-balance sheet being recorded on the balance sheet.

  The Group has a number of contract leases for properties that may be recognised on the balance sheet as a result of the adoption of IFRS 16. Management has identified specific contracts where an impact is expected and is in the process of determining the quantitative impact of recognising these leases on balance sheet, where relevant.

  The Group will perform a detailed assessment of the impact resulting from the application of IFRS 16 and the related disclosures.

  The amendments are effective for the Group for the year ending 30 June 2020. However AVI is planning to adopt in the year ending 30 June 2019.

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 2017	Notes	2017 R'm	2016 R'm
ASSETS			
Non-current assets			
Property, plant and equipment	1	**3 480,8**	3 352,4
Intangible assets and goodwill	2	**994,0**	1 145,4
Investments in joint ventures	3	**375,9**	407,7
Long-term receivables	4	**1,0**	6,8
Deferred taxation	5	**24,1**	24,6
		4 875,8	4 936,9
Current assets			
Inventories	6	**1 938,9**	1 792,0
Biological assets	7	**129,9**	97,6
Other financial assets including derivatives	14	**40,5**	47,6
Current tax assets		**18,2**	19,8
Trade and other receivables	8	**2 016,2**	1 828,1
Cash and cash equivalents		**246,7**	309,1
		4 390,4	4 094,2
Total assets		**9 266,2**	9 031,1
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	**17,2**	17,1
Share premium	9	**263,1**	97,2
Treasury shares	9	**(541,9)**	(435,9)
Premium on transactions with non-controlling interests		**(2,7)**	(2,7)
Reserves	10	**449,9**	459,4
Retained earnings		**4 666,1**	4 354,4
Total equity		**4 851,7**	4 489,5
Non-current liabilities			
Employee benefit liabilities	11	**379,7**	342,9
Operating lease straight-line liabilities	12	**12,8**	10,6
Deferred taxation	5	**375,6**	354,9
		768,1	708,4
Current liabilities			
Current borrowings	13	**1 690,8**	1 737,7
Other financial liabilities including derivatives	14	**49,4**	66,3
Trade and other payables	15	**1 876,4**	2 015,4
Current tax liabilities		**29,8**	13,8
		3 646,4	3 833,2
Total equity and liabilities		**9 266,2**	9 031,1

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017	Notes	2017 R'm	2016 R'm
Revenue	16	**13 184,6**	12 188,9
Cost of sales		**(7 422,4)**	(6 842,3)
Gross profit		**5 762,2**	5 346,6
Selling and administrative expenses		**(3 376,9)**	(3 192,0)
Operating profit before capital items	17	**2 385,3**	2 154,6
Interest received	18	**5,1**	6,5
Finance costs	19	**(157,5)**	(135,9)
Share of equity accounted earnings of joint ventures	20	**63,2**	58,1
Capital items	21	**(127,5)**	(14,3)
Profit before taxation		**2 168,6**	2 069,0
Taxation	22	**(615,4)**	(587,8)
Profit for the year		**1 553,2**	1 481,2
Other comprehensive income, net of tax:		**(59,2)**	114,3
Items that are or may subsequently be reclassified to profit or loss			
– Foreign currency translation differences		**(37,5)**	75,1
– Cash flow hedging reserve		**(8,7)**	15,8
– Taxation on items that are or may subsequently be reclassified to profit or loss		**2,4**	(4,4)
Items that will never be reclassified to profit or loss			
– Actuarial (loss)/gain recognised		**(21,4)**	38,6
– Taxation on items that will never be reclassified to profit or loss		**6,0**	(10,8)
Total comprehensive income for the year		**1 494,0**	1 595,5
Profit attributable to:			
Owners of AVI		**1 553,2**	1 481,2
		1 553,2	1 481,2
Total comprehensive income attributable to:			
Owners of AVI		**1 494,0**	1 595,5
		1 494,0	1 595,5
Basic earnings per share (cents)	29	**479,0**	460,7
Diluted earnings per share (cents)	29	**475,2**	455,4

Details of the headline earnings and dividends declared per ordinary share are given in Notes 29 and 30 to the financial statements, on pages 125 and 126.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017	Notes	2017 R'm	2016 R'm
Cash flows from operating activities			
Cash generated by operations	23	**2 993,6**	2 761,8
Increase in working capital	24	**(675,0)**	(469,3)
Cash generated by operating activities		**2 318,6**	2 292,5
Interest paid		**(157,5)**	(135,9)
Taxation paid	25	**(546,7)**	(508,6)
Net cash available from operating activities		**1 614,4**	1 648,0
Investing activities			
Interest received		**5,1**	6,5
Additions to property, plant and equipment		**(545,6)**	(881,8)
Additions to intangible assets		**(2,3)**	(2,4)
Proceeds from disposals of property, plant and equipment		**18,0**	10,2
Movement in joint ventures	26	**79,1**	53,3
Net cash utilised in investing activities		**(445,7)**	(814,2)
Financing activities			
Proceeds from shareholder funding	27	**63,3**	56,3
Short-term funding (repaid)/raised		**(46,9)**	72,6
Dividends paid	28	**(1 244,5)**	(1 126,9)
Net cash utilised in financing activities		**(1 228,1)**	(998,0)
Decrease in cash and cash equivalents		**(59,4)**	(164,2)
Cash and cash equivalents at beginning of year		**309,1**	462,5
Net (decrease)/increase as a result of the translation of the cash equivalents of foreign subsidiaries		**(3,0)**	10,8
Cash and cash equivalents at end of year		**246,7**	309,1

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017	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	114,3	(435,9)	459,4	4 354,4	(2,7)	4 489,5
Total comprehensive income for the year						
Profit for the year	–	–	–	1 553,2	–	1 553,2
Other comprehensive loss						
Foreign currency translation differences	–	–	(37,5)	–	–	(37,5)
Actuarial losses recognised, net of tax	–	–	(15,4)	–	–	(15,4)
Cash flow hedging reserve, net of tax	–	–	(6,3)	–	–	(6,3)
Total other comprehensive loss for the year	–	–	(59,2)	–	–	(59,2)
Total comprehensive income for the year	–	–	(59,2)	1 553,2	–	1 494,0
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Share-based payments	–	–	28,0	–	–	28,0
Group share scheme recharge	–	–	21,4	–	–	21,4
Dividends paid	–	–	–	(1 244,5)	–	(1 244,5)
Issue of ordinary shares to Company's share trusts	166,0	(166,0)	–	–	–	–
Own ordinary shares sold by Company's share trusts	–	60,0	–	3,3	–	63,3
Transfer between reserves	–	–	0,3	(0,3)	–	–
Total contributions by and distributions to owners	166,0	(106,0)	49,7	(1 241,5)	–	(1 131,8)
Balance at end of year	280,3	(541,9)	449,9	4 666,1	(2,7)	4 851,7

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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
2017							
Cost							
At beginning of year	86,6	685,2	2 510,6	1 308,6	999,8	0,4	5 591,2
Additions	–	72,3	245,8	190,5	37,0	–	545,6
Disposals	–	(1,6)	(85,6)	(143,9)	(16,8)	–	(247,9)
Effect of movement in exchange rates	–	(0,2)	(0,4)	(1,0)	–	–	(1,6)
At end of year	86,6	755,7	2 670,4	1 354,2	1 020,0	0,4	5 887,3
Accumulated depreciation and impairment losses							
At beginning of year	–	123,7	1 040,5	729,1	345,1	0,4	2 238,8
Disposals	–	(1,0)	(82,1)	(130,0)	(14,2)	–	(227,3)
Effect of movement in exchange rates	–	(0,1)	(0,2)	(0,7)	–	–	(1,0)
Depreciation	–	14,4	173,7	151,0	54,6	–	393,7
Impairment loss	–	–	2,3	–	–	–	2,3
At end of year	–	137,0	1 134,2	749,4	385,5	0,4	2 406,5
Net carrying value							
At beginning of previous year	86,6	477,2	1 291,4	530,9	452,9	–	2 839,0
At end of previous year	86,6	561,5	1 470,1	579,5	654,7	–	3 352,4
At end of current year	86,6	618,7	1 536,2	604,8	634,5	–	3 480,8

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
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 losses							
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	–	14,2	149,1	133,5	49,8	–	346,6
Impairment loss	–	–	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

	2017 R'm	2016 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 103.
- The estimated useful lives and residual values are reviewed annually, taking cognisance of forecast commercial and economic realities, historical usage of similar assets and input from original equipment manufacturers on plant and machinery.
- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2017 was R113,7 million (2016: R298,7 million).
- Property, plant and equipment, with a carrying value of R33,5 million (2016: R33,5 million) has been ceded as security for interest-bearing borrowings (Note 13).
- Impairment losses during the year arose due to identified obsolescence of, damage to and under-performance of items of plant, machinery and equipment.
- Government grants received during the year of R7,1 million (2016: R42,5 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 R'm	Customer relation-ships and contracts R'm	Total R'm
2017					
Cost					
At beginning of year	**492,6**	**5,1**	**695,9**	**15,3**	**1 208,9**
Additions*	**–**	**–**	**2,3**	**–**	**2,3**
Disposals	**(3,4)**	**–**	**(0,1)**	**–**	**(3,5)**
At end of year	**489,2**	**5,1**	**698,1**	**15,3**	**1 207,7**
Accumulated amortisation and impairment losses					
At beginning of year	**15,6**	**2,8**	**29,8**	**15,3**	**63,5**
Disposals	**(3,4)**	**–**	**(0,1)**	**–**	**(3,5)**
Amortisation	**–**	**0,3**	**3,4**	**–**	**3,7**
Impairment loss	**–**	**–**	**150,0**	**–**	**150,0**
At end of year	**12,2**	**3,1**	**183,1**	**15,3**	**213,7**
Net carrying value					
At beginning of previous year	**477,0**	**2,2**	**667,4**	**–**	**1 146,6**
At end of previous year	**477,0**	**2,3**	**666,1**	**–**	**1 145,4**
At end of current year	**477,0**	**2,0**	**515,0**	**–**	**994,0**

	Goodwill R'm	Fishing rights R'm	Trademarks 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 depreciation and impairment losses					
At beginning of year	15,6	2,5	26,5	15,3	59,9
Amortisation	–	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

* *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.

Customer relationships are amortised over a period of two years and customer contracts are amortised over a period of 10 years.

The majority of trademarks are deemed to have indefinite useful lives, with the exception of:
- Trademark registrations, with a net book value of R8,5 million, which are amortised over their respective useful lives;
- Trademarks subject to licence agreements with a net book value of R0,8 million, which are amortised over their estimated period of use 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:

	Group					
	Goodwill		Trademarks		Total	
	2017 R'm	2016 R'm	**2017 R'm**	2016 R'm	**2017 R'm**	2016 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	**–**	–	**249,7**	399,7	**249,7**	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	**–**	–	**10,4**	11,5	**10,4**	11,5
	477,0	477,0	**515,0**	666,1	**992,0**	1 143,1

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 forecast profits of the cash-generating units and the forecast sales of branded products. Management forecasts typically cover a five-year period, unless a longer period is more appropriate, and thereafter a reasonable rate of growth is applied based on market conditions. Goodwill and trademark impairment tests are performed using a discounted cash flow model. Revenue and profit growth assumptions are based on approved budgets, business plans and historical performance, taking into account the economic and political environment. 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 11,9% and 16,0% (2016: 12,7% and 16,9%) depending on the business' risk profile. Perpetuity growth rates were set at 5% (2016: 5%).

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

Impairment losses

The Green Cross trademark of R399,7 million was recognised on acquisition of the business on 1 March 2012. As part of the annual review of the carrying amounts of trademarks with indefinite useful lives, an impairment of R150 million has been raised against the trademark in recognition of the longer period required to grow the business to AVI's target profitability in the current constrained environment. No impairment losses were recognised in the previous year.

	2017 R'm	2016 R'm
3. Investment in joint ventures		
Group carrying value of principal joint venture (Simplot joint venture)		
Cost of investment	25,1	25,1
Share of post-acquisition reserves	342,7	377,2
Carrying value	367,8	402,3
Group carrying value of non-principal joint venture (Umsobomvu joint venture)		
Cost of investment	–	–
Share of post-acquisition reserves	8,1	5,4
Carrying value	8,1	5,4
Total carrying value	375,9	407,7

Principal joint venture

Simplot Seafood, Snacks and Meals division ("Simplot") is an unincorporated joint venture which processes, trades and distributes seafood in Australia, in which I&J has joint control and a 40% (2016: 40%) ownership interest. The joint venture is managed by Simplot Australia Proprietary Limited and has a 31 August financial year end.

Simplot is structured as a separate vehicle and the Group has a residual interest in the net assets of Simplot. Accordingly, the Group has classified its interest in Simplot as a joint venture.

The following table summarises the financial information of Simplot, adjusted for differences on translation of the results into the Group's functional currency. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Simplot.

	2017 R'm	2016 R'm
Property, plant and equipment	158,5	182,0
Current assets	997,1	1 095,8
Current liabilities	(221,2)	(262,5)
Total net assets (100%)	934,4	1 015,3
I&J's proportionate share of assets and liabilities of Simplot Seafood, Snacks and Meals division (40%)	373,8	406,1
Elimination of unrealised profit on downstream sales	(6,0)	(3,8)
Carrying amount of interest in joint venture	367,8	402,3
Revenue	2 741,2	2 863,2
Expenditure	(2 592,1)	(2 728,5)
Capital items	37,9	–
Profit before taxation	187,0	134,8
Taxation	–	–
Profit after taxation (100%)	187,0	134,8
I&J's proportionate share of profit after taxation of Simplot Seafood, Snacks and Meals division (40%)	74,8	53,9
Elimination of unrealised profit on downstream sales	(2,2)	2,2
Group's share of total comprehensive income (including capital items)	72,6	56,1
Cash generated by operating activities	108,0	183,3
Cash generated by/(utilised in) investing activities	33,3	(7,8)
Cash effects of financing activities	(193,0)	(130,5)
Net (decrease)/increase in cash and cash equivalents (100%)	(51,8)	45,0
I&J's proportionate share of cash flow generated (40%)	(20,7)	18,0
Dividends paid to I&J	76,1	52,2
Capital commitments		
– contracted for	0,2	2,2
– not contracted for	–	–
	0,2	2,2

	2017 R'm	2016 R'm
4. Long-term receivables		
Pension fund surplus	**5,1**	10,9
Loan receivables	**0,4**	0,4
	5,5	11,3
Less: Short-term portion reflected in trade and other receivables (Note 8)	**4,5**	4,5
	1,0	6,8
5. Deferred taxation		
Balance at beginning of year, being a net liability	**330,3**	259,9
Charge to profit or loss	**51,0**	63,9
– current year – temporary differences	**55,1**	64,9
– prior year overprovision	**(4,1)**	(1,0)
Effect of movement in exchange rates recognised directly in other comprehensive income	**–**	0,4
Reserve movements in respect of actuarial (losses)/gains recognised directly in other comprehensive income	**(6,0)**	10,8
Reserve movements in respect of cash flow hedging recognised directly in other comprehensive income	**(2,4)**	4,4
Reserve movements in respect of Group share scheme recharge arrangements	**(21,4)**	(9,1)
Balance at end of year, being a net liability	**351,5**	330,3
Balance at end of year comprises:		
Accelerated capital allowances	**408,6**	342,9
Intangible assets temporary differences	**135,1**	177,5
Provisions and other temporary differences:	**(167,9)**	(175,1)
– post retirement medical aid	**(105,2)**	(97,2)
– leave pay and bonus accruals	**(65,8)**	(77,4)
– other deductible temporary differences	**3,1**	(0,5)
Cash flow hedge reserve	**(2,8)**	(0,4)
Group share scheme recharge receivable	**(20,5)**	(13,5)
Unused tax losses	**(1,0)**	(1,1)
	351,5	330,3
Deferred taxation is recognised at the following rates:		
South African operations – 28% (2016: 28%)	**346,8**	325,2
Foreign operations at average rate – 29,8% (2016: 29,8%)	**4,7**	5,1
	351,5	330,3
Reflected as:		
Deferred taxation asset	**24,1**	24,6
Deferred taxation liability	**375,6**	354,9

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, based on budgeted and forecast results of subsidiary companies, is within three to five years depending on the stability of the business. The tax losses do not expire under current tax legislation.

	2017 R'm	2016 R'm
The estimated losses which are available for the reduction of future taxable income	**74,7**	73,4
Less: Estimated losses taken into account in calculating deferred taxation	**3,6**	4,0
Shareholders' interest in the estimated tax losses not yet recognised is therefore:	**78,3**	69,4

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.

	2017 R'm	2016 R'm
6. Inventories		
Raw materials	**382,8**	393,2
Consumable stores	**190,3**	174,3
Work in progress	**39,2**	44,2
Manufactured finished goods	**567,9**	578,3
Merchandise – finished goods purchased for resale	**758,7**	602,0
	1 938,9	1 792,0
7. Biological assets		
Balance at beginning of year	**97,6**	76,9
Increase due to purchases	**43,1**	39,0
Transferred for processing and sold	**(106,5)**	(109,9)
Gains arising from change in fair value due to physical change	**92,5**	78,9
Gains arising from change in fair value less estimated costs to sell attributable to price changes	**8,3**	0,6
Effect of movement in exchange rates	**(5,1)**	12,1
Balance at end of year	**129,9**	97,6

	Kilograms	Kilograms
Standing volume	**21 073 259**	15 264 203
Volume harvested/sold in current year	**3 356 984**	2 965 380

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

Measurement of fair value

The fair value measure for abalone of R129,9 million (2016: R97,6 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;
- the size and volume of abalone, which is based on growth rates, harvest volumes, etc., where higher/(lower).

7. Biological assets continued

Risk management strategy related to aquaculture activities

Currency risks

I&J is subject to changes in the exchange rate as abalone sales prices are denominated in US Dollar and biological assets are measured at fair value which is also based on the US Dollar market price. The Group's currency risk management is described in Note 35.5.

Process risks

Abalone farming relies on a living environment which simulates natural conditions. This calls for continuous supply of water and oxygen to the growing areas. A potential shortage of electrical supply to drive the key equipment is mitigated by failsafe backup power generators.

Critical equipment such as pumps for water flow and fans for oxygen are monitored by sophisticated alarm systems.

Comprehensive fixed asset insurance is in place, whilst livestock insurance covers any mechanical failure which may result in abalone mortality.

Disease risks

Disease risk is mitigated via a comprehensive biosecurity protocol applied at all levels on the farm. The farm is divided into separate flow-through zones which allows for quarantine and separation should such a risk arise.

Daily monitoring of the water condition and organisms is part of the biosecurity plan.

I&J Dangerpoint farm is part of a specialist vet health monitoring programme where frequent assessments are done to verify the condition of the abalone stock and potentially to provide an early warning of disease risk.

Natural seasonal events could give rise to algal blooms in the ocean which can be a potential risk to animal health. This is mitigated by an algal bloom protocol, which includes the activation of a recirculation plan in the event of a bloom, where the incoming water is diluted with tidal semi recirculation to limit incoming concentrations. Future planned improvements in filtering systems will allow for further dilution of the concentrations to alleviate the risk.

	2017 R'm	2016 R'm
8. Trade and other receivables		
Trade accounts	**1 925,3**	1 757,3
Short-term portion of pension fund surplus (Note 4)	**4,5**	4,5
Other receivables	**51,9**	36,4
VAT receivable	**45,7**	36,6
Prepayments	**40,4**	38,7
	2 067,8	1 873,5
Allowance for credit notes and discounts	**(47,5)**	(39,5)
Impairment losses allowance	**(4,1)**	(5,9)
	2 016,2	1 828,1

	2017 R'm	2016 R'm
9. Share capital and premium		
Share capital		
Authorised		
Ordinary share capital		
960 000 000 (2016: 960 000 000) ordinary shares of 5 cents each	**48,0**	48,0
Preference share capital		
10 000 000 (2016: 10 000 000) convertible redeemable preference shares of 20 cents each	**2,0**	2,0
Total authorised share capital	**50,0**	50,0
Issued		
350 799 039 (2016: 347 557 914) ordinary shares of 5 cents each	**17,2**	17,1
Total issued share capital	**17,2**	17,1
Share premium		
Balance at beginning of year	**97,2**	62,1
Premium on issue of ordinary shares to Company's share trusts	**165,9**	35,1
Balance at end of year	**263,1**	97,2
Total issued share capital and premium	**280,3**	114,3
Treasury shares		
Balance at beginning of year	**(435,9)**	(453,7)
Issue of ordinary shares to Company's share trusts	**(166,0)**	(35,1)
Own ordinary shares sold by the Company's share trusts during the year	**60,0**	52,9
Balance at end of year	**(541,9)**	(435,9)

	2017 Number	2016 Number
The number of ordinary shares in issue is summarised as follows:		
Total issued shares	**350 799 039**	347 557 914
Less: Shares held by the Company's share trusts and subsidiary, and restricted shares held by participants of the Deferred Bonus Share Plan (Note 32)	**(25 431 085)**	(24 866 332)
	325 367 954	322 691 582

	2017 R'm	2016 R'm
10. Reserves		
The balance at end of year comprises:		
Cash flow hedging reserve	**(7,8)**	(1,5)
Actuarial reserve	**(32,4)**	(17,0)
Foreign currency translation reserve	**174,7**	211,9
Share-based payment reserve	**315,4**	266,0
	449,9	459,4

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 instruments are measured at grant date using generally accepted valuation techniques after taking into account the terms and conditions upon which the instruments were granted.

	2017 R'm	2016 R'm

11. Employee benefit liabilities

	2017 R'm	2016 R'm
Post-retirement medical aid obligation	**377,9**	349,4
Earnings-linked performance bonus liability	**25,0**	61,6
I&J Black Staff Employee Benefit Scheme liability (Note 33)	**22,7**	15,4
	425,6	426,4
Amount payable within one year included under trade and other payables (Note 15)	**(45,9)**	(83,5)
	379,7	342,9
Post-retirement medical aid obligation		
Reconciliation of benefit obligation recognised in balance sheet		
Balance at beginning of year	**349,4**	384,6
Recognised in profit or loss – operating profit	**35,0**	31,8
– Current service cost	**1,2**	1,5
– Interest cost	**33,8**	30,3
Actuarial loss/(gain) recognised in other comprehensive income	**21,4**	(38,6)
Contributions paid	**(27,9)**	(28,4)
Balance at end of year	**377,9**	349,4
Actuarial loss/(gain) recognised directly in other comprehensive income		
Net cumulative amount at beginning of year	**17,0**	44,8
Recognised during the year	**21,4**	(38,6)
Deferred tax thereon	**(6,0)**	10,8
Net cumulative amount at end of year	**32,4**	17,0

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 2017 and projected to 30 June 2017.

The principal actuarial assumptions used were:

Discount rate	9,60% (2016: 10,10%)
Medical inflation	8,00% (2016: 8,00%)

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	38,7	35,8
Effect on the aggregate service and interest cost	3,9	3,8

	2017 R'm	2016 R'm
12. Operating lease straight-line liabilities		
Balance at beginning of year	**17,4**	17,9
Recognised in profit or loss	**1,3**	(0,5)
Balance at end of year	**18,7**	17,4
Current portion included in trade and other payables (Note 15)	**(5,9)**	(6,8)
	12,8	10,6
13. Current borrowings		
Overnight call borrowings and bank overdrafts	**1 657,3**	1 704,2
Vessel finance liability*	**33,5**	33,5
	1 690,8	1 737,7
** 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 October 2017 which is the expected return date of the vessel concerned.*		
14. Other financial assets/liabilities including derivatives		
Forward exchange contract derivative asset	**40,2**	44,7
Fuel swap derivative asset	**0,3**	2,9
Other financial assets including derivatives	**40,5**	47,6
Forward exchange contract derivative liability	**45,5**	65,0
Fuel swap derivative liability	**3,9**	1,3
Other financial liabilities including derivatives	**49,4**	66,3
15. Trade and other payables		
Trade accounts	**992,7**	1 123,4
Other payables and accrued expenses	**831,9**	801,7
Employee benefits falling due within one year (Note 11)	**45,9**	83,5
Operating lease straight-line liability falling due within one year (Note 12)	**5,9**	6,8
	1 876,4	2 015,4
16. Revenue		
Revenue comprises the following:		
– Sale of goods	**13 016,1**	12 009,5
– Services, fees, commissions and royalties	**168,5**	179,4
	13 184,6	12 188,9

A segmental and geographical analysis of Group revenue is given on page 92 and 93 in the segment report.

	2017 R'm	2016 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	**3,7**	3,6
– Fishing rights	**0,3**	0,3
– Trademarks	**3,4**	3,3
Auditors' remuneration		
– Fees for audit	**10,8**	9,9
– Fees for other services	**0,9**	2,0
– Taxation services and consultations	**0,5**	1,0
– Other	**0,4**	1,0
Depreciation of property, plant and equipment	**393,7**	346,6
– Buildings	**14,4**	14,2
– Plant, equipment and vehicles	**324,7**	282,6
– Vessels	**54,6**	49,8
Employment costs (Note 32)	**2 516,9**	2 409,2
Foreign exchange (gains)/losses	**(108,4)**	88,4
Operating lease expenses	**221,1**	209,0
– Property	**214,5**	197,8
– Plant, equipment and vehicles	**6,6**	11,2
Research and development costs	**79,1**	77,2
18. Interest received		
Interest income on cash and cash equivalents and other investments	**5,1**	6,5
19. Finance costs		
Interest expense on borrowings	**(157,5)**	(135,9)
20. Share of equity-accounted earnings of joint ventures		
Equity-accounted profit of principal joint venture (Note 3)	**57,5**	56,1
Equity-accounted profit of non-principal joint venture (Note 3)	**5,7**	2,0
	63,2	58,1
21. Capital items		
Net gain/(loss) on disposal of property, plant and equipment	**9,7**	(11,3)
Impairment of property, plant and equipment	**(2,3)**	(3,0)
Impairment of Green Cross trademark (Note 2)	**(150,0)**	–
Joint venture capital profit	**15,1**	–
	(127,5)	(14,3)
Attributable taxation (Note 22)	**34,7**	3,3
	(92,8)	(11,0)

22. Taxation

	2017 R'm	2016 R'm
South African normal taxation	511,6	482,3
Deferred taxation	55,1	64,9
Foreign taxation	46,4	38,6
Dividend Withholding Tax	6,8	7,2
Prior year overprovisions		
– Current	(0,4)	(4,2)
– Deferred	(4,1)	(1,0)
	615,4	587,8
Dealt with as follows:		
In respect of profit before capital items	650,1	591,1
In respect of capital items (Note 21)	(34,7)	(3,3)
	615,4	587,8

	%	%
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	0,5	0,5
– Share-based payments	0,2	0,1
– Expenses attributable to exempt income earned	0,2	0,2
– Other	0,1	0,2
– Exempt income	(0,3)	(0,2)
– Learnerships and employment tax incentives	(0,2)	(0,2)
– Other	(0,1)	–
– Dividend Withholding Tax	0,3	0,3
– Effect of foreign tax differential	0,1	0,1
– Prior year overprovisions	(0,2)	(0,3)
Effective rate of taxation for the year	28,4	28,4

23. Cash generated by operations

	2017 R'm	2016 R'm
Operating profit before capital items	2 385,3	2 154,6
Adjusted for:		
– non-cash items	608,3	607,2
– depreciation of property, plant and equipment	393,7	346,6
– amortisation of intangible assets	3,7	3,6
– foreign currency translations	(36,2)	23,0
– equity-settled share-based payments	28,0	15,0
– movement in provisions and other non-cash items	219,1	219,0
	2 993,6	2 761,8

24. Increase in working capital

	2017 R'm	2016 R'm
Increase in inventories and biological assets	(158,7)	(317,5)
Increase in trade and other receivables	(163,9)	(276,0)
(Decrease)/increase in trade and other payables	(352,4)	124,2
	(675,0)	(469,3)

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

	2017 R'm	2016 R'm
25. Taxation paid		
Amount owing at beginning of year	**13,8**	10,8
Amount prepaid at beginning of year	**(19,8)**	(32,6)
Net amount prepaid at beginning of year	**(6,0)**	(21,8)
	564,4	523,9
Charge per profit or loss	**615,4**	587,8
Deferred taxation included therein (Note 5)	**(51,0)**	(63,9)
Effect of movement in foreign exchange rates	**(0,1)**	0,5
Net amount (owing)/prepaid at end of year	**(11,6)**	6,0
Amount owing at end of year	**(29,8)**	(13,8)
Amount prepaid at end of year	**18,2**	19,8
Amount paid during year	**546,7**	508,6
26. Movement in joint ventures		
Dividends received	**79,1**	53,3
27. Proceeds from shareholder funding		
Sale of own ordinary shares by the Company's share trusts	**63,3**	56,3
28. Dividends paid		
Ordinary dividends paid	**1 240,9**	1 126,9
Distributions to I&J non-controlling interest	**3,6**	–
Dividends paid and reflected in statement of changes in equity	**1 244,5**	1 126,9

29. Earnings and headline earnings

The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 324 230 182 (2016: 321 536 201) ordinary shares in issue.

The diluted earnings and headline earnings per share are calculated based on a weighted average of 326 828 137 (2016: 325 220 785) ordinary shares.

	2017 Gross R'm	2017 Net of tax and non-controlling interests R'm	2016 Gross R'm	2016 Net of tax and non-controlling interests R'm
Determination of headline earnings				
Earnings attributable to owners of AVI	**–**	**1 553,2**	–	1 481,2
Adjustment for capital items	**(127,5)**	**(92,8)**	(14,3)	(11,0)
Net gain/(loss) on disposal of property, plant and equipment	**9,7**	**6,0**	(11,3)	(8,2)
Impairment of property, plant and equipment	**(2,3)**	**(1,7)**	(3,0)	(2,8)
Impairment of Green Cross trademark (Note 2)	**(150,0)**	**(108,0)**	–	–
Joint venture capital profit	**15,1**	**10,9**	–	–
Headline earnings	**–**	**1 646,0**	–	1 492,2

29. Earnings and headline earnings continued

	2017 Number	2016 Number
Reconciliation of weighted average number of ordinary shares		
Issued shares at beginning of year	**347 557 914**	346 700 741
Effect of own shares held by trusts and subsidiary	**(24 866 332)**	(26 579 646)
Effect of treasury shares sold in July – September	**60 429**	73 249
Effect of treasury shares sold in October – December	**1 288 197**	1 129 693
Effect of treasury shares sold in January – March	**36 498**	25 951
Effect of treasury shares sold in April – June	**153 476**	186 213
Weighted average number of ordinary shares	**324 230 182**	321 536 201
Effect of the AVI Executive Share Incentive Scheme instruments outstanding during the year	**510 201**	707 445
Effect of the AVI Black Staff Empowerment Scheme instruments outstanding during the year	**1 103 766**	2 211 790
Effect of the AVI Deferred Bonus Share Plan instruments outstanding during the year	**905 495**	–
Effect of the AVI Out-Performance Scheme instruments outstanding during the year	**78 492**	765 350
Weighted average diluted number of ordinary shares	**326 828 137**	325 220 785

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

	2017 Cents	2016 Cents
Earnings per ordinary share	**479,0**	460,7
Diluted earnings per ordinary share	**475,2**	455,4
Headline earnings per ordinary share	**507,7**	464,1
Diluted headline earnings per ordinary share	**503,6**	458,8

30. Dividends paid

	2017 R'm	2016 R'm
Ordinary shares		
No 84 of 200 cents, paid 19 October 2015		642,9
No 85 of 150 cents, paid 18 April 2016		484,0
No 86 of 220 cents, paid 17 October 2016	**713,4**	
No 87 of 162 cents, paid 24 April 2017	**527,5**	
	1 240,9	1 126,9
Distributions to I&J non-controlling interest	**3,6**	–
	1 244,5	1 126,9
Dividend No 88 of 243 cents in respect of the year ended 30 June 2017 was declared on 8 September 2017 and is payable on 16 October 2017. 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.	**791,4**	

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 20% effective from 22 February 2017 (15% before 22 February 2017), in respect of those shareholders who are not exempt from paying Dividend Withholding Tax.

	2017 R'm	2016 R'm

31. Commitments and contingent liabilities

	2017 R'm	2016 R'm
Commitments		
Capital commitments		
Capital expenditure authorised by the directors		
Property, plant and equipment		
– contracted for	**97,6**	183,9
– not contracted for	**254,2**	143,5
	351,8	327,4

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.

	2017 R'm	2016 R'm
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**162,4**	150,4
Between two and five years	**305,7**	279,5
After five years	**12,1**	29,4
	480,2	459,3

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 banking facilities for some of its subsidiaries.

32. Employee benefits

	2017 R'm	2016 R'm
Employment costs	**2 516,9**	2 409,2
Short-term employment benefits	**2 229,2**	2 174,5
Termination benefits	**19,6**	8,1
Retirement benefits	**135,0**	126,1
Post-retirement medical aid costs	**35,0**	31,8
Share-based payments – equity-settled	**28,0**	15,0
Earnings-linked performance bonuses	**63,0**	48,6
I&J Black Staff Employee Benefit Scheme (Note 33)	**7,1**	5,1

32.1 Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 10 944 (2016: 11 587) employees, 7 875 (2016: 8 005) 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 R135,0 million (2016: R126,1 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

Eligible participants are awarded share options which vest after the completion of a three-year service period. Upon vesting, participants are eligible to exercise their options by receiving AVI shares equal to the number of options awarded subject to the settlement of the exercise price (equal to the award price) by the participant.

Date of award	Award price (exercise price) R	Instruments[1] outstanding at 30 June 2016 number	Awarded number	Exercised number	Relinquished number	**Instruments[1] outstanding at 30 June 2017 number**
1 April 2012	45,49	233 568	–	(233 568)	–	**–**
1 October 2012	58,83	19 991	–	(19 991)	–	**–**
1 April 2013	55,88	290 289	–	(97 654)	–	**192 635**
1 October 2013	58,50	160 997	–	(155 702)	–	**5 295**
1 April 2014	53,38	626 496	–	(311 577)	(8 073)	**306 846**
1 October 2014	67,47	297 116	–	–	–	**297 116**
1 April 2015	84,45	409 152	–	–	(38 799)	**370 353**
1 October 2015	82,67	275 065	–	–	(14 318)	**260 747**
1 April 2016	83,06	696 295	–	–	(146 214)	**550 081**
		3 008 969	–	(818 492)	(207 404)	**1 983 073**

[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 awards. 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 scheme has been replaced by the Revised AVI Executive Share Incentive Scheme with no further allocations in the current year.

The Revised AVI Executive Share Incentive Scheme

The Revised AVI Executive Share Incentive Scheme was approved by shareholders at the Annual General Meeting held on 3 November 2016 and replaces the AVI Executive Share Incentive Scheme. Eligible participants are awarded share appreciation rights which vest after the completion of a three-year service period, subject to the satisfaction of a performance condition, namely that the AVI return on capital employed over the period exceeds the weighted average cost of capital. Upon vesting, participants are eligible to exercise their awards by receiving AVI shares equal to the increase in value of their awards between award date and exercise date. The cost of these AVI shares is funded by way of contributions from employer companies in respect of participants who are their employees.

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2016 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2017 number**
23 November 2016	94,07	–	304 070	–	(37 041)	**267 029**
1 April 2017	101,79	–	684 744	–	–	**684 744**
		–	988 814	–	(37 041)	**951 773**

The share appreciation rights are available to be exercised in their entirety three years after the effective date of granting of awards, subject to the performance condition being met. Any rights 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.

32. Employee benefits continued

32.2 Share incentive schemes continued

The AVI Out-Performance Scheme

Eligible participants are awarded notional shares which vest after the completion of a three-year service period, and are converted to AVI shares subject to AVI's performance against an identified peer group over the vesting period.

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 notional shares are made 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, a vesting multiple of between 0 times and 3,6 times will be applied to the notional shares to determine the number of shares allocated to the participant upon vesting. No shares vest if AVI's TSR is ranked below the 50th peer group percentile.

Upon vesting, each participant will receive the AVI shares due to them. The cost of the AVI shares is funded by way of contributions from employer companies in respect of participants who are their employees.

As the allocation of awards is a notional allocation, the notional shares so allocated will not attract any dividends or voting rights in the hands of participants until vested.

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2016 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2017 number**
1 October 2013	57,86	267 377	–	(267 377)	–	**–**
1 October 2014	65,46	254 944	–	–	(21 863)	**233 081**
1 October 2015	81,56	282 401	–	–	(33 839)	**248 562**
1 October 2016	92,35	–	216 444	–	–	**216 444**
		804 722	216 444	(267 377)	(55 702)	**698 087**

All notional shares vest three years after award date. Notional shares are converted to AVI shares only if the performance requirements are met on the vesting date.

The AVI Deferred Bonus Share Plan

The AVI Deferred Bonus Share Plan was approved by shareholders at the Annual General Meeting held on 3 November 2016. The value of the awards allocated is determined with reference to each eligible participant's annual bonus (earned under the Group's short-term bonus incentive framework). A portion of the annual bonus is paid in cash while the deferred element is settled in equity as AVI shares and subject to a three-year service period before vesting, during which period the bonus shares remain restricted. These shares are held by an escrow agent on behalf of participants over this vesting period. Participants are, however, eligible to receive dividends and vote at shareholder meetings.

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2016 number	Awarded number	Vested number	Relinquished number	**Instruments outstanding at 30 June 2017 number**
18 November 2016	88,59	–	330 338	(1 046)	(18 416)	**310 876**
		–	330 338	(1 046)	(18 416)	**310 876**

Upon vesting, the shares become unrestricted in the hands of participants. The cost of the AVI shares is funded by way of contributions from employer companies in respect of participants who are their employees.

The vesting of shares prior to the completion of the three-year restriction period represents the portion allowed to vest on retirement, death, disability or retrenchment.

32. Employee benefits continued

32.2 Share incentive schemes continued

The AVI Black Staff Empowerment Scheme

The AVI Black Staff Empowerment Scheme was established to provide certain full-time black employees of the Group with the opportunity of acquiring shares in the capital of the Company, and has been incorporated within the AVI Black Staff Empowerment Scheme Trust ("the Trust"). The purchase of shares by the Trust for the purpose of the scheme was funded by way of loans from employer companies in respect of participants who are their employees.

Participants have been granted a right to purchase ordinary AVI shares equal to the number of options awarded 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 settlement of the exercise price by the participant and 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.

Date of award	Award price per instrument R	Exercise price[1] R	Instruments outstanding at 30 June 2016 number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2017 number**
January 2007	15,51	3,93	58 471	(9 877)	–	**48 594**
October 2007	19,58	11,69	2 296	–	–	**2 296**
April 2008	16,49	5,45	6 011	–	–	**6 011**
October 2008	15,68	2,49	–	–	–	**–**
April 2009	16,16	2,47	2 688	(967)	–	**1 721**
October 2009	18,48	5,80	495 275	(456 776)	(29 335)	**9 164**
April 2010	23,47	13,77	179 372	(158 629)	(18 413)	**2 330**
October 2010	25,32	15,89	409 689	(189 430)	(10 103)	**210 156**
April 2011	29,55	23,28	368 903	(176 028)	(17 038)	**175 837**
October 2011	32,29	26,64	595 362	(194 789)	(29 410)	**371 163**
December 2011	37,25	34,29	78 565	(25 363)	(7 356)	**45 846**
			2 196 632	(1 211 859)	(111 655)	**873 118**

[1] The exercise price is calculated at 30 June 2017 in terms of the Trust deed, which sets the purchase price as an amount equal to the sum of:
– the award 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.

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

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 are detailed in the table below.

Share incentive scheme	Authorised number	% of total issued share capital	Remaining authorised but not issued number
AVI Executive Share Incentive Scheme	–	0,0	–
Revised AVI Executive Share Incentive Scheme	5 213 369	1,5	5 213 369
AVI Deferred Bonus Share Plan	5 213 369	1,5	4 902 493
AVI Out-Performance Scheme	6 915 158	2,0	6 915 158
Total	17 341 896	5,0	17 031 020

Each participant may not acquire share instruments or options under the schemes which would amount in aggregate to more than 6 951 158 ordinary shares which presently equates to 2,0% of the total issued share capital of the Company.

32. Employee benefits continued

32.3 Share-based payments

The fair value of the equity instruments is measured as follows:

AVI Executive Share Incentive Scheme	Black-Scholes valuation model
Revised AVI Executive Share Incentive Scheme	Black-Scholes valuation model
AVI Black Staff Empowerment Scheme	Black-Scholes valuation model
AVI Out-Performance Scheme	Black-Scholes and Monte Carlo valuation methodology
AVI Deferred Bonus Share Plan	Award date market price of shares

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.

	2017	2016
Assumptions applied in arriving at fair value of instruments issued during the year		
Equity instruments issued by the AVI Executive Share Incentive Scheme		
Fair value at grant date	–	R17,11 – R20,04
Share price	–	R82,67 – R83,06
Exercise price	–	R82,67 – R83,06
Expected volatility	–	25,8% – 30,8%
Option life	–	3,5 years
Dividend yield	–	4,56% – 4,97%
Risk-free interest rate	–	8,44% – 9,11%
Equity instruments issued by the Revised AVI Executive Share Incentive Scheme		
Fair value at grant date	R19,09 – R19,32	–
Share price	R80,30 – R87,10	–
Exercise price	R94,07 – R101,79	–
Expected volatility	20,1% – 23,4%	–
Option life	3,5 years	–
Dividend yield	4,33% – 4,42%	–
Risk-free interest rate	8,66% – 8,87%	–
Equity instruments issued by the AVI Out-Performance Scheme		
Fair value at grant date	R44,45	R45,63
Share price	R92,32	R81,62
Option life	3 years	3 years
Dividend yield	4,4%	4,4%
Risk-free interest rate	8,66%	8,44%
Expected mean TSR performance	10,0%	9,9%
Equity instruments issued by the AVI Deferred Bonus Share Plan		
Share price	R88,59	–

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 was used to determine a risk-free interest rate at grant date or measurement date.

32. Employee benefits continued

32.3 Share-based payments continued

	2017 R'm	2016 R'm
Share-based payment expense		
Equity-settled		
AVI Executive Share Incentive Scheme	**8,9**	7,7
Revised AVI Executive Share Incentive Scheme	**2,4**	–
AVI Out-Performance Scheme	**8,7**	7,0
AVI Deferred Bonus Share Plan	**6,1**	–
AVI Black Staff Empowerment Scheme	**1,9**	0,3
	28,0	15,0

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 commitments 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 Holding Company 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% (2016: 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 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 of which is 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.

The put and call options are exercisable from July 2018, but may be deferred to a later date by agreement with Main Street's shareholders. Payments by the Company to Main Street arising from the put and call arrangement will be recorded directly in equity.

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

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 – R22,7 million at 30 June 2017 and R15,4 million at 30 June 2016) has been measured using the projected unit credit method and an expense of R7,3 million (2016: R5,1 million) has been recognised in the current year.

34. Related party transactions

	2017 R'm	2016 R'm
Transactions with Group entities		
Trade receivables from joint ventures	**17,5**	20,5
Royalties received from joint ventures	**19,3**	19,2
Sales to joint ventures	**99,0**	95,6
Payments to AVI Limited Pension Fund	**91,0**	85,5
Payments to AVI Limited Provident Fund	**81,0**	74,2

Details of the principal subsidiaries, joint ventures and other investments are given on pages 116 and 143.

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 2017, according to the information available to the directors were:

	Number of ordinary shares	%
Government Employees Pension Fund	**51 101 697**	14,6
AVI Investment Services Proprietary Limited	**17 234 352**	4,9
Vanguard Investment Management	**10 562 638**	3,0

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.

34. Related party transactions continued

The key management personnel costs are as follows:

	2017 R'm	2016 R'm
Short-term employee benefits	**152,5**	150,8
Post-employment benefits	**8,2**	9,1
Termination benefits	**12,6**	4,6
Other long-term benefits*	**65,5**	13,9
Share-based payment expense	**17,1**	10,4
	255,9	188,8

** Gains on exercise of cash settled notional share options.*

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 10,0% (2016: 11,2%). In 2017 the return was 28,0% (2016: 27,9%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 8,13% (2016: 7,37%).

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 repurchased as part of a programme to return capital to shareholders, but some may be used for issuing shares under the Group's share incentive schemes. 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.

35. Financial risk management continued

35.2 Capital management continued

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.

35.3 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 existence 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 2017 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 (2016: 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).

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.

35. Financial risk management continued

35.3 Credit risk continued

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 2017 R'm	2016 R'm
Other investments	**1,0**	6,8
Derivatives	**40,5**	47,6
Trade and other receivables*	**1 930,1**	1 752,8
Cash and cash equivalents	**246,7**	309,1
Total	**2 218,2**	2 116,3

** Excludes prepayments and VAT receivables.*

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

	Carrying amount 2017 R'm	2016 R'm
South Africa	**1 462,2**	1 316,2
Europe	**180,6**	164,9
Australasia	**17,8**	19,5
Rest of Africa	**189,6**	180,3
Other	**27,6**	36,9
Total	**1 877,8**	1 717,8

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

	Carrying amount 2017 R'm	2016 R'm
Wholesale customers	**667,7**	581,4
Retail customers	**1 002,3**	928,1
End-user customers and direct sales	**207,8**	208,3
Total	**1 877,8**	1 717,8

The Group's most significant customers, being two South African retailers, accounted for 28,8% of the trade receivables carrying amount at 30 June 2017 (2016: 28,3%).

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2017 R'm	Impairment 2017 R'm	Gross 2016 R'm	Impairment 2016 R'm
Not past due	**1 795,6**	**–**	1 644,4	–
Past due 0 – 30 days	**37,7**	**–**	35,8	(0,1)
Past due 31 – 120 days	**21,6**	**(0,6)**	18,9	(0,4)
Past due 121 days – 1 year	**14,5**	**(1,0)**	14,1	(1,3)
Past due more than 1 year	**8,4**	**(2,5)**	4,6	(4,1)
Total	**1 877,8**	**4,1**	1 717,8	(5,9)

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.

35. Financial risk management continued

35.3 Credit risk continued

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

	2017 R'm	2016 R'm
Balance as at 1 July	**(5,9)**	(5,2)
Impairment loss recognised in profit or loss	**(1,5)**	(2,8)
Impairment loss reversal	**–**	0,1
Impairment loss utilised	**3,3**	2,0
Balance as at 30 June	**(4,1)**	(5,9)

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.

The carrying amounts represent the maximum exposure to credit risk.

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 R2,83 billion of treasury facilities with banks. These are a combination of short and medium-term facilities. 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 2017							
Non-derivative financial liabilities							
Trade and other payables*	**1 775,0**	**1 775,0**	**1 775,0**	**–**	**–**	**–**	**–**
Vessel finance liability	**33,5**	**33,5**	**33,5**	**–**	**–**	**–**	**–**
Overdraft and current borrowings	**1 657,3**	**1 657,3**	**1 657,3**	**–**	**–**	**–**	**–**
	3 465,8	**3 465,8**	**3 465,8**	**–**	**–**	**–**	**–**
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	–	–	–	–

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

35. Financial risk management continued

35.4 Liquidity risk continued

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 2017				
FECs used for hedging				
– Imports	**(20,2)**	**(913,1)**	**(629,9)**	**(283,3)**
– Exports	**10,1**	**434,9**	**232,3**	**202,6**
	(10,1)	**(478,3)**	**(397,6)**	**(80,7)**
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

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 returns.

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.

35. Financial risk management continued

35.5 Market risk continued

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
Net exposure as at 30 June 2017									
Australian Dollar	**1,8**	**1,6**	**–**	**3,4**	**11,0**	**–**	**5,3**	**–**	**19,7**
Botswana Pula	**29,6**	**36,7**	**(12,2)**	**54,1**	**–**	**–**	**–**	**–**	**54,1**
Euro	**11,2**	**3,5**	**(6,4)**	**8,3**	**58,7**	**(31,9)**	**25,2**	**(26,4)**	**33,9**
US Dollar	**2,3**	**0,5**	**(7,9)**	**(5,1)**	**16,7**	**(77,1)**	**6,8**	**(45,2)**	**(103,9)**
Zambian Kwacha	**29,5**	**9,4**	**(1,8)**	**37,1**	**–**	**–**	**–**	**–**	**37,1**
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

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

The following significant exchange rates applied during the year:

	Reporting date			
	30 June 2017		30 June 2016	
1FC = X ZAR	**Closing rate**	**Average for the year**	Closing rate	Average for the year
Australian Dollar	**10,0806**	**10,2915**	10,8696	10,5956
Botswana Pula	**1,2850**	**1,2911**	1,3448	1,3402
Euro	**14,9625**	**14,8779**	16,2422	16,0931
US Dollar	**13,1250**	**13,6183**	14,6168	14,5571
Zambian Kwacha	**1,4384**	**1,4001**	1,5152	1,3889

Sensitivity analysis

A 10 percent 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 2016.

	Profit/(loss)	
	2017 R'm	2016 R'm
Australian Dollar	**19,9**	19,5
Botswana Pula	**7,0**	7,2
Euro	**50,7**	79,7
US Dollar	**(136,4)**	(152,5)
Zambian Kwacha	**5,3**	4,0
	(53,5)	(42,1)

A 10 percent 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.

35. Financial risk management continued

35.5 Market risk continued

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	
	2017 R'm	2016 R'm
Fixed rate instruments		
– Financial liabilities	**–**	–
	–	–
Variable rate instruments		
– Financial assets	**247,7**	320,4
– Financial liabilities	**(1 657,3)**	(1 704,2)
	(1 409,6)	(1 383,8)

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)	
	2017 R'm	2016 R'm
Variable rate instruments		
– Financial assets	**2,5**	3,2
– Financial liabilities	**(16,6)**	(17,0)
Net cash flow sensitivity	**(14,1)**	(13,8)

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:

Group	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 2017									
Financial assets measured at fair value	40,5	40,5	–	–	40,5	–	40,5	–	40,5
Forward exchange contract derivative asset	40,2	40,2	–	–	40,2	–	40,2	–	40,2
Fuel swap derivative asset	0,3	0,3	–	–	0,3	–	0,3	–	0,3
Financial assets not measured at fair value	2 177,8	–	2 177,8	–	2 177,8	–	–	–	–
Loan receivable	0,4	–	0,4	–	0,4	–	–	–	–
Pension fund surplus	5,1	–	5,1	–	5,1	–	–	–	–
Trade and other receivables									
– Trade accounts	1 873,7	–	1 873,7	–	1 873,7	–	–	–	–
– Other receivables	51,9	–	51,9	–	51,9	–	–	–	–
Cash and cash equivalents	246,7	–	246,7	–	246,7	–	–	–	–
Financial liabilities measured at fair value	(49,4)	(49,4)	–	–	(49,4)	–	(49,4)	–	(49,4)
Forward exchange contract derivative liability	(45,5)	(45,5)	–	–	(45,5)	–	(45,5)	–	(45,5)
Fuel swap derivative liability	(3,9)	(3,9)	–	–	(3,9)	–	(3,9)	–	(3,9)
Financial liabilities not measured at fair value	(3 515,4)	–	–	(3 515,4)	(3 515,4)	–	–	–	–
Overnight call borrowings and bank overdrafts	(1 657,3)	–	–	(1 657,3)	(1 657,3)	–	–	–	–
Vessel finance liability	(33,5)	–	–	(33,5)	(33,5)	–	–	–	–
Trade and other payables									
– Trade payables	(992,7)	–	–	(992,7)	(992,7)	–	–	–	–
– Other payables and accrued expenses	(831,9)	–	–	(831,9)	(831,9)	–	–	–	–

36. Financial assets and liabilities continued

Accounting classifications and fair values continued

Group	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)	–	–	–	–

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 2017 and 30 June 2016.

37. Post reporting date events

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

38. Going concern

AVI Limited earned a net profit for the year ended 30 June 2017 of R1 553,2 million (2016: R1 481,2 million) and as of that date, its total assets exceeded its total liabilities by R4 851,7 million (2016: R4 489,5 million). The directors have made an assessment of the ability of AVI Limited to continue as a going concern and have no reason to believe the Company will not be a going concern in the year ahead.

ANNEXURE A – INTERESTS IN OTHER ENTITIES

as at 30 June 2017

Principal subsidiary companies of AVI Limited

Name of company and nature of business	Class	Issued permanent capital* 2017 R'm	Issued permanent capital* 2016 R'm	Group effective percentage holding 2017 %	Group effective percentage holding 2016 %
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
Green Cross Properties Proprietary Limited#	Ord	**–**	–	**–**	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.*

 # Dormant entity deregistered in the current year.

ANNEXURE B – ANALYSIS OF ORDINARY SHAREHOLDERS

as at 30 June 2017

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000 shares	9 364	56,20	4 339 133	1,24
1 001 – 10 000 shares	5 892	35,36	17 739 292	5,06
10 001 – 100 000 shares	1 005	6,03	31 152 023	8,88
100 001 – 1 000 000 shares	342	2,05	100 674 864	28,70
1 000 001 shares and over	59	0,35	196 893 727	56,13
Total	16 662	100,00	350 799 039	100,00
Distribution of shareholders				
Assurance companies	72	0,43	14 694 667	4,19
Close corporations	136	0,82	324 426	0,09
Collective investment schemes	575	3,45	130 926 092	37,32
Control accounts	1	0,01	68	0,00
Custodians	60	0,36	20 321 422	5,79
Foundations and charitable funds	183	1,10	3 188 994	0,91
Hedge funds	12	0,07	386 206	0,11
Insurance companies	19	0,11	717 998	0,20
Investment partnerships	61	0,37	253 738	0,07
Managed funds	116	0,70	16 615 494	4,74
Medical aid funds	34	0,20	975 115	0,28
Organs of State	10	0,06	54 176 023	15,44
Private companies	466	2,80	3 260 330	0,93
Public companies	12	0,07	1 321 852	0,38
Public entities	4	0,02	95 151	0,03
Retail shareholders	11 511	69,09	18 496 942	5,27
Retirement benefit funds	366	2,20	32 633 148	9,30
Scrip lending	21	0,13	3 589 363	1,02
Share schemes	2	0,01	7 887 144	2,25
Sovereign funds	12	0,07	8 612 915	2,46
Stockbrokers and nominees	32	0,19	2 542 709	0,72
Treasury	2	0,01	17 545 228	5,00
Trusts	2 944	17,67	12 218 566	3,48
Unclaimed scrip	11	0,07	15 448	0,00
Total	16 662	100,00	350 799 039	100,00
Shareholder type				
Non-public shareholders	13	0,08	77 420 282	22,07
Directors and associates (excluding employee share schemes)	3	0,02	887 500	0,25
Government Employees Pension Fund	6	0,04	51 101 697	14,57
AVI Investment Services Proprietary Limited	1	0,01	17 234 352	5,00
Employee share schemes	3	0,01	8 196 733	2,25
Public shareholders	16 649	99,92	273 378 757	77,93
Total	16 662	100,00	350 799 039	100,00

Shareholder type continued

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Public Investment Corporation	48 182 329	13,74
Abax Investments	16 396 082	4,67
Stanlib Asset Management	13 537 356	3,86
JP Morgan Asset Management	13 173 357	3,76
Vanguard Investment Management	10 633 523	3,03
Total	101 922 647	29,05
Beneficial shareholders with a holding greater than 3% of the issued shares		
Government Employees Pension Fund	51 101 697	14,57
AVI Investment Services Proprietary Limited	17 234 352	4,91
Vanguard Investment Management	10 562 638	3,01
Total	78 898 687	22,49

Total number of shareholdings	16 662
Total number of shares in issue	350 799 039

Share price performance

Opening price 1 July 2016	R83,85
Closing price 30 June 2017	R95,00
Closing high for the period	R103,47
Closing low for the period	R82,70
Number of shares in issue	350 799 039
Volume traded during period	244 203 316
Ratio of volume traded to shares issued (%)	69,61
Rand value traded during the period	R22 727 563 730
Market capitalisation at 30 June 2017	R33 325 908 705

SHAREHOLDERS' DIARY

Reports and profit statements

Interim report announcement in press	Tuesday, 7 March
Annual results announcement in press	Tuesday, 12 September
Annual financial statements posted	Friday, 29 September

Final dividend

Dividends declared	Friday, 8 September
Details of dividends announcement on SENS	Monday, 11 September
Details of dividends announcement in press	Tuesday, 12 September
Last day to trade cum dividend on the JSE Limited ("JSE")	Tuesday, 10 October
First day trading ex dividend on the JSE	Wednesday, 11 October
Record date	Friday, 13 October
Payment date	Monday, 16 October

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE OF ANNUAL GENERAL MEETING

INCORPORATING A FORM OF PROXY FOR THE USE OF HOLDERS OF CERTIFICATED ORDINARY SHARES AND DEMATERIALISED ORDINARY SHARES WITH "OWN NAME" REGISTRATION ONLY.

Notice is hereby given that the seventy-third Annual General Meeting of members of the Company will be held at 2 Harries Road, Illovo, Johannesburg, on Thursday, 2 November 2017 at 11:00 for the following purposes:

To consider and, if deemed fit, to pass with or without modification, ordinary resolutions 1 to 8. In terms of the Companies Act No 71 of 2008, as amended ("the Companies Act"), for an ordinary resolution to be adopted, it must be supported by more than 50% of the total number of votes exercised on the resolution by the shareholders present or represented by proxy at this meeting and entitled to vote thereon.

1. "That the annual financial statements for the year ended 30 June 2017, together with the reports of the directors, the independent auditors, and the Audit and Risk Committee, be and are hereby adopted."
2. "That KPMG Inc. be and are hereby re-appointed as the external auditors of the Company."
3. "That Mr SL Crutchley, who will retire by rotation in accordance with the Company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."*
4. "That Mr OP Cressey, who will retire by rotation in accordance with the Company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."*
5. "That Mr GR Tipper, who will retire by rotation in accordance with the Company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."*
6. "That Mr MJ Bosman, be and is hereby elected as a member and the Chairman of the Audit and Risk Committee."*
7. "That Mrs NP Dongwana, be and is hereby elected as a member of the Audit and Risk Committee."*
8. "That Mr JR Hersov, be and is hereby elected as a member of the Audit and Risk Committee."*

**Brief CVs of the directors appear on pages 60 and 61 of the Integrated Annual Report.*

To consider and, if deemed fit, to pass with or without modification, special resolutions 9 to 18. In terms of the Companies Act for a special resolution to be adopted, it must be supported by at least 75% of the total number of votes exercised on the resolution by shareholders present or represented by proxy at this meeting and entitled to vote thereon.

9. "That with effect from 1 July 2017 the fees payable to the current non-executive directors, excluding the Chairman of the Board and the foreign non-executive director, Mr A Nühn, be increased from R284 040 per year to R302 502 per year."
10. "That with effect from 1 July 2017 the fees payable to the Chairman of the Board be increased from R916 160 per year to R984 872 per year."
11. "That with effect from 1 July 2017 the fees payable to the foreign non-executive director, Mr A Nühn, be increased from Euro 45 594 per year to Euro 46 164 per year."
12. "That with effect from 1 July 2017 the fees payable to the members of the Remuneration, Nomination and Appointments Committee, excluding the Chairman of this committee, be increased from R97 200 per year to R103 518 per year."
13. "That with effect from 1 July 2017 the fees payable to the members of the Audit and Risk Committee, excluding the Chairman of this committee, be increased from R105 840 per year to R113 778 per year."
14. "That with effect from 1 July 2017 the fees payable to the members of the Social and Ethics Committee, excluding the Chairman of this committee, be increased from R71 604 per year to R76 258 per year."
15. "That with effect from 1 July 2017 the fees payable to the Chairman of the Remuneration, Nomination and Appointments Committee be increased from R211 680 per year to R225 439 per year. If the foreign non-executive director, Mr A Nühn, is Chairman of the Remuneration, Nomination and Appointments Committee, the fee will be increased from Euro 14 994 per year to Euro 15 181 per year with effect from 1 July 2017."
16. "That with effect from 1 July 2017 the fees payable to the Chairman of the Audit and Risk Committee be increased from R228 960 per year to R243 842 per year."
17. "That with effect from 1 July 2017 the fees payable to the Chairman of the Social and Ethics Committee be increased from R105 840 per year to R113 778 per year."

    The increases in non-executive directors' fees proposed in terms of special resolutions 9 to 17 above are based on a detailed review and comparison of non-executive directors' fees to market-related benchmarks. Non-executive directors' fees are paid as a combination of a fixed retainer and for attendance at formally convened meetings. Where applicable, directors' fees are exclusive of VAT.

18. "That the Company and/or any of its subsidiaries be and are hereby authorised, by way of a general approval in terms of the Listings Requirements of the JSE Limited ("the JSE"), to acquire ordinary shares issued by the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide, provided that:
    - any such acquisition shall only be made in compliance with the provisions of sections 4 and 48 read with section 46 of the Companies Act;
    - any such acquisition of ordinary shares shall be effected on the open market through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades being prohibited);
    - any such acquisition of ordinary shares is authorised by the Company's Memorandum of Incorporation;

- this general authority shall be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- the Company, may not, in any one financial year, acquire in excess of 10% of the Company's issued ordinary share capital as at the date of passing of this special resolution;
- the Company's subsidiaries shall not be entitled to acquire, on a cumulative basis, in excess of 10% of the Company's issued ordinary share capital as at the date of passing this special resolution;
- the Board of directors has passed a resolution authorising the repurchase and confirming that the Company and its subsidiary/ies have passed the solvency and liquidity tests and that, since the tests were performed, there have been no material changes to the financial position of the Group;
- in determining the price at which ordinary shares issued by the Company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by the Company or any of its subsidiaries;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- the Company and/or its subsidiaries may not repurchase any ordinary shares during a prohibited period as defined by the Listings Requirements unless they have in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the relevant period are fixed and which has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
- shares held within the AVI Group (so called treasury shares) will not have their votes at general meetings taken account of for Listings Requirements resolution approval purposes."

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

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

To consider the non-binding ordinary resolution 19.

19. "That, by way of a non-binding advisory ordinary resolution, the Company's remuneration policy as set out in the Remuneration Report contained in the Integrated Annual Report of which this notice forms part, be and is hereby endorsed."

    King III, dealing with boards and directors, requires companies to table their remuneration policy every year to shareholders by way of a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policy adopted.

To consider any other business.

20. To transact such other business as may be transacted at an Annual General Meeting.

Directors' statement

The directors, having considered the effects of special resolution 18 above, consider that for a period of 12 (twelve) months after the date of this notice:

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

General information

The following additional information, some of which may appear elsewhere in the Integrated Annual Report of which this notice forms part, is provided in terms of the Listings Requirements of the JSE for purposes of the general authority to repurchase shares (resolution 18):

- major beneficial shareholders – pages 133 and 143 to 145; and
- share capital of the Company page 120.

Directors' responsibility statement

The directors, whose names appear on pages 60 and 61 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to resolution 19 above and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the Listings Requirements of the JSE.

Material changes

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

Record date

The directors have determined in accordance with sections 59(1)(a) and (b) of the Companies Act that:

- the record date for the purposes of receiving notice of the Annual General Meeting shall be the close of business on Friday, 22 September 2017; and
- the record date for the purposes of the Annual General Meeting (being the date on which a shareholder must be registered in the Company's share register in order to participate in and vote at the Annual General Meeting) shall be the close of business on Friday, 27 October 2017, and accordingly the last day to trade shall be Tuesday, 24 October 2017.

Identification

In terms of section 63(1) of the Companies Act, before any person may attend or participate in an Annual General Meeting, that person must present reasonably satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of the person to participate in and vote at the Annual General Meeting, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified.

NOTICE OF ANNUAL GENERAL MEETING continued

Voting and proxies

On a show of hands, every shareholder who is present in person or by proxy at the Annual General Meeting shall have one vote, and on a poll, every shareholder who is present in person or by proxy at the Annual General Meeting or which (being a company or body corporate) is represented, shall have one vote for every ordinary share in the Company of which such shareholder is the holder.

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

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

A form of proxy is attached for the convenience of certificated shareholders and "own name" dematerialised shareholders only, who are unable to attend the Annual General Meeting, but who wish to be represented thereat. For administrative purposes, duly completed forms of proxy should be received by the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) by not later than 11:00 on Tuesday, 31 October 2017. Any forms of proxy not lodged by this time may be lodged at the Annual General Meeting prior to its commencement.

By order of the Board

Sureya Scheepers
Company Secretary
2 Harries Road, Illovo
29 September 2017

FORM OF PROXY

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

For use only by shareholders holding certificated shares, nominee companies of a Central Securities Depository Participant ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own-name registration at the seventy-third Annual General Meeting of the Company, to be held at 2 Harries Road, Illovo, Johannesburg, 2196 at 11:00 on Thursday, 2 November 2017 ("Annual General Meeting").

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

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

I/We ______________________________

of (address) ______________________________

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

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

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

Resolution number		Number of votes (one vote per share)		
		In favour of	Against	Abstain
1.	Adoption of the financial statements for the year ended 30 June 2017			
2.	Re-appointment of KPMG Inc. as the external auditors of the Company			
3.	Re-election of Mr SL Crutchley as a director			
4.	Re-election of Mr OP Cressey as a director			
5.	Re-election of Mr GR Tipper as a director			
6.	Appointment of Mr MJ Bosman as a member and Chairman of the Audit and Risk Committee			
7.	Appointment of Mrs NP Dongwana as a member of the Audit and Risk Committee			
8.	Appointment of Mr JR Hersov as a member of the Audit and Risk Committee			
9.	Special resolution (increase in fees payable to non-executive directors, excluding the Chairman of the Board and the foreign non-executive director)			
10.	Special resolution (increase in fees payable to the Chairman of the Board)			
11.	Special resolution (increase in fees payable to the foreign non-executive director)			
12.	Special resolution (increase in fees payable to members of the Remuneration, Nomination and Appointments Committee)			
13.	Special resolution (increase in fees payable to members of the Audit and Risk Committee)			
14.	Special resolution (increase in fees payable to members of the Social and Ethics Committee)			
15.	Special resolution (increase in fees payable to Chairman of the Remuneration, Nomination and Appointments Committee)			
16.	Special resolution (increase in fees payable to Chairman of the Audit and Risk Committee)			
17.	Special resolution (increase in fees payable to Chairman of the Social and Ethics Committee)			
18.	Special resolution (general authority to buy-back shares)			
19.	Ordinary resolution to endorse the remuneration policy (non-binding advisory vote)			

Insert an "X" in the relevant space above according to how you wish your votes to be cast, however, if you wish to cast your votes in respect of less than all of the ordinary shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at ______________ on ______________ 2017

Signature ______________________________

Assisted by me (where applicable) ______________________________

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

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

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

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the Chairman of the Annual General Meeting, if he is the proxy, to vote in favour of and any other proxy to vote or to abstain from voting in respect of the resolutions to be considered at the Annual General Meeting as he/she deems fit, in either case, in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to exercise all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

3. For administrative purposes, duly completed forms of proxy should be received at the office of the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or posted to PO Box 61051, Marshalltown, 2107 to be received by not later than 11:00 on Tuesday, 31 October 2017. Any forms of proxy not lodged by this time may be lodged at the Annual General Meeting prior to its commencement.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. The appointment of a proxy or proxies is furthermore revocable, in which case a shareholder may revoke the proxy appointment by cancelling it in writing or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company.

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

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

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

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

9. If the instrument appointing a proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder must be delivered by the Company to the shareholder, or to the proxy or proxies, if the shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so.

10. The appointment of a proxy or proxies remains valid only until the end of the Annual General Meeting subject to any revocation thereof.

ADMINISTRATION AND PRINCIPAL SUBSIDIARIES

Administration

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

Company Secretary
Sureya Scheepers

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
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196

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 director
Gaynor Poretti
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
John Knox
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

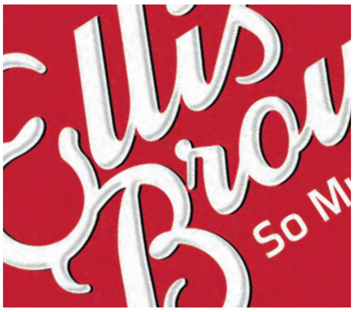
Directors
Executive
Simon Crutchley
(Chief Executive Officer)

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[5]

[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*
[5] *Resigned 23 November 2016*




ZRIJ


YARDLEY
LONDON
BB LIPCOLOUR


Good Morning
Breakfast Biscuits


HUG


THE MAN

WWW.AVI.CO.ZA