AVI

GROWING GREAT BRANDS

2017 COMPANY ANNUAL FINANCIAL STATEMENTS

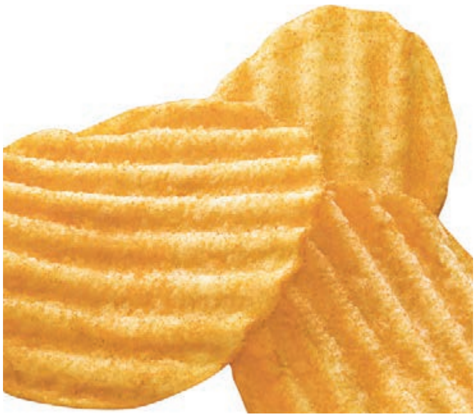





AVI LIMITED

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

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



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

These annual financial statements for the year ended 30 June 2017 were published on 8 September 2017.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors' are responsible for the preparation and fair presentation of the annual financial statements of AVI Limited, comprising the balance sheet at 30 June 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's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of AVI Limited, as identified in the first paragraph, were approved by the Board of directors on 8 September 2017 and are signed by

GR Tipper
Non-executive Chairman
Authorised director

SL Crutchley
Chief Executive Officer
Authorised director

CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission for the financial year ended 30 June 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

The directors' have pleasure in presenting their report for the year ended 30 June 2017.

Business of the Company

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

Financial

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

Corporate activity

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

Share capital

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

A summary of the movement in the number of ordinary shares in issue during the year is given in Note 8 to the financial statements.

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 for it 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. The current 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 17 to the financial statements.

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 of 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 retiring directors may, if eligible, offer themselves for re-election.

Share schemes

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

Directors' interests

The interests of the directors in the issued listed securities of the Company, being ordinary shares of 5 cents each, as at 30 June 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 in the directors' interests reflected above since the reporting date.

Material shareholders

The Company does not have a holding company.

Ordinary shares

The beneficial holders of 3% or more of the issued ordinary shares of the Company at 30 June 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.

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 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 III recommendations.
7. Reviewed the internal audit charter in line with King III 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.

On behalf of the Audit Committee

MJ Bosman
Audit Committee Chairman
8 September 2017

INDEPENDENT AUDITORS' REPORT

To the shareholders of AVI Limited

Opinion

We have audited the separate financial statements of AVI Limited ("the Company") set out on pages 8 to 36, which comprise the separate balance sheet as at 30 June 2017, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

In our opinion, the Company's financial statements present fairly, in all material respects, the Company's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company 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 Company's financial statements for the current period. These matters were addressed in the context of our audit of the Company's 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
The Company's most significant asset is its investments in subsidiaries. The Company assesses at each reporting date whether there is any indication that its investments in subsidiaries may be impaired. If such indication exists, the directors will carry out a review of the business plans and will discount cash flow forecasts to determine if an impairment loss is required to be recorded. At year end, there were indicators that the Company's investment in the Green Cross business was impaired. As disclosed in Note 1, 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; and • The discount rate applied to the projected future cash flows. Given the significance of the investments in subsidiaries and of the judgements involved in assessing any potential impairment, the impairment assessments of the investments in subsidiaries was considered to be a key audit matter.	Our audit procedures included: • Critically evaluating whether the discounted cash flow model used by the directors to calculate the value in use of the Green Cross business complies with the requirements of IAS 36 – *Impairment of Assets*. • Challenging the assumptions used by the directors in the model by: – involving our internal valuation specialists, as part of our audit team, to evaluate and re-calculate the discount rate 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 Green Cross business 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 Green Cross business to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of the business. • Comparing the projected cash flows, including the assumptions relating to revenue growth rates, and profit growth, 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.

Other information

The directors are responsible for the other information. The other information comprises the Certificate of the Company Secretary, Directors' Report and Audit Committee Report as required by the Companies Act of South Africa, and the Directors' Responsibility Statement.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 separate financial statements

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

In preparing the separate financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 communicate to 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 to the directors, we determine those matters that were of most significance in the audit of the separate 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

ACCOUNTING POLICIES

AVI Limited ("the Company") is a South African registered company. These are the Company's separate financial statements. The consolidated financial statements are available at the Company's registered office or on the AVI website, www.avi.co.za.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. 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 ("R'm"), which is the Company's functional currency, on a historical cost basis, except for derivative financial assets and liabilities which are stated at their fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the 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, 2 – estimation of recoverable amount of investments in subsidiaries
- Note 8 – valuation of incentive scheme options
- Note 19 – valuation of derivative financial instruments

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

Adoption of new and revised accounting standards

The Company 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 Company from 1 July 2016:
- Amendments to IAS 1 (Disclosure Initiative).
- Annual improvements to IFRS: 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 the preparers' as well as the users' concerns.

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

Annual improvements to IFRS: 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 Company's results.

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

Cash and cash equivalents

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

Dividends payable

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

Share-based payment transactions

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

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

Equity-settled

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

Group share scheme recharge arrangements

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

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

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

Financial instruments

Measurement

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs when the Company becomes a party to the contractual arrangements. Subsequent to initial recognition these instruments are measured as detailed below:

Financial assets

Financial assets are recognised when the Company has rights to cash or another financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Investments

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

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

Loan receivables

Loan receivables are measured at fair value.

Other receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Interest-bearing borrowings

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

Trade and other payables

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

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments

Derivative financial instruments are in place relating to black economic empowerment transactions. The Company does not hold or issue derivative financial instruments for trading purposes.

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

Gains and losses on subsequent measurement

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

Derecognition

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

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

Impairment of non-financial assets

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

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

Impairment of financial assets

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

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

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

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

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

Recognition of revenue

Dividends

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

Recognition of income from investments

Interest

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

Share capital

Ordinary shares

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

Preference share capital

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

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

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a change in equity. 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 Company are re-issued is presented as a change in equity and no profit or loss is recorded.

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

Investment in subsidiary companies

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

Taxation

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

Current taxation

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

Deferred taxation

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

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

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividend Withholding Tax

Dividend Withholding Tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The Company withholds dividend tax on behalf of its shareholders at a rate of 20% effective from 22 February 2017 and 15% before 22 February 2017 on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge but rather as part of the dividend paid, recognised directly in equity.

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

New standards and interpretations in issue not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2017. These include the following standards and interpretations and amendments to standards that are applicable to the business of the Company, and have not been applied in preparing these financial statements:

Standard/Interpretation		Effective date Periods beginning on or after	Effective date for Company
IAS 7	Disclosure Initiative	1 January 2017	30 June 2018
Various	Annual Improvements to IFRS: 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 9	Financial Instruments	1 January 2018	30 June 2019

- 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 of liabilities arising from financing activities. The Company does not expect 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 IFRS: 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 Company does not expect to have to provide significant additional disclosure on adoption of these improvements.

- 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 on 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 Company 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 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.

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

The Company 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.

Non-applicable standards, amendments and interpretations

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

BALANCE SHEET

As at 30 June 2017	Notes	2017 R'm	2016 R'm
ASSETS			
Non-current assets			
Investments in subsidiaries	1, 2	**1 950,7**	2 058,7
Other investments	3	**174,5**	175,4
Group share scheme recharge receivable	4	**18,3**	11,5
Other long-term assets including derivatives	5	**219,1**	235,1
		2 362,6	2 480,7
Current assets			
Other receivables	6	**188,5**	45,7
Cash and cash equivalents	7	**782,8**	696,7
		971,3	742,4
Total assets		**3 333,9**	3 223,1
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	**17,5**	17,4
Share premium	8	**629,0**	402,9
Reserves	9	**205,6**	177,8
Retained earnings		**2 461,7**	2 606,7
Total equity		**3 313,8**	3 204,8
Current liabilities			
Other payables	10	**20,1**	18,3
Total equity and liabilities		**3 333,9**	3 223,1

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017	Notes	**2017 R'm**	2016 R'm
Revenue	11	**1 347,0**	1 349,9
Other income		**6,2**	235,1
Other expenses		**(22,1)**	–
Operating expenses		**(9,5)**	(8,3)
Operating profit	12	**1 321,6**	1 576,7
Finance costs	13	**(1,4)**	(1,4)
Capital items	2	**(130,5)**	–
Profit for the year		**1 189,7**	1 575,3
Taxation		**–**	–
Total comprehensive income for the year		**1 189,7**	1 575,3

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017	Share capital and premium R'm	Treasury share loan* R'm	Reserves R'm	Retained earnings R'm	Total R'm
Balance at beginning of year	**420,3**	**–**	**177,8**	**2 606,7**	**3 204,8**
Total comprehensive income for the year					
Profit for the year	**–**	**–**	**–**	**1 189,7**	**1 189,7**
Transactions with owners recorded directly in equity					
Contributions by and distributions to owners					
Share-based payments	**–**	**–**	**27,8**	**–**	**27,8**
Dividends paid	**–**	**–**	**–**	**(1 334,7)**	**(1 334,7)**
Issue of ordinary shares	**226,2**	**–**	**–**	**–**	**226,2**
Total contributions by and distributions to owners	**226,2**	**–**	**27,8**	**(1 334,7)**	**(1 080,7)**
Balance at end of year	**646,5**	**–**	**205,6**	**2 461,7**	**3 313,8**

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

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017	Notes	2017 R'm	2016 R'm
Cash flows from operating activities			
Cash generated by operations	14	1 337,5	1 341,6
(Increase)/decrease in working capital	15	(116,6)	7,2
Cash generated by operating activities		1 220,9	1 348,8
Interest paid		(1,4)	(1,4)
Net cash available from operating activities		1 219,5	1 347,4
Investing activities			
Increase in amounts owing by subsidiary companies		(24,9)	(40,4)
Net cash utilised in investing activities		(24,9)	(40,4)
Financing activities			
Treasury share loan repaid by subsidiary companies		–	11,6
Proceeds on issue of shares	16	226,2	55,7
Dividends paid	17	(1 334,7)	(1 215,5)
Net cash utilised in financing activities		(1 108,5)	(1 148,2)
Increase/(decrease) in cash and cash equivalents		86,1	(158,8)
Cash and cash equivalents at beginning of year		696,7	537,9
Cash and cash equivalents at end of year		782,8	696,7

	2017 R'm	2016 R'm
1. Investments in subsidiaries		
Unlisted – shares in owned subsidiaries	**1 448,5**	1 448,5
Borrowings by subsidiary companies	**546,0**	520,2
	1 994,5	1 968,7
Share-based payments capitalised	**117,9**	121,2
Impairment allowance	**(161,7)**	(31,2)
Total investments in subsidiaries	**1 950,7**	2 058,7

Impairment allowance

Investments in subsidiary companies are stated at cost, less impairment allowances. The carrying amounts of the Company's investments in subsidiaries 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.

The Green Cross business was acquired on 1 March 2012. In line with the longer period required to grow the business to AVI's target profitability in the current constrained environment, the recoverable amount of AVI's investment in Green Cross has been estimated and an impairment of R130,5 million raised against the investment in the current year.

The recoverable amount has been calculated as value in use using a discounted cash flow model, based on forecast profits of the business discounted at an appropriate discount rate. Revenue and profit growth assumptions are based on the approved budget and specific growth plans for the business, taking into account the economic environment in which Green Cross operates.

2. Principal subsidiary companies

Name of company and nature of business	Class	Issued permanent capital[1] 2017 R'm	2016 R'm	Effective percentage holding 2017 %	2016 %	Shares at book value 2017 R'm	2016 R'm	Indebtedness to the Company[2] 2017 R'm	2016 R'm
A&D Spitz Proprietary Limited – Retailer of branded shoes and fashion accessories	Ord	**–**	–	**100**	100	**576,6**	576,6	**–**	–
AVI Investment Services Proprietary Limited – Investment company	Ord	**–**	–	**100**	100	**–**	–	**300,1**	274,3
Green Cross – Producer and retailer of branded shoes and footwear accessories									
Green Cross Manufacturers Proprietary Limited	Ord	**–**	–	**100**	100	**305,0**	305,0	**90,8**	90,8
Green Cross Retail Holdings Proprietary Limited[3]	Ord	**–**	–	**–**	100	**–**	–	**–**	–
Green Cross Properties Proprietary Limited[3]	Ord	**–**	–	**–**	100	**–**	–	**–**	–
Hampton Sportswear Proprietary Limited – Retailer of branded apparel	Ord	**–**	–	**100**	100	**20,7**	20,7	**–**	–

2. Principal subsidiary companies continued

Name of company and nature of business	Class	Issued permanent capital[1] 2017 R'm	Issued permanent capital[1] 2016 R'm	Effective percentage holding 2017 %	Effective percentage holding 2016 %	Shares at book value 2017 R'm	Shares at book value 2016 R'm	Indebtedness to the Company[2] 2017 R'm	Indebtedness to the Company[2] 2016 R'm
Irvin & Johnson Holding Company Proprietary Limited – International integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord	–	–	75	75	319,1	319,1	–	–
Indigo Brands Proprietary Limited – Manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord	–	–	100	100	–	–	124,0	124,0
National Brands Limited – Manufacturers and marketers of branded food and beverage products	Ord	3,5	3,5	100	100	227,1	227,1	–	–
Nina Roche Shoe Collection Proprietary Limited – Retailer of branded shoes and fashion accessories	Ord	–	–	100	100	–	–	31,1	31,1
						1 448,5	1 448,5	546,0	520,2
Impairment allowance									
– Green Cross (Note 1)						(130,5)	–	–	–
– Nina Roche						(0,1)	(0,1)	(31,1)	(31,1)
Share-based payments capitalised						117,9	121,2	–	–
						1 435,8	1 569,6	514,9	489,1

All companies are incorporated in South Africa.

[1] Where Rand amount is less than R1 million
[2] The loans are interest free and have no fixed repayment terms, and the Company has no intention to recall these loans within the next 12 months
[3] Dormant entity deregistered in the current year

3. Other investments

	Shares held		Effective percentage holding		Book value of investment	
	2017 number	2016 number	**2017 %**	2016 %	**2017 R'm**	2016 R'm
Name of company and nature of business						
Main Street 198 Proprietary Limited						
– Cumulative redeemable convertible "A" preference shares	**800**	800	**100**	100	**159,2**	160,1
I&J Black Staff Holding Company Proprietary Limited						
– Cumulative redeemable preference shares	**50 000**	50 000	**100**	100	**15,3**	15,3
					174,5	175,4

The 25% black empowerment shareholding in I&J is held by two investment nominee companies (Note 19). AVI has subscribed for preference shares in Main Street 198 Proprietary Limited and I&J Black Staff Holding Company Proprietary Limited (collectively referred to as "the empowerment consortia"), the investment nominee companies owned by these empowerment investors, to fund the acquisition of the I&J shares. The net preference share investment represents the original subscription price plus arrear preference dividends, less a capping allowance, if applicable, to limit the recognition of preference dividend income to the equivalent attributable earnings of I&J.

None of the investments are listed on a stock exchange.

4. Group share scheme recharge receivable

Equity instruments granted under the AVI Out-Performance Scheme, the AVI Deferred Bonus Share Plan and the Revised AVI Executive Share Incentive Scheme are all subject to a recharge arrangement with participating subsidiaries upon exercise of options by employees of those companies. Refer Note 8 for details of share incentive schemes.

The Group recharge receivable has been accounted for as follows:

	2017 R'm	2016 R'm
Group share scheme recharge receivable at fair value	**79,3**	48,1
Less: Short-term portion reflected in trade and other receivables (Note 6)	**(61,0)**	(36,6)
Long-term portion of receivable at fair value	**18,3**	11,5
The Group recharge receivable by share incentive scheme:		
– The AVI Out-Performance Scheme	**72,9**	48,1
– The AVI Deferred Bonus Share Plan	**6,1**	–
– The Revised AVI Executive Share Incentive Scheme	**0,3**	–
	79,3	48,1

The fair value of the receivable is remeasured at each reporting date and at settlement date. Key inputs at 30 June 2017 were as follows:

	2017	2016
The AVI Out-Performance Scheme		
Share price	**R95,00**	R83,00
Terms (years)	**0,25 – 2,25**	0,25 – 2,25
Expected vesting percentage based on Total Shareholder Return ("TSR") performances	**50th – 90th**	40th – 70th
Vesting multiple based on relative TSR performance	**0,5 – 3,0**	0,5 – 1,8
Number of outstanding options (number)	**698 087**	804 722
The AVI Deferred Bonus Share Plan		
Award price	**R88,59**	–
The Revised Executive Share Incentive Scheme		
Share price	**R95,00**	–
Award price	**R94,07 – R101,79**	–

	2017 R'm	2016 R'm
5. Other long-term assets including derivatives		
On-charge receivable from subsidiary (Note 19)	**43,6**	37,5
Call option asset (Note 19)	**175,5**	197,6
	219,1	235,1
6. Other receivables		
Short-term portion of Group share scheme recharge receivable (Note 4)	**61,0**	36,6
Loan receivable from subsidiary (Note 20)	**127,5**	8,7
Other	**–**	0,4
	188,5	45,7
7. Cash and cash equivalents		
AVI Group Treasury call deposit	**782,8**	696,6
Bank balances	**–**	0,1
	782,8	696,7
8. 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)	**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	**17,5**	17,4
Total issued share capital	**17,5**	17,4
Share premium		
Balance at beginning of year	**402,9**	347,3
Premium on issue of ordinary shares	**60,2**	20,5
Premium on issue of ordinary shares to Company's share trusts	**165,9**	35,1
Balance at end of year	**629,0**	402,9
Total issued share capital and premium	**646,5**	420,3

8. Share capital and premium continued

Share incentive schemes

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

The AVI Executive Share Incentive Scheme

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 rights. Any options not exercised on the fifth anniversary of such date will lapse. Exercises in any period prior to vesting in the third year represent the portion allowed to be exercised on retirement, death, disability or retrenchment.

The 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.

8. Share capital and premium continued

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 AVI 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 is 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.

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; and
- 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.

8. Share capital and premium 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 Group'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.

	2017 R'm	2016 R'm

9. Reserves

	2017 R'm	2016 R'm
The balance at end of year comprises:		
Share-based payment reserve	**205,6**	177,8
	205,6	177,8

Share-based payment 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.

10. Other payables

	2017 R'm	2016 R'm
Intercompany payables (Note 20)	**14,5**	14,1
Other payables and accrued expenses	**5,6**	4,2
	20,1	18,3

11. Revenue

	2017 R'm	2016 R'm
Dividends – unlisted companies	**1 347,0**	1 349,9
Dividends were received from:		
– Subsidiary companies	**1 330,6**	1 334,4
– Other investments	**16,4**	15,5
	1 347,0	1 349,9

12. Operating profit

In arriving at the operating profit before capital items, the following have been taken into account:

	2017 R'm	2016 R'm
Change in fair value of call option assets (Note 19)	**22,1**	(232,6)
Income on recognition of on-charge receivable	**(6,2)**	(2,5)
Auditors' remuneration		
– Fee for audit	**0,2**	0,2
– Fee for taxation services and consultations	**0,1**	0,6

Details of the directors' remuneration are given in the related party disclosure (Note 20).

13. Finance costs

	2017 R'm	2016 R'm
Interest expense on borrowings	**1,4**	1,4

14. Cash generated by operations

	2017 R'm	2016 R'm
Operating profit before finance costs	**1 321,6**	1 576,7
Adjusted for:		
Non-cash items	**15,9**	(235,1)
– On-charge income recognised in profit and loss	**(6,2)**	(2,5)
– Change in fair value of call option assets	**22,1**	(232,6)
	1 337,5	1 341,6

		2017 R'm	2016 R'm
15.	**(Increase)/decrease in working capital**		
	(Increase)/decrease in other receivables	**(118,4)**	2,7
	Increase in other payables	**1,8**	4,5
		(116,6)	7,2
16.	**Proceeds on issue of shares**		
	Own ordinary shares issued	**226,2**	55,7
17.	**Dividends paid**		
	Ordinary dividends paid	**1 334,7**	1 215,5
	Dividend paid and reflected in statement of changes in equity	**1 334,7**	1 215,5
	Ordinary shares		
	No 84 of 200 cents, paid 19 October 2015	**–**	694,2
	No 85 of 150 cents, paid 18 April 2016	**–**	521,3
	No 86 of 220 cents, paid 17 October 2016	**766,4**	–
	No 87 of 162 cents, paid 24 April 2017	**568,3**	–
		1 334,7	1 215,5
	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 annual report.	**852,4**	

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.

18. Post-balance sheet events

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

19. 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 was extended through the introduction of the I&J Black Staff Holding Company Proprietary Limited ("I&J Black Staff HoldCo"), a company owned by the South African black employees of I&J and its subsidiaries, which acquired 100% of the issued share capital of Richtrau. The consideration paid by the I&J Black Staff HoldCo amounted to R15,3 million and was funded by AVI Limited subscribing for cumulative redeemable preference shares in the I&J Black Staff HoldCo.

Post the implementation of the above transactions the effective BEE shareholding in I&J is 25% (2016: 25%).

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

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

	2017 **R'm**	2016 R'm
Main Street 198 Proprietary Limited	**159,2**	160,1
I&J Black Staff Holding Company Proprietary Limited	**15,3**	15,3

The investment in redeemable preference shares is measured at amortised cost using the effective interest method. Preference dividend income is recognised in profit or loss at the preference dividend rate over the period that it is earned. The preference share investment is assessed for impairment at each reporting date taking into consideration the earnings attributable to the BEE shareholders and is recognised in profit or loss, if impaired. No impairment has been recognised for the year ended 30 June 2017 (2016: Rnil).

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

Main Street

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

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

I&J Black Staff HoldCo

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

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

The amount paid by AVI upon exercise of the call or put option will be on-charged to I&J.

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

	2017 **R'm**	2016 R'm
Fair value of call option assets/(put option liabilities) at beginning of year	**197,6**	(35,0)
Changes in fair value recognised in profit or loss	**(22,1)**	232,6
Fair value of call option assets at end of year	**175,5**	197,6

	2017 R'm	2016 R'm

20. Related party transactions

Transactions with Group entities

	2017 R'm	2016 R'm
Administration fees paid to a subsidiary – AVI Financial Services Proprietary Limited	**0,6**	0,6
Dividends received from subsidiaries (Note 11)	**1 330,6**	1 334,4
Loans to subsidiary companies (Note 2)	**514,9**	489,1
Call account maintained with AVI Group Treasury – AVI Financial Services Proprietary Limited	**782,2**	696,6
On-charge receivable from subsidiary (Note 5) – Irvin & Johnson Limited	**43,6**	37,5
Loan receivable from subsidiary (Note 6) – The AVI Limited Executive Share Incentive Scheme	**127,5**	8,7
Group share scheme recharge receivable from subsidiaries (Note 3)	**79,3**	48,1
Other payables to subsidiaries (Note 10) – Irvin & Johnson Black Staff Holding Company Proprietary Limited	**14,5**	14,1

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

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

Directors of the Company

Directors' emoluments

The following emoluments were paid to directors of the Company:

	Salary R'000	Bonus and performance-related payments R'000	Pension fund contributions R'000	Gains on exercise of share incentive instruments* R'000	Other benefits and allowances R'000	2017 Total R'000	2016 Total R'000
Executive directors							
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.*

	2017 R'000	2016 R'000

20. Related party transactions continued

Directors of the Company continued

Directors' emoluments continued

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
Total non-executive directors' and committee fees	**4 290**	4 350
Total directors' emoluments	**73 189**	55 949
The IFRS 2 charge in respect of share incentive instruments granted to directors is as follows:		
SL Crutchley	**5 862**	3 324
OP Cressey	**2 754**	1 548
M Koursaris	**1 913**	1 077
	10 529	5 949

[1] *Paid in Euros.*
[2] *Resigned 23 November 2016.*

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

Share incentive scheme interests

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

The AVI Executive Share Incentive Scheme[1]

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**
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**

[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 8).*
[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 options represents options sacrificed in favour of AVI Out-Performance Scheme options in terms of the rules of the AVI Out-Performance Scheme.*

20. Related party transactions continued

The Revised AVI Executive Incentive Scheme

Name	Date of award	Award price per share R	Instruments outstanding at 30 June 2016 number	Awarded number	Exercised number	Relinquished[1] number	Instruments outstanding at 30 June 2017 number
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 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.*

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
SL Crutchley	1 October 2013	57.86	61 597	–	(61 597)	–	**–**
	1 October 2014	65.45	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	65.45	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.

The AVI Deferred Bonus Share Plan[1]

Name	Date of award	Award price per share R	Instruments outstanding at 30 June 2016 number	Awarded number	Exercised number	Relinquished number	Instruments outstanding at 30 June 2017 number
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**

[1] *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 8).*

21. Financial risk management

21.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

21.2 Capital management

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

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

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

21. Financial risk management continued

21.3 Credit risk

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

Cash and cash equivalents and other investments

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

Guarantees

The Company's policy is to provide limited financial guarantees in respect of banking facilities for subsidiaries. At 30 June 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 Company provides limited sureties for outstanding debt under the cash management agreement for Group subsidiary companies that participate in the Group's cash management agreement.

Exposure to credit risk

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

	Carrying amount	
	2017 R'm	2016 R'm
Other investments	**174,5**	175,4
Other receivables*	**127,5**	9,1
Cash and cash equivalents	**782,8**	696,7
	1 084,8	881,2

* *Excludes share scheme recharge receivable.*

21.4 Liquidity risk

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

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

	Carrying amount R'm	Contractual cash flows R'm	6 months or less R'm	6 – 12 months R'm	+1 – 5 years R'm	More than 5 years R'm
30 June 2017						
Non-derivative financial liabilities						
Other payables	**20,1**	**20,1**	**20,1**	**–**	**–**	**–**
30 June 2016						
Non-derivative financial liabilities						
Other payables	18,3	18,3	18,3	–	–	–

21. Financial risk management continued

21.5 Market risk

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

Interest rate risk

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

Profile

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

	Carrying amount	
	2017 R'm	2016 R'm
Variable rate instruments		
– financial assets	**957,3**	872,0
– financial liabilities	**–**	–
	957,3	872,0

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.

	2017 R'm	2016 R'm
Variable rate instruments		
– financial assets	**9,6**	8,7
– financial liabilities	**–**	–
Net cash flow sensitivity	**9,6**	8,7

22. Financial assets and liabilities

Accounting classifications and fair values

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

	Carrying amount					Fair value			
	Total carrying amount R'm	Financial assets and liabilities designated at fair value R'm	Loans and receivables at amortised cost R'm	Financial liabilities at amortised cost R'm	Total R'm	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
30 June 2017									
Financial assets	1 303,9	219,1	1 084,8	–	1 303,9	–	–	219,1	219,1
On-charge receivable	43,6	43,6	–	–	43,6	–	–	43,6	43,6
Preference shares	174,5	–	174,5	–	174,5	–	–	–	–
Call option assets	175,5	175,5	–	–	175,5	–	–	175,5	175,5
Other receivables	127,5	–	127,5	–	127,5	–	–	–	–
Cash and cash equivalents	782,8	–	782,8	–	782,8	–	–	–	–
Financial liabilities	(20,1)	–	–	(20,1)	(20,1)	–	–	–	–
Other payables and accrued expenses	(20,1)	–	–	(20,1)	(20,1)	–	–	–	–
30 June 2016									
Financial assets	1 116,2	235,1	881,1	–	1 116,2	–	–	235,1	235,1
On-charge receivable	37,5	37,5	–	–	37,5	–	–	37,5	37,5
Preference shares	175,4	–	175,4	–	175,4	–	–	–	–
Call option assets	197,6	197,6	–	–	197,6	–	–	197,6	197,6
Other receivables	9,1	–	9,1	–	9,1	–	–	–	–
Cash and cash equivalents	696,7	–	696,7	–	696,7	–	–	–	–
Financial liabilities	(18,3)	–	–	(18,3)	(18,3)	–	–	–	–
Other payables and accrued expenses	(18,3)	–	–	(18,3)	(18,3)	–	–	–	–

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

Level 1 – quoted price (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 assets or liabilities that are not based on observable market data (unobservable inputs).

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

22. Financial assets and liabilities continued

Measurement of fair value

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

Financial instruments measures at fair value

Derivative financial instruments have been recognised for the call and put options relating to I&J's Black Economic Empowerment ("BEE") transactions (Note 19). These derivative financial instruments have been accounted for in terms of IAS 39 – *Financial Instruments: Recognition and Measurement*.

The amount expected to be incurred by AVI in terms of the buy back of shares from I&J Black Staff HoldCo on the exercise of the put or call option will be recovered from I&J through an on-charge. Consequently an on-charge receivable is recognised for the amount expected to be received from I&J based on the amount AVI will incur in buying the shares from I&J Black Staff HoldCo.

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Derivative financial instruments at fair value in respect of call option assets/ put option liabilities, and on-charge receivable	The call option assets/put option liabilities are measured as the difference between I&J's estimated fair value and the forecast option exercise price. The on-charge receivable from I&J is measured as the difference between the forecast option exercise price and the forecast preference share balance. A discounted cash flow valuation model is used to determine the forecast option exercise price and forecast preference share balance by considering the present value of expected cash flows discounted to a present value using a risk-free discount rate. The expected cash flows are determined with reference to a fixed formula, which forms the basis for future payments and considers the I&J Group forecast headline earnings over the applicable measurement period taking cognisance of historical earnings volatility. Given the complexity of I&J's business and historical headline earnings volatility, the determination of forecast earnings is challenging, however, greater certainty will be achieved closer to vesting date. I&J's estimated fair value is determined by: • evaluating the reasonability of its net asset value; • assessing future earnings prospects; and • considering specific factors unique to an asset of its nature. In the current year an estimated fair value of net asset value plus 20% has been used in the calculation of the call option assets.	1. I&J's forecast headline earnings are impacted by exchange rates, hake resource performance, quota allocation and selling prices in export markets; and 2. Discount rate of 7,7% based on the R208 bond rate which has a similar maturity date.	The estimated fair value would increase/(decrease) if: 1. The headline earnings were higher/(lower); and 2. The discount rate were lower/(higher).

22. Financial assets and liabilities continued

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.

A reconciliation of the movement in the fair value of the call option assets/put option liabilities has been disclosed in Note 19.

23. Segment reporting

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

The segment report of the AVI Limited Group of companies is included in the consolidated financial statements available at the Company's registered office or on the AVI website, www.avi.co.za.

Bastion


ZRIJ


YARDLEY
LONDON
BB LIPCOLOUR


Good Morning
Breakfast Biscuits


HUG


M
THE MAN

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