2018 INTEGRATED ANNUAL REPORT

GROWING GREAT BRANDS

CONTENTS

ABOUT THIS REPORT

AVI's Integrated Annual Report covers the economic, environmental and social activities of the Group for the period 1 July 2017 to 30 June 2018 and aims to provide AVI's stakeholders with a transparent, balanced and holistic view of the Group's performance. In addition, where it is informative to add information post 30 June 2018, this has been included and noted.

This report covers the entire Group, comprising Entyce Beverages, Snackworks, I&J and Fashion brands. Since the release of AVI's Integrated Annual Report for the year ended 30 June 2018, there has been no change to the structure, ownership or products and services of the Group.

In compiling the report, AVI has considered the Companies Act No 71 of 2008, as amended; the Listings Requirements of the JSE Limited; the King Report on Corporate Governance for South Africa 2016 ("King IV") and the International Financial Reporting Standards ("IFRS") in respect to the annual financial statements.

BOARD RESPONSIBILITY

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

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

OUR BUSINESS

GROWING GREAT BRANDS

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

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

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

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

We have 159 branded retail outlets under the Spitz, Kurt Geiger, Green Cross and Gant brands.

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

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

With a turnover of R13,44 billion in this last financial year, AVI's brands are a household name in South Africa and growing every day.

OPERATING STRUCTURE

OUR BUSINESS HIGHLIGHTS

Profit growth in a challenging demand environment

Carefully balanced value versus volume across key categories

Revenue up 1,9% to R13,44 billion

Gross profit margin recovery in line with easing of Rand driven cost pressures

Operating profit up 7,0% to R2,55 billion

Cash generated by operations up 16,1% to R2,69 billion

Capital expenditure to grow and sustain our businesses of R419,9 million

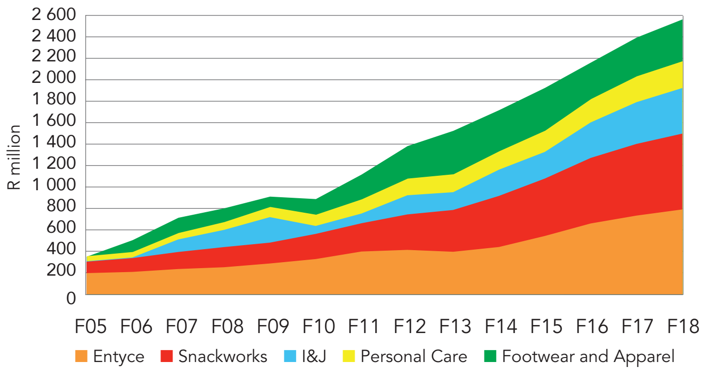
Return on capital employed increased to 28,7%

Headline earnings per share up 7,0% to 543,1 cents

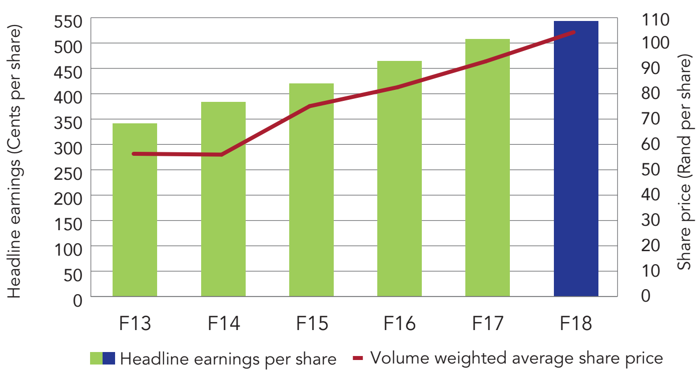
Final dividend of 260 cents per share, total normal dividend up 7,4% to 435 cents per share

Special dividend of 250 cents per share

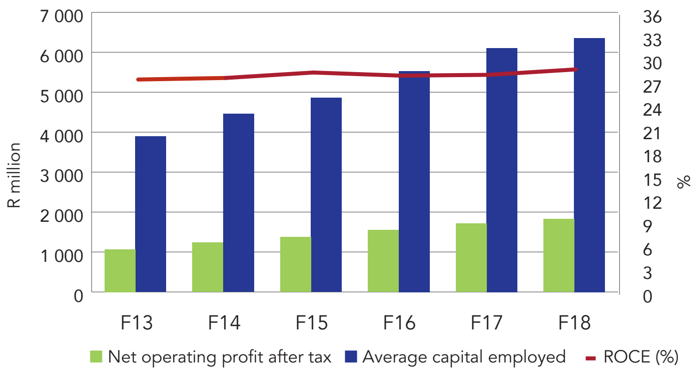
Operating profit history



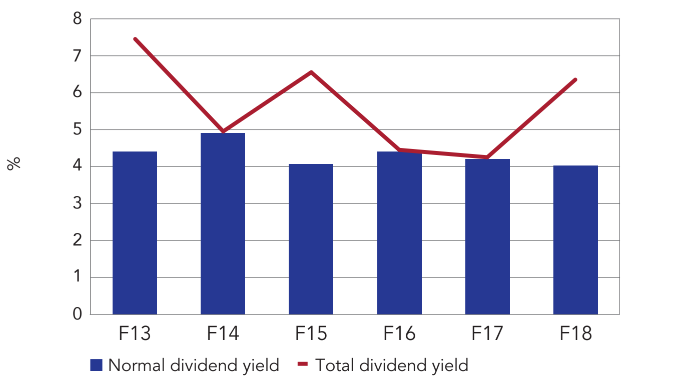
Historical headline earnings and share price



Return on capital employed



Historical dividend yield (year end)



AVI

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
REVENUE	**13 437,5**	13 184,6	12 188,9	11 243,7	10 267,4
OPERATING PROFIT	**2 552,5**	2 385,3	2 154,6	1 916,9	1 712,5
OPERATING MARGIN (%)	**19,0**	18,1	17,7	17,0	16,7
CAPITAL EXPENDITURE	**419,9**	545,6	881,8	848,9	531,9

ENTYCE BEVERAGES

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
REVENUE	**3 834,1**	3 757,1	3 421,9	3 041,2	2 717,4
OPERATING PROFIT	**792,6**	735,1	661,7	545,2	442,4
OPERATING MARGIN (%)	**20,7**	19,6	19,3	17,9	16,3
CAPITAL EXPENDITURE	**42,7**	127,2	130,7	196,6	180,4

Snackworks
That's Good Times!

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
REVENUE	**3 960,8**	3 956,2	3 643,2	3 405,3	3 057,9
OPERATING PROFIT	**705,0**	666,4	609,1	533,4	474,5
OPERATING MARGIN (%)	**17,8**	16,8	16,7	15,7	15,5
CAPITAL EXPENDITURE	**161,8**	175,8	239,2	225,1	76,1

I&J

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
REVENUE	**2 487,6**	2 362,7	2 171,8	1 960,5	1 823,1
OPERATING PROFIT	**425,0**	389,1	331,0	248,4	244,6
OPERATING MARGIN (%)	**17,1**	16,5	15,2	12,7	13,4
CAPITAL EXPENDITURE	**116,9**	128,7	345,7	212,5	183,7

Fashion brands

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
REVENUE	**3 155,0**	3 108,6	2 950,7	2 829,2	2 659,3
OPERATING PROFIT	**645,0**	607,5	563,0	602,2	560,1
OPERATING MARGIN (%)	**20,4**	19,5	19,1	21,3	21,1
CAPITAL EXPENDITURE	**78,4**	104,7	153,9	108,3	88,5

OBJECTIVES AND STRATEGIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHAIRMAN and CEO'S REVIEW

GAVIN TIPPER *Chairman*

Overview

The year under review has been tumultuous with a number of international developments that have the potential to significantly alter the environment we have become accustomed to, and in turn to negatively impact on the already fragile level of economic growth in South Africa.

The likelihood of an international trade war seems to change on a daily basis, with consequent effects on emerging market ratings and currencies. The seemingly hostile approach the United States has adopted to its supposed allies, the apparent inability of the United Kingdom government and the European Union to negotiate a reasonable Brexit arrangement, the economic instability in certain of the European Union countries, the continuing economic stagnation in Japan, the lack of governance in Turkey and the economic meltdowns in Venezuela and Argentina, all contribute to uncertainty and volatility. Should some or all of these factors lead to a sustained reduction in international growth rates, particularly for our trading partners, the consequences for South Africa would be dire.

For a number of years we have commented on the fundamental issues facing the South African economy and the apparent lack of any real will to address those. The sad reality is that the economy is failing many of South Africa's citizens; population growth exceeds economic growth, there is a steady exodus of financial and intellectual capital, despite significant investment our education system has been poor for years, and Government appears either disinclined, or lacks the courage, to take the steps necessary to address these and other issues.

A relatively small group of individuals and businesses is responsible for an increasing portion of the tax burden but receives an ever diminishing return for this contribution. While that should be expected in a country that is getting poorer, much of the problem stems from rampant corruption and inefficiency, which is unnecessary, and which Government reluctantly acknowledges but seems incapable of addressing.

AVI delivered profit growth in a challenging demand environment with a well-managed balance of value versus volume across key categories. Revenue increased by 1,9%, operating profit was up 7,0% and headline earnings per share rose 7,0%. Revenue growth was constrained by a challenging trading environment with poor consumer demand and aggressive competition limiting volume growth in many of our key categories. In most cases selling prices were maintained throughout the year to support volumes, with limited adjustments in categories affected by specific raw material cost pressures. The ongoing efforts to reduce procurement costs and improve factory efficiency, together with improved exchange rates and benign inflation in our basket of key raw materials priced in foreign currencies, supported an improvement in the gross profit margin. Selling and administration costs were tightly managed and benefited from the restructuring initiatives completed in the prior financial year, resulting in growth in operating profit in all of our business units.

Many of our raw material inputs are purchased in hard currency and whilst our material investments in efficiencies in our facilities help contain selling prices, rising raw material costs and sustained wage increases higher than CPI are unavoidable cost drivers.

We work closely with our retail partners to maximise sales and the benefits across the value chain, however, with the ultimate customer under severe financial pressure, the competition for margin has intensified and is unlikely to abate. There has been growth in a number of dealer owned brands and we have worked hard to retain customers and margin in an environment where their propensity is to trade down to cheaper products.

At the time of writing we are in negotiations with labour at a number of our sites. As ever the demands from unions meaningfully exceed CPI and are unaffordable. While a fair wage and decent working conditions are an imperative, the approach adopted by unions across many sectors of the country is not realistic in current circumstances. We have invested heavily in our facilities for a number of years and while the resultant efficiencies enable us to limit price increases and further pressure on our customers, the investments often lead to a reduction in lower paid jobs.

Our people are a critical resource in an environment where true commercial talent is thin, and we work hard to retain and grow them. We aim to remunerate our wage and salary staff well relative to the sector and our staff turnover is low. Should the low growth environment in South Africa persist and should the exodus of capital from our markets continue as international interest rates rise and emerging markets are viewed with increasing levels of scepticism, we will have to consider what effects a flat share price may have on our remuneration offerings, and our ability to retain our best people.

Safety is critical to us and considerable effort is devoted to understanding the risks our people face, to improving their safety, and ultimately to reducing our disabling injury frequency rate. The disabling injury frequency rate for the Group decreased from 0,60 in 2017 to 0,50, a pleasing result given the complexity of our operations and some of the hazardous environments in which we operate. The focus on safety will continue in line with our objective of driving further improvements.

Further share options vested during the year under the Company's Black Staff Empowerment Share Scheme ("the scheme"). 17 873 participants have benefited from the scheme, receiving a total gross benefit of R824,6 million.

Our BBBEE rating has improved to a level 6 under the revised codes. The rating was computed as a level 5 but was discounted to level 6 as we fell below the minimum points requirement for "supplier development". We are working on a number of projects to improve our rating in this area. Considerable effort and expense are directed to achieving improvements in transformation and to doing so in a sensible and sustainable manner. Progress is monitored at Board level with emphasis on compliance with the spirit of the codes and achieving transformation in a manner that contributes to the advancement of our people and the success of the Group over the long term.

Financial review

Group revenue increased 1,9% from R13,19 billion to R13,44 billion. Volume growth was limited due to poor consumer demand and aggressive competition. Selling price increases were limited to those categories affected by specific raw material cost pressures with the annualisation of selling price increases taken in the prior year being the primary contributor to value growth. Procurement cost savings, factory efficiencies, improved exchange rates and benign inflation in our basket of key raw materials priced in foreign currencies, supported our improvement in the gross profit margin. Gross profit rose by 3,1% from R5,76 billion to R5,94 billion. Operating profit increased by 7,0% from R2,39 billion to R2,55 billion on the back of tightly controlled selling and administrative expenses and the benefits of the restructuring initiatives completed in the prior year. The operating profit margin improved from 18,1% to 19,0%.

Both Entyce and Snackworks delivered sound operating profit growth in the context of the tough trading environment, with particularly pleasing performances from the tea and snacks categories underpinning growth for the year. I&J had a strong second semester supported by improved fishing and cost savings, resulting in good growth in operating profit despite the adverse impact of a stronger Rand on export sales. Indigo Brands delivered a solid performance in a highly competitive category. Spitz achieved good full year profit growth, notwithstanding a subdued second half with footwear sales volumes under pressure following a very strong December performance.

Revenue for the International business, which largely comprises exports to several African countries, was down 2,4%. This reflected volume declines in all categories, partly offset by higher selling prices due to price increases in the prior year. Economic difficulties and import restrictions in certain of the countries in which we operate, hampered our growth efforts.

Working capital rose R339,3 million, mostly due to an increase in debtors' payments deferred to the first business day in July. Capital expenditure of R419,9 million, which included capacity and efficiency projects in the manufacturing operations as well as new and refurbished stores in the retail businesses, was lower than last year with the finalisation and approval of several factory improvement projects taking longer than expected. Other material cash outflows during the period were dividends of R1,42 billion and taxation of R620,9 million. Net debt at the end of June 2018 was R1,27 billion compared to R1,44 billion at the end of June 2017.

A further impairment of R150 million, R108 million after tax, was made against the Green Cross investment in recognition of the extended period it will take to return the business to acceptable levels of profitability. Reporting lines for the key activities in Green Cross have been changed to provide for direct oversight from the Spitz management team. This should yield material improvements in merchandise planning, stock turnover and retail trading densities. We do not expect Green Cross to require material funding through the recovery period as cash will be generated from the reduction of

SIMON CRUTCHLEY *Chief Executive Officer*

high inventory levels and capital expenditure requirements are low.

The return on capital employed for the period increased to 28,7% (2017: 28%). This ratio has been above 20% since 2011 and is substantially higher than the Company's weighted average cost of capital.

The share price at year end was R108,20 (2017: R95,00). AVI has produced a pleasing five-year return to shareholders of 105,6% in an increasingly difficult consumer market; the return was however supported by the significant carry trade funding in the financial markets.

Dividend

A final dividend of 260 cents per share has been declared, in line with the Company's dividend policy. This brings the total normal dividend for the year to 435 cents, an increase of 7,4% over the prior year.

Notwithstanding the likelihood of the difficult trading environment persisting and possibly worsening, given the cash generative nature of the Group and the effective reduction in gearing, particularly when taking account of trade receivable receipts after year end, a special dividend of 250 cents per share has been declared.

Investing for growth

Capital expenditure for the year amounted to R419,9 million. Significant items of expenditure included R69,7 million on the Romany & Choc-Kits expansion project at Westmead, R40,6 million for biscuit oven and line upgrades, R26,8 million for the Danger Point abalone farm expansion, R46 million for fishing vessel upgrades, engine replacements and dry dockings, R16,6 million for the Indigo distribution centre upgrade and R23,2 million for the refurbishment of six Spitz stores and the opening of one new store.

We have invested heavily in our facilities over an extended period and have driven significant savings and efficiencies as a result. While there is still a substantial pipeline of planned investment for the next financial year, and replacement capex will continue, future expansionary capital projects will require considerable justification given the sustained low growth environment.

The reallocation of deep sea fishing quotas will take place in 2020. At writing there is a lack of clarity on the criteria that will be applied in allocating quotas and we are engaging actively with Government to provide guidance as to the principles that will govern this process. I&J is a significant employer in the Western Cape and its operations require a large capital base; its results are heavily influenced by catch rates and the strength of the Rand against international currencies, necessitating a level of capital that is sufficient in down cycles. While we will continue to take all reasonable steps to increase the probability of I&J retaining all or the majority of its current quota, should there be a significant reallocation of quota, we will have to reduce the scale of the business and the likely net effect on the local economy, and employment levels, will be negative.

The Green Cross business has under-performed for a number of years and while relatively small in the context of the Group, represents a missed opportunity. Steps are being taken to reduce costs and improve efficiencies and we will continue to invest in retail outlets, albeit at a slower pace than historically.

In addition to investments in our own business we will continue to look at acquisitions that are appropriate and that are available at prices that will yield an acceptable risk-adjusted return to shareholders.

Corporate governance

AVI's Board is committed to ensuring that the Group operates in a manner that clearly recognises the nature of the relationships the Company has with different stakeholders, and the need to manage those relationships appropriately while generating returns in a sustainable manner. Our efforts in this regard are set out in the sustainable development section of this report.

The recommendations of the King Report ("King IV") have been integrated into our Board and sub-committee charters, where appropriate, as have the applicable provisions of the Companies Act and the JSE Listings Requirements. The corporate governance section of this report sets out our approach to corporate governance and our compliance with King IV.

In compliance with the JSE Listings Requirements, AVI has adopted formal Board level gender and race diversity policies. Details of these are provided on page 60 of this Annual Integrated Report. The policies formalise practices that have existed in the Group for a number of years.

Board

Andisiswe Kawa resigned from the Board during the year to pursue personal interests. We thank her for the contribution she made during her time on the Board.

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

Outlook

Large business does best in an environment which is more predictable than not. Capital returns are often measured in decades not a few years and the current environment's risks and uncertainties make deploying capital especially difficult. A resolution of major policy uncertainties, an effective campaign against corruption at all levels and the placement of competent, honest people in South Africa's major state owned enterprises, government departments, municipalities and the criminal justice system will be the vital signs that investors will need to see before making major long-term investment decisions.

We have budgeted for a difficult year and are well positioned in the likely event that the current economy malaise continues into the medium term. Our factories, distribution systems and structures are efficient, our people are of a high quality and there is a strong focus on innovation and improvement. We regularly question the level of resources we use to achieve our goals and adjust those where there are opportunities for savings or improvements. This culture will be important in the next few years as the effectiveness of some of our traditional spend may reduce in the face of a poorer customer and the monies may be better deployed elsewhere.

We will work with our retail partners to maximise returns for all. We are committed to investing behind our brands but will continue to ensure that any investments are sensible and designed to support or grow our brands.

For some time we have been cautious with investments in the rest of Africa, preferring to leverage our South African capabilities in the interest of profitability and return on capital employed. At an overall level our African portfolio performed well during the year, despite difficulties in some of the countries we operate in, including relatively long supply chains and, in many cases, regular changes in local laws and regulations that complicate business activity. We will continue to manage our African exposure and will drive returns from these geographies. This part of the business provides a reasonable level of diversification and should remain an important contributor going forward.

Our brands are in good health and are supported by ongoing investment. Innovation will remain critical as our customer needs and spending patterns change. We will continue to use the different brands we own to manage our position in the market, and to address the threats of aggressive competitor pricing and the growth in dealer owned brands.

We operate a hedging book which provides a level of predictability in regard to import and export currency rates, as well as the cost of many of the raw materials we use in our production processes. We have a reasonable level of coverage for the first half of this financial year but will face higher input costs in the second half of the year if the Rand continues to trade at current or weaker levels. We will remain alert to changes and developments in the market and will react quickly as we pursue the most appropriate balance of price, sales volumes and profit margins for each of our brands.

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

Acknowledgements

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

Gavin Tipper
Chairman

Simon Crutchley
Chief Executive Officer

ENTYCE BEVERAGES

A DIVISION OF NATIONAL BRANDS LIMITED

Revenue of R3,83 billion was 2,1% higher than last year due to higher realised prices with benefits from increases taken last year in all categories and during the current year in Tea. Selling price increases in Tea were taken in response to rising Rooibos and Ceylon input costs. Coffee and Creamer had less cost pressure and were able to protect gross profit margins without selling price increases in the current year. Volumes finished slightly better than last year as a result of a partial recovery of creamer volume lost last year partly offset by declines in Tea and Coffee as a result of aggressive competitor activity which constrained demand. Gross profit grew 4,9% as a result of revenue growth and margin recovery in several categories.

Selling and administrative cost increases were well contained through tight control, lower marketing spend and benefits from restructuring initiatives implemented last year. Operating profit increased 7,8% from R735,1 million to R792,6 million and operating profit margin improved from 19,6% to 20,7%.

Tea

Tea revenue grew 5,4% on last year with higher selling prices partly offset by a 1,8% reduction in volume and a less favourable product mix with customers switching towards our more affordable offerings. Selling price inflation resulted from price increases taken last year and in April 2018 together with lower levels of discounting. Volume declines were prevalent across all premium brands with consumers moving towards our value for money offerings, evidenced by growth in Trinco. Rooibos volume dropped 5,2%, in line with the overall category, due to the high level of price inflation required to recover higher Rooibos input costs, with raw material supply constrained by ongoing drought conditions in the Western Cape.

Gross profit increased with top-line growth supported by a recovery in margins supported by an improved factory performance and a stronger Rand which offset some of the impact of higher US Dollar prices for black tea and further increases in Rooibos prices.

Selling and administrative cost escalations were contained well below inflation due to savings from the prior year restructuring, and lower incentive costs. Operating profit for the tea category increased on last year, with the operating profit margin improving due to gross profit margin recovery and cost savings.

Coffee

Coffee had a challenging year with revenue declining 1,6% on last year due to declines in mixed instant coffee partly offset by growth in the rest of the portfolio. No selling price increases were implemented with increased discounting applied in both the mixed instant and premium categories to achieve desired price indexes and stimulate demand. Volumes were lower than last year with declines in mixed instant partly offset by improved performances from the premium and mixed brewed categories. Increased competitor activity within the mixed instant category disrupted the market and resulted in aggressive price activity with value taken from the category and considerable volumes sold at discount prices. Speciality coffee, particularly the Hug in a Mug stick pack range, buoyed the premium performance with strong volume growth.

Gross profit declined on last year, notwithstanding the stronger Rand and soft raw material commodity prices, with the impact of lower revenue compounded by the deleveraging impact of lower volume.

Like the other Entyce categories, selling and administrative costs were well contained and increased slightly on last year with lower marketing spend, restructuring savings and lower incentive costs. Marketing spend was carefully managed and redirected towards in-store pricing activity. Operating profit for the coffee category declined on last year, together with the operating margin, due primarily to pressure on mixed instant coffee with the remainder of the portfolio delivering growth.

Creamer

Creamer revenue grew 1,2% on last year with an improved volume performance partly offset by an unfavourable product mix and increased pricing activity. Volume grew 3,2% with our 800 gram variant gaining good traction and recovering some of the volume lost last year. The market shift towards smaller formats together with increased competitor activity has extracted value from the category and consequently realised selling prices declined year on year.

The softening commodity environment and procurement savings, together with factory efficiencies, procurement benefits and volume leverage resulted in gross profit growth that was enhanced by well contained selling and administrative costs resulting in sound operating profit growth and an improvement in the operating profit margin.

Ciro

Revenue for the year declined 0,8% due to lower volume with realised prices in line with last year. Although price increases were taken in the year the unfavourable product mix which resulted from a shift towards more affordable coffee offerings offset the benefit. Raw material input costs were lower due to better underlying coffee prices and a stronger Rand and aided a slight improvement in profitability.

Gross profit improved slightly on last year and low increases in selling and administrative costs resulted in a small improvement in operating profit. Whilst operating profit growth was muted, profitability in absolute terms remained good.

Capital expenditure

Entyce's capital expenditure of R42,7 million in 2018 was mostly normal replacement expenditure. Ciro spent R17,8 million on new vending equipment for lease to customers. A R90,2 million project has been approved to upgrade the Rooibos manufacturing facility at the Durban Tea factory and is expected to be completed in the 2020 financial year. The upgrade will address space constraint issues at the site and improve capacity, efficiency and the quality of our premium Rooibos offerings.

ENTYCE BEVERAGES

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	Change 2018 vs 2017 %
REVENUE	3 834,1	3 757,1	3 421,9	3 041,2	2 717,4	2 414,9	2 330,7	2 112,2	1 957,5	1 841,6	2,1
OPERATING PROFIT	792,6	735,1	661,7	545,2	442,4	397,8	415,4	402,2	329,9	280,8	7,8
OPERATING MARGIN (%)	20,7	19,6	19,3	17,9	16,3	16,5	17,8	19,0	16,9	15,2	5,6
CAPITAL EXPENDITURE	42,7	127,2	130,7	196,6	180,4	219,8	205,2	127,9	90,4	81,3	(66,4)

Snackworks

That's Good Times!

Revenue of R3,96 billion was slightly higher than last year with pleasing growth in snacks partly offset by a decline in biscuits. The annualisation of selling price increases taken during the prior financial year provided some benefit to revenue but was partly offset by lower biscuit volumes and the need for higher discounting in a challenging trading environment. Gross profit grew 2,2% on last year with margin recovery, mainly in the first semester, in both the biscuit and snacks portfolio as a result of softening commodity input costs attributable largely to a stronger Rand.

Selling and administrative costs were tightly managed and benefited from the restructuring initiatives completed last year. Overall operating profit grew by 6,0% from R666,4 million to R705,0 million, largely due to an improved snacks performance with biscuits operating profit being slightly better than last year.

Biscuits

Biscuit revenue declined 1,7% as a result of a 5,8% volume decline and higher discounts partly offset by the annualisation of selling price increases taken last financial year. The softening commodity environment and stronger Rand provided some respite with no selling price increases taken during the financial year. Volume declines were evident across most of our key lines owing to the constrained consumer environment and increased competition from a few aggressively priced private label offerings at lower price points. First semester volume declines of 8,4% reduced over the second half with a better performance in the fourth quarter. Our newly launched rusk offering gained traction and good incremental volumes following the launch in May 2018.

Gross profit finished slightly lower than last year as a result of the top-line decline ameliorated by improved margins with benign raw material cost pressures supported by continued focus on procurement savings and effective cost control. Our factories performed well, despite the deleveraging impact of lower volumes, with a number of cost reduction initiatives yielding benefits in the year.

Selling and administrative costs were tightly managed and included benefits from last year's restructuring initiatives with increases contained to levels well below inflation. Marketing costs were carefully managed in the low volume and constrained environment with a number of activities cancelled in favour of increased selling activity. Operating profit growth was constrained by lower sales volumes, achieving a slight improvement on last year.

Snacks

Snacks had a strong year with revenue growth of 5,9% aided by higher selling prices, a favourable product mix and volume growth. Volumes grew 0,5% year on year supported by improved potato availability partly offset by declines in maize products. Our continued focus on agronomy has yielded benefits from a potato supply perspective with further progress expected.

Gross profit improved on last year due to top-line growth and improved margins with benefits from the stronger Rand on raw materials, procurement savings and continued improvements in the factory.

Selling and administrative costs were well controlled and supported good improvement in operating profit for the year. Investment in the factory has underpinned ongoing improvement in profitability over the last few years.

Capital expenditure

Snackworks capital expenditure of R161,8 million for the year was focused primarily on enhancing our capacity and capability, improving quality and efficiency, as well as supporting innovation in our biscuit facilities. In addition, work undertaken at the Rosslyn snacks factory largely focused on infrastructure upgrades. The upgrade at Westmead to improve the capability and capacity on our chocolate biscuit lines has progressed well with close to R70 million spent in the financial year. The new rusk line was installed at our Isando biscuit facility and has supported innovation in this space.

Snackworks That's Good Times!	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	Change 2018 vs 2017 %
REVENUE	**3 960,8**	3 956,2	3 643,2	3 405,3	3 057,9	2 681,6	2 428,7	2 159,7	2 080,9	2 036,8	**0,1**
OPERATING PROFIT	**705,0**	666,4	609,1	533,4	474,5	387,9	328,5	263,9	232,8	192,5	**5,8**
OPERATING MARGIN (%)	**17,8**	16,8	16,7	15,7	15,5	14,5	13,5	12,2	11,2	9,5	**6,0**
CAPITAL EXPENDITURE	**161,8**	175,8	239,2	225,1	76,1	143,9	171,8	117,6	46,6	44,8	**(8,0)**

I&J continuing operations

Revenue increased by 5,3% from R2,36 billion to R2,49 billion due to sales price increases and volume growth both domestically and internationally, partly offset by the impact of lower Rand exchange rates achieved on exports due to the Rand strengthening through the 2017 financial year.

Gross profit improved by R11,9 million despite the negative currency effect on revenue, due to the price increases implemented, improved catch rates on both the wet and freezer fleets, the non-repetition of the August 2016 strike, as well as favourable labour efficiency and yields, and overhead cost reduction in the production environment. The benefit of increased abalone sales volume as a result of the ongoing expansion was offset by the impact of the stronger Rand against the US Dollar, impacting both selling prices and the fair value adjustment to the value of live abalone still in grow out phase.

Selling and administrative costs were well managed, with savings initiatives largely mitigating inflationary increases. Foreign exchange gains and unrealised fuel contract benefits were R39,0 million favourable to the prior year, partially offsetting the impact of the stronger Rand on the revenue line. Operating profit increased from R389,1 million to R425,0 million, and the operating profit margin increased to 17,1%.

Simplot joint venture

In addition to the operating profit reflected above, I&J's joint ventures yielded equity earnings of R56,3 million, compared to R63,2 million last year. These earnings primarily relate to the joint venture with Simplot Australia Proprietary Limited, which delivered reduced profits due to a reduction in the margin achieved from seafood trading operations, and an ongoing constrained retail environment.

Capital expenditure

Capital expenditure of R116,9 million included R23,3 million on backup water infrastructure at key sites, continued investment in the expansion of the abalone farm, and maintenance of the fishing fleet and processing facilities.

RSA hake resource

The South African hake total allowable catch ("TAC") decreased by 5% to 133 120 tons for the 2018 calendar year. I&J's quota for the 2018 calendar year is 36 013 tons, accounting for 27,1% of the TAC.

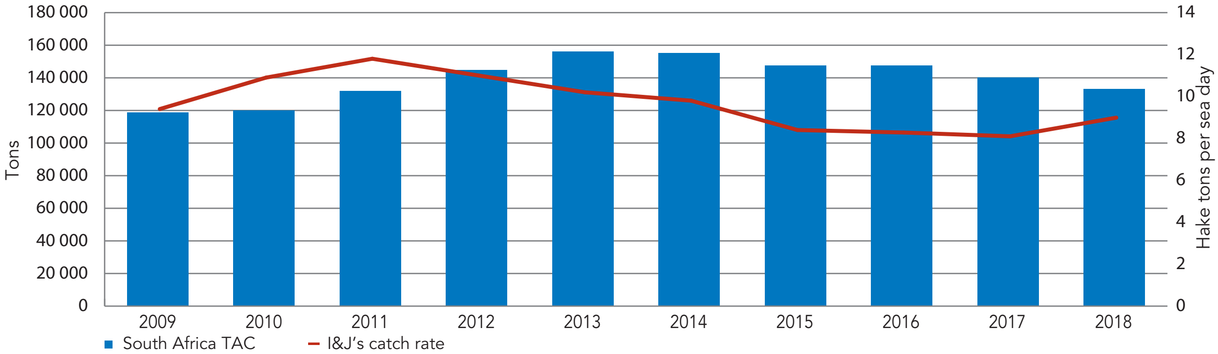
The changes in TAC are in accordance with a well-established management programme based on research voyages and catch data recorded by quota holders. During 2015 the Marine Stewardship Council ("MSC") recertified that the South African hake resources met the requisite environmental standards for sustainable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

Catch rates improved in the year, particularly on the freezer vessels, with conservative management of the TAC leading a recovery in the resource. In the past two to three years I&J has caught a high proportion of small fish, negatively impacting on freezer catch rates and land-based processing owing to an increase in the number of fish to be processed for an equivalent volume. This has been experienced previously and is part of the natural biomass cycle, which is influenced by various environmental factors, such as El Niño. Although this proliferation of small fish negatively impacts performance in the short term, it is understood that this is attributable to a strong recruitment, and is expected to have a positive impact on the resource.

The long-term Deep Sea hake rights expire at the end of 2020, and DAFF has announced the commencement of the 2020 Fishing Rights Application Process. I&J continues to focus on a number of initiatives to prepare for this process, and has made good progress during the year in improving its BBBEE score card rating to level 1.

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	Change 2018 vs 2017 %
REVENUE	**2 487,6**	2 362,7	2 171,8	1 960,5	1 823,1	1 591,9	1 515,4	1 369,3	1 381,8	1 597,5	**5,3**
OPERATING PROFIT	**425,0**	389,1	331,0	248,4	244,6	165,8	178,6	92,1	74,3	237,9	**9,4**
OPERATING MARGIN (%)	**17,1**	16,5	15,2	12,7	13,4	10,4	11,8	6,7	5,4	14,9	**3,6**
CAPITAL EXPENDITURE	**116,9**	128,7	345,7	212,5	183,7	112,9	67,1	40,9	42,7	65,5	**(9,2)**

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



Hake quota

(tons)	**2018**	2017	2016	2015	2014	2013	2012	2011	2010	2009
South Africa	**133 120**	140 126	147 555	147 500	155 308	156 088	144 742	131 847	119 861	118 578
I&J	**36 013**	37 901	41 245	41 222	43 471	43 689	40 515	36 906	33 550	33 199
% of TAC	**27,1**	27,0	28,0	27,9	28,0	28,0	28,0	28,0	28,0	28,0

Fashion brands

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	Change 2018 vs 2017 %
REVENUE	**3 155,1**	3 108,7	2 950,7	2 829,2	2 659,3	2 518,2	2 005,2	1 842,6	1 583,7	1 400,6	**1,5**
Indigo	**1 190,6**	1 194,5	1 096,4	1 033,0	1 043,8	982,1	918,1	890,3	802,8	730,2	**(0,3)**
Spitz	**1 546,4**	1 497,4	1 467,5	1 409,6	1 246,4	1 170,4	1 044,3	900,5	732,2	629,9	**3,3**
Green Cross	**366,1**	371,9	339,7	336,0	326,5	327,5	–	–	–	–	**(1,6)**
Other	**51,9**	44,8	47,1	50,6	42,6	38,2	42,8	51,8	48,7	40,5	**15,6**
OPERATING PROFIT	**645,0**	607,5	563,0	602,2	560,1	576,9	463,6	368,5	255,4	196,2	**6,2**
Indigo	**250,3**	241,5	218,0	198,0	172,0	167,1	155,7	132,4	104,7	94,5	**3,6**
Spitz	**379,6**	339,9	320,2	355,7	322,6	326,4	304,6	238,6	157,8	114,2	**11,7**
Green Cross	**6,2**	26,8	27,3	45,0	58,8	79,9	–	–	–	–	**(76,8)**
Other	**8,9**	(0,7)	(2,5)	3,5	6,7	3,5	3,3	(2,5)	(7,1)	(12,5)	**1 348,0**
OPERATING MARGIN (%)	**20,4**	19,5	19,1	21,3	21,1	22,9	23,1	20,0	16,1	14,0	**4,6**
Indigo	**21,0**	20,2	19,9	19,2	16,5	17,0	17,0	14,9	13,0	12,9	**4,0**
Spitz	**24,6**	22,7	21,8	25,2	25,9	27,9	29,2	26,5	21,6	18,1	**8,6**
Green Cross	**1,7**	7,2	8,0	13,4	18,0	24,4	–	–	–	–	**(76,4)**
Other	**17,3**	(1,6)	(5,4)	6,9	15,7	9,2	7,7	(4,8)	(14,6)	(30,9)	**1 179,0**
CAPITAL EXPENDITURE	**78,4**	104,7	153,9	108,3	88,5	80,3	85,7	113,3	138,6	49,4	**(25,2)**
Indigo	**37,0**	55,6	54,6	19,4	24,5	31,5	35,0	71,5	127,2	26,8	**(33,4)**
Spitz	**37,8**	33,5	60,3	46,9	32,6	44,0	49,3	41,6	11,2	21,1	**13,0**
Green Cross	**3,6**	15,5	30,2	39,1	31,2	3,5	–	–	–	–	**(77,1)**
Other	**0,0**	0,1	8,9	2,9	0,2	1,3	1,4	0,2	0,2	1,5	**(66,7)**

Personal Care

Indigo's revenue from owned brands grew by a sound 2,7%. This was predominantly achieved through reasonable volume growth in a difficult economic environment. Careful management of price points combined with cost and margin enhancement initiatives were a focus for the year. Aerosol volumes remained solid, with market share gains in both the male and female segments. Good performances continued in lotions, roll-ons and colour cosmetics. Overall revenue growth was tempered by lower revenues from Coty; a consequence of lower production levels on the lines manufactured for them this year. Exports were constrained for the majority of the year by currency shortages and volatility in several important markets.

Selling and administrative costs were well managed and operating profit grew by 3,6% to R250,3 million. The operating profit margin increased from 20,2% to 21,0%.

Capital expenditure

Capital expenditure of R37,0 million included normal replacement expenditure as well as R16,6 million on the multi-year distribution centre upgrade project which is now in its final phase.

Personal Care

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	Change 2018 vs 2017 %
REVENUE	**1 190,6**	1 194,5	1 096,4	1 033,0	1 043,8	982,1	918,1	890,3	802,8	730,2	**(0,3)**
OPERATING PROFIT	**250,3**	241,5	218,0	198,0	172,0	167,1	155,7	132,4	104,7	94,5	**3,6**
OPERATING MARGIN (%)	**21,0**	20,2	19,9	19,2	16,5	17,0	17,0	14,9	13,0	12,9	**4,0**
CAPITAL EXPENDITURE	**37,0**	55,6	54,6	19,4	24,5	31,5	35,0	71,5	127,2	26,8	**(33,4)**

Footwear and Apparel

Footwear and Apparel

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	Change 2018 vs 2017 %
REVENUE	**1 964,4**	1 914,1	1 854,3	1 796,2	1 615,5	1 536,1	1 087,1	952,3	780,9	670,4	**2,6**
OPERATING PROFIT	**394,7**	366,0	345,0	404,2	388,1	409,8	307,9	236,1	150,7	101,7	**7,8**
OPERATING MARGIN (%)	**20,1**	19,1	18,6	22,5	24,0	26,7	28,3	24,8	19,3	15,2	**5,2**
CAPITAL EXPENDITURE	**41,4**	49,1	99,3	88,9	64,0	48,8	50,7	41,8	11,4	22,6	**(15,6)**

Includes Green Cross from 1 July 2012.

SPITZ KURT GEIGER

The Spitz business managed to achieve revenue growth of 3,3% in a difficult trading environment with sales volumes increasing by 0,1% and the remainder of the growth coming from increased selling prices. Selling price increases mostly reflect the annual increase in the seasonal fashion categories, with limited adjustments made to selected selling prices due to the VAT increase in April 2018.

The favourable exchange rate supported some recovery in the gross profit margin which increased to 59,8% from the previous year's 58,7%. Good cost management was supported by savings from a review of organisational structures, implemented in the 2017 financial year. Operating profit grew by 11,7% and the operating profit margin increased from 22,7% to 24,6%.

Spitz opened one new store and closed three, whilst there were no changes to the number of Kurt Geiger stores during the year.

SPITZ KURT GEIGER

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm	Change 2018 vs 2017 %
REVENUE	**1 546,4**	1 497,4	1 467,5	1 409,6	1 246,4	1 170,4	1 044,3	900,5	732,2	629,9	**3,3**
OPERATING PROFIT	**379,6**	339,9	320,2	355,7	322,6	326,4	304,6	238,6	157,8	114,2	**11,7**
OPERATING MARGIN (%)	**24,6**	22,7	21,8	25,2	25,9	27,9	29,2	26,5	21,6	18,1	**8,4**
CAPITAL EXPENDITURE	**37,8**	33,5	60,3	46,9	32,6	44,0	49,3	41,6	11,2	21,1	**13,0**

SPITZ CARVELA KURT GEIGER LACOSTE GANT nina roche TOSONI

SPITZ	2018	2017	2016	2015	2014	2013	2012	2011	2010
NUMBER OF STORES	**75**	77	76	74	70	64	61	57	56
TURNOVER (R'm)	**1 329**	1 287	1 271	1 231	1 093	1 044	959	876	720
AVERAGE (m^2)	**19 841**	19 776	19 388	18 442	17 264	16 357	15 107	15 233	15 147
TRADING DENSITY (R/m^2)	**66 960**	65 071	65 550	66 767	63 300	63 820	63 460	57 480	47 539
CLOSING (m^2)	**19 460**	20 037	19 726	19 144	17 813	16 586	15 662	14 991	15 012

KURT GEIGER	2018	2017	2016	2015	2014	2013	2012	2011	2010
NUMBER OF STORES	**33**	33	34	29	32	30	26	15	3
TURNOVER (R'm)	**217**	211	196	179	154	127	86	25	12
AVERAGE (m^2)	**4 194**	4 135	4 187	4 045	3 825	3 845	2 839	953	318
TRADING DENSITY (R/m^2)	**51 640**	50 920	46 883	44 139	40 175	32 897	30 140	26 149	38 241
CLOSING (m^2)	**4 194**	4 115	4 266	3 677	3 880	3 751	3 507	1 910	318

GREEN CROSS

Revenue declined 1,6% from R371,9 million to R366,1 million driven by the wholesale channel. A 0,5 % growth in retail sales was offset by a 7,5% decline in wholesale, reflecting ongoing competitive pressures as well as the impact of the strained economic climate on this channel.

Gross profit margin was negatively impacted by production under-recoveries as a result of reduced volumes as well as the impact of higher levels of discounting in the retail channel. Overall sales volumes decreased by 8,0% with retail volumes down 5,4%.

Selling and administrative expense increases were below inflation, with the main increases attributable to the roll out of new stores, with full operating costs for the four stores opened last year as well as costs for three new stores in the current year. Overhead costs reduced, with inflationary increases offset by headcount reduction. Operating profit decreased from R26,8 million to R6,2 million.

The business remains profitable and cash generative and the operational changes made during the year will significantly improve core operating performance and working capital levels. A further impairment of R108,0 million after tax has been made against this investment in recognition of the extended period it will take to return the business to acceptable profitability from the current base.

Capital expenditure

Capital expenditure declined from R15,5 million to R3,6 million, which was mostly for new stores and store refurbishments. One new store is planned for FY19, as the business will take a more measured approach to store roll outs while addressing core retail and brand competencies.

GREEN CROSS

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	Change 2018 vs 2017 %
REVENUE	**366,1**	371,9	339,7	336,0	326,5	327,5	315,5	**(1,6)**
OPERATING PROFIT	**6,2**	26,8	27,3	45,0	58,8	79,9	82,6	**(76,8)**
OPERATING MARGIN (%)	**1,7**	7,2	8,0	13,4	18,0	24,4	26,2	**(76,4)**
CAPITAL EXPENDITURE	**3,6**	15,5	30,2	39,1	31,2	3,5	3,4	**(77,1)**

	2018	2017	2016	2015	2014	2013	2012
NUMBER OF STORES	**45**	42	38	30	31	30	30
TURNOVER (R'm)	**276**	275	238	221	205	200	185
AVERAGE (m^2)	**5 436**	4 925	4 210	3 457	3 394	3 382	3 324
TRADING DENSITY (R/m^2)	**50 804**	55 778	56 484	64 021	60 416	59 014	55 524
CLOSING (m^2)	**5 536**	5 218	4 697	3 529	3 517	3 382	3 382

AVI INTERNATIONAL

A difficult year for AVI International where positive progress in a number of regions was negated by ongoing US Dollar liquidity issues in Zimbabwe and Angola, regional retailer disruptions in East Africa and increased competition from in-country manufactured products. While we did not achieve the planned growth, there have been some changes to the routes to market and investment therein, which will make the business increasingly competitive.

AVI International's subsidiary operations in Botswana, Zambia and Namibia had mixed performances during the year, as they faced different challenges and opportunities. Growth was achieved in the greater proportion of established distributor-serviced markets.

The rooibos and black tea portfolios continued to show growth on the recovery of certain formats and the introduction of new solutions.

Biscuits performance has been disappointing, with sub-optimal performance in the retail trade in Zambia mainly as a result of the introduction and support of local competitor look-a-like offerings. Ongoing pressure is being brought to bear on the category across most markets by new entrants with affordable product offerings.

The Personal Care portfolio was negatively impacted by the change in distributor services in two key markets in an attempt to better address in-market opportunities. Continued sustained growth has been achieved on the more affordable brands and product formats.

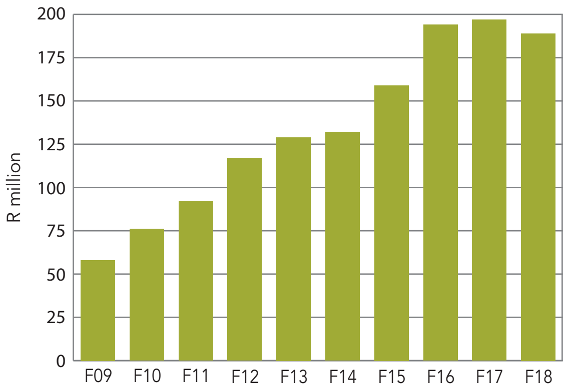
Snacks grew mainly due to a combination of consistent supply across the portfolio and sales to new outlets.

Creamer performance was poor during the year mainly due to the foreign currency issues in Zimbabwe negatively impacting sales and partly due to the industry wide reduction in pack size formats from 1kg to 800g.

The Coffee category achieved reasonable growth, driven mainly by the broader portfolio performance rather than the instant coffee solutions, where increased competitor pressure on pricing resulted in deflation in the category.

Operating profit experienced a marginal decline over the prior year partly due to lower revenue. Improved gross profit margins were insufficient to fully absorb inflationary cost pressures and resulted in a small decrease in the operating profit margin, which remains healthy at 19,0%.

OPERATING PROFIT HISTORY



AVI International

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Change 2018 vs 2017
	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	%
REVENUE	992,1	1 016,2	962,2	879,6	769,0	639,4	557,5	497,8	446,1	392,9	(2,4)
OPERATING PROFIT	188,6	196,9	193,7	159,3	131,9	128,9	117,5	91,7	76,2	58,3	(4,2)
OPERATING MARGIN (%)	19,0	19,4	20,1	18,1	17,2	20,2	21,1	18,4	17,1	14,8	(2,1)

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

FINANCIAL REVIEW

Revenue growth for the 2018 financial year was constrained by a challenging trading environment. Poor consumer demand and aggressive competition limited volume growth in many of our key categories. Our consumers have been impacted by a prolonged period of price inflation driven by the effect of the weaker Rand on input costs, the VAT increase and higher fuel prices, and compounded by the impact of job losses.

Group revenue rose by 1,9% largely due to the annualisation of selling price increases taken during the prior financial year, partially offset by lower sales volumes in some categories. Selling price increases were only taken in categories affected by specific raw material cost pressures and in most cases, selling prices were maintained throughout the year to support sales volumes.

Despite lower price inflation and limited gains in sales volumes, the ongoing efforts to reduce procurement costs and improve factory efficiencies supported an improvement in the consolidated gross profit margin for the year. Improved exchange rates compared to last year and benign inflation in our basket of key raw materials priced in foreign currencies contributed further to this improvement. Selling and administrative costs were tightly managed and benefited from the restructuring initiatives completed in the prior financial year. All business units achieved operating profit growth and the Group's consolidated operating profit margin improved over the prior year.

Both Entyce and Snackworks delivered sound operating profit growth in the context of the tough trading environment, with particularly pleasing performances from the tea and snacks categories underpinning growth for the year. I&J had a strong second semester supported by improved fishing and cost savings, resulting in good growth in operating profit despite the adverse impact of a stronger Rand on export sales. Indigo Brands delivered a solid performance in a highly competitive category. Spitz achieved good full year profit growth, notwithstanding a subdued second half with footwear sales volumes under pressure following a very strong December performance.

Green Cross had a disappointing year. However, the business remains profitable and cash generative and the operational changes made during the year will significantly improve core operating performance and working capital levels. A further impairment of R108,0 million after tax has been made against this investment in recognition of the extended period it will take to return the business to acceptable profitability from the current base. The impairment will be recorded as a non-cash capital item.

Headline earnings rose 7,8%, from R1,65 billion to R1,77 billion, with the growth in operating profit and lower finance costs partially offset by a decline in earnings from I&J's Australian joint venture. Headline earnings per share increased 7,0% from 507,7 cents to 543,1 cents with a 0,7% increase in the weighted average number of shares in issue due to the vesting of employee share options, including the AVI Black Staff Empowerment Scheme.

Cash generated by operations, before working capital changes, increased 10,7% to R3,03 billion. Working capital rose R339,3 million, mostly due to an increase in debtors' payments deferred to the first business day in July. Capital expenditure of R419,9 million, which included capacity and efficiency projects in the manufacturing operations as well as new and refurbished stores in the retail businesses, was lower than last year with the finalisation and approval of several factory improvement projects taking longer than expected. Other material cash outflows during the period were dividends of R1,42 billion and taxation of R620,9 million. Net debt at the end of June 2018 was R1,27 billion compared to R1,44 billion at the end of June 2017.

Segmental review

Year ended 30 June

	Segmental revenue			Segmental operating profit		
	2018	2017	Change	**2018**	2017	Change
	R'm	R'm	%	**R'm**	R'm	%
Food & Beverage brands	**10 282,5**	10 076,0	2,1	**1 922,6**	1 790,6	7,4
Entyce Beverages	**3 834,1**	3 757,1	2,1	**792,6**	735,1	7,8
Snackworks	**3 960,8**	3 956,2	0,1	**705,0**	666,4	5,8
I&J	**2 487,6**	2 362,7	5,3	**425,0**	389,1	9,2
Fashion brands	**3 155,0**	3 108,6	1,5	**645,0**	607,5	6,2
Personal Care	**1 190,6**	1 194,5	(0,3)	**250,3**	241,5	3,6
Footwear & Apparel	**1 964,4**	1 914,1	2,6	**394,7**	366,0	7,8
Corporate	**–**	–	–	**(15,1)**	(12,8)	
Group	**13 437,5**	13 184,6	1,9	**2 552,5**	2 385,3	7,0

Definitions

Number of ordinary shares in issue

Total issued ordinary share capital.

Weighted average number of ordinary shares in issue

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

Earnings per ordinary share

- Earnings and headline earnings respectively for the year in cents divided by the weighted average number of ordinary shares in issue.
- Diluted earnings and diluted headline earnings per ordinary share are calculated taking account of the unexercised share options as disclosed in Note 32 of the annual financial statements on pages 128 to 134, duly adjusted to take account of the shares to be issued at fair value calculated in accordance with IAS 33. Calculations are presented in Note 29 of the annual financial statements.

Dividend cover

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

Financial ratios

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

Key statistics for continuing operations

	2018	2017	2016	2015	2014
Financial ratios (%)					
Operating margin	**19,0**	18,1	17,7	17,0	16,7
Return on capital employed	**28,7**	28,0	27,9	28,3	27,6
Net working capital as a percentage of revenue	**24,5**	22,4	20,3	18,6	18,5
EBITDA (R'm)	**2 965,4**	2 782,7	2 504,7	2 227,9	1 998,6
Liquidity					
Free cash flow (R'm)	**1 539,2**	1 091,9	782,9	709,3	970,1
Free cash flow per ordinary share (cents)	**471,2**	336,8	243,5	222,4	309,1
Net debt/capital employed (%)	**19,8**	22,9	24,1	23,4	7,6
Interest cover ratio	**23,4**	18,3	19,4	38,3	41,3
Employees at 30 June	**10 753**	10 944	11 587	11 100	10 834
Revenue – continuing operations (R'm)	**13 437,5**	13 184,6	12 188,9	11 243,7	10 267,4
Revenue per employee (R'000)	**1 249,7**	1 204,7	1 051,9	1 012,9	947,7

Share statistics – five-year summary

	2018	2017	2016	2015	2014
Number of ordinary shares in issue ('000)	**351 673**	350 799	347 558	346 701	344 938
Weighted average number of ordinary shares in issue ('000)	**326 624**	324 230	321 536	318 940	313 804
Share performance – continuing operations (cents per share)					
Earnings	**513,1**	479,0	460,7	417,7	419,3
Diluted earnings	**510,1**	475,2	455,4	410,9	409,3
Headline earnings	**543,1**	507,7	464,1	419,7	383,6
Diluted headline earnings	**540,0**	503,6	458,8	412,9	374,5
Dividends declared (excluding special dividends)	**435**	405	370	332	300
Dividend cover (times)	**1,25**	1,25	1,25	1,25	1,25
Market price per share (cents)					
At year end	**10 820**	9 500	8 300	8 155	6 125
Highest	**12 251**	10 481	9 296	8 900	6 301
Lowest	**9 470**	8 182	7 050	5 897	4 917
Volume weighted average	**10 457**	9 307	8 288	7 541	5 630
Total market capitalisation at closing prices (R'm)	**38 051,0**	33 325,9	28 847,3	28 273,4	21 127,5
Price earnings ratio[1]	**19,9**	18,7	17,9	19,4	16,0
Value of shares traded (R'm)	**22 135,8**	22 727,6	24 558,2	15 090,3	11 390,4
Value traded as a percentage of average capitalisation (%)	**60,2**	69,6	85,3	57,7	58,7
Number of shares traded (millions)	**211,7**	244,2	296,3	200,1	202,3
Liquidity – number traded as percentage of shares in issue at year end (%)	**60,2**	69,6	85,3	57,7	58,7
Average weekly Rand value traded (R'm)	**434,0**	445,6	481,5	295,9	223,3

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

Value added statement

	2018 R'm	2018 %	2017 R'm	2017 %
VALUE ADDED				
Revenue	13 437,5		13 184,6	
Cost of materials and services	7 526,4		7 453,4	
Value added by operations	5 911,1	101	5 731,2	101
Capital items (gross)	(136,6)	(2)	(127,5)	(2)
	5 774,5	99	5 603,7	99
Investment and other income	62,0	1	68,3	1
	5 836,5	100	5 672,0	100
VALUE DISTRIBUTED AND RETAINED				
Employees				
Salaries, wages and other benefits	2 597,1	44	2 516,9	44
Providers of capital	1 734,3	30	1 619,5	29
Dividends paid to Group shareholders	1 368,2	23	1 240,9	22
Interest paid	132,4	2	157,5	3
Operating lease expenses	233,7	4	221,1	4
Government	862,7	15	833,2	15
Taxation	862,7	15	833,2	15
Reinvested in the Group	642,4	11	702,4	12
Depreciation	387,9	7	393,7	7
Profit for the year	1 675,8	29	1 553,2	27
Dividends paid	(1 421,3)	(24)	(1 244,5)	(22)
	5 836,5	100	5 672,0	100

Group at a glance

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	Change 2018 vs 2017 %
AVI (continuing operations)						
Revenue	**13 437,5**	13 184,6	12 188,9	11 243,7	10 267,4	1,9
Operating profit	**2 552,5**	2 385,3	2 154,6	1 916,9	1 712,5	7,0
Operating margin (%)	**19,0**	18,1	17,7	17,0	16,7	5,0
Capital expenditure	**419,9**	545,6	881,8	848,9	531,9	(23,0)
Entyce Beverages						
Revenue	**3 834,1**	3 757,1	3 421,9	3 041,2	2 717,4	2,0
Operating profit	**792,6**	735,1	661,7	545,2	442,4	7,8
Operating margin (%)	**20,7**	19,6	19,3	17,9	16,3	5,6
Capital expenditure	**42,7**	127,2	130,7	196,6	180,4	(66,4)
Snackworks						
Revenue	**3 960,8**	3 956,2	3 643,2	3 405,3	3 057,9	0,1
Operating profit	**705,0**	666,4	609,1	533,4	474,5	5,8
Operating margin (%)	**17,8**	16,8	16,7	15,7	15,5	6,0
Capital expenditure	**161,8**	175,8	239,2	225,1	76,1	(8,0)
I&J						
Revenue	**2 487,6**	2 362,7	2 171,8	1 960,5	1 823,1	5,3
Operating profit	**425,0**	389,1	331,0	248,4	244,6	9,2
Operating margin (%)	**17,1**	16,5	15,2	12,7	13,4	3,6
Capital expenditure	**116,9**	128,7	345,7	212,5	183,7	(9,1)
Fashion brands						
Revenue	**3 155,0**	3 108,6	2 950,7	2 829,2	2 659,3	1,5
Operating profit	**645,0**	607,5	563,0	602,2	560,1	6,2
Operating margin (%)	**20,4**	19,5	19,1	21,3	21,1	4,6
Capital expenditure	**78,4**	104,7	153,9	108,3	88,5	(25,2)
Personal Care						
Revenue	**1 190,6**	1 194,5	1 096,4	1 033,0	1 043,8	(0,3)
Operating profit	**250,3**	241,5	218,0	198,0	172,0	3,6
Operating margin (%)	**21,0**	20,2	19,9	19,2	16,5	4,0
Capital expenditure	**37,0**	55,6	54,6	19,4	24,5	(33,4)
Footwear & Apparel						
Revenue	**1 964,4**	1 914,1	1 854,3	1 796,2	1 615,5	2,6
Operating profit	**394,7**	366,0	345,0	404,2	388,1	7,8
Operating margin (%)	**20,1**	19,1	18,6	22,5	24,0	5,2
Capital expenditure	**41,4**	49,1	99,3	88,9	64,0	(15,7)
Spitz (including Kurt Geiger stores)						
Revenue	**1 546,4**	1 497,4	1 467,7	1 409,6	1 246,4	3,3
Operating profit	**379,6**	339,9	320,2	355,7	322,6	11,7
Operating margin (%)	**24,6**	22,7	21,8	25,2	25,9	8,4
Capital expenditure	**37,8**	33,5	60,3	46,9	32,6	13,0
Green Cross						
Revenue	**366,1**	371,9	339,7	336,0	326,5	(1,6)
Operating profit	**6,2**	26,8	27,3	45,0	58,8	(76,8)
Operating margin (%)	**1,7**	7,2	8,0	13,4	18,0	(76,4)
Capital expenditure	**3,6**	15,5	30,2	39,1	31,2	(77,1)

Group balance sheets – five-year summary

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
ASSETS					
Non-current assets					
Property, plant and equipment	**3 403,6**	3 480,8	3 352,4	2 839,0	2 317,1
Intangible assets and goodwill	**926,2**	994,0	1 145,4	1 146,6	1 146,6
Investments	**360,0**	376,9	414,5	357,4	406,8
Deferred tax asset	**24,3**	24,1	24,6	30,8	41,8
	4 714,1	4 875,8	4 936,9	4 373,8	3 912,3
Current assets					
Inventories and biological assets	**2 165,4**	2 068,8	1 889,6	1 572,5	1 382,7
Trade and other receivables including derivatives	**2 442,3**	2 074,9	1 895,5	1 625,2	1 509,1
Cash and cash equivalents	**342,8**	246,7	309,1	462,5	298,5
	4 950,5	4 390,4	4 094,2	3 660,2	3 190,3
Total assets	**9 664,6**	9 266,2	9 031,1	8 034,0	7 102,6
EQUITY AND LIABILITIES					
Capital and reserves					
Attributable to equity holders of AVI	**5 146,4**	4 851,7	4 489,5	3 940,5	4 216,2
Total equity	**5 146,4**	4 851,7	4 489,5	3 940,5	4 216,2
Non-current liabilities					
Operating lease straight-line liabilities	**14,3**	12,8	10,6	12,0	16,2
Cash-settled share-based payment liability	**38,9**	–	–	–	–
Employee benefit liabilities	**382,3**	379,7	342,9	383,6	348,5
Deferred taxation	**389,2**	375,6	354,9	290,7	269,8
	824,7	768,1	708,4	686,3	634,5
Current liabilities					
Current borrowings	**1 612,6**	1 690,8	1 737,7	1 665,1	647,5
Trade and other payables including derivatives	**2 031,8**	1 925,8	2 081,7	1 731,3	1 599,8
Current tax liabilities	**49,1**	29,8	13,8	10,8	4,6
	3 693,5	3 646,4	3 833,2	3 407,2	2 251,9
Total equity and liabilities	**9 664,6**	9 266,2	9 031,1	8 034,0	7 102,6

Group income statements – five-year summary

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
CONTINUING OPERATIONS					
Revenue	**13 437,5**	13 184,6	12 188,9	11 243,7	10 267,4
Operating profit before capital items	**2 552,5**	2 385,3	2 154,6	1 916,9	1 712,5
Income from investments	**5,7**	5,1	6,5	7,1	7,6
Finance costs	**(132,4)**	(157,5)	(135,9)	(65,3)	(56,0)
Equity accounted earnings of joint ventures	**56,3**	63,2	58,1	9,5	28,5
Capital items	**(136,6)**	(127,5)	(14,3)	(8,7)	138,0
Profit before taxation	**2 345,5**	2 168,6	2 069,0	1 859,5	1 830,6
Taxation	**(669,7)**	(615,4)	(587,8)	(527,2)	(514,9)
Profit after taxation	**1 675,8**	1 553,2	1 481,2	1 332,3	1 315,7
Earnings attributable to owners of AVI	**1 675,8**	1 553,2	1 481,2	1 332,3	1 315,7
Capital items after tax	**98,1**	92,8	11,0	6,4	(111,9)
Headline earnings	**1 773,9**	1 646,0	1 492,2	1 338,7	1 203,8

Group cash flow statements – five-year summary

	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
CONTINUING OPERATIONS					
Operating activities					
Cash generated by operations	**2 691,9**	2 318,6	2 292,5	2 093,6	2 001,7
Interest paid	**(132,4)**	(157,5)	(135,9)	(65,3)	(56,0)
Taxation paid	**(620,9)**	(546,7)	(508,6)	(487,5)	(465,1)
Net cash available from operating activities	**1 938,6**	1 614,4	1 648,0	1 540,8	1 480,6
Investing activities					
Cash flow from investments	**5,7**	5,1	6,5	7,1	7,6
Property, plant and equipment – net investment	**(405,1)**	(527,6)	(871,6)	(838,6)	(518,1)
Intangible assets purchased	**(14,6)**	(2,3)	(2,4)	(3,3)	(4,0)
Payment from Coty on revision of commercial relationship	**–**	–	–	–	150,0
Other movements in investments	**75,3**	79,1	53,3	28,2	27,1
Net cash used in investing activities	**(338,7)**	(445,7)	(814,2)	(806,6)	(337,4)
Financing activities					
Net increase in shareholder funding	**59,9**	63,3	56,3	44,8	93,9
(Decrease)/increase in short-term funding	**(78,2)**	(46,9)	72,6	1 017,7	(246,1)
Payment to I&J BBBEE shareholders	**(65,0)**	–	–	–	–
Dividends paid	**(1 421,3)**	(1 244,5)	(1 126,9)	(1 634,7)	(910,2)
Net cash used in financing activities	**(1 504,6)**	(1 228,1)	(998,0)	(572,2)	(1 062,4)
Increase/(decrease) in cash and cash equivalents	**95,3**	(59,4)	(164,2)	162,0	80,8
Cash and cash equivalents at beginning of year	**246,7**	309,1	462,5	298,5	212,4
	342,0	249,7	298,3	460,5	293,2
Translation of cash equivalents of foreign subsidiaries at beginning of year	**0,8**	(3,0)	10,8	2,0	5,3
Cash and cash equivalents at end of year	**342,8**	246,7	309,1	462,5	298,5
Attributable to:					
Continuing operations	**342,8**	246,7	309,1	462,5	298,5

SUSTAINABLE DEVELOPMENT REPORT

Introduction and overview

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

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

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

- **Ethics** – ethics are at the foundation of an effective and sustainable organisation that must be able to operate without censure or compromise over the long term. Proper ethics and appropriate values are central to the Company's culture and therefore to the behaviour of its employees. They assist in establishing a willingness to accept and embrace broader issues in our society, forming the basis of the Company's interactions with its stakeholders.
- **Scarce resources** – in order to ensure future generations have access to the resources on which the Company is reliant, and that the Company's viability is not compromised in the long term, the Company is intent on carefully managing those resources relevant to its operation. In addition to managing the very specific risk relating to finite Cape hake fishing resources, the Company is committed to the application of sustainable practices across its operations.

- **Transformation and good corporate citizenship** – the Company recognises the moral, social and economic imperative to embrace and support transformation in South Africa and to be regarded as a valuable participant in the South African economy and society. The Company also recognises the need to be, and to be seen as, a good corporate and socially responsible citizen that it is desirable to do business with.

Guiding framework

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

- The King Report on Corporate Governance for South Africa, 2016 ("King IV report");
- The Listings Requirements of the JSE Limited ("Listings Requirements");
- The JSE Responsible Investment Index criteria; and
- The Global Reporting Initiative ("GRI") framework.

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

During the year the Company identified material Group-wide issues for reporting purposes and an index indicating where these issues are referenced throughout this annual report can be found on page 53. While these issues have been categorised according to the GRI framework, the Company has not undertaken a detailed self-assessment nor been formally assessed, and the decision to use the GRI and JSE Responsible Investment Index frameworks for guidance in compiling this report is not intended to declare compliance as understood in either framework. In addition the Company has been independently assessed by FTSE Russell (FTSE International Limited and Frank Russell Company) on behalf of the JSE against the FTSE Russell ESG Rating framework and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products. The Company remains committed to ongoing review and re-assessment of the scope of its reporting, as well as to the advisability and need for formal reporting or assessment against the accepted frameworks.

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

Social and Ethics Committee

The Social and Ethics Committee was constituted in August 2011 in terms of the Companies Act 71 of 2008, as amended, and the Regulations thereto ("the Companies Act 2008"), and adopted formal terms of reference, delegated to it by the Board, as its charter. The charter is subject to the provisions of the Companies Act 2008 (in particular section 72 as read with Regulation 43). The committee has discharged its functions in terms of its charter, and in particular reviewed the Company's activities, having regard to relevant legislation and other legal requirements and best practice, relating to:

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

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

For further details regarding the composition and meetings of the committee, shareholders are referred to the Corporate Governance Report on page 60.

Stakeholder engagement

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

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

Ethics

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

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

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

Scarce resources and biodiversity

Fishing resources

The Company's primary exposure to scarce resources that could materially impact its business is the sustainability of fishing resources (primarily deep water hake) in South African territorial waters. I&J has secured long-term hake fishing rights at a level that can support economic returns provided that the resource remains at sustainable harvest levels.

A number of fishing rights that were allocated in 2005 expired at the end of 2015 and had to be reapplied for by means of the 2015 Fishing Rights Allocation Process ("FRAP2015"). After numerous delays in the process, including an extended appeal process, the Department of Agriculture, Forestry and Fisheries ("the Department") announced the outcomes of the applications to the respective sectors. Based on the allocation process I&J was allocated 18,4% of the Hake Inshore Trawl (previously 34,1%), 13,4% of the Patagonian Toothfish (previously 17,8%), and, pending the outcome of the appeal process, 4,3% of the Horse Mackerel (previously 11,7%) total allowable catch. Despite an appeal no rights were awarded to I&J for Kelp.

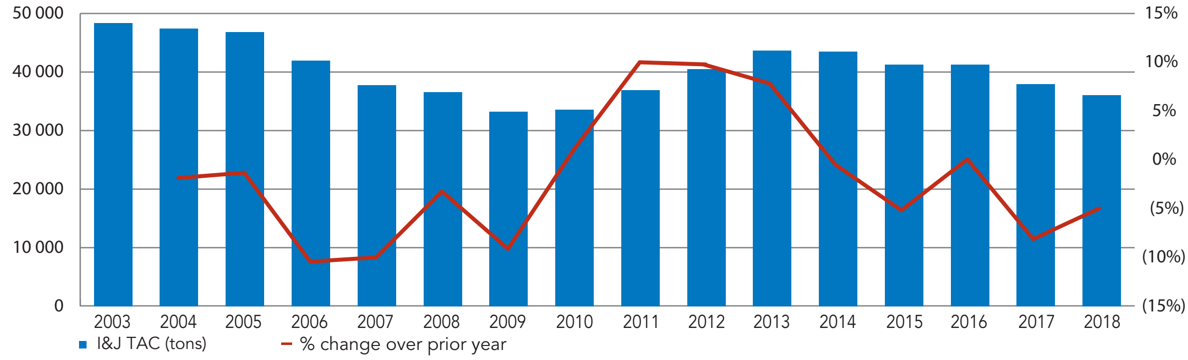
The current Hake Deep Sea Trawl long-term rights expire at the end of 2020. The Department has indicated that they intend to initiate this rights allocation process during the course of 2018. Whereas I&J's experience in FRAP2015 has created a level of uncertainty regarding the 2020 process, there are several initiatives in progress to ensure that I&J is well positioned to compete effectively for hake long-term rights in this process. In addition, there is ongoing engagement between the South African Deep Sea Trawling Industry Association, an association of South African trawler owners and operators that catch, process and market Cape hake, the Department, and the broader fishing industry to emphasise and promote an understanding of the role of the large fishing companies in the deep sea trawling industry and the vital role it plays in the ocean economy, and to seek alignment on the role and promotion of small scale fishing within the industry.

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

The TAC is managed conservatively based on scientific data recorded by fishing companies and annual research voyages conducted by the Department using either their own or chartered vessels.

The graph below shows the TAC over an extended period, with movements tracking the performance of the hake resource over time. In recent years the TAC has declined in line with declining catch rates.

I&J TAC 2003 to 2018



In the past two to three years I&J has caught a high proportion of small fish, negatively impacting on freezer catch rates and land-based processing owing to an increase in the number of fish to be processed for an equivalent volume. This has been experienced previously and is part of the natural biomass cycle, which is influenced by various environmental factors. Although this proliferation of small fish negatively impacts performance in the short term, it is indicative of a strong recruitment. This has been evidenced by an increase in larger fish in 2018 as these small fish mature.

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

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

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

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

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

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

Water

Water is and always will be a scarce resource throughout South Africa and the recent drought in the Western Cape has served to highlight this issue. Potential shortages, interruption of municipal supply, and quality of water have all been identified as risks at many of the Company's facilities. The subsidiary companies have invested substantial time and money in addressing the problem and have taken steps to mitigate these risks such as using borehole water, installing water reservoirs, recycling condensate and effluent, while simultaneously taking steps to measure and better manage water consumption.

I&J in particular is highly dependent on potable water to produce ice for the fishing operations as well as for the processing and cleaning of fish at both the Woodstock Primary Process and Paarden Island Value Added Processing facilities. I&J has implemented a number of water saving initiatives across the business, resulting in a reduction in usage in excess of 35%. However, in view of the ongoing drought in the Western Cape and risk of significant water supply restrictions in Cape Town, I&J engaged with both Government and water specialists to assist in investigating alternatives with a view to securing a supply of water sufficient to maintain operations into the future. To this end a substantial investment in producing potable water from non-potable ground water, and a desalination process has begun with the intention of significantly reducing I&J's dependence on municipal water.

Largely prompted by the recent drought in the Western Cape and in order to ensure continuity of operations, Indigo Brands completed a number of water saving initiatives which will have a lasting positive impact on the environment and the cost of water to the business. These initiatives resulted in a 30% reduction in water consumption and included water pressure management, optimisation of process water consumption, as well as recovery and re-use of waste process water into the ablution facilities.

In view of the probably long-term water supply constraints Indigo Brands has engaged water specialists to assist in investigating further initiatives with a view to securing a sufficient supply of water to maintain operations into the future.

Electricity

The extreme energy shortages experienced in South Africa a few years ago highlighted the need for the Company to be more self-sufficient and to make energy conservation a priority. Numerous energy saving initiatives have been implemented by the subsidiary companies to manage energy usage and, at the same time, generators were installed at all of the Company's facilities to ensure continuity of supply. Despite the fact that the electricity supply grid appears to be more stable at the moment, this issue remains a priority for the Company.

Transformation and good corporate citizenship

Transformation

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

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

From FY10 to FY14, on the original BBBEE Codes of Good Practice, AVI materially improved its rating from a level 6 contributor (at 53,78%) to a level 4 contributor (at 70,25%). Since 2015 the verifications have been done against the amended Codes and the Company consistently achieved a level 7 rating, discounted to a level 8 rating. This year the Company improved its score and achieved a level 6 rating (78,22 points), which was then discounted to a level 7 rating for failing to achieve the required 40% threshold on supplier development. The other minimum thresholds for equity ownership, skills development, preferential procurement and enterprise development were all met. Despite not meeting the 40% threshold on supplier development this score continues to improve since the inception of this element in FY15, as follows: FY15 – 5,2%; FY16 – 9,89%; FY17 – 21,17%.

BBBEE scorecard

A comparison of the FY15, FY16, FY17 and FY18 scorecard elements is set out below. As the amended Codes differ significantly from the "old" Codes, a comparison to years prior to 2015 would not be meaningful without an accompanying analysis of the underlying data.

Three-year BBBEE scorecard

Element	**2018 %**	2017 %	2016 %
Ownership	**77,5**	76,39	58,2
Management control	**28,94**	27,74	24,33
Skills development	**90,97**	57,82	68,73
Enterprise and supplier development	**75,39**	62,31	56,66
Socio-economic development	**100**	100	100

EMPOWERLOGIC
Your Logical Empowerment Solution

Broad Based Black Economic Empowerment Verification Certificate

A Consolidated Verification Certificate Issued to

AVI Limited and Subsidiaries

Level 6 Contributor

Measured Entity

Company Name	AVI Limited and Subsidiaries
Registration Number	1994/017201/06
VAT Number	Refer to second page
Address	2 Harries Road, Illovo Johannesburg 2196

B-BBEE Status

B-BBEE Status Level	Level 6
Element Points Obtained	EO: 19.37 points; MC: 5.5 points; SD: 18.19 points; ESD: 30.16 points; SED: 5 points
Discounting Principle Applied	Yes
Empowering Supplier	Yes

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

Black Voting Rights	20.29%	**Black Women Voting Rights**	9.13%
Black Economic Interest	16.35%	**Black Women Economic Interest**	7.26%
51% Black Owned *	No	**30% Black Women Owned ***	No
Black Designated Group Supplier	No	**Normal Flow Through Principle Applied**	

Issue Date	24/08/2018
Expiry Date	23/08/2019
Certificate Number	ELC8116RGENBB
Version	Final
Applicable Scorecard	Amended Codes - Generic
Applicable BBBEE Codes	Amended Generic Codes Gazetted on 11 October 2013

BEE Procurement Recognition Levels

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

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www.empowerlogic.co.za

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

Per G Le Roux
Member - Verification Committee

SANAS Accredited
sanas
BVA018

This certificate is the result of an independent and impartial verification of the BBBEE status of the measured entity measured against the Codes of Good Practice on Broad Based Black Economic Empowerment. This certificate has been issued in accordance with the EmpowerLogic Verification Certificate Policy. EmpowerLogic uses the Law Trust advanced electronic signature system (AeSign) which is compliant with the Electronic Communications and Transactions Act no 25 of 2002. The validity of the certificate is ensured as long as the digital signature details corresponds with the Technical Signatory's details as displayed on the certificate.

Ownership

The Company achieved an ownership score of 77,5% and met the 40% threshold for net value (one of the sub-elements of equity ownership). This is in part owing to the Company's Black Staff Empowerment Share Scheme ("the Scheme"), which was launched during January 2007 and the changes made to the Scheme in 2010, which allowed the Company to secure recognition of the Scheme for BBBEE rating purposes, thereby visibly providing support to the Company's transformation agenda. The Scheme placed 7,7% of the Company's total issued share capital or 26 million ordinary AVI shares in a trust for the benefit of its eligible black employees and, in aggregate, the participants will benefit from growth in the share price over a seven-year period, with the first tranche vesting after five years.

The first tranche of shares, being one-third of the total allocation made on 1 January 2007, vested on 1 January 2012. Over the life of the Scheme to date, 17 873 participants have benefited from the Scheme and received a total gross benefit of R824,6 million, including 1 587 participants who left the Company's employ in a manner that classified them as "good leavers" and which good leavers received a total gross benefit of R105,4 million.

In accordance with the changes made to the Scheme during 2010, participants were entitled to – and many did – vote on the resolutions proposed at the Company's Annual General Meeting held on 2 November 2017.

At a subsidiary level, the Company remains committed to ensuring that a direct economic benefit flows to I&J employees and the Company's Board has approved the continuation of a 5% black staff shareholding up to 2020. The total amount paid to participants since commencement of the scheme in May 2005 amounts to R31,9 million – a significant contribution towards the financial and social upliftment of I&J's employees. In addition 20% of the shareholding in I&J is held by two broad based black empowered companies with strong commitments to the South African fishing industry. Both of these are important aspects of the focus on the transformation of the fishing industry.

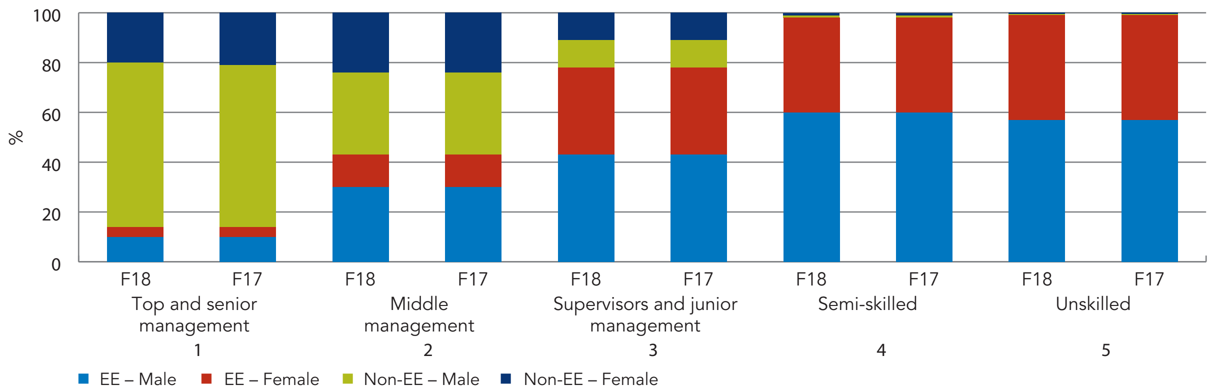
Management control

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

The Company achieved a score of 28,94%. While management control is not a priority element in terms of the Codes in that it does not have a minimum threshold, it remains an area of material importance and heightened focus for the Company.

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

AVI employment equity demographics



Skills development

Development of the Company's employees remains a priority and the central learning and development service has made material progress over the years by successfully originating relevant learning opportunities for a broad community of employees, continually reviewing current learning services and requirements and enhancing their alignment to the Company's needs, assisting the Company in developing its employees in an appropriate manner and progressing the Company's transformation agenda.

The Company continues to have strong and credible relationships with six key Sector Education and Training Authorities ("SETA"), including the Food and Beverage SETA, the Wholesale and Retail SETA, the Transport SETA and the Chemical Industries SETA, which enabled the Company to successfully receive discretionary grant payments of R7,6 million. Total SETA funding to the Company during FY18 was R11,67 million.

The Group skills development facilitator continues to focus on the management of learnership programmes, apprenticeships, internships and graduate and work experience programmes and during the year the Company had 719 learners (the majority of whom were black) on these types of skills development programmes.

Learnership programmes remain a priority through the Group, particularly in I&J and Field Marketing. Field Marketing is currently supporting 109 leaners (of whom eight are disabled) on key programmes including Contact Centre Operations and Support, and Wholesale and Retail.

I&J has made substantial investments in training unemployed youth for the fishing and broader maritime industry. This includes interns and graduates. During the past year I&J invested in the formal training of 143 people (of whom 27 are disabled) on programmes including NQF3 Business Administration, NQF1 Food and Beverage Handling, NQF2 Fish and Seafood, and NQF3 Maritime Operations. In addition 13 engineering apprentices are in the process of completing their apprenticeship contracts. Following completion of the training courses, I&J has retained 11 Maritime Operations learners and 10 Fish and Seafood learners as permanent employees. Thirteen Learners with disabilities who completed the NQF3 Business Administration course have now enrolled on the NQF4 Learnership.

Indigo Brands trained 65 learners and focused their attention on Production Technology and Stores and Warehousing learnership programmes. Spitz successfully enrolled 96 people on the UNISA retail programmes, including Retail Management and Introduction to Retail, and registered six unemployed disabled learners on NQF4 Generic Management and nine store managers on NQF5 Generic Management.

Ciro enabled 23 unemployed people (of whom seven are disabled persons) to complete their UNISA Barista Programme. Snackworks and Entyce are currently supporting 76 disabled employed learners on NQF1 Business Practice and NQF1 Hygiene and Cleaning programmes.

The AVI Graduate Programme, started in FY16, has now been running for two and a half years. There are currently eight engineering graduates, two supply chain graduates, two sales and marketing graduates, three information technology graduates, and one quality graduate on the programme, all of whom are actively involved in projects at their respective workplaces. Feedback from the sites and the executive mentors has been extremely positive. All 16 graduates have had the opportunity to engage in soft skills and business specific training in order to fast track their development, and had the opportunity to present to and have lunch with the AVI CEO. FY19 will see the enrolment of 14 new graduates across the Group, within various divisions and disciplines.

In the past year the Company has continued to focus on the development of online training courses in an effort to reduce the cost and complexity of classroom-based programmes, particularly in the retail businesses. Spitz has launched a Product Knowledge course to 908 employees within the Spitz stores and 251 within the Kurt Geiger stores. The Customer Service online course is still running successfully through the Spitz business and has added increasing value to our customer focus proposition. Ciro recently launched a further 49 online modules dealing with their entire range of products and services. Their current modules are also currently being refreshed and updated.

National Brands has embarked on online training within its Snackworks factories and the Asset Protection department has begun its eLearning journey with a course on Incident Investigation and Reporting. Online training programmes will continue to be identified to replace classroom options where possible.

The amount spent on recorded skills development initiatives for Black people in FY18 was R75,2 million, an amount equivalent to 3,5% of the leviable amount. 3 576 employees or 40% of the total workforce (including permanent and fixed term contract employees), were trained during the year, 90% of whom were Black (African, Coloured and Indian).

The Company achieved a score of 90,97% in the June 2018 verification and met the required 40% threshold. Skills development remains a priority area for the Company.

Enterprise and supplier development

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

The Chief Procurement Officer, in collaboration with specialist procurers in the Company and with a focus on favouring local empowering suppliers (as defined in the amended Codes), plays a large role in the Company's enterprise and supplier development strategy. Measured on the amended Codes, the Company scored 75,39%, an improvement over the 62,31% scored in 2017 and the 56,66% scored in 2016, and an endorsement of the Company's enhanced procurement practices. The Company met the 40% threshold in both preferential procurement (70,99%) and enterprise development (100%) but failed to meet the threshold in supplier development (34,08%).

The Group Supplier Development Manager works closely with the business unit procurement teams on a continuous basis to identify and review potential supplier development projects, both to replace imported raw material/packaging suppliers and to develop black-owned suppliers for locally supplied raw material and/or packaging. Each potential project is reviewed to ensure that the potential supplier meets the criteria stipulated in the Group's Enterprise and Supplier Development Plan and that the project is sustainable. Suitable projects are hard to find and take considerable time to review but once they have been identified and verified as being both commercially viable and contributing towards the sustainable development of local suppliers, agreements are signed and priority given to implementing the projects.

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

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

Good corporate citizenship

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

Labour data and practices

	2018	2017
Number of permanent employees (South Africa at 30 June)	**8 439**	8 535
Gender split (%) (including non-South African)		
Male	**59**	59
Female	**41**	41
Ethnic split (%)		
African	**64**	63
White	**8**	8
Indian/Chinese	**4**	4
Coloured	**23**	24
Non-South African	**1**	1
Ethnic and gender split (%)		
Black (African, Indian/Chinese and Coloured) male	**54**	53
White male	**4**	4
Black female	**37**	37
White female	**4**	4
Non-South African	**1**	1

37,73% of the Company's permanent employees are members of recognised trade unions covered by collective agreements defining the terms of the relationship between the Company, the unions and the members, as well as their engagement on matters ranging from operational changes to annual negotiations on wages and other substantive issues. Union engagement is managed at an executive level within the subsidiaries, with oversight from the Company, in particular from the Group HR executive.

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

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

Health, safety and wellness

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

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

Statistically the Company's safety record is viewed against the industry standard disabling injury frequency rate ("DIFR"), which measures the percentage of employees that suffer a disabling injury for every 200 000 man hours worked. A disabling injury is an injury that causes an employee to miss a shift following the one on which they were injured. At a Group level the Company experienced 67 disabling injuries – down from 84 in the prior year – resulting in 877 lost days and achieved a DIFR of 0,50 for the year, a significant improvement over the previous year's rating of 0,60. Steps are continually being taken to proactively identify and prevent potentially harmful situations and improve employee training.

As Company-wide statistics can mask events, the Company categorises all injuries into one of three classes. Class 1 being damage that permanently alters a person's life ranging to class 3 that inconveniences a person's life. During the year under review there was a decrease in all classes of injuries. In particular there were no class 1 injuries.

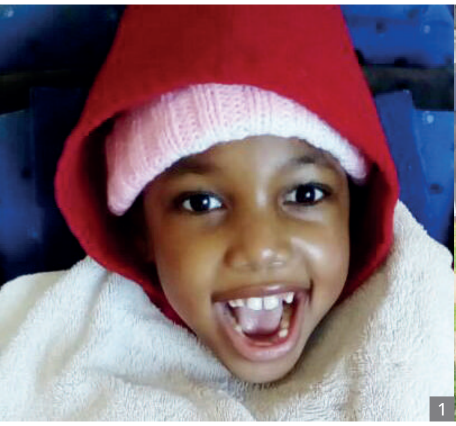
The high safety standards adopted by the operations are continually being enhanced by accreditation with independent standard-regulating authorities.

Store robberies in the retail sector remain a reality and both Spitz and Green Cross are taking all possible measures to limit the probabilities of and risks associated with robberies in their stores. In addition they maintain a close relationship with the AVI Employee Wellness Programme to ensure that all affected staff receive counselling after any traumatic event. A further significant concern in the past year has been the increase in cash-in-transit heists. Spitz and Green Cross both have contracts with cash-in-transit providers for the collection and transportation of cash to and from the stores and an increase in this category of crime results in increased insurance claims for stolen cash.

The Westmead and Isando biscuit factories, and the Isando coffee and creamer factory are FSSC 22000 certified, an international standard for the certification of Food Safety Management Systems. The Westmead and Isando biscuit factories, and the Rosslyn snack factory, have maintained certification to the AIB (American Institute of Baking) Food Safety Standard, a certification which the Durban tea factory achieved in August 2017. The Durban tea factory and Rosslyn snack factory are both ISO 22000 (food safety quality management system) certified. The biscuits, snacks, coffee and creamer, and tea factories have all acquired and maintained their Certificates of Acceptability from their local municipal authorities. The Westmead and Isando biscuit factories, the Isando coffee and creamer factory, and the Durban tea factory have all maintained their ISO 14001 certification, while the Isando biscuit factory also maintained its OHSAS 18001 certification.

The Indigo Brands cosmetics and aerosol factories are ISO 9001:2015 (quality management system) and SANS 1841 (Control of Quality: Trade Metrology Act) certified. In the year under review Indigo Brands also achieved compliance against the ISO 22716 Cosmetics Good Manufacturing Practice standard (the international standard for cosmetics manufacture) in both factories.

The I&J Woodstock and Valued Added Processing sites have HACCP accreditation, which is regulated by the National Regulator for Compulsory Specifications. In addition both I&J processing facilities have "A" listed BRC (British Retail Consortium for Global Standards), Higher Level IFS (International Food Standard) global food safety certification, MSC (Marine Stewardship Council) Chain of Custody Certification (a sustainability certification) and SANS 1841 (Control of Quantity – Trade Metrology Act) certification. The Micro laboratory at the Woodstock factory has SANAS 17025 accreditation and the Auckland Cold Store in Paarden Island is ISO 22000 and HACCP accredited, as well as ZA282 certified (certification by the Department of Agriculture allowing the export of frozen product into the Southern African Development Community).
The I&J chicken processing plant is ZA111 certified (certification by the Department of Agriculture allowing the processing of chicken products). In addition to applying standards to the Company's own operations, the factories continue to make progress through supplier audits with a view to having all their suppliers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certified to a recognised Food Safety standard. During the year a follow-up Amfori BSCI social audit was conducted at I&J and an "A" rating was achieved in each performance area with zero non-compliances. The Amfori BSCI code of conduct refers to international conventions such as the Universal Declaration of Human Rights, the Children's Rights and Business Principles, UN Guiding Principles for Business and Human Rights, OECD Guidelines, UN Global Compact, and International Labour Organisation conventions and recommendations relevant to improve working conditions in the supply chain.

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

In response to the outbreak of *Listeria monocytogenes* earlier this year, the subsidiary companies reviewed their Food Safety and Quality management systems and processes, which are designed and maintained to ensure that all products produced conform to the highest food safety and quality standards. Where appropriate product and hygiene testing procedures were reviewed to increase the frequency of testing and pathogen environmental monitoring was done on drains, extraction fans and ventilation units to identify the presence or absence of the pathogen. Employees were instructed to be extra vigilant and sanitisers used to clean the factories were verified and validated to ensure that they were effective. No *Listeria monocytogenes* failures were identified or occurred.

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

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

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

The Company's larger sites have active primary health care clinics either on a full-time or part-time basis. They are well equipped and managed by appropriate

1. Little Eden
2. Love Trust
3. Love Trust
4. Columbia Leadership
5. Afrika Tikkun
6. Kliptown Youth Programme
7. Kliptown Youth Programme
8. Regenesys Foundation


5


6

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medical professionals, including a doctor employed on a full-time basis in I&J. These clinics play a material role in the day-to-day healthcare management of the Company's lower income earning employees, and in a number of instances provide an out-reach programme for immediate family members. Many of the clinics are involved in doing annual medical checks for all employees, running VCT programmes, and providing flu vaccines to high-risk employees at no cost to the employees.

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

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

Corporate social investment

The Company's corporate social investment ("CSI") programme is aimed at bringing about positive social and economic changes to historically disadvantaged communities in the environments in which the Company operates. The Company achieved a score of 100% for its socio-economic development in the most recent BBBEE rating. On an annual basis an amount of approximately 1% of the Company's pre-tax profits achieved in the previous year is set aside for this purpose. The areas of focus are broadly education and skills development; sports, arts and culture; the environment; and health and welfare. Grants are managed through the Company's Community Investment Trust. This trust is served by elected employees who have shown an interest in CSI and an ability to manage the CSI programme. All material projects are properly vetted and monitored by the trustees to ensure that they achieve what was initially intended. In addition the Company is always cognisant of the impact, both negative and positive, that its operations could have on local communities and commits to identifying any such communities and to engaging with them regarding the prevention or mitigation of negative impacts.

During the year under review R21,6 million was available to the Company's CSI programmes. As at 30 June 2018, R21,5 million of these funds had been disbursed.

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

- The Supplementary Trust, part of the Star Schools Programme, continues to be a meaningful cause particularly since the establishment of its centres in Winterveldt and Durban. They support over 250 students from 19 beneficiary schools who attend the Star Schools Programme. Learners are assisted over a three-year period, from grades 10 to 12, and are provided with expert tuition in English, Mathematics and Science, on Saturdays and during the school holidays, necessary study materials, as well as career guidance, transport and food. In addition the programme offers career guidance and life skills training. The programme seeks to upgrade the learners' academic standards to enable them to further their education at a tertiary institution.
- The Company, in partnership with the Studie Trust, provided full or partial bursaries to seven students through its Tertiary Bursary Programme. The bursaries assisted these students to further their higher education at various universities. The students were selected based on their financial means, academic results and preferred fields of study, which were aligned to the Company's graduate recruitment needs. In addition and where possible, the Company places students within the business to complete one year of in-service training required to qualify in their chosen fields. A student mentorship programme runs in parallel to this initiative which provides extensive and ongoing support to these students.
- The Company has partnered with the Foundation of School Leadership and Management since 2012. This is an initiative established by former school principals aimed at sustainable, proactive and skills-based interventions which directly benefit schools' leadership, learners and their communities. During the past year the Company sponsored nine facilities on the Leaders4Learning Diepsloot Early Childhood Development Programme, which involved the mentoring and coaching of facility managers and staff; parent development and involvement; connecting with social development and early childhood development officials; modular training; and 24/7 support for learners and staff. The programme has shown significant results through a reduction in staff absenteeism; an increase in the number of learners; a marked improvement in the relationship between the facility and the parents; and ultimately enhanced trust and a greater use of the facilities.

- The Diepsloot Foundation allows disadvantaged youths over the age of 18 years who have not achieved their matric to achieve a matric equivalent education and skills and enables them to become employable or self-employed through the Adult Basic Education and Training, or carpentry and sewing programmes. The project also provides formal mentoring and other support to graduates in their employment location for as long as is needed.
- The Company has supported the Kliptown Youth Programme since 2008. The organisation was founded in 2007 and is situated in the Kliptown informal settlement in Soweto. It provides a safe haven and educational support for 400 children and youth between the ages of eight and 20 years. The programme offers a free after-school centre with additional weekend activities. The focus of the organisation is on the tutoring of learners in grades 1 to 12. The children also receive two meals per day. The Company's support has not only been monetary but has included support through a transfer of business, finance and leadership skills and direct involvement by the Company's employees through the AVI employee volunteer programme. In addition learners from this organisation are recipients of scholarships through the Ruth First Scholarship Programme, which is also supported by the Company.
- The Rural Education Access Programme ("REAP") assists disadvantaged youth to access tertiary education through a partnership with the National Student Financial Aid Scheme and the National Skills Fund. In 2017 REAP supported 500 students from all nine provinces, enrolled at 16 universities and technikons, studying a broad range of disciplines. To date 69% of these students have successfully completed their studies, the majority of whom have found full-time permanent employment. All of the students came from economically disadvantaged homes and matriculated from rural schools, many of which are severely under-resourced.
- The Ruth First Scholarship Programme sponsors disadvantaged girls' attendance at Jeppe High School for Girls, one of the country's foremost public schools for girls, with full tuition and boarding costs to grade 12. The Company is currently sponsoring seven girls. Three of these learners originated from the Kliptown Youth Programme.
- The Rapport Onderwysfonds supports young students from disadvantaged communities with bursaries to enable them to gain a tertiary qualification with a view to qualifying as teachers, many of whom are now teaching at schools in under-privileged communities. In 2017 the Company sponsored 16 new bursary recipients.
- The St Mary's School Waverley Foundation provides critical resources and opportunities to girls from disadvantaged communities by supporting their education and training as teachers, and the funding of community affairs programmes. The Company has committed to the funding for one girl for five years to enable her to complete her studies. The bursary includes payment for tuition, boarding, study materials, uniforms and extra-mural activities, including money to provide the necessary equipment for cultural and sporting activities.
- The Learn to Earn foundation trains students in Basic Computer skills, Office Administration, Sewing, Hospitality and Barista programmes. During the past year the Company sponsored 46 students with a completion rate of 96%.

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

- The Peninsula School Feeding Scheme that feeds children in six primary schools in the Western Cape on a daily basis. Often this is the only meal of the day for many of the children.
- The Love Trust, which has established a skills development centre (the Nokuphila School) to train early childhood development educators in and around Tembisa. The Company sponsors the employment of an ECD trainer and makes a contribution towards the upkeep and maintenance of the school building. To date the Nokuphila School has served 370 vulnerable children from grade 000 to grade 7. Children also enjoy meals, extra-mural activities and access to a social worker and remedial therapist. In the past year the Company also assisted the Love Trust with the employment of competent principals for Nokuthula Pre-Primary and Nokuphila Primary schools.
- The National Sea Rescue Institute ("the NSRI") of which I&J is a platinum member and to which the Company makes an annual donation. Over the years I&J has made a substantial contribution to the organisation's infrastructure, building a state-of-the-art rescue station in Cape Town harbour, donating a number of rescue craft and supporting the "Waterwise" initiative which teaches children between the ages of 9 and 14 what to do in an emergency and how to "breathe for their buddy" while waiting for the emergency services to arrive. Over 350 000 children have been through the "Waterwise" programme since its inception in 2011.
- I&J is a founding sponsor of the Two Oceans' Aquarium in Cape Town and has supplied fresh fish to this spectacular educational facility since it opened in November 1995. I&J also sponsors the Aquarium's Young Biologist training programme.
- The Red Cross Children's Hospital, where I&J's contributions since 1997 have funded the construction of consultation rooms, a radiology facility in the trauma unit, an isolation ward in the burns unit and, in collaboration with government and the Red Cross Children's Trust, the establishment of

the Child Speech and Hearing Clinic at the Mitchell's Plain Hospital. In the past year the Company supported the newly established Milk Matters project, which works to expand access to breast milk for premature babies.

- The Whale Coast Conservation Trust ("WCCT") was established in 2002 with the mission to unify, coordinate and promote environmentally sustainable living in the Cape Whale Coast region of the Western Cape. I&J has collaborated with the WCCT to inspire environmental learning and an understanding of one-planet/sustainable lifestyles by sponsorship of their environmental education programmes. Following completion of the programme these schools are given "eco-school" status.
- Enactus, which is an international non-profit organisation that brings together student, academic and business leaders who are committed to using the power of entrepreneurial action to improve the quality of life and standard of living for people in need. During the past year the Company supported the Enactus teams at the University of Fort Hare, the Mangosuthu University of Technology and the University of Zululand.
- Afrika Tikkun, which provides education, health and social services to vulnerable children, youth and their families through centres in six South African communities with the aim of ensuring a sustainable future for the children and empowering the communities to develop generations of productive citizens.
- Arebaokeng Hospice, which operates a terminal and respite care hospice, and day care centre for orphans and vulnerable children in Tembisa. The Company contributed towards the cost of building and equipping the facility as well as assisting with its running costs.
- Both Sides of the Story, which aims to improve relationships between parents, educators and learners through improved communication and mutual understanding.
- The Young Entrepreneur Foundation Programme, which, over a period of 30 weeks, teaches children between the ages of 7 and 15 vital entrepreneurial and financial literacy skills and helps them to start and grow their own micro-enterprises in a fun and experiential way.
- My Future My Career, run through the Regenesys Foundation, which provides career guidance and an understanding of career opportunities to grade 9 to 12 learners. The programmes look at both the academic requirements and the personality fit of the learners to various careers. Since inception the programme has reached over 200 000 children nationally.

The Company has also been involved in or made donations to a number of smaller but just as important initiatives, such as the Uniform Project, Look Good Feel Better, Heartworks, Carel du Toit Trust, Symphonia for Africa, Section 27, Ikamva Youth Centre, Abraham Kriel Children's Home, Bambini Dream Foundation, and Partners for Possibility.

At a more personal level, the Company's employees are encouraged to become involved with their local communities on Company sponsored employee volunteer days. All of the projects are selected from organisations with which the Company has established relationships and the Company gives employees time off to provide their services to these projects. This year the employees also came together to collect for animals in need, pre-school reading material for Afrika Tikkun, and for the Paint it Purple initiative, which assists people caring for children with disabilities in under-resourced communities.

Environmental policy

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

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

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

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

Environmental data

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

	Indicator	Unit	Data				
			2018	2017	2016	2015	2014
1	**Total water consumption by source**						
1.1	Municipal*	Litres	**717 199 757**	927 850 679	1 094 362 412	1 063 057 427	1 043 354 478
1.2	Ground water (borehole)	Litres	**7 719 200**	1 811 000	1 301 000	2 224 000	2 152 000
2	**Total energy consumption**						
2.1	Purchased electricity	kWh	**99 633 276**	102 473 146	107 211 709	99 915 717	106 484 439
2.2	Coal	Tons	**13 164**	13 219	19 612	14 038	13 541
2.3	Petrol	Litres	**946 631**	1 062 496	1 138 870	1 155 078	996 017
2.4	Diesel	Litres	**8 132 364**	6 871 614	10 585 592	9 481 650	12 268 956
2.5	Liquefied petroleum gas ("LPG")	Litres	**1 701 445**	1 794 734	1 961 562	1 680 034	1 823 823
2.6	Natural gas	Cubic metres	**3 084 274**	3 130 938	3 396 701	3 289 399	3 482 760
2.7	Marine/heavy fuel oil*	Litres	**13 431 358**	16 141 409	14 071 795	10 727 200	8 234 325
2.8	Paraffin	Litres	**422 352**	422 060	821 770	855 096	970 877
3	**Carbon emissions for above indicators**						
3.1	Total carbon emissions	Metric tons	**213 410**	221 358	231 568	188 626	196 794
3.2	Carbon emissions per employee	Metric tons	**24,59**	25,51	26,69	22,66	24,44

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

Owing to ongoing initiatives the past year has seen further reductions across the Group in a number of energy sources with a resultant reduction in total carbon emissions and carbon emissions per employee. The Company will continue defining and implementing the scope and methods of monitoring and reporting on these issues as well as setting relevant objectives and targets (within the operational objectives of the Company) and managing progress towards those.

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

Environmental practices

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

- Environmental management systems – The Isando coffee and creamer factory, the Durban tea factory and both the Isando and Westmead biscuit factories have maintained their ISO 14001 certification. This environmental quality management system enables the factories to identify and control the environmental impact of their activities; continually improve their environmental performance; and implement a systematic approach to setting environmental objectives and targets, achieving these and demonstrating that they have been achieved. I&J has the Marine Stewardship Council's Chain of Custody Certification for sustainability in the fishing industry and the Aquaculture Stewardship Council Certification for sustainable abalone farming.

- Energy conservation – The current energy shortage, and global efforts to reduce greenhouse gas emissions, make conserving energy a priority for the Company. Efforts include electricity saving initiatives such as:
  - Improving the efficiencies of production machinery, equipment and processes, and the installation of energy efficient lighting solutions, to maximise energy savings and limit wastage.
  - Optimising the use of cold storage space at I&J and decommissioning under-utilised cold storage space.
  - The installation of electricity meters per site for the measurement of electricity consumption and consumption patterns and Demand Site Management Surveys by Eskom to enable the formulation of improvement plans to correct excessive use or wastage.
  - Electrical load-shifting where possible, bearing in mind the Company's operational requirements and the installation of power correction units to maintain a constant, minimum level power supply.
  - The installation of a photovoltaic array on the rooftop of the extended Bryanston office to provide clean energy and the installation of louvres which passively control heat gain allowing for maximum heat gain in winter and maximum shade in summer, ensuring that the building responds precisely to the various sun angles along the full length of its perimeter.
  - The installation of LED lighting to replace old fluorescent lighting in the Redhill warehouse and the installation of 1 452m² of solar photovoltaic panels on the roof of the Isando warehouse, which are projected to reduce the use of municipal electricity by approximately 340 000 kWh per annum.

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

- Water conservation – Poor water quality and shortages are a significant potential risk to the Company and the subsidiaries take steps to minimise these risks. These steps include using borehole water where appropriate, reservoirs for storing water, recycling condensate produced during the heating processes back to the boilers, recycling production effluent with a view to reclaiming waste water and adopting environmentally friendly storm water reticulation, while simultaneously taking measures to measure and manage water consumption. The Redhill logistics warehouse is planning a rain water harvesting project to be implemented in FY19 and the Isando warehouse has started installing a waterless urinal system and exchanging all taps to water efficient push-taps. In addition the Isando warehouse has installed a 10 000 litre tank for the collection of rainwater, which will be used to fill the auto-scrubber used to clean the floors inside the warehouse.
- Fuel consumption – Within its distribution operations there is ongoing focus on optimisation of delivery routes and consideration of distribution networks through the utilisation of routing and scheduling software throughout the Company, the deployment of on-board technology, advanced fuel management systems, more efficient engines and matching of loads to vehicles, as well as driver training academies, which all remain key issues in reducing fuel consumption and the Company's carbon footprint. During the year under review Logistics reduced its diesel consumption by 6% by running fewer vehicles and improved consumption on the new fleet.
- Emissions, effluents and waste – The Company is committed to an overall waste management strategy, reducing the use of raw materials, reducing waste, re-using waste wherever possible, and recycling waste that cannot be eliminated or re-used. Key to managing waste is the monitoring and analysis of waste volumes and component parts to give the Company the information it needs to manage waste effectively. The Company also recognises its responsibility in terms of the Air Quality Act of 2004 and is committed to efficient and effective air quality management and thus ensures that all ovens, paraffin and oil-fired boilers, and boiler stacks are correctly operated, well maintained and routinely inspected. In addition the factories engage with approved inspection authorities and conduct air emission surveys. Green Cross in particular is part of a Green Initiative programme in Epping involving the collection of recycled waste paper and cardboard by a local recycling business (also generating jobs) and contribution of a part of the proceeds received for the waste towards the Epping City Improvement District. These funds are then used to support various charitable organisations in Cape Town. The programme therefore supports not only the environment but also directly contributes to the society in which Green Cross operates. Green Cross was awarded a Green Certificate for its role in this programme and is recognised by both Wasteplan and the City of Cape Town.
  - Effluent management at the Isando biscuit factory through the installation of a new water recycling and treatment plant with a view to reclaiming at least 50% of the waste water. At the Westmead

biscuit factory effluent management involves flocculation and removal of solids from the water and reduction of the pH and chemical oxygen demand ("COD") levels. At the distribution centres all vehicles are washed using biodegradable chemicals and grease traps are cleaned regularly to prevent contamination of the main sewer system. In general, waste materials are classified for possible re-use, recycling or disposal and disposals are done through registered waste disposal and recycling companies.
- Where appropriate the factories are installing new equipment and modifying old equipment in order to reduce emissions.
- I&J routinely re-cycles metal, corrugated cartons, used sunflower oil and used marine oil.
- National Brands continued implementing various initiatives to reduce packaging waste by right-gauging flexible packaging and removing excess packaging. The business also encourages consumers to recycle and makes them aware of the recycling categorisation of the packaging.
- Indigo Brands is currently installing a process effluent treatment and water recovery plant with a view to reclaiming at least 50% of waste water. This effluent management involves flocculation and removal of solids from the water, while balancing the pH levels and reducing chemical oxygen demand levels in the treated effluent.
- Logistics replaced a number of their diesel forklifts with electric units, thereby eliminating harmful emissions.

• Raw materials – The Company's use of sustainable raw materials, including recycled and recyclable materials and materials derived from ethical and sustainable sources as certified by bodies such as the Roundtable on Sustainable Palm Oil ("RSPO"), the Forestry Stewardship Council ("FSC") (for packaging materials produced from sustainable forests), the Convention on Biological Diversity, and the Right Rooibos initiative, is an integral part of the Company's sustainability strategy. The Company is a member of and has representation on the Board of the South African Rooibos Council, a non-profit organisation whose goal is to protect the Rooibos Industry and to ensure the sustainability of this scarce raw material. All of the palm oil procured by the Company is from RSPO certified suppliers and the yellow maize procured for the manufacture of liquid glucose is certified as non-genetically modified. The high performance paperboard used in I&J retail packs is produced from SFI (Sustainable Forestry Initiative) and FSC certified, renewable resources and all paperboard materials can be recycled multiple times. These retail cartons are packed into outer cartons supplied by local companies that meet the environmental management standard FSSC 22000, and all I&J outer cartons are 100% recyclable. All paperboard materials used by National Brands are produced from sustainable forests which are FSC compliant, contain no heavy metals or mineral oils, and no fossil fuel energy is used in the production of these products. These materials are also 100% recyclable. Furthermore, National Brands' major corrugate, carton and tin packaging suppliers are certified by SEDEX (a not for profit membership organisation dedicated to driving improvements in ethical and responsible business practices in global supply chains) and the business continues to encourage its wider supply base to aim for SEDEX certification. Ciro Full Service Coffee Co. sells a range of Fairtrade, Organic, Rain Forest Alliance and UTZ (an international standard for sustainable farming of coffee, cocoa and tea) certified products, and a partnership with Mbokomu Rural Cooperative Society in Tanzania assists farmers and farming communities to improve the quality of their coffee and improve processing to reduce waste.

During FY18 the improved quality of the effluent operation at the Westmead biscuit factory resulted in no non-compliance notices or fines being issued to the site during the year. A number of further interventions are under way to reduce water consumption on-site with further benefits expected to the effluent quality. The effluent plant previously installed at the Isando biscuit factory is operating well within discharge requirements and no municipal non-compliances were issued to the site in the past year. The Isando coffee factory received four non-compliance notices and fines in the amount of R78 300,00 for high COD levels in the waste water. The source of the COD was identified and remedied in January 2018 and there have been no further non-conformances since the modifications were made. Further upgrades are being considered to automate the plant with a view to reducing the costs of outsourcing this process. Changes to chemicals and effluent tariffs resulting from improved quality have resulted in cost savings. Other than the notices and fines referred to above, no other fines or non-monetary sanctions for infringement of or non-compliance with environmental laws and regulations were recorded and/or levied against the Company, directors, officers or employees during the period under review and the Company experienced no major environmental incidents. No formal requests or directives have been issued by government agencies or local authorities for the reduction of air emissions.

Consumer and product legislation

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

In the year under review the Company continued monitoring and addressing changes brought about by relevant legislation, including enhanced regulations pertaining to food safety, the appointment of assignees in terms of the Agricultural Products Standards Act, the Carbon Tax Bill, the formulation of Waste Management Plans, amendments to employment and labour-related legislation, proposed amendments to the Competition Act, advertising to children, labelling, advertising and composition of cosmetics and the Animal Protection Bill proposed in 2017. The Company works closely with relevant industry and government bodies, such as the Consumer Goods Council and the Department of Health, to develop sensible and sustainable criteria for, inter alia, nutrient profiles, advertising and marketing.

The Company's central marketing and Group legal functions ensure that there is adherence to laws, standards and voluntary codes relating to marketing and communications, including advertising, promotions, competitions and sponsorships. All applicable labelling legislation is regularly reviewed and, where appropriate, changes are made. The research and development managers in the subsidiary companies are responsible for ensuring applicable compliance.

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

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

Major risks

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

Key risks	Comments
Failure to stay in touch with and react quickly to changing consumer perspectives and needs, resulting in lost growth opportunities or erosion of market share	• Product formats and price points are managed flexibly in different parts of the consumer cycle, in line with consumer needs • Each business unit gives high priority to understanding the risks and opportunities that South Africa's growing black consumer base presents, and responding in a manner appropriate to each category • The characteristics of our African export geographies are studied carefully so that we can enhance the relevance of our offering in each geography • New product development is aligned with the points above and actively pursued • Brand investment is material and consistent, with ongoing efforts to improve the efficiency and effectiveness of this spend. Under or over-spend of marketing money without an economic imperative could lead to unsustainable or diminishing brand equity
Availability of experienced and commercially minded business leaders to seek improvement and grow profits	• This is an ongoing challenge, particularly given the diversity of AVI's operations. Considerable resources are expended in identifying people and, where appropriate, attracting them • The Group has a flexible operating model which provides high transparency to the centre and facilitates effective interaction on key matters when needed • Remuneration and reward systems provide meaningful wealth generation opportunities for managers who excel but a low level of retention in share option schemes in periods of low share price growth, and delays in addressing this mean a loss of senior employees to more attractive opportunities, lower morale for senior employees in general, and an environment in which it is harder to attract the best people. This has been mitigated to some extent by the implementation (with shareholder approval) of new share option schemes in FY17 • Various formal and informal internal learning and development initiatives are provided but developing in-house talent is becoming increasingly more important • Inadequate progress with transformation would make it difficult to attract top equity candidates and reduce credibility with stakeholders and business partners • The difficulty in recruiting scarce skills creates, inter alia, poor management depth and limited succession planning with a risk of reduced business credibility and business effectiveness

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

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

Going forward

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

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

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	102-33	Communicating critical concerns	60 to 69
	102-34	Nature and total number of critical concerns	50 to 52
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	102-47	List of material topics	Inside front cover
	102-48	Restatements of information	Entire Integrated Annual Report, where applicable
	102-49	Changes in reporting	Not applicable
	102-50	Reporting period	Inside front cover
	102-51	Date of most recent report	Inside front cover
	102-52	Reporting cycle	Inside front cover
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	102-54	Claims of reporting in accordance with the GRI standards	33
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Management approach	103-1	Explanation of the material topic and its boundary	Entire Integrated Annual Report, where applicable
	103-2	The management approach and its components	Entire Integrated Annual Report, where applicable
	103-3	Evaluation of the management approach	Entire Integrated Annual Report, where applicable
Economic performance	201-1	Direct economic value generated and distributed	27
	201-2	Financial implications and other risks and opportunities due to climate change	46 to 49
	201-3	Defined benefit plan obligations and other retirement plans	98, 99, 121, 128 to 134
	201-4	Financial assistance received from government	102

Aspect	Core indicator		Page/not reported
Market presence	201-1	Ratios of standard entry wage by gender compared to local minimum wage	Not reported
	201-2	Proportion of senior management hired from the local community	Not reported
Indirect economic impacts	203-1	Infrastructure investments and services supported	Not reported
	203-2	Significant indirect economic impacts	Not reported
Procurement practices	204-1	Proportion of spending on local suppliers	Not reported
Anti-corruption	205-1	Operations assessed for risk related to corruption	32
	205-2	Communication and training about anti-corruption policies and procedures	32 and 33
	205-3	Confirmed incidents of corruption and actions taken	Not reported
Anti-competitive behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None
Materials	301-1	Materials used by weight or volume	47
	301-2	Recycled input materials used	47 and 49
	301-3	Reclaimed products and their packaging materials	47 and 49
Energy	302-1	Energy consumption within the organisation	47
	302-2	Energy consumption outside of the organisation	Not reported
	302-3	Energy intensity	47
	302-4	Reduction of energy consumption	47
	302-5	Reductions in energy requirements of products and services	47
Water	303-1	Water withdrawal by source	47
	303-2	Water sources significantly affected by withdrawal of water	37 and 47
	303-3	Water recycled and reused	47 to 49
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	35 to 37
	304-2	Significant impacts of activities, products, and services on biodiversity	35 to 37
	304-3	Habitats protected or restored	35 to 37
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	35 to 37
Emissions	305-1	Direct (Scope 1) GHG emissions	47
	305-2	Energy indirect (Scope 2) GHG emissions	Not reported
	305-3	Other indirect (Scope 3) GHG emissions	Not reported
	305-4	GHG emissions intensity	47
	305-5	Reduction of GHG emissions	47
	305-6	Emissions of ozone-depleting substances (ODS)	Not reported
	305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Not reported

Aspect	Core indicator		Page/not reported
Effluents and waste	306-1	Water discharge by quality and destination	48 and 49
	306-2	Waste by type and disposal method	48 and 49
	306-3	Significant spills	Not applicable
	306-4	Transport of hazardous waste	Not applicable
	306-5	Water bodies affected by water discharges and/or runoff	Not reported
Environmental compliance	307-1	Non-compliance with environmental laws and regulations	49
Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	Not reported
	308-2	Negative environmental impacts in the supply chain and actions taken	49
Employment	401-1	New employee hires and employee turnover	41
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not reported*
	401-3	Parental leave	Not reported*
Labour/ management relations	402-1	Minimum notice periods regarding operational changes	Not reported*
Occupational health and safety	403-1	Workers representation in formal joint management-worker health and safety committees	Not reported*
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	42
	403-3	Health and safety topics covered in formal agreements with trade unions	Not reported*
Training and education	404-1	Average hours of training per year per employee	39 and 40
	404-2	Programmes for upgrading employee skills and transition assistance programmes	39 and 40
	404-3	Percentage of employees receiving regular performance and career development reviews	39 and 40
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	39, 58 to 64
	405-2	Ratio of basic salary and remuneration of women to men	Not reported*
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	Not reported*
Freedom of association and collective bargaining	407-1	Operations and suppliers in whom freedom of association and collective bargaining may be at risk	Not reported*
Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	Not reported*
Forced or compulsory labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Not reported*

** Comply with labour and employment legislation and collective agreements.*

Aspect	Core indicator		Page/not reported
Security practices	410-1	Security personnel trained in human rights policies or procedures	Not reported
Rights of indigenous people	411-1	Incidents of violations involving rights of indigenous people	Not reported*
Human rights assessments	412-1	Operations that have been subject to human rights reviews or impact assessments	Not reported*
	412-2	Employee training on human rights policies or procedures	Not reported*
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not reported
Local communities	413-1	Operations with local community engagement, impact assessments, and development programmes	32 to 52
	413-2	Operations with significant actual and potential negative impacts on local communities	32 to 52
Supplier social assessment	414-1	New suppliers that were screened using social criteria	Not reported
	414-2	Negative social impacts in the supply chain and actions taken	Not reported
Public policy	415-1	Political contributions	None
Customer health and safety	416-1	Assessment of the health and safety impacts of products and service categories	49 and 50
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Not reported
Marketing and labelling	417-1	Requirements for product and service information and labelling	49 and 50
	417-2	Incidents of non-compliance concerning product and service information and labelling	Not reported
	417-3	Incidents of non-compliance concerning marketing communications	Not reported
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	None
Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic areas	None

** Comply with labour and employment legislation and collective agreements.*

BOARD OF DIRECTORS

Simon L Crutchley (54)
Chief Executive Officer and executive director

Qualifications: BBusSci (UCT)

Directorships: AVI Limited

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

Gavin R Tipper (53)
Independent non-executive Chairman

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

Directorships: AVI Limited, Hyprop Investments Limited, Redefine International Plc, York Timber Holdings Limited

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

Neo P Dongwana (nee Hani) (46)
Independent non-executive director

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

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

Neo is a chartered accountant (CA(SA)) with a BCom honours degree in Financial Analysis and Portfolio Management, as well as a Master's degree in Commerce. She currently serves as an independent non-executive director on a number of boards. Prior to being a non-executive director, she was an audit partner at Deloitte for almost 10 years. After qualifying as a CA(SA), Neo worked as an equities analyst at Gensec Management. Neo is also a trustee of the Women's Development Bank and a member of the Financial Sector Conduct Authority (FSCA) Tribunal. Neo is passionate about the growth and transformation of the chartered accountancy (CA) profession and in particular the development of women CAs. She is a committed member of the African Women Chartered Accountants (AWCA) and serves as a director of its investment arm, AWCA Investment Holdings (AIH). Neo was appointed to the AVI Board on 15 March 2011.

Adriaan Nühn (65)
Independent non-executive director

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

Directorships: AVI Limited, Takeaway.Com NV, Wereldhave NV, W.W.F. Netherlands, Hunter Douglas NV

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

Owen P Cressey (51)
Chief Financial Officer and executive director

Qualifications: DipAcc (Natal), CA(SA)

Directorships: AVI Limited

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

Abe M Thebyane (58)
Independent non-executive director

Qualifications: BAdmin (University of the North); Postgraduate Diploma in HR Management (Wits Business School); Diploma in Company Direction (Graduate Institute of Management and Technology); MBA (De Montfort University, UK) and MSc in Banking Practice and Management from Ifs University College (UK).

Directorships: AVI Limited, Reagile IHS Proprietary Limited

Abe was the Group Executive: Human Resources, Nedbank Group Limited until recently. Previously he was Executive Head: Human Resources, Anglo Platinum Limited and Executive Director: Human Resources, Iscor Limited. In addition, Abe has held Senior Human Resources and business-related positions in various South African companies, i.e. General Electric SA Proprietary Limited, Gemini Consulting, etc. Abe was appointed to the AVI Board on 3 December 2010.

Michael Koursaris (41)
Business Development Director and executive director

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

Directorships: AVI Limited

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

James R Hersov (54)
Independent non-executive director

Qualifications: MA (Cantab)

Directorships: AVI Limited

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

Michael J Bosman (57)
Independent non-executive director

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

Directorships: AVI Limited, MTN South Africa Proprietary Limited, Vinimark Trading Proprietary Limited

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

CORPORATE GOVERNANCE REPORT

Framework

AVI Limited ("the Company") is a public company incorporated in South Africa under the provisions of the Companies Act 71 of 2008, as amended and the Regulations thereto ("the Companies Act") and is listed on the JSE Limited ("the JSE").

The Company's Board of directors ("the Board") is committed to ensuring that the Company is governed appropriately. The Board recognises the responsibility of the Company to conduct its affairs with prudence, transparency, accountability, fairness and in a socially and environmentally responsible manner. The Company complies with the provisions of the Companies Act and the JSE Listings Requirements, and the principles of the Code of Corporate Governance Principles and Practices as recommended in the King Report on Corporate Governance for South Africa 2016 ("King IV").

Board governance structure

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

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

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

Directorate

During the year under review the Board comprised three executive directors and seven non-executive directors. All of the non-executive directors are independent as defined by King IV and have the required knowledge, skills and independence of thought to pass sound judgement on the key issues relevant to the business of the Company, independent of the Company's management. As recommended by King IV, the Chairman assessed the independence of James Hersov, who has served on the Board for over nine years, and concluded that he has fulfilled the requirements of King IV and is therefore considered to be independent. Consideration is given to gender and racial diversity, as well as diversity in business, geographic and academic backgrounds, when appointing directors. Tailored induction programmes are run to familiarise newly appointed directors with the Group's operations. The particulars of the directors are set out in the Board of directors' section of this Integrated Annual Report. Andy Kawa resigned as a non-executive director on 27 February 2018, to pursue personal interests.

As required by paragraph 3.84(i) of the JSE Listings Requirements, the Company has adopted a formalised policy on the promotion of gender diversity at Board level, which aims to ensure that at least 25% of the Board is female. The Board currently comprises nine directors of which one is female. The Nomination Committee considers the policy when nominating and recommending the appointment of directors to the Board, and is currently conducting a recruitment search for another female director.

As required by paragraph 3.84(j) of the JSE Listings Requirements, the Company has adopted a formalised policy on the promotion of race diversity at Board level.

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

Board and director assessment

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

The Chairman, with the assistance of the Company Secretary, led an overall performance evaluation of the Board, the Board committees and individual directors. This exercise was conducted by means of individual questionnaires prepared by the Company Secretary and completed individually by each member of the Board and Board committees. The results indicated that the Board, the Board committees and individual directors were found to operate effectively and those few areas identified for action will be addressed over the course of the new financial year. Based on the results of the recent evaluation, the Board does not currently believe it is necessary to perform an independent review, but will continue to monitor this requirement.

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

Board meetings

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

Name	08/09/2017	23/11/2017	09/03/2018	13/06/2018
GR Tipper	√	√	√	√
MJ Bosman	√	√	√	√
SL Crutchley	√	√	√	√
OP Cressey	√	√	√	√
NP Dongwana	√	√	√	X
JR Hersov	√	√	√	√
A Kawa	√	√		
M Koursaris	√	√	√	√
A Nühn	√	√	√	√
AM Thebyane	√	√	√	√

√ in attendance; X not in attendance ■ resigned

In addition to these formal meetings and as a prelude to the Board meeting of 13 June 2018, the Board met with the executive management of the Company's subsidiaries and major divisions on 12 June 2018, reviewed their performance for the past year and considered their objectives, strategies and budgeted performance for the year ahead.

Additional ad hoc meetings were held during the course of the year to deal with strategic issues and changing the external auditors from KPMG Inc. to Ernst & Young Inc.

Company Secretary

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

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

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

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

As required by the JSE Listings Requirements, the Board assessed and satisfied itself at the Board meeting of 7 September 2018, as to the competence, qualifications and experience of the Company Secretary, and that she has maintained an arm's length relationship with the Board and the directors.

Board committees

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

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

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

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

Audit and Risk Committee ("Audit Committee")

During the year under review the Audit Committee comprised Mike Bosman (the Chairman), James Hersov and Neo Dongwana, all of whom are independent non-executive directors. In compliance with the Companies Act shareholders will be asked at the Annual General Meeting on 1 November 2018 to elect the members of the Audit Committee. The current members will be available for re-election.

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

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

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

Name	06/09/2017	06/03/2018
MJ Bosman	√	√
NP Dongwana	√	√
JR Hersov	√	√

√ in attendance; X not in attendance

In addition to these formal meetings, the Audit Committee met on 28 September 2017 and 30 January 2018 to deliberate and approve the termination of KPMG Inc. and the appointment of Ernst & Young Inc., respectively as the Company's external auditors.

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

- Monitoring the financial reporting process;
- Recommending the appointment of an independent registered auditor, determining the terms of engagement and approving fees for audit and non-audit work undertaken;
- Monitoring the operation and effectiveness of internal control systems, including information technology controls;
- Overseeing the implementation of the information technology strategy, and monitoring the efficiency and effectiveness of the information technology processes;
- Overseeing the internal audit function, monitoring its effectiveness, and reviewing corrective action in relation to findings;
- Overseeing the implementation and effective operation of a structured risk management process that incorporates insurance, health and safety, and environmental issues;
- Implementing sound corporate governance policies;
- Reviewing and recommending to the Board for approval the interim and annual financial statements, the going concern status of the Company, interim and final dividends and other special payments to shareholders; and
- Considering and satisfying itself, on an annual basis, of the expertise and experience of the Chief Financial Officer.

The directors appointed Ernst & Young Inc. as the Company's external auditor for the year ended 30 June 2018 on 30 January 2018. Shareholders will be requested to approve the reappointment of Ernst & Young Inc. as the Company's external auditors at the Company's Annual General Meeting on 1 November 2018. With specific reference to the non-audit services provided by the external auditor, and at the recommendation of the Audit Committee, the Board has resolved that the auditors shall not:

- Function in the role of management;
- Audit their own work; and
- Serve in an advocacy role for the Company.

In accordance with the requirements of the Companies Act all non-audit specific service engagements with the external auditors were pre-approved by the Audit Committee.

During the year under review dedicated internal audit resources were provided via a service provision arrangement with Ernst & Young Advisory Services Limited. These services were terminated on appointment of Ernst & Young Inc. as external auditors. Grant Thornton has been appointed to provide internal audit services with effect from 1 July 2018.

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

Remuneration, Nomination and Appointments Committee ("Remcom")

During the year under review the members of Remcom were Adriaan Nühn (the Chairman), Andy Kawa, Abe Thebyane and Gavin Tipper, all of whom are independent non-executive directors. The Company's Chief Executive Officer and Business Development Director attend relevant parts of Remcom meetings by invitation. Andy Kawa resigned as a member of Remcom on 27 February 2018.

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

Name	04/08/2017	07/09/2017	22/11/2017	11/06/2018
A Nühn	√	√	√	√
A Kawa	√	√	√	
AM Thebyane	√	√	√	√
GR Tipper	√	√	√	√

√ in attendance; X not in attendance *resigned*

Remcom assists the Board by overseeing the following matters:

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

In the interests of efficiency, the Remuneration Committee and the Nomination Committee are combined.

The Chairman of the Board chairs discussions pertaining to agenda items related to Nomination Committee matters.

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

Social and Ethics Committee

During the year under review the Social and Ethics Committee comprised one independent non-executive director, namely Neo Dongwana (the Chairman), as well as executive members, Willem Visser, the Group asset protection manager; and Catherine Makin, the Group marketing executive. In addition the Company's Chairman, Chief Executive Officer and Chief Financial Officer attend the meetings by invitation.

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

Name	06/09/2017	08/03/2018
NP Dongwana	√	√
C Makin	√	√
W Visser	√	√

√ in attendance; X not in attendance

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

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

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

Dealings in JSE securities

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

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

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

Investor relations and communication with stakeholders

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

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

Keeping abreast of legislative requirements

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

Participation in industry forums

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

King IV application register

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

Leadership, ethics and corporate citizenship

Principle 1: The governing body should lead ethically and effectively.

The Board operates within the powers conferred on it in the Memorandum of Incorporation and Board charter; bases deliberations, decisions and actions on strategic objectives and ethical and moral values; considers the legitimate interests of all stakeholders; and aligns its conduct to drive the Company's business accordingly.

The directors hold one another accountable for acting in the best interest of the Group. This entails the discharge of duties with integrity, competence, responsibility, accountability, fairness and transparency.

Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board has adopted a Group Code of Conduct and Ethics, which is communicated internally and externally and the importance of ethical behaviour is emphasised in all of the Company's engagements. Ethical issues are considered by risk committees, internal review committees, the Company's Audit and Risk Committee and Social and Ethics Committee, and at Board level.

Mechanisms are in place to report instances of fraud, theft, corruption, unethical behaviour and irregularities. The Company's management is responsible for the implementation and execution of the Group Code of Conduct and Ethics and ongoing oversight of the management of ethics. Management will report material breaches to the Audit and Risk Committee, Social and Ethics Committee and to the Board.

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The Board is responsible for economic, social and environmental performance and reporting, and the Company has credible and well-coordinated programmes in respect of social and environmental issues and stakeholder engagement.

The Social and Ethics Committee ensures that the Group's business operations are conducted in a manner that is sensitive to the social, economic and environmental factors of the economy.

The Company maintains high standards of corporate governance and reporting.

Strategy, performance and reporting

Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board determines the strategy and long-term direction of the Company necessary to achieve its objectives as a business enterprise while satisfying itself that the strategy and business plans are aligned with the purpose of the Company, the value drivers of the Company's business and the legitimate interests and expectations of the Company's stakeholders and do not give rise to risks that have not been thoroughly assessed by management. The Board annually reviews the Company's objectives, strategies, risks and performance.

Strategy, performance and reporting (continued)

Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

All corporate governance disclosures, integrated annual reports, annual financial statements and all other reports, including press releases and SENS announcements are published on the website and other platforms as required by legislation. Half-year and year-end financial results are also published in the press.

The Board, through the Audit Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual financial statements, interim reports and any other disclosures.

The Board and its committees review and approve the various reports that are included in the Integrated Annual Report.

Governing structures and delegation

Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The Board is the focal point and custodian of corporate governance within the Group. The Board has adopted a Board charter that ensures its roles, responsibilities and accountability is documented and adhered to, which includes responsibilities relating to corporate governance. The Board is also supported by its committees, which have delegated responsibilities to assist the Board to fulfil specific functions.

Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The Board is satisfied that the current composition of the Board takes into account the size of the Group, the optimal mix of knowledge, skills, experience, independence, the requirement in numbers for its committees, quorum requirements and regulatory requirements.

The Board comprises a majority of non-executive directors. All of the non-executive directors are independent.

The Board has adopted gender and race diversity policies, which the Nomination Committee will consider when nominating and recommending the appointment of directors to the Board.

The Chair of the Board is an independent non-executive director.

In accordance with King IV, a lead independent director has been appointed to perform the responsibilities as envisaged in King IV.

Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

The Board has delegated certain responsibilities, but without abdicating responsibility, to the Audit and Risk Committee; the Remuneration, Nomination and Appointments Committee; the Social and Ethics Committee; and, from time to time, ad hoc committees are appointed to deal with specific matters. In particular, the functions of the Risk Committee are incorporated into the Audit and Risk Committee, and the functions of the Nomination Committee are incorporated into the Remuneration, Nomination and Appointments Committee.

Each committee operates under the Board approved terms of reference which set out the committee's role, responsibilities, authority and composition.

The Board annually reviews the Board charter and committees' terms of reference.

Governing structures and delegation (continued)

Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The Board, committees and directors are evaluated annually against their roles, functions, duties and performance criteria, and the results of the evaluations of executive directors are considered in determining their remuneration and benefits.

Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Board is responsible for the appointment of the Chief Executive Officer. The role and responsibilities of the Chief Executive Officer are set out in the Board charter. The Chief Executive Officer's notice period as stipulated in his employment contract is three months.

All Board authority conferred on management is delegated through the Chief Executive Officer, so that the authority and accountability of management is regarded as the authority and accountability of the Chief Executive Officer insofar as the Board is concerned. The Chief Executive Officer is responsible for leading the implementation and execution of the Group's strategy, policies and operational plans and reports to the Board.

The Board is satisfied that the delegation of authority framework sufficiently sets out the effective exercise of authority and responsibilities throughout the Group.

A Company Secretary has been appointed in compliance with the Companies Act 2008, the JSE Listings Requirements and the recommendations of King IV.

Governance functional areas

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

In terms of the Board charter, the Board is responsible for the governance of risk, which is delegated to the Audit and Risk Committee but without abdicating the Board's responsibility. Risks are reviewed and prioritised by the Board on a regular basis.

Management has responsibility for implementation of the risk management plan in accordance with the Board approved policy and framework.

Management continuously identify, assess, mitigate and manage risks as part of normal operational management processes.

Technology and information governance

Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

In terms of the Board charter, the Board is responsible for the governance of information technology ("IT"), which is delegated to the Audit and Risk Committee but without abdicating the Board's responsibility.

Management has the responsibility for the implementation of the IT governance framework in accordance with the IT governance charter.

Management placed significant focus on improving cyber security and risk mitigation during the year.

Compliance governance

Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

In terms of the Board charter the Company is committed to compliance with applicable laws and the Company remains informed on and complies with all applicable laws, and considers adherence to relevant non-binding rules, codes and standards.

Compliance risk forms part of the Company's risk management framework, the implementation of which is delegated to management and overseen by the Audit and Risk Committee.

The Social and Ethics Committee has also been mandated to monitor the effectiveness of compliance management.

There were no material penalties, sanctions, fines for contraventions of or non-compliance with regulations during the period under review.

Remuneration governance

Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term.

The Remuneration Report sets out the Company's remuneration and reward philosophy, policy and practices for non-executive directors, executive directors, executives and senior managers. The Remuneration Report, including the implementation report and the remuneration policy are set out on pages 70 to 80 of this Integrated Annual Report.

Shareholders approve non-executive directors' fees at the Company's Annual General Meeting.

The remuneration policy and implementation report will be placed before shareholders at the Company's Annual General Meeting for a non-binding approval.

Assurance

Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports.

The Board has established an internal audit function to assist the Audit Committee and the Board in exercising good corporate governance by providing independent, objective assurance that key operating and financial risks are adequately identified, managed and controlled by risk management, internal control and governance processes put in place by management. The internal audit function is outsourced to an independent professional firm.

The assurance activities of management, internal and external audit are coordinated with each other, with the relationship between the external assurers and management being monitored by the Audit Committee.

Stakeholder relationships

Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.
Stakeholder engagement is an important aspect of the Company's responsibilities and it formally identifies and recognises material stakeholders with legitimate interests with whom it engages on relevant issues.
Management has the responsibility for proactively dealing with stakeholder relationships and engagements.
All holders of the same class of shares, including minorities, are treated equitably in accordance with the preferences, rights, limitations and other terms applicable to such shares and any other relevant provisions of the Companies Act and the JSE Listings Requirements.
Disputes with stakeholders would be addressed in the appropriate forum and steps taken to ensure that such disputes are resolved as effectively, efficiently and expeditiously as possible.
The Company communicates with stakeholders in a variety of forms as more fully set out in this Integrated Annual Report on page 34.

REMUNERATION REPORT

In order to align this report to the King IV Code on Corporate Governance for South Africa ("King Code"), the report now consists of three parts, namely this background statement, an overview of the Company's remuneration policy, and an implementation report.

PART 1: BACKGROUND STATEMENT

A critical factor in AVI's sustained progress over many years has been the Company's ability to attract and retain a community of competent senior managers in a highly competitive skills market. This has been fostered by the application of a remuneration framework that aligns management with shareholders and provides sufficient financial reward to motivate and retain them.

With an ever-increasing focus on executive remuneration and many different views on what is acceptable or not, it is impossible to fully meet every shareholder or stakeholder's expectations within a single framework, sometimes leading to a lack of support for the remuneration policy because of relatively small differences. It is incumbent on the Board to apply its collective wisdom and judgement in reviewing and updating the policy, and to hold fast to what it believes is the best solution for the Company. The remuneration and reward policy and philosophy are reviewed annually by the remuneration committee and changes are made as appropriate. The remuneration committee is satisfied that the policy continues to achieve its stated objectives and no changes were made during the year under review.

Historically, shareholders have strongly supported the Company's remuneration policy. At the Annual General Meeting held on 2 November 2017 and in accordance with the recommendations of the King Code, shareholders were presented with a non-binding advisory resolution to endorse the Company's remuneration policy. A total of 94,71% of votes received were in favour of the resolution.

During the year the Company appointed PwC to conduct a market positioning and individual benchmarking review for the Company's executive directors and executive management. The findings were tabled at the Company's Remuneration Committee meeting on 7 August 2018 and provided guidance to the Remuneration Committee in determining appropriate remuneration adjustments for this community. The Remuneration Committee is satisfied that PwC were independent and objective in their preparation of these reports.

The Remuneration Committee considered the principal mandates of the committee and agreed that an area of focus for FY19 is succession planning for non-executive directors, the CEO and other senior executives.

This report sets out the Company's remuneration and reward philosophy, policies and practices for non-executive directors, executive directors, executives, and senior managers. It also provides details of the remuneration paid to and share options acquired by non-executive directors and executive management, being the executive directors and prescribed officers as defined in the Companies Act, during the financial year ended 30 June 2018.

This report can be accessed electronically at http://www.avi.co.za.

PART 2: OVERVIEW OF THE REMUNERATION POLICY

Remuneration and reward philosophy

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

The reward framework is designed to:

- attract and recruit talented people from a shrinking pool of talent;
- retain competent employees who enhance business performance;
- retain employees with potential through their full development cycle;
- direct employees' activities towards business priorities;
- recognise and reward employees for superior performance;
- support a high performance environment; and
- support the Company's transformation agenda.

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

Composition of remuneration and rewards

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

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

No contractual obligations exist that may give rise to payment on termination of employment other than such payments which are statutorily required to be paid. The rules of the Company's short and long-term incentive schemes contain termination provisions that govern payments made to employees who leave the Company's employ either as "good leavers" (no-fault terminations) owing to death, ill-health, disability, injury, retrenchment, retirement, or the sale of a subsidiary company, or "bad leavers" (fault terminations) owing to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct, or abscondment.

Guaranteed remuneration

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

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

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

Short-term incentive schemes

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

The annual incentives payable to executive and other management, for targeted levels of performance, range between 15% and 80% of an employee's guaranteed remuneration package, depending on roles, responsibilities and individual contributions, determined with reference to market norms and as deemed appropriate by Remcom. The actual incentive payment for the year under review for executive and other management was R101,6 million which was 16,6% of the total remuneration cost to the Company of this group of employees, excluding the cost of the incentives. The payment for the prior year was R193 million or 23% of the total remuneration cost to the Company.

Earning potentials

The maximum potential bonus awards for short-term incentives for the Chief Executive Officer, executive directors and prescribed officers are as follows:

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

Weighting of short-term incentive measures

The measures and weightings used for the Chief Executive Officer, executive directors and prescribed officers for the year ended 30 June 2018 were:

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

The range of values that the short-term incentive schemes could yield for the group of executive management as identified later in this report, is as follows:

Executive directors

Range	Value R'000
Minimum financial performance	2 462
Targeted financial performance	11 150
Maximum financial performance	19 838

Other executive management (prescribed officers)

Range	Value R'000
Minimum financial performance	4 309
Targeted financial performance	12 990
Maximum financial performance	21 671

Long-term incentive schemes

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

The share incentive schemes currently in operation at the Company were all approved by shareholders. There are currently five share incentive schemes in place, namely the:

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

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

In summary, the nature and key characteristics of the various schemes are set out in the following table:

	Title and nature	Participants	Allocation method	Performance conditions	Vesting period	Exercise period
1.	**The AVI Limited Executive Share Incentive Scheme** (A share option scheme that delivers value against share price appreciation) Last allocation made in April 2016	Executive and senior management of the Company and shared services	Annual, percentage of remuneration (between 35% and 235%) determined by Remcom, based on seniority and contribution	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance targets aligned to the annual short-term incentive measures • The share price on exercise must be greater than the allocation price	Three years from grant date	Within two years from vesting date

	Title and nature	Participants	Allocation method	Performance conditions	Vesting period	Exercise period
2.	**The Revised AVI Limited Executive Share Incentive Scheme** (A share appreciation rights scheme that delivers value against share appreciation while limiting the dilution impact of share issuances) First allocation made in November 2016	Executive and senior management of the Company and shared services	Annual, percentage of remuneration (between 35% and 235%) determined by Remcom, based on seniority and contribution	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance targets aligned to the annual short-term incentive measures • The share price on exercise must be greater than the allocation price • Average return on capital employed over the vesting period ahead of the weighted average cost of capital	Three years from grant date	Within two years from vesting date
3.	**Various Phantom Share Schemes** (Notional share option schemes that deliver value against the subsidiaries' performance and the Company's price earnings ratio)	Executive and senior management of the subsidiaries	Annual, percentage of remuneration (between 35% and 165%) determined by Remcom, based on seniority and contribution	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance targets aligned to the annual short-term incentive measures • The share price on exercise must be greater than the allocation price	Three years from grant date	Within two years from vesting date
4.	**The AVI Limited Deferred Bonus Share Plan** (Awards shares based on historical performance)	Executive and senior management of the Company, and high impact employees at the Remuneration Committee's discretion	Annual, a percentage of remuneration (between 0% and 112,5%) based on a fixed allocation multiple in relation to the individual's EVA bonus multiple achieved during the relevant financial year	• Linked to performance entry criteria for the short-term incentive scheme during the relevant financial year • The employee must remain employed by the Group throughout the vesting period	Three years from grant date	Not applicable

Long-term incentive schemes (continued)

	Title and nature	Participants	Allocation method	Performance conditions	Vesting period	Exercise period
5.	**The AVI Limited Out-Performance Scheme** (A share grant scheme that delivers value dependent upon the Company's performance relative to its peers)	Directors of the Company and select executives of the Company and subsidiaries	Annual, percentage of remuneration (between 50% and 60%) determined by Remcom, based on seniority and contribution, subject to sacrifice of incentive plan instruments under the Executive or Phantom Share Incentive Schemes	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance hurdles aligned to the annual short-term incentive measures • The Company must meet Total Shareholder Return performance thresholds relative to its peers • Zero vesting below median TSR performance	Three years from grant date	On the vesting date
6.	**The AVI Black Staff Empowerment Share Scheme** (A share rights scheme that delivers value against share price appreciation)	Black employees (as defined in terms of the Broad Based Black Economic Empowerment Act of 2003) of the Group	On appointment and on promotion over the period 1 January 2007 to 31 December 2011, between 70% and 200% of remuneration, based on seniority	• The employee must remain employed by the Group throughout the vesting period	In equal portions on five, six and seven years from grant date	Up to year seven from grant date
	The first tranche of shares in the AVI Black Staff Empowerment Scheme, being one-third of the total allocation made on 1 January 2007, vested on 1 January 2012. Over the life of the scheme to date, approximately 16 855 participants have benefited from the scheme with a total gross benefit of R776,8 million, including 1 543 participants who left the Company's employ in a manner that classified them as "good leavers" and which good leavers have received a total gross benefit of R101,3 million.					
7.	**The I&J Black Staff Scheme** (An I&J share rights scheme that delivers value against I&J share price appreciation and is an integral part of I&J's compliance for the allocation of long-term fishing rights)	Black employees (as defined in terms of the Broad Based Black Economic Empowerment Act of 2003) of I&J	All existing black employees from inception of the scheme in 2005 and annually thereafter for all new employees up to 30 June 2015	• The employee must remain employed by I&J up to the redemption date	The shares will be redeemed on a date to be determined by I&J on or after 1 July 2021	None
	The total amount paid to participants of the I&J Black Staff scheme since commencement of the scheme amounts to R31,9 million.					

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

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

Scheme name	Authorised number	% of total issued share capital*	Remaining authorised but not issued number
AVI Limited Executive Share Incentive Scheme	–	0	–
Revised AVI Limited Executive Share Incentive Scheme (share appreciation rights plan)	5 213 369	1,5	5 199 282
AVI Limited Deferred Bonus Share Plan	5 213 369	1,5	4 727 530
AVI Limited Out-Performance Scheme	6 915 158	2,0	6 915 158
Total	17 341 896	5,0	16 142 727
AVI Black Staff Empowerment Share Scheme	26 487 980	7,7	–

** As at date authority was granted.*

Benefits

Retirement fund contributions

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

Medical aid contributions

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

Fair and responsible remuneration

The King Code emphasises the need for executive remuneration that is fair and responsible in the context of overall employee remuneration. The board and remuneration committee regard this as an important issue that requires careful consideration and discussion with a view to understanding the criteria for determination of "fair and responsible" remuneration and how this can be assessed and, if appropriate, corrected.

Non-executive directors' emoluments

Non-executive directors are remunerated in line with market-related rates for the time required to discharge their ordinary responsibilities on the Board and its sub-committees. A portion of the fees is paid as a retainer with the balance being paid for attendance of normal scheduled meetings. For extraordinary ad hoc services rendered that fall outside their ordinary duties, the non-executive directors are remunerated by way of a market-related hourly fee, subject to authorisation by Remcom.

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

PART 3: IMPLEMENTATION REPORT

Executive management remuneration

The following disclosure is made in accordance with the King IV recommendation on disclosure of remuneration paid to executive management (being the executive Board members and prescribed officers, as defined in the Companies Act), for the year under review:

Executive directors

	2018								
Executive directors	Salary R'000	Bonus and performance-related payments R'000	Pension fund contributions R'000	Gains on exercise of share options R'000	Other benefits and allowances R'000	Termination benefits[1] R'000	Gains on early exercise of share options owing to termination[1] R'000	Total 2018 R'000	Total 2017 R'000
SL Crutchley	**7 609**	**3 947**	**591**	**35 813**	**69**	**–**	**–**	**48 029**	38 994
OP Cressey	**4 828**	**1 736**	**376**	**11 752**	**49**	**–**	**–**	**18 741**	18 237
M Koursaris	**3 372**	**1 270**	**374**	**6 778**	**34**	**–**	**–**	**11 828**	11 668

The expense for the year in respect of share options granted to executive directors, determined in accordance with IFRS 2 – *Share-Based Payments*, was R14,0 million (2017: R10,5 million).

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

Other executive management

	2018							
Other executive management (prescribed officers)	Salary R'000	Bonus and performance-related payments R'000	Pension fund contributions R'000	Gains on exercise of share options R'000	Other benefits and allowances R'000	Termination benefits R'000	Gains on early exercise of share options owing to termination R'000	Total 2018 R'000
Prescribed officer 1	**4 592**	**1 920**	**352**	**6 850**	**–**	**–**	**–**	**13 714**
Prescribed officer 2	**3 514**	**1 984**	**249**	**8 006**	**56**	**–**	**–**	**13 809**
Prescribed officer 3*	**3 158**	**104**	**308**	**–**	**34**	**–**	**–**	**3 604**
Prescribed officer 4	**2 790**	**1 285**	**215**	**–**	**–**	**–**	**–**	**4 290**
Prescribed officer 5	**2 625**	**736**	**228**	**5 169**	**64**	**–**	**–**	**8 822**
Prescribed officer 6	**4 562**	**2 639**	**433**	**8 537**	**86**	**–**	**–**	**16 257**
Prescribed officer 7	**1 867**	**792**	**147**	**209**	**56**	**–**	**–**	**3 071**
Prescribed officer 8	**2 241**	**693**	**216**	**–**	**56**	**–**	**–**	**3 206**

* *This employee joined the Group part-way through the year and the figures are reflective of a period less than 12 months.*

Bonus and performance related payments for executive management were determined as follows:

Executive directors

Executive management	Percentage of FY17 salary %	Financial measures – percentage of total bonus paid %	Individual KPI – percentage of total bonus paid %	Financial factor achieved %	Individual KPI rating achieved %
SL Crutchley	51,3	49,1	50,9	42	87
OP Cressey	35,7	48,6	51,4	42	89
M Koursaris	36,1	48,0	52,0	42	91

Other executive management (prescribed officers)

Executive management	Percentage of FY17 salary %	Financial measures – percentage of total bonus paid %	Individual KPI – percentage of total bonus paid %	Financial factor achieved %	Individual KPI rating achieved %
Prescribed officer 1	41,7	52,7	47,3	72	85
Prescribed officer 2	55,5	74,6	25,4	110	75
Prescribed officer 3*	3,0	100,0	–	107	–
Prescribed officer 4	42,8	82,5	17,5	150	95
Prescribed officer 5	26,8	42,0	58,0	30	83
Prescribed officer 6	58,9	30,5	69,5	90	91
Prescribed officer 7	41,5	41,0	59,0	90	86
Prescribed officer 8	30,4	41,3	58,7	90	85

** This employee joined the Group part-way through the year and was not eligible for an individual KPI bonus.*

Key management emoluments

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

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

	2018 R'000	2017 R'000
Salary and other benefits and allowances	106 114	104 482
Bonuses and performance-related payments	34 475	48 047
Pension fund contributions	8 164	8 231
Gains on exercise of share options	101 587	138 386
Sub-total	**250 340**	299 146
Termination benefits*	830	12 644
Gains on early exercise of share options owing to termination*	–	11 672
Total	**251 170**	323 462

** In FY17 the termination benefits arose largely as a result of restructuring in various areas throughout the Group. These employees were entitled to statutory severance packages and, in terms of the rules of the incentive schemes, these employees were categorised as "good leavers" and thus entitled to pro rata early vesting of share options (excluding the AVI Out-Performance Scheme). In FY18 the termination benefits arose as a result of resignations in various areas throughout the Group in respect of accrued annual leave paid out. None of the employees who left during the year were entitled to statutory severance packages or pro rata early vesting of share options.*

Unexercised options, share appreciation rights and bonus shares

The following table reflects the status of unexercised options, share appreciation rights and bonus shares held by executive management as at 30 June 2018:

Executive directors

Executive management	Scheme	Options granted	Grant date	Vesting date	Issue price	Allocation value	Price at 30 June 2018	Fair value at 30 June 2018
SL Crutchley	AVI ESIS	128 252	01.04.2015	01.04.2018	84,45	10 830 881	108,20	3 045 985
	AVI ESIS	149 693	01.04.2016	01.04.2019	83,06	12 433 501	108,20	3 763 282
	Revised AVI ESIS	127 258	01.04.2017	01.04.2020	101,79	12 953 592	108,20	815 724
	Revised AVI ESIS	178 728	01.04.2018	01.04.2021	108,73	19 433 095	108,20	–
	AVI DBSP	74 892	18.11.2016	18.11.2019	88,59	6 634 682	108,20	8 103 314
	AVI DBSP	27 185	01.10.2017	01.10.2020	97,55	2 651 897	108,20	2 941 417
	AVI OPP	51 917	01.10.2015	01.10.2018	81,56	4 234 351	108,20	5 617 419
	AVI OPP	49 978	01.10.2016	01.10.2019	92,35	4 615 468	108,20	5 407 620
	AVI OPP	50 336	01.10.2017	01.10.2020	98,57	4 961 620	108,20	5 446 355
						78 749 087		**38 549 654**
OP Cressey	AVI ESIS	61 705	01.10.2015	01.10.2018	82,67	5 101 152	108,20	1 575 329
	Revised AVI ESIS	74 489	01.10.2016	01.10.2019	94,07	7 007 180	108,20	1 052 530
	Revised AVI ESIS	78 122	01.10.2017	01.10.2020	97,77	7 637 988	108,20	814 812
	AVI DBSP	33 003	18.11.2016	18.11.2019	88,59	2 923 736	108,20	3 570 925
	AVI DBSP	12 229	01.10.2017	01.10.2020	97,55	1 192 939	108,20	1 323 178
	AVI OPP	27 355	01.10.2015	01.10.2018	81,56	2 231 074	108,20	2 959 811
	AVI OPP	26 333	01.10.2016	01.10.2019	92,35	2 431 853	108,20	2 849 231
	AVI OPP	26 645	01.10.2017	01.10.2020	98,57	2 626 398	108,20	2 882 989
						31 152 319		**18 823 431**
M Koursaris	AVI ESIS	62 399	01.04.2014	01.04.2017	53,38	3 330 859	108,20	3 420 713
	AVI ESIS	19 281	01.04.2015	01.04.2018	84,45	1 628 280	108,20	457 924
	AVI ESIS	64 097	01.04.2016	01.04.2019	83,06	5 323 897	108,20	1 611 399
	Revised AVI ESIS	48 198	01.04.2017	01.04.2020	101,79	4 906 074	108,20	308 949
	Revised AVI ESIS	67 806	01.04.2018	01.04.2021	108,73	7 372 546	108,20	–
	AVI DBSP	24 003	18.11.2016	18.11.2019	88,59	2 126 426	108,20	2 597 125
	AVI DBSP	8 904	01.10.2017	01.10.2020	97,55	868 585	108,20	963 413
	AVI OPP	19 781	01.10.2015	01.10.2017	81,56	1 613 338	108,20	2 140 304
	AVI OPP	19 042	01.10.2016	01.10.2019	92,35	1 758 529	108,20	2 060 344
	AVI OPP	19 178	01.10.2017	01.10.2020	98,57	1 890 375	108,20	2 075 060
						30 818 910		**16 933 933**

Other executive management (prescribed officers)

Executive management	Scheme	Options granted	Grant date	Vesting date	Issue price	Allocation value	Price at 30 June 2018	Fair value at 30 June 2018
Prescribed officer 1	AVI OPP	20 082	01.10.2015	01.10.2018	81,56	1 637 888	108,20	2 172 872
	AVI OPP	19 687	01.10.2016	01.10.2019	92,35	1 818 094	108,20	2 130 133
	AVI OPP	23 334	01.10.2017	01.10.2020	98,57	2 300 032	108,20	2 524 739
	Phantom	1 254	01.04.2016	01.04.2019	2 868,73	3 597 387	3 982,88	1 397 143
	Phantom	742	01.04.2017	01.04.2020	3 574,23	2 652 079	3 982,88	303 217
	Phantom	1 020	01.04.2018	01.04.2021	3 982,88	4 062 538	3 982,88	–
	Phantom	683	01.04.2017	01.04.2020	3 865,45	2 640 102	4 378,12	350 154
	Phantom	927	01.04.2018	01.04.2021	4 378,12	4 058 517	4 378,12	–
	AVI DBSP	8 023	18.11.2016	18.11.2019	88,59	710 758	108,20	868 089
	AVI DBSP	6 673	01.10.2017	01.10.2020	97,55	650 951	108,20	722 019
						24 128 347		**11 741 176**
Prescribed officer 2	AVI OPP	20 207	01.10.2015	01.10.2018	81,56	1 648 083	108,20	2 186 397
	AVI OPP	19 363	01.10.2016	01.10.2019	92,35	1 788 173	108,20	2 095 077
	AVI OPP	18 141	01.10.2017	01.10.2020	98,57	1 788 158	108,20	1 962 856
	AVI DBSP	3 043	18.11.2016	18.11.2019	88,59	269 579	108,20	329 253
	AVI DBSP	6 527	01.10.2017	01.10.2020	97,55	636 709	108,20	706 221
	Phantom	436 840	01.04.2016	01.04.2019	12,45	5 438 658	23,70	4 916 075
	Phantom	215 555	01.04.2017	01.04.2020	19,08	4 112 789	23,70	996 666
	Phantom	266 414	01.04.2018	01.04.2021	23,70	6 314 012	23,70	991
						21 996 162		**14 536 861**
Prescribed officer 3*	Phantom	1 199	01.10.2017	01.10.2020	3 359,92	4 028 544	3 826,23	559 110
	AVI DBSP	28	01.10.2017	01.10.2020	97,55	2 731	108,20	3 030
	AVI OPP	17 754	01.10.2017	01.10.2020	98,57	1 750 012	108,20	1 728 885
						5 781 287		**2 291 025**
Prescribed officer 4	Phantom	5 386	01.04.2016	01.04.2019	482,75	2 600 092	512,60	160 765
	Phantom	10 442	01.04.2017	01.04.2020	474,06	4 950 135	512,60	402 421
	Phantom	5 853	01.04.2018	01.04.2021	512,60	3 000 248	512,60	–
	AVI DBSP	3 577	18.11.2016	18.11.2019	88,59	316 886	108,20	387 031
	AVI DBSP	5 436	01.10.2017	01.10.2020	97,55	530 282	108,20	588 175
						11 397 642		**1 538 393**
Prescribed officer 5	AVI ESIS	27 368	01.04.2016	01.04.2019	83,06	2 273 186	108,20	688 032
	Revised AVI ESIS	26 645	01.04.2017	01.04.2020	101,79	2 712 195	108,20	170 794
	Revised AVI ESIS	26 940	01.04.2018	01.04.2021	108,73	2 929 186	108,20	–
	AVI DBSP	6 086	18.11.2016	18.11.2019	88,59	539 159	108,20	658 505
	AVI DBSP	2 415	01.10.2017	01.10.2020	97,55	235 583	108,20	261 303
	AVI OPP	15 325	01.10.2015	01.10.2018	81,56	1 249 907	108,20	1 658 165
	AVI OPP	14 684	01.10.2016	01.10.2019	92,35	1 356 067	108,20	1 588 809
						11 295 283		**6 193 259**

This employee joined the Group part-way through the year and the figures are reflective of a period less than 12 months.

Other executive management (prescribed officers) continued

Executive management	Scheme	Options granted	Grant date	Vesting date	Issue price	Allocation value	Price at 30 June 2018	Fair value at 30 June 2018
Prescribed officer 6	AVI OPP	25 195	01.10.2015	01.10.2018	81,56	2 054 904	108,20	2 726 099
	AVI OPP	24 253	01.10.2016	01.10.2019	92,35	2 239 765	108,20	2 624 175
	AVI OPP	22 723	01.10.2017	01.10.2020	98,57	2 239 806	108,20	2 458 629
	AVI ESIS	49 154	01.04.2015	01.04.2018	84,45	4 151 055	108,20	1 167 408
	AVI ESIS	57 388	01.04.2016	01.04.2019	83,06	4 766 647	108,20	1 442 734
	Revised AVI ESIS	49 891	01.04.2017	01.04.2020	101,79	5 078 405	108,20	319 801
	Revised AVI ESIS	73 078	01.04.2018	01.04.2021	108,73	7 945 771	108,20	–
	AVI DBSP	7 726	18.11.2016	18.11.2019	88,59	684 446	108,20	835 953
	AVI DBSP	8 725	01.10.2017	01.10.2020	97,55	851 124	108,20	944 045
						30 011 923		**14 191 442**
Prescribed officer 7	AVI ESIS	8 849	01.04.2016	01.04.2019	83,06	734 998	108,20	222 464
	Revised AVI ESIS	9 052	01.04.2017	01.04.2020	101,79	921 403	108,20	58 023
	Revised AVI ESIS	18 923	01.04.2018	01.04.2021	108,73	2 057 498	108,20	–
	AVI OPP	9 664	01.10.2017	01.10.2020	98,57	952 580	108,20	–
	AVI DBSP	3 073	18.11.2016	18.11.2019	88,59	272 237	108,20	332 499
	AVI DBSP	2 769	01.10.2017	01.10.2020	97,55	270 116	108,20	299 606
						5 208 832		**912 592**
Prescribed officer 8	AVI ESIS	25 283	01.04.2016	01.04.2019	83,06	2 100 006	108,20	635 615
	Revised AVI ESIS	10 826	01.04.2017	01.04.2020	101,79	1 101 979	108,20	69 395
	Revised AVI ESIS	22 527	01.04.2018	01.04.2021	108,73	2 449 361	108,20	–
	AVI OPP	11 558	01.10.2017	01.10.2020	98,57	1 139 272	108,20	–
	AVI DBSP	3 791	18.11.2016	18.11.2019	88,59	335 845	108,20	410 186
	AVI DBSP	3 274	01.10.2017	01.10.2020	97,55	319 379	108,20	354 247
						7 445 841		**1 469 442**

Key

AVI ESIS – AVI Executive Share Incentive Scheme
Revised AVI ESIS – Revised AVI Executive Share Incentive Scheme
AVI OPP – AVI Out-Performance Scheme
AVI DBSP – AVI Deferred Bonus Share Plan
Phantom – various Phantom Share Schemes

The remuneration committee is satisfied that executive remuneration for the year under review was in compliance with the Company's remuneration policy and that there were no deviations.

Non-executive directors' emoluments

At the Annual General Meeting held on 2 November 2017 shareholders approved the fees payable to the Chairman and non-executive directors for their services to the Board and other Board committees for the 2018 financial year as follows:

Chairman of the Board	R984 872
Resident non-executive directors	R302 502
Non-resident non-executive director	€46 164
Chairman of the Audit Committee	R243 842
Members of the Audit Committee	R113 778
Non-resident chairman of the Remuneration, Nomination and Appointments committee	€15 181
Members of the Remuneration, Nomination and Appointments Committee	R103 518
Chairman of the Social and Ethics Committee	R113 778
Members of the Social and Ethics Committee	R76 258

During the year under review a total of R395 500,00 was paid to seven non-executive directors, in addition to normal fees, in respect of work done and meetings attended relating to a strategic review process.

Non-binding advisory resolutions

At the next Annual General Meeting, in accordance with the recommendations of the King Code, shareholders will be able to vote separately on the remuneration policy and the implementation report. In the event that either the remuneration policy or the implementation report, or both, should be voted against by more than 25% of the voting rights exercised, the Company will engage with the dissenting voters with a view to addressing legitimate and reasonable objections and concerns raised.

CONTENTS

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

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

These annual financial statements were published on Monday, 10 September 2018.

The annual financial statements of the Company are presented separately from the consolidated annual financial statements and were approved by the directors on 7 September 2018, the same date as these consolidated financial statements. The separate annual financial statements are available on the AVI website www.avi.co.za.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of AVI Limited, comprising the balance sheet at 30 June 2018, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

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

The directors have made an assessment of the Company and its subsidiaries' ability to continue as going concerns and have no reason to believe they will not be going concerns in the year ahead.

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of AVI Limited, which appear on pages 83 to 88 and 92 to 149, were authorised for issue by the Board of directors on 7 September 2018 and are signed on their behalf.

GR Tipper
Non-executive Chairman

SL Crutchley
Chief Executive Officer

CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, for the financial year ended 30 June 2018, 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
7 September 2018

DIRECTORS' REPORT

Business of the Group

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

Financial

The results of operations for the year are set out in the statement of comprehensive income on page 109.

Revenue and operating profit before capital items were as follows:

	2018 R'm	2017 R'm
REVENUE		
Branded consumer products	**13 437,5**	13 184,6
Total	**13 437,5**	13 184,6
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Branded consumer products	**2 567,6**	2 398,1
Corporate	**(15,1)**	(12,8)
Total	**2 552,5**	2 385,3

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

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

Corporate activity

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

Share capital

Details of the Company's authorised and issued share capital are given in Note 9 to the financial statements, on page 120.

Issues and redemptions during the year

A summary of the movement in the number of ordinary shares in issue during the year is given in Note 9 to the financial statements, on page 120.

General authority for the Company to acquire its own shares

The directors consider that it will be advantageous for the Company to have a general authority to acquire its own shares. Such authority will be utilised if the directors consider that it is in the best interests of the Company and shareholders to effect such acquisitions having regard to prevailing circumstances and the cash resources of the Company at the appropriate time. Accordingly, shareholders will be asked to approve such general authority at the Annual General Meeting on 1 November 2018.

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

The directors consider that a general authority should be put in place to provide direct or indirect financial assistance to present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company. Such authority will assist the Company, inter alia, in making inter-company loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general authority would avoid the need to refer each instance to shareholders for approval. This general authority would be valid up to and including the 2020 Annual General Meeting of the Company. Accordingly, shareholders will be asked to approve such general authority at the Annual General Meeting on 1 November 2018.

Dividends

Dividends, paid and proposed, are disclosed in Note 30 to the financial statements on page 127.

Directorate

Ms A Kawa resigned from the Board on 27 February 2018. There were no other changes to the Board during the year under review.

In terms of the Company's Memorandum of Incorporation, Messrs A Nühn, MJ Bosman and A Thebyane retire at the forthcoming Annual General Meeting. All the retiring directors, being eligible, offer themselves for re-election.

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

Directors' service contracts

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

Share schemes

Particulars of the Group's various share incentive schemes are set out in Note 32, on page 128 of the financial statements.

Directors' interests

The interests of the directors in the issued listed securities of the Company, being ordinary shares of 5 cents each, as at 30 June 2018 and 30 June 2017, are as follows:

	Direct number	Beneficial indirect number	% of total
At 30 June 2018			
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 2017			
SL Crutchley	800 000	–	0,23
OP Cressey	5 000	–	0,00
M Koursaris	82 500	–	0,02
Total	887 500	–	0,25

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

Material shareholders

The Company does not have a holding company.

Ordinary shares

The beneficial holders of 3% or more of the issued ordinary shares of the Company at 30 June 2018, according to the information available to the directors, were:

	Number of ordinary shares	%
Government Employees Pension Fund	51 381 827	14,6
AVI Investment Services Proprietary Limited	17 234 352	4,9
JP Morgan Asset Management	11 134 992	3,2
Vanguard Investment Management	10 879 268	3,1

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 8 September 2017 to the date of this report.

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

Post-reporting date events

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

DIRECTORS' REMUNERATION REPORT

Share incentive scheme interests

Name	Date of award	Award price per instrument (exercise price) R	Instruments outstanding at 30 June 2017 number	Awarded number	Exercised number	Relinquished[1] number	**Instruments outstanding at 30 June 2018 number**
THE AVI EXECUTIVE SHARE INCENTIVE SCHEME							
SL Crutchley	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	149 693	–	–	–	**149 693**
OP Cressey	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	19 281	–	–	–	**19 281**
	1 April 2016	83,06	64 097	–	–	–	**64 097**
			925 503	–	(440 076)	–	**485 427**

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2017 number	Awarded number	Exercised number	Relinquished[1] number	**Instruments outstanding at 30 June 2018 number**
THE REVISED AVI EXECUTIVE SHARE INCENTIVE SCHEME							
SL Crutchley	1 April 2017	101,79	177 594	–	–	(50 336)	**127 258**
	1 April 2018	108,73	–	178 728	–	–	**178 728**
OP Cressey	23 November 2016	94,07	74 489	–	–	–	**74 489**
	1 October 2017	97,77	–	104 767	–	(26 645)	**78 122**
M Koursaris	1 April 2017	101,79	67 376	–	–	(19 178)	**48 198**
	1 April 2018	108,73	–	67 806	–	–	**67 806**
			319 459	351 301	–	(96 159)	**574 601**

[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 Executive Share Incentive Scheme was replaced by the Revised AVI Executive Share Incentive Scheme after approval by shareholders at the Annual General Meeting held on 3 November 2016 with no further allocations in terms of the AVI Executive Share Incentive Scheme after April 2016 (refer Note 32).

Unless specifically noted, all options are vested or vest three years after grant date, and lapse on the fifth anniversary of the grant date.

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2017 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2018 number**
THE AVI OUT-PERFORMANCE SCHEME							
SL Crutchley	1 October 2014	65,46	59 346	–	(59 346)	–	**–**
	1 October 2015	81,56	51 917	–	–	–	**51 917**
	1 October 2016	92,35	49 978	–	–	–	**49 978**
	1 October 2017	98,57	–	50 336	–	–	**50 336**
OP Cressey	1 October 2014	65,46	30 985	–	(30 985)	–	**–**
	1 October 2015	81,56	27 355	–	–	–	**27 355**
	1 October 2016	92,35	26 333	–	–	–	**26 333**
	1 October 2017	98,57	–	26 645	–	–	**26 645**
M Koursaris	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**
	1 October 2017	98,57	–	19 178	–	–	**19 178**
			307 452	96 159	(113 046)	–	**290 565**

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

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2017 number	Awarded number	Vested number	Relinquished number	Instruments outstanding at 30 June 2018 number
THE AVI DEFERRED BONUS SHARE PLAN							
SL Crutchley	18 November 2016	88,59	74 892	–	–	–	**74 892**
	1 October 2017	97,55	–	27 185	–	–	**27 185**
OP Cressey	18 November 2016	88,59	33 003	–	–	–	**33 003**
	1 October 2017	97,55	–	12 229	–	–	**12 229**
M Koursaris	18 November 2016	88,59	24 003	–	–	–	**24 003**
	1 October 2017	97,55	–	8 904	–	–	**8 904**
			131 898	48 318	–	–	**180 216**

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

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

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

Emoluments

Executive directors	2018 Salary R'000	Bonus and performance-related payments R'000	Pension fund contributions R'000	Gains on exercise of share incentive instruments* R'000	Other benefits and allowances R'000	Total R'000	2017 R'000
SL Crutchley	**7 609**	**3 947**	**591**	**35 813**	**69**	**48 029**	38 994
OP Cressey	**4 828**	**1 736**	**376**	**11 752**	**49**	**18 741**	18 237
M Koursaris	**3 372**	**1 270**	**374**	**6 778**	**34**	**11 828**	11 668
	15 809	**6 953**	**1 341**	**54 343**	**152**	**78 598**	68 899

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

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

Non-executive directors' and committee fees	2018 R'000	2017 R'000
GR Tipper (Chairman)	**1 553**	1 221
JR Hersov	**448**	356
A Nühn[1]	**1 035**	889
MJ Bosman	**716**	525
A Kawa[2]	**368**	381
AM Thebyane	**438**	298
NP Dongwana	**574**	508
RJD Inskip[3]	**–**	112
	5 132	4 290
	83 730	73 189

[1] *Paid in Euros.*
[2] *Resigned 27 February 2018.*
[3] *Resigned 23 November 2016.*

Details relating to the Group's remuneration practices are set out in the Remuneration Report on pages 70 to 80.

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

	2018 R'000	2017 R'000
SL Crutchley	**7 705**	5 862
OP Cressey	**3 651**	2 754
M Koursaris	**2 692**	1 913
	14 048	10 529

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 30 June 2018 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 IV Report on Corporate Governance for South Africa 2016 ("King IV") and the JSE Listings Requirements. The Committee has discharged the functions delegated to it in terms of its charter. The Audit Committee's process is supported by the operating subsidiary companies which have internal review committees that monitor risk management and compliance activities. There is a formal reporting line from the various internal review committees into the Audit Committee via the Group's Chief Financial Officer.

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

1. Reviewed and recommended for adoption by the Board such financial information as is publicly disclosed which for the year included:
   • The interim results for the six months ended 31 December 2017; and
   • The annual financial statements for the year ended 30 June 2018.
2. Considered and satisfied itself that the external auditors are independent.
3. Recommended to the Board the termination of KPMG Inc. as external auditors on 30 November 2017 and the appointment of Ernst & Young Inc. as new external auditors on 30 January 2018.
4. Approved the external auditors' budgeted fees and terms of engagement for the 2018 financial year.
5. 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.
6. Resolved to appoint Ernst & Young Inc. to perform the Group internal audit function until their appointment as external auditors on 30 January 2018.
7. Resolved to appoint Grant Thornton PS Advisory Proprietary Limited to perform the Group internal audit function from 1 July 2018.
8. Reviewed the Audit Committee charter in line with King IV recommendations.
9. Reviewed the internal audit charter in line with King IV recommendations.
10. Confirmed the internal audit plan for the 2018 financial year.
11. Reviewed the IT governance structure for the AVI Group.
12. Confirmed that adequate whistle-blowing facilities were in place throughout the AVI Group and reviewed and considered actions taken with regard to incident reports.
13. 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.
14. 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.
15. Conducted a self-evaluation exercise into its effectiveness.
16. Recommended to the Board the reappointment of Ernst & Young Inc. as the external auditors and Mrs P Wittstock as the registered auditor responsible for the audit for the year ending 30 June 2019, which will be considered at the forthcoming Annual General Meeting.
17. Evaluated and satisfied itself as to the appropriateness of the expertise and experience of the Company's financial director.
18. Satisfied itself as to the expertise, resources and experience of the Company's finance function.

For further details regarding the Audit Committee, shareholders are referred to the Corporate Governance Report on page 60.

On behalf of the Audit Committee

MJ Bosman
Audit Committee Chairman
7 September 2018

INDEPENDENT AUDITORS' REPORT

To the shareholders of AVI Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of AVI Limited (the "Group") set out on pages 92 to 146, which comprise the consolidated balance sheet as at 30 June 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	How the matter was addressed in the audit
Impairment assessment of goodwill and trademarks	
Management performs an annual impairment test on the recoverability of the carrying amounts of goodwill and trademarks as required by IAS 36 – *Impairment of Assets*, which is subjective in nature due to judgements having to be made of future performance. In performing the annual assessment of impairment as required by IAS 36, it was noted that the Green Cross trademark was impaired by R150 million. As disclosed in Note 2 (Intangible assets and goodwill) to the annual consolidated financial statements, the Group uses a discounted cash flow model to determine the value in use for each cash-generating unit, on the basis of the following key assumptions: • revenue and profit growth; • discount rates; and • growth rate used to extrapolate cash flows beyond the budget period. The impairment assessment of the Green Cross trademark is considered to be a key audit matter due to the fact that the calculation of the recoverable amount requires the use of estimates and assumptions concerning the future cash flows which at this time are inherently uncertain and could change over time. There was specific audit focus on the impairment calculation of Green Cross due to the current performance of this cash-generating unit. Refer to Note 2 – Intangible Assets and Goodwill.	Our audit procedures included, among others: • We evaluated Green Cross as a cash-generating unit; • We involved an EY internal valuation specialist to assist in evaluating management's key assumptions used in the impairment calculations; • We performed sensitivity analyses around the key assumptions used in the impairment model; • We compared the cash flow forecasts to approved budgets and other relevant market and economic information, as well as testing the underlying calculations; and • We assessed the disclosures relating to goodwill and trademarks in terms IAS 36.

Key audit matters (continued)

Key audit matter	How the matter was addressed in the audit
Broad Based Black Economic Empowerment ("BBBEE") transaction relating to I&J and Main Street	
As disclosed in Note 33, in June 2018, AVI Limited extended the BBBEE arrangement with Main Street. This was done by amending the exercise date of the put and call options on the Irvin & Johnson Holding Company Proprietary Limited ("I&J") shares from July 2018 to July 2022, the exercise price of which is determined by a fixed formula based on I&J's earnings. In addition to the change in exercise date, a guaranteed minimum amount was inserted into the option. The BBBEE transaction was originally entered into with Main Street in November 2004 with Main Street acquiring 20% of I&J. This original transaction was before the effective date of International Financial Reporting Standards ("IFRS") 2 – *Share Based Payments*. Accordingly, a complex accounting matter arose as result of the modification in the current year, in terms of how this modification should be accounted for in terms of IFRS 2 when the original transaction was not accounted for in terms of IFRS 2. Management has treated the extension of the arrangement in the current year as a modification within the scope of IFRS 2. Following that determination, management had to value the modification in terms of IFRS 2. This required the use of a Monte Carlo valuation method in determining the fair value of the potential incremental value. In addition to the Monte Carlo valuation technique being complex, there were a number of judgements and estimates that needed to be made in the Monte Carlo model; such as future earnings and discount rates. Overall, given the accounting and valuation complexities, this transaction was considered to be a key audit matter. Refer to Note 33 – Broad Based Black Economic Empowerment ("BBBEE") transaction.	Our audit procedures included the following: • We considered the consolidation of Main Street after the extension arrangement had been effected in terms of IFRS 10 – *Consolidated Financial Statements*. • We involved an EY Accounting Specialist in assessing the impact of the extension of the arrangement with Main Street, in terms of the requirements of IFRS 2. • We involved an EY internal valuation specialist to assist in evaluating management's key assumptions used in the valuation of the incremental value. • We evaluated the valuation of the put and call options, as well as the option exercise price in terms of the provisions of the shareholders' agreement/Memorandum of Incorporation. We compared the relevant input to underlying support. • We assessed the disclosures relating to the modification of the I&J Main Street transaction in terms of the disclosure requirements of IFRS 2.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, the Operational reviews, the Financial Review, the Sustainable Development Report, the Corporate Governance Report, and the Remuneration Report which are expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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. When we read the Integrated Annual Report, the Operational reviews, the Financial Review, the Sustainable Development Report, the Corporate Governance Report, and the Remuneration Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the consolidated financial statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of AVI Limited for less than one year.

Ernst & Young Inc.
Director – Penelope Wittstock

Ernst & Young Inc.

Registered Auditor
Chartered Accountant (SA)
7 September 2018

102 Rivonia Road
Sandton

SEGMENT REPORTING

	Food and beverage brands							
	National Brands[1]							
	Entyce Beverages		Snackworks		Total		I&J	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	R'm	R'm	**R'm**	R'm	**R'm**	R'm	**R'm**	R'm
Revenue from customers	**3 834,1**	3 757,1	**3 960,8**	3 956,2	**7 794,9**	7 713,3	**2 487,6**	2 362,7
Total segment revenue	**3 834,1**	3 757,1	**3 960,8**	3 956,2	**7 794,9**	7 713,3	**2 487,6**	2 362,7
Intersegment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Segment result								
Operating profit/(loss) before capital items	**792,6**	735,1	**705,0**	666,4	**1 497,6**	1 401,5	**425,0**	389,1
Share of equity-accounted earnings of joint ventures	**–**	–	**–**	–	**–**	–	**56,3**	63,2
Operating profit/(loss) from ordinary activities	**792,6**	735,1	**705,0**	666,4	**1 497,6**	1 401,5	**481,3**	452,3
Income from investments					**2,5**	1,9	**2,8**	1,8
Interest expense					**(178,4)**	(173,7)	**(1,5)**	(16,7)
Taxation					**(373,6)**	(348,3)	**(134,0)**	(120,8)
Segment profit before capital items					**948,1**	881,4	**348,6**	316,6
Capital items (after tax)								
Profit for the year								
Segment assets					**4 585,8**	4 129,3	**2 468,1**	2 370,1
Segment liabilities					**3 575,6**	3 156,4	**890,7**	806,5
Additions to property, plant and equipment					**204,4**	303,0	**116,9**	128,7
Depreciation and amortisation					**218,1**	203,0	**91,9**	88,2
Impairment losses					**–**	2,3	**–**	–
Number of employees at year end					**3 001**	3 168	**2 075**	2 242

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

[1] Entyce and Snackworks are considered separate operating segments of National Brands Limited ("National Brands") in terms of revenue and operating profit reported to the CEO, who is the chief operating decision maker. As part of the recent consolidation of the Entyce and Snackworks executive teams, the reporting of segment results below operating profit, as well as segment assets and liabilities, is assessed by the CEO at a National Brands level. As such, the prior year results of Entyce and Snackworks for these line items have been aggregated into the National Brands reporting segment.

[2] Historically intangible assets recognised on consolidation relating to the acquisition of the Spitz, Green Cross and Gant businesses have been recognised within 'Corporate & consolidation'. Management are however of the view that it would be more appropriate to disclose these balances as part of the 'Footwear & apparel' reporting segment.

Accordingly, intangible assets with a net book value of R705,7 million (2017: R855,7 million) and related deferred tax liabilities of R73,9 million (2017: R115,9 million) have been reclassified from 'Corporate & consolidation' to the 'Footwear & apparel' reporting segment. In addition, the Green Cross impairment which was shown under 'Corporate & consolidation' last year has been reclassified to 'Footwear & apparel'.

Fashion brands				Corporate and consolidation			
Personal Care		Footwear & Apparel				Total	
2018 R'm	2017 R'm	2018 R'm	2017 Restated[2] R'm	2018 R'm	2017 Restated[2] R'm	2018 R'm	2017 R'm
1 190,6	1 194,5	1 964,4	1 914,1	–	–	13 437,5	13 184,6
1 190,6	1 194,5	1 964,4	1 914,1	114,0	110,0	13 551,5	13 294,6
–	–	–	–	(114,0)	(110,0)	(114,0)	(110,0)
250,3	241,5	394,7	366,0	(15,1)	(12,8)	2 552,5	2 385,3
–	–	–	–	–	–	56,3	63,2
250,3	241,5	394,7	366,0	(15,1)	(12,8)	2 608,8	2 448,5
0,4	0,4	0,9	0,8	(0,9)	0,2	5,7	5,1
(20,8)	(18,9)	(46,5)	(46,3)	114,8	98,1	(132,4)	(157,5)
(62,9)	(56,4)	(97,8)	(88,2)	(39,9)	(36,4)	(708,2)	(650,1)
167,0	166,6	251,3	232,3	58,9	49,1	1 773,9	1 646,0
						(98,1)	(92,8)
						1 675,8	1 553,2
764,8	745,1	1 691,4	1 875,7	154,5	146,0	9 664,6	9 266,2
534,1	502,0	844,0	798,6	(1 326,2)	(849,0)	4 518,2	4 414,5
37,0	55,6	41,4	49,1	20,1	9,2	419,9	545,6
30,0	26,8	57,2	65,9	15,7	13,5	412,9	397,4
–	–	150,0	150,0	–	–	150,0	152,3
461	365	1 714	1 819	3 502*	3 350*	10 753	10 944

Basis of segment presentation

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

Identification of reportable segments

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

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

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

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

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

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

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

Reportable segments

National brands

Entyce Beverages

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

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

Snackworks

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

I&J

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

Reportable segments continued

Fashion brands

Fashion brands provides personal care and footwear and apparel offerings.

Personal Care

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

Footwear and Apparel

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

Corporate

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

Geographical information

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

Major customers

The Group's most significant customers, being two South African retailers, individually contribute more than 10% of the Group's revenue (R3 214,3 million in the current year and R2 988,0 million in the previous year) in the National Brands, I&J and Personal Care segments.

	2018		2017	
	R'm	%	R'm	%
Segmental revenue by market				
The Group's consolidated revenue by geographic market, regardless of where goods were produced, was as follows:				
South Africa	10 941,0	81,4	10 694,0	81,1
International operations	707,4	5,3	711,3	5,4
Exports from South Africa	1 789,1	13,3	1 779,3	13,5
	13 437,5	100,0	13 184,6	100,0
Analysis of non-current assets* by geographic area				
South Africa	4 326,3	92,4	4 468,5	92,1
Other African	14,9	0,3	14,4	0,3
Australia	340,0	7,3	367,8	7,6
	4 681,2	100,0	4 850,7	100,0

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

ACCOUNTING POLICIES

AVI Limited (the "Company") is a South African registered company. The consolidated financial statements of the Company for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" or "AVI") and the Group's interest in joint ventures.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. The financial statements were approved for issue by the Board of directors on 7 September 2018.

Basis of preparation

These financial statements are prepared in millions of South African Rand ("Rm"), which is the Company's functional currency, on the historical cost basis, except for the following assets and liabilities which are stated at their fair value:

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Note 1 – useful lives and residual values of property, plant and equipment;
Note 2 – useful lives and impairment tests on intangible assets;
Note 5 – utilisation of tax losses;
Note 11 – measurement of defined benefit obligations; and
Note 33 – measurement of cash-settled share-based payment liabilities relating to BBBEE transactions.

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

Adoption of new and revised accounting standards

The Group has adopted the following amended accounting standard in the preparation of these results, which became effective for the Group from 1 July 2017:

- *Amendments to IAS 7 (Disclosure Initiative)*
  The amendments provide for disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

  The required disclosure has been provided per Note 28. The implementation of the amendments has had no impact on the Group's results.

The remaining standards, amendments and interpretations, which became effective in the period ended 30 June 2018 were assessed for applicability to the Group and management concluded that they have had no impact.

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

Broad Based Black Economic Empowerment ("BBBEE") transactions
Where BBBEE transactions involve the disposal or issue of equity interests in subsidiaries, although economic and legal ownership of such instruments may have transferred to the BBBEE participant, the derecognition of such equity interests sold or recognition of equity instruments issued in the underlying subsidiary by the parent shareholder is postponed whilst the parent shareholder is deemed to control the underlying subsidiary per the requirements of IFRS 10 – *Consolidated Financial Statements.*

Where BBBEE transactions involving equity instruments issued to external parties are expected to be settled in cash, a cash-settled share-based payment liability is recognised at the fair value of the amount expected to vest to BBBEE participants.

Where BBBEE transactions involving equity instruments issued to employees are expected to be settled in cash, an employee benefit liability is recognised at the present value of future cash flows expected to vest to participants, measured using the projected unit credit method.

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

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

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

Capital items relate to separately identifiable remeasurements (not adjusted for related taxation and related non-controlling interests) other than remeasurements specifically included in headline earnings as defined in Circular 4/2018 – Headline earnings.

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

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

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

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

Defined benefit obligations
The Group's obligation to provide post-retirement medical aid benefits is a defined benefit obligation. The projected unit credit method is used to measure the present value of the obligation and the cost of providing these benefits.

Current service costs and interest costs are recognised in profit or loss in the period incurred.

Remeasurements, comprising actuarial gains and losses, are recognised immediately through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Other long-term employee benefits

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

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

Termination benefits

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

Share-based payment transactions

Group share-based payment transactions

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

The subsidiary recognises the services acquired as a result of 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 due only to market conditions not being met.

BBBEE transactions

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

Group share scheme recharge arrangements

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

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

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

Fair value measurement

The Group measures financial instruments such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:
- Note 7 – Biological assets
- Note 36 – Financial assets and liabilities

Financial instruments

Measurement

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

Financial assets

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

Loans and other long-term receivables

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents 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 fair value being recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade and other payables

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

Offset

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

Derivative instruments

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

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

Hedging

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

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

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

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

Derecognition

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

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

Foreign currencies

Foreign currency transactions

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

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

Foreign operations

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

Government grants

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

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

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

Impairment of non-financial assets

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

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

The recoverable amount of assets is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Subject to an operating segment ceiling test (before aggregation of segments), for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Impairment losses are recognised in profit or loss as a capital item, when the carrying amount exceeds the recoverable amount.

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

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

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

Impairment of financial assets

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

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Assets, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Intangible assets

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

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

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

Inventories

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

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

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

Biological assets

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

Leases

Operating leases

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

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

Property, plant and equipment

Recognition and measurement

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

Subsequent costs

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

Vessels

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

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation of an item of property, plant and equipment begins when it is available for use and ceases at the earlier of the date it is classified as held-for-sale or the date that it is derecognised upon disposal. Land is not depreciated.

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

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

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

Derecognition

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

Provisions

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

Revenue

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

Goods and services

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances, trade discounts and Value Added Tax. Revenue arising from the sale of goods is recognised when the amount of revenue and the associated costs can be measured reliably and significant risks and rewards of ownership of the goods have passed to the buyer. Significant risk and rewards of ownership have passed when the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

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

Recognition of income from investments

Interest

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

Share capital

Ordinary shares

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

Preference share capital

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

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

Repurchase of share capital

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

Taxation

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

Current taxation

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

Deferred taxation

Deferred taxation is provided using the liability 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. The Group withholds dividend tax on behalf of its shareholders at a rate of 20% effective from 22 February 2017 (15% before 22 February 2017) on dividends declared. Amounts withheld are not recognised as part of the Group's tax charge but rather as part of the dividend paid, directly in equity.

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

Earnings per share

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

New standards and interpretations in issue not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2018. These include the following standards and interpretations, and amendments to standards, that are applicable to the business of the Group, and have not been applied in preparing these financial statements:

- **IFRS 15 – *Revenue from Contracts with Customers***

  This standard combines, enhances and replaces specific guidance on recognising revenue with a single revenue standard that introduces a new revenue recognition model for contracts with customers.

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

  The standard is mandatory for accounting periods beginning on or after 1 January 2018 and will therefore be adopted by AVI for the year ending 30 June 2019. The Group is planning to apply the standard retrospectively recognising the cumulative effect of initially applying the standard in retained earnings at the date of initial application on 1 July 2018.

  The Group has undertaken a detailed review of the main types of commercial arrangements with customers under the five-step model of IFRS 15 and has concluded that the application of IFRS 15 will have the following indicative impact (based on the results for the year ended 30 June 2018) on the presentation of the consolidated financial statements:

  (i) An amount of R475,6 million in payments to customers currently treated as selling and distribution costs will be reclassified as deductions from revenue due to clarity provided by IFRS 15 regarding "identifiable" and "separable" not provided by IAS 18.

  (ii) An amount of R63,4 million relating to transport and insurance costs currently offset against revenue will be reallocated to cost of sales due to clarity provided by IFRS 15 regarding agent versus principal.

  (iii) An amount of R305,5 million of accruals and provisions for payments to customers currently included in trade and other payables will be offset against trade and other receivables due to clarity provided by IFRS 15 regarding "identifiable" and "separable" not provided by IAS 18.

  The implementation of the new standard will not materially impact the measurement and timing of revenue recognition and therefore no impact on retained earnings on 1 July 2018 is expected.

- **IFRS 9 – *Financial Instruments***

  IFRS 9 addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting. IFRS 9 replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*.

  The standard is mandatory for accounting periods beginning on or after 1 January 2018 and will therefore be adopted by AVI for the year ending 30 June 2019. The Group is planning to apply the standard retrospectively as at 1 July 2018, however, with no restatement of comparative information for prior years. AVI has elected to retain the hedge accounting requirements of IAS 39.

  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. Financial assets held by the Group have been assessed, considering contractual cash flow characteristics and the business models for managing financial assets. Based on the assessment, there will be no impact on the classification of financial assets as a result of the adoption of IFRS 9.

IFRS 9 replaces the "incurred loss" model of IAS 39 with a forward looking "expected credit loss" model to measure impairment losses on financial assets. The majority of the Group's financial assets are trade receivables for which IFRS 9 requires the simplified approach to be applied, measuring the impairment loss allowance based on lifetime expected credit loss. Further to this, as a practical expedient, AVI has applied a provision matrix assessing historical credit losses per aged bucket of trade debtors and overlaying this with AVI's assessment of general economic conditions to estimate expected future losses. The implementation of IFRS 9 will result in a R4,5 million increase in the impairment loss allowance. This will be recognised against retained earnings on 1 July 2018.

- **IFRS 16 –** ***Leases***

  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases standard, IAS 17, and related interpretations.

  IFRS 16 has one model for lessees which will result in leases previously classified as operating leases and recorded off-balance sheet being capitalised on the balance sheet, requiring a lessee to recognise a right-of-use asset and a concomitant lease liability. The standard will have the most significant impact in AVI's retail businesses which lease all their retail doors. AVI does not have any finance leases.

  The standard is mandatory for accounting periods beginning on or after 1 January 2019, however, the Group is planning to early adopt the standard for the year ending 30 June 2019 with the date of initial application 1 July 2018. The Group is planning to apply the standard retrospectively recognising the cumulative effect of initially applying the standard in retained earnings at the date of initial application (modified retrospective approach).

  As prescribed by IFRS 16, lease liabilities will be measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. AVI has elected to measure right-of-use assets at their carrying amounts as if IFRS 16 had always been applied since lease commencement date, discounted using the incremental borrowing rate at the date of initial application.

  As part of the modified retrospective transition approach, AVI has elected to apply the practical expedient which allows single discount rates to be applied to portfolios of leases with reasonably similar characteristics.

  As an accounting policy election, AVI will apply the following recognition exemptions which allow for certain lease payments to be expensed over the lease term as opposed to recognising a right-of-use asset and related lease liability on the lease commencement date:
  – Short term leases – these are leases with a lease term of 12 months or less; and
  – Leases of low value assets – these are leases where the underlying asset is of low value.

  At transition date, the adoption of IFRS 16 will result in the recognition of right-of-use assets to the value of R367,1 million and lease liabilities of R465,0 million. Taking into account leases in place on the initial application date, operating profit is expected to increase by approximately R40 million due to the replacement of the operating lease expense with depreciation of right-of-use assets. This increase will partly be offset by a higher interest expense on lease liabilities of approximately R30 million, resulting in an estimated after tax gain in earnings of R7 million. On the statement of cash flows, estimated lease payments of R180 million, previously included in cash generated by operations, will be disclosed under financing activities (R150 million relating to the principal portion of lease payments) and interest paid (R30 million).

Non-applicable standards, amendments and interpretations

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

BALANCE SHEET

As at 30 June 2018	Notes	2018 R'm	2017 R'm
ASSETS			
Non-current assets			
Property, plant and equipment	1	**3 403,6**	3 480,8
Intangible assets and goodwill	2	**926,2**	994,0
Investments in joint ventures	3	**351,4**	375,9
Long-term receivables	4	**8,6**	1,0
Deferred taxation	5	**24,3**	24,1
		4 714,1	4 875,8
Current assets			
Inventories	6	**2 000,9**	1 938,9
Biological assets	7	**164,5**	129,9
Other financial assets including derivatives	14	**73,5**	40,5
Current tax assets		**5,6**	18,2
Trade and other receivables	8	**2 363,2**	2 016,2
Cash and cash equivalents		**342,8**	246,7
		4 950,5	4 390,4
Total assets		**9 664,6**	9 266,2
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	**17,2**	17,2
Share premium	9	**263,1**	263,1
Treasury shares	9	**(486,5)**	(541,9)
I&J BBBEE shareholders	33	**(106,6)**	(2,7)
Reserves	10	**534,1**	449,9
Retained earnings		**4 925,1**	4 666,1
Total equity		**5 146,4**	4 851,7
Non-current liabilities			
Cash-settled share-based payment liability	33	**38,9**	–
Employee benefit liabilities	11	**382,3**	379,7
Operating lease straight-line liabilities	12	**14,3**	12,8
Deferred taxation	5	**389,2**	375,6
		824,7	768,1
Current liabilities			
Current borrowings	13	**1 612,6**	1 690,8
Other financial liabilities including derivatives	14	**39,7**	49,4
Trade and other payables	15	**1 992,1**	1 876,4
Current tax liabilities		**49,1**	29,8
		3 693,5	3 646,4
Total equity and liabilities		**9 664,6**	9 266,2

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018	Notes	2018 R'm	2017 R'm
Revenue	16	**13 437,5**	13 184,6
Cost of sales		**(7 498,0)**	(7 422,4)
Gross profit		**5 939,5**	5 762,2
Selling and administrative expenses		**(3 387,0)**	(3 376,9)
Operating profit before capital items	17	**2 552,5**	2 385,3
Interest received	18	**5,7**	5,1
Finance costs	19	**(132,4)**	(157,5)
Share of equity-accounted earnings of joint ventures	20	**56,3**	63,2
Capital items	21	**(136,6)**	(127,5)
Profit before taxation		**2 345,5**	2 168,6
Taxation	22	**(669,7)**	(615,4)
Profit for the year		**1 675,8**	1 553,2
Other comprehensive income/(loss), net of tax:		**33,0**	(59,2)
Items that are or may subsequently be reclassified to profit or loss			
– Foreign currency translation differences	10	**3,8**	(37,5)
– Cash flow hedging reserve	10	**29,0**	(8,7)
– Taxation on items that are or may subsequently be reclassified to profit or loss		**(8,1)**	2,4
Items that will never be reclassified to profit or loss			
– Actuarial gain/(loss) recognised	10	**11,5**	(21,4)
– Taxation on items that will never be reclassified to profit or loss		**(3,2)**	6,0
Total comprehensive income for the year		**1 708,8**	1 494,0
Profit attributable to:			
Owners of AVI		**1 675,8**	1 553,2
		1 675,8	1 553,2
Total comprehensive income attributable to:			
Owners of AVI		**1 708,8**	1 494,0
		1 708,8	1 494,0
Basic earnings per share (cents)	29	**513,1**	479,0
Diluted earnings per share (cents)	29	**510,1**	475,2

Details of the headline earnings and dividends declared per ordinary share are given in Notes 29 and 30 to the financial statements, on page 127.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018	Notes	2018 R'm	2017 R'm
Cash flows from operating activities			
Cash generated by operations	23	**2 691,9**	2 318,6
Interest paid		**(132,4)**	(157,5)
Taxation paid	24	**(620,9)**	(546,7)
Net cash available from operating activities		**1 938,6**	1 614,4
Cash flows from investing activities			
Interest received		**5,7**	5,1
Additions to property, plant and equipment		**(419,9)**	(545,6)
Additions to intangible assets		**(14,6)**	(2,3)
Proceeds from disposals of property, plant and equipment		**14,8**	18,0
Contributions to Enterprise and Supplier Development initiatives	4	**(8,6)**	–
Cash flows from joint ventures	25	**83,9**	79,1
Net cash utilised in investing activities		**(338,7)**	(445,7)
Cash flows from financing activities			
Proceeds from shareholder funding	26	**59,9**	63,3
Short-term funding repaid	28	**(78,2)**	(46,9)
Payment to I&J BBBEE shareholders	33	**(65,0)**	–
Dividends paid	27	**(1 421,3)**	(1 244,5)
Net cash utilised in financing activities		**(1 504,6)**	(1 228,1)
Increase/(decrease) in cash and cash equivalents		**95,3**	(59,4)
Cash and cash equivalents at beginning of year		**246,7**	309,1
Net increase/(decrease) as a result of the translation of the cash equivalents of foreign subsidiaries		**0,8**	(3,0)
Cash and cash equivalents at end of year		**342,8**	246,7

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018	Notes	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	I&J BBBEE shareholders R'm	Total equity R'm
Balance at beginning of year		280,3	(541,9)	449,9	4 666,1	(2,7)	4 851,7
Total comprehensive income for the year							
Profit for the year		–	–	–	1 675,8	–	1 675,8
Other comprehensive income							
Foreign currency translation differences		–	–	3,8	–	–	3,8
Actuarial gains recognised, net of tax		–	–	8,3	–	–	8,3
Cash flow hedging reserve, net of tax		–	–	20,9	–	–	20,9
Total other comprehensive income for the year		–	–	33,0	–	–	33,0
Total comprehensive income for the year		–	–	33,0	1 675,8	–	1 708,8
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Share-based payments	32.3	–	–	37,0	–	–	37,0
Group share scheme recharge		–	–	14,2	–	–	14,2
Dividends paid	30	–	–	–	(1 421,3)	–	(1 421,3)
Own ordinary shares sold by Company's share trusts	26	–	55,4	–	4,5	–	59,9
I&J BBBEE shareholders	33	–	–	–	–	(103,9)	(103,9)
Total contributions by and distributions to owners		–	55,4	51,2	(1 416,8)	(103,9)	(1 414,1)
Balance at end of year		280,3	(486,5)	534,1	4 925,1	(106,6)	5 146,4

For the year ended 30 June 2017	Notes	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	I&J BBBEE shareholders* R'm	Total equity R'm
Balance at beginning of year		114,3	(435,9)	459,4	4 354,4	(2,7)	4 489,5
Total comprehensive income for the year							
Profit for the year		–	–	–	1 553,2	–	1 553,2
Other comprehensive loss							
Foreign currency translation differences		–	–	(37,5)	–	–	(37,5)
Actuarial losses recognised, net of tax		–	–	(15,4)	–	–	(15,4)
Cash flow hedging reserve, net of tax		–	–	(6,3)	–	–	(6,3)
Total other comprehensive loss for the year		–	–	(59,2)	–	–	(59,2)
Total comprehensive income for the year		–	–	(59,2)	1 553,2	–	1 494,0
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Share-based payments	32.3	–	–	28,0	–	–	28,0
Group share scheme recharge		–	–	21,4	–	–	21,4
Dividends paid	30	–	–	–	(1 244,5)	–	(1 244,5)
Issue of ordinary shares to Company's share trust	9	166,0	(166,0)	–	–	–	–
Own ordinary shares sold by Company's share trusts	26	–	60,0	–	3,3	–	63,3
Transfer between reserves		–	–	0,3	(0,3)	–	–
Total contributions by and distributions to owners		166,0	(106,0)	49,7	(1 241,5)	–	(1 131,8)
Balance at end of year		280,3	(541,9)	449,9	4 666,1	(2,7)	4 851,7

** Previously 'Premium on transactions with non-controlling interest'.*

1. Property, plant and equipment

	Land R'm	Buildings R'm	Plant and machinery R'm	Vehicles, furniture and equipment R'm	Vessels R'm	Total R'm
2018						
Cost						
At beginning of year	86,6	755,7	2 670,4	1 354,6	1 020,0	5 887,3
Transfer to Intangible assets and goodwill	–	–	–	(235,5)	–	(235,5)
Additions	–	32,7	207,2	126,6	53,4	419,9
Disposals	–	(0,9)	(94,5)	(103,1)	(19,3)	(217,8)
Effect of movement in exchange rates	–	0,1	(0,1)	0,1	–	0,1
At end of year	86,6	787,6	2 783,0	1 142,7	1 054,1	5 854,0
Accumulated depreciation and impairment losses						
At beginning of year	–	137,0	1 134,2	749,8	385,5	2 406,5
Transfer to Intangible assets and goodwill	–	–	–	(142,9)	–	(142,9)
Disposals	–	(0,3)	(92,0)	(96,0)	(13,0)	(201,3)
Effect of movement in exchange rates	–	–	–	0,2	–	0,2
Depreciation	–	16,7	183,4	134,3	53,5	387,9
At end of year	–	153,8	1 225,2	645,4	426,0	2 450,4
Net carrying value						
At beginning of previous year	86,6	561,5	1 470,1	579,5	654,7	3 352,4
At end of previous year	86,6	618,7	1 536,2	604,8	634,5	3 480,8
At end of current year	86,6	633,8	1 557,8	497,3	628,1	3 403,6

1. Property, plant and equipment continued

	Land R'm	Buildings R'm	Plant and machinery R'm	Vehicles, furniture and equip-ment R'm	Vessels R'm	Total R'm
2017						
Cost						
At beginning of year	86,6	685,2	2 510,6	1 309,0	999,8	5 591,2
Additions	–	72,3	245,8	190,5	37,0	545,6
Disposals	–	(1,6)	(85,6)	(143,9)	(16,8)	(247,9)
Effect of movement in exchange rates	–	(0,2)	(0,4)	(1,0)	–	(1,6)
At end of year	86,6	755,7	2 670,4	1 354,6	1 020,0	5 887,3
Accumulated depreciation and impairment losses						
At beginning of year	–	123,7	1 040,5	729,5	345,1	2 238,8
Disposals	–	(1,0)	(82,1)	(130,0)	(14,2)	(227,3)
Effect of movement in exchange rates	–	(0,1)	(0,2)	(0,7)	–	(1,0)
Depreciation	–	14,4	173,7	151,0	54,6	393,7
Impairment loss	–	–	2,3	–	–	2,3
At end of year	–	137,0	1 134,2	749,8	385,5	2 406,5
Net carrying value						
At beginning of previous year	86,6	477,2	1 291,4	530,9	452,9	2 839,0
At end of previous year	86,6	561,5	1 470,1	579,5	654,7	3 352,4
At end of current year	86,6	618,7	1 536,2	604,8	634,5	3 480,8

	2018 R'm	2017 R'm
Land comprises:		
Freehold	**86,6**	86,6

The Group's consistent practice for many years has been to allocate all computer software to 'Property, plant and equipment'. In aggregate, the balance has not been significant in relation to total 'Property, plant and equipment'.

However, in terms of IAS 38, it is more appropriate to include software that is not integral to related hardware as part of Intangible assets. Accordingly, the opening cost and accumulated amortisation of computer software has been reclassified from 'Property, plant and equipment' to 'Intangible assets and goodwill' (Note 2) in the current year.

- The current estimated useful lives of property, plant and equipment are reflected under accounting policies on page 104.
- The estimated useful lives and residual values are reviewed annually, taking cognisance of forecast commercial and economic realities, historical usage of similar assets and input from original equipment manufacturers on plant and machinery.
- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2018 was R212,8 million (2017: R113,7 million).
- Property, plant and equipment, with a carrying value of R33,5 million (2017: R33,5 million) has been ceded as security for interest-bearing borrowings (Note 13).
- Government grants received during the year of R3,3 million (2017: R7,1 million) have been deducted from the cost of additions.
- A register containing details of properties is available for inspection by shareholders or their duly authorised agents during business hours at the registered office of the Company.

2. Intangible assets and goodwill

	Goodwill R'm	Fishing rights R'm	Trademarks R'm	Customer relation-ships and contracts R'm	Computer software R'm	Total R'm
2018						
Cost						
At beginning of year	489,2	5,1	698,1	15,3	–	1 207,7
Transfer from property, plant and equipment	–	–	–	–	235,5	235,5
Additions*	–	1,0	1,4	–	12,2	14,6
Disposals	–	–	–	–	(7,4)	(7,4)
At end of year	489,2	6,1	699,5	15,3	240,3	1 450,4
Accumulated amortisation and impairment losses						
At beginning of year	12,2	3,1	183,1	15,3	–	213,7
Transfer from property, plant and equipment	–	–	–	–	142,9	142,9
Disposals	–	–	–	–	(7,4)	(7,4)
Amortisation	–	0,3	2,1	–	22,6	25,0
Impairment loss	–	–	150,0	–	–	150,0
At end of year	12,2	3,4	335,2	15,3	158,1	524,2
Net carrying value						
At beginning of previous year	477,0	2,3	666,1	–	–	1 145,4
At end of previous year	477,0	2,0	515,0	–	–	994,0
At end of current year	477,0	2,7	364,3	–	82,2	926,2

	Goodwill R'm	Fishing rights R'm	Trademarks R'm	Customer relation-ships and contracts R'm	Total R'm
2017					
Cost					
At beginning of year	492,6	5,1	695,9	15,3	1 208,9
Additions*	–	–	2,3	–	2,3
Disposals	(3,4)	–	(0,1)	–	(3,5)
At end of year	489,2	5,1	698,1	15,3	1 207,7
Accumulated depreciation and impairment losses					
At beginning of year	15,6	2,8	29,8	15,3	63,5
Disposals	(3,4)	–	(0,1)	–	(3,5)
Amortisation	–	0,3	3,4	–	3,7
Impairment loss	–	–	150,0	–	150,0
At end of year	12,2	3,1	183,1	15,3	213,7
Net carrying value					
At beginning of previous year	477,0	2,2	667,4	–	1 146,6
At end of previous year	477,0	2,3	666,1	–	1 145,4
At end of current year	477,0	2,0	515,0	–	994,0

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

2. Intangible assets and goodwill continued

The Group's consistent practice for many years has been to allocate all computer software to 'Property, plant and equipment'. In aggregate, the balance has not been significant in relation to total 'Property, plant and equipment'.

However, in terms of IAS 38, it is more appropriate to include software that is not integral to related hardware as part of intangible assets. Accordingly, the opening cost and accumulated amortisation of computer software has been reclassified from 'Property, plant and equipment' (Note 1) to 'Intangible assets and goodwill' in the current year.

Useful lives

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

Customer relationships are amortised over a period of 2 years and customer contracts are amortised over a period of 10 years.

Computer software is amortised over a period of 2 to 10 years.

The majority of trademarks are deemed to have indefinite useful lives, with the exception of:
- Trademark registrations, with a net book value of R8,6 million (2017: R8,5 million), which are amortised over their respective useful lives of between 5 and 10 years;
- Trademarks subject to licence agreements with a net book value of Rnil (2017: R0,8 million) which are amortised over their estimated period of use of 10 years.

Cash-generating units containing goodwill and trademarks

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

	Goodwill		Trademarks		Total	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm	**2018 R'm**	2017 R'm
A&D Spitz	**449,2**	449,2	**69,5**	69,5	**518,7**	518,7
Carvela	**–**	–	**71,3**	71,3	**71,3**	71,3
Kurt Geiger	**–**	–	**15,3**	15,3	**15,3**	15,3
Green Cross	**–**	–	**99,7**	249,7	**99,7**	249,7
Yardley	**–**	–	**28,2**	28,2	**28,2**	28,2
Lenthéric	**–**	–	**37,0**	37,0	**37,0**	37,0
House of Coffees	**15,3**	15,3	**33,6**	33,6	**48,9**	48,9
Baker Street Snacks	**12,5**	12,5	**–**	–	**12,5**	12,5
Multiple units without significant balances	**–**	–	**9,7**	10,4	**9,7**	10,4
	477,0	477,0	**364,3**	515,0	**841,3**	992,0

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

Impairment tests

The carrying amounts of goodwill and trademarks with indefinite useful lives are reviewed at least annually for impairment. The recoverable amount of goodwill and trademarks is their value in use which is calculated using the discounted cash flow model, taking into account the forecast profits of the cash-generating units they form part of. Management forecasts typically cover a five-year period and thereafter a reasonable rate of growth is applied based on market conditions. Revenue and profit growth assumptions are based on approved budgets, business plans and historical performance, taking into account the economic and political environment. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital of similar businesses in the same sector and of similar size and range between 12,9% and 16,9% (2017: 11,9% and 16,0%) depending on the business' risk profile. Perpetuity growth rates were set at 5% (2017: 5%).

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

Impairment losses

The Green Cross trademark of R399,7 million was recognised on acquisition of the business on 1 March 2012. An impairment loss of R150 million was recognised in the prior year, and a further impairment loss of R150 million has been recognised in the current year, in consideration of the extended period it will take to return the business to acceptable profitability from the current base.

The recoverable amount of the Green Cross business is its value in use and has been determined as R285 million (2017: R438 million) discounting future cash flows at 16,9%. This value is based on forecast improvements in profits and working capital in line with management action plans in progress.

	2018 R'm	2017 R'm
3. Investment in joint ventures		
Group carrying value of principal joint venture (Simplot joint venture)		
Cost of investment	**25,1**	25,1
Share of post-acquisition reserves	**314,8**	342,7
Carrying value	**339,9**	367,8
Group carrying value of non-principal joint venture (Umsobomvu joint venture)		
Cost of investment	**–**	–
Share of post-acquisition reserves	**11,5**	8,1
Carrying value	**11,5**	8,1
Total carrying value	**351,4**	375,9

Principal joint venture

Simplot Seafood, Snacks and Meals division ("Simplot") is an unincorporated joint venture which processes, trades and distributes seafood in Australia, in which I&J has joint control and a 40% (2017: 40%) ownership interest. The joint venture is managed by Simplot Australia Proprietary Limited and has a 31 August financial year end.

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

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

	2018 R'm	2017 R'm
Property, plant and equipment	**143,4**	158,5
Current assets	**951,9**	997,1
Current liabilities	**(231,7)**	(221,2)
Total net assets (100%)	**863,6**	934,4
Group's proportionate share of assets and liabilities of Simplot Seafood, Snacks and Meals division (40%)	**345,4**	373,8
Elimination of unrealised profit on downstream sales	**(5,5)**	(6,0)
Carrying amount of interest in joint venture	**339,9**	367,8
Revenue	**2 454,4**	2 741,2
Expenditure	**(2 328,8)**	(2 592,1)
Capital items	**–**	37,9
Profit before taxation	**125,6**	187,0
Taxation	**–**	–
Profit after taxation (100%)	**125,6**	187,0
Group's proportionate share of profit after taxation of Simplot Seafood, Snacks and Meals division (40%)	**50,2**	74,8
Elimination of unrealised profit on downstream sales	**(1,3)**	(2,2)
Group's share of total comprehensive income (including capital items)	**48,9**	72,6
Cash generated by operating activities	**221,8**	108,0
Cash (utilised in)/generated by investing activities	**(20,4)**	33,3
Cash effects of financing activities	**(198,1)**	(193,0)
Net increase/(decrease) in cash and cash equivalents (100%)	**3,3**	(51,8)
Group's proportionate share of cash flow generated (40%)	**1,3**	(20,7)
Dividends paid to I&J	**79,2**	76,1
Depreciation	**19,5**	20,8
Capital commitments		
– contracted for	**0,7**	0,2
– not contracted for	**–**	–
	0,7	0,2

	2018 R'm	2017 R'm
4. Long-term receivables		
Contributions to Enterprise and Supplier Development initiatives	**8,6**	–
Pension fund surplus	**–**	5,1
Loan receivables	**–**	0,4
	8,6	5,5
Less: Short-term portion reflected in trade and other receivables (Note 8)	**–**	4,5
	8,6	1,0

Various contributions were made to Enterprise and Supplier Development initiatives in the current year. These loans are unsecured and have varying terms of repayment of between three and five years depending on the performance of the underlying investment. The contributions made qualify in terms of the BBBEE Amended Codes of Good Practice as contemplated in the Broad Based Black Economic Empowerment Act.

	2018 R'm	2017 R'm
5. Deferred taxation		
Balance at beginning of year, being a net liability	**351,5**	330,3
Charge to profit or loss	**16,6**	51,0
– current year temporary differences	**19,8**	55,1
– prior year over provision	**(3,2)**	(4,1)
Effect of movement in exchange rates recognised directly in other comprehensive income	**(0,3)**	–
Reserve movements in respect of actuarial gains/(losses) recognised directly in other comprehensive income	**3,2**	(6,0)
Reserve movements in respect of cash flow hedging recognised directly in other comprehensive income	**8,1**	(2,4)
Reserve movements in respect of Group share scheme recharge arrangements	**(14,2)**	(21,4)
Movement in foreign taxes	**–**	–
Balance at end of year, being a net liability	**364,9**	351,5
Balance at end of year comprises:		
Accelerated capital allowances	**457,0**	408,6
Temporary differences on trademarks	**93,0**	135,1
Provisions and other temporary differences:	**(169,6)**	(167,9)
– post-retirement medical aid	**(103,8)**	(105,2)
– leave pay and bonus accruals	**(73,0)**	(65,8)
– other deductible temporary differences	**7,2**	3,1
Cash flow hedge reserve	**5,3**	(2,8)
Group share scheme recharge	**(20,5)**	(20,5)
Unused tax losses	**(0,3)**	(1,0)
	364,9	351,5
Deferred taxation is recognised at the following rates:		
South African operations – 28% (2017: 28%)	**357,4**	346,8
Foreign operations at average rate – 29,8% (2017: 29,8%)	**7,5**	4,7
	364,9	351,5
Reflected as:		
Deferred taxation asset	**24,3**	24,1
Deferred taxation liability	**389,2**	375,6

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

	2018 R'm	2017 R'm
The estimated losses which are available for the reduction of future taxable income	**71,2**	74,7
Less: Estimated losses taken into account in calculating deferred taxation	**1,1**	3,6
Shareholders' interest in the estimated tax losses not yet recognised is therefore:	**70,1**	71,1

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

		2018 R'm	2017 R'm
6.	**Inventories**		
	Raw materials	**433,7**	382,8
	Consumable stores	**203,1**	190,3
	Work in progress	**43,3**	39,2
	Manufactured finished goods	**569,4**	567,9
	Merchandise – finished goods purchased for resale	**751,4**	758,7
		2 000,9	1 938,9
7.	**Biological assets**		
	Balance at beginning of year	**129,9**	97,6
	Increase due to purchases	**70,8**	43,1
	Transferred for processing and sold	**(104,0)**	(106,5)
	Gains arising from change in fair value due to physical change	**63,4**	92,5
	Gains arising from change in fair value less estimated costs to sell attributable to price changes	**–**	8,3
	Effect of movement in exchange rates	**4,4**	(5,1)
	Balance at end of year	**164,5**	129,9
		Animals	Animals
	Standing volume	**23 350 586**	21 073 259
	Volume harvested/sold in current year	**3 924 787**	3 356 984

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

Measurement of fair value

The fair value measure for abalone of R164,5 million (2017: R129,9 million) has been categorised as a level 3 fair value based on the inputs to the valuation techniques used. The valuation technique used in measuring fair value, as well as the significant unobservable inputs used are as follows:

Valuation technique

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

Significant unobservable inputs

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

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

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

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

7. Biological assets continued

Risk management strategy related to aquaculture activities

Currency risks

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

Process risks

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

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

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

Disease risks

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

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

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

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

8. Trade and other receivables

	2018 R'm	2017 R'm
Trade accounts	**2 260,2**	1 925,3
VAT receivable	**56,0**	45,7
Prepayments	**27,6**	40,4
Short-term portion of pension fund surplus (Note 4)	**–**	4,5
Other receivables	**60,2**	51,9
	2 404,0	2 067,8
Allowance for credit notes and discounts	**(37,4)**	(47,5)
Impairment loss allowance	**(3,4)**	(4,1)
	2 363,2	2 016,2

Refer note 35.3 for a reconciliation of the impairment loss allowance.

Trade accounts are non-interest-bearing and are generally on terms of 30 to 90 days.

	2018 R'm	2017 R'm
9. Share capital and premium		
Share capital		
Authorised		
Ordinary share capital		
960 000 000 (2017: 960 000 000) ordinary shares of 5 cents each	48,0	48,0
Preference share capital		
10 000 000 (2017: 10 000 000) convertible redeemable preference shares of 20 cents each	2,0	2,0
Total authorised share capital	50,0	50,0
Issued		
351 673 245 (2017: 350 799 039) ordinary shares of 5 cents each	17,2	17,2
Total issued share capital	17,2	17,2
Share premium		
Balance at beginning of year	263,1	97,2
Premium on issue of ordinary shares to Company's share trusts	–	165,9
Balance at end of year	263,1	263,1
Total issued share capital and premium	280,3	280,3
Treasury shares		
Balance at beginning of year	(541,9)	(435,9)
Issue of ordinary shares to Company's share trusts	–	(166,0)
Own ordinary shares sold by the Company's share trusts during the year	55,4	60,0
Balance at end of year	(486,5)	(541,9)

	2018 Number	2017 Number
The number of ordinary shares in issue is summarised as follows:		
Total issued shares	351 673 245	350 799 039
Less: Shares held by the Company's share trusts and subsidiary, and restricted shares held by participants of the Deferred Bonus Share Plan (Note 32)	(24 241 976)	(25 431 085)
	327 431 269	325 367 954

	2018 R'm	2017 R'm
10. Reserves		
The balance at end of year comprises:		
Cash flow hedging reserve	13,1	(7,8)
Actuarial reserve	(24,1)	(32,4)
Foreign currency translation reserve	178,6	174,7
Share-based payment reserve	366,5	315,4
	534,1	449,9

Cash flow hedging reserve

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

Actuarial reserve

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

Foreign currency translation reserve

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

Share-based payments reserve

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

11. Employee benefit liabilities

	2018 R'm	2017 R'm
Post-retirement medical aid obligation	**373,4**	377,9
Earnings-linked performance bonus liabilities	**37,7**	25,0
I&J Black Staff Employee Benefit Scheme liability (Note 33)	**34,1**	22,7
	445,2	425,6
Amount payable within one year included under trade and other payables (Note 15)	**(62,9)**	(45,9)
	382,3	379,7
Post-retirement medical aid obligation		
Reconciliation of benefit obligation recognised on the balance sheet		
Balance at beginning of year	**377,9**	349,4
Recognised in profit or loss – operating profit	**35,7**	35,0
– Current service cost	**1,0**	1,2
– Interest cost	**34,7**	33,8
Actuarial (gain)/loss recognised in other comprehensive income	**(11,5)**	21,4
Contributions paid	**(28,7)**	(27,9)
Balance at end of year	**373,4**	377,9
Actuarial loss/(gain) recognised directly in other comprehensive income		
Net cumulative amount at beginning of year	**32,4**	17,0
Recognised during the year	**(11,5)**	21,4
Deferred tax thereon	**3,2**	(6,0)
Net cumulative amount at end of year	**24,1**	32,4

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

The actuarial valuation of the post-retirement medical aid contributions liability was performed at 1 January 2018 and projected to 30 June 2018.

The principal actuarial assumptions used were:

Discount rate	9,60% (2017: 9,60%)
Medical inflation	8,00% (2017: 8,00%)

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

	One percentage point increase R'm	One percentage point decrease R'm
Increase/(decrease) in the present value of the actuarially determined defined benefit obligation	**37,2**	**(32,0)**
Increase/(decrease) in the aggregate service and interest cost	**3,8**	**(3,2)**

		2018 R'm	2017 R'm
12.	**Operating lease straight-line liabilities**		
	Balance at beginning of year	**18,7**	17,4
	Recognised in profit or loss	**1,6**	1,3
	Balance at end of year	**20,3**	18,7
	Current portion included in trade and other payables (Note 15)	**(6,0)**	(5,9)
		14,3	12,8
13.	**Current borrowings**		
	Overnight call borrowings	**1 579,1**	1 657,3
	Vessel finance liability	**33,5**	33,5
		1 612,6	1 690,8
	Interest on overnight call borrowings is payable monthly at the daily borrowing rate applicable.		
	The Avro Warrior fishing vessel, which was acquired during 2014, has been ceded as security against this liability. The amount owing is due and payable through the return of the vessel within the next 12 months.		
14.	**Other financial assets/liabilities including derivatives**		
	Forward exchange contract derivative assets	**61,5**	40,2
	Fuel swap derivative assets	**12,0**	0,3
	Other financial assets including derivatives	**73,5**	40,5
	Forward exchange contract derivative liabilities	**39,7**	45,5
	Fuel swap derivative liabilities	**–**	3,9
	Other financial liabilities including derivatives	**39,7**	49,4
15.	**Trade and other payables**		
	Trade accounts	**1 096,4**	992,7
	Accruals and provisions for payments to customers	**305,5**	312,3
	Cash received in advance	**27,1**	26,7
	Employee benefits falling due within one year (Note 11)	**62,9**	45,9
	Operating lease straight-line liabilities falling due within one year (Note 12)	**6,0**	5,9
	Other payables and accrued expenses	**494,2**	492,9
		1 992,1	1 876,4
	Terms and conditions of significant trade and other payables: – Trade accounts are non-interest-bearing and are normally settled within one month – Accruals and provisions for payments to customers are non-interest-bearing and are normally settled within six months – Other payables and accrued expenses are non-interest-bearing and are normally settled within six months		
16.	**Revenue**		
	Revenue comprises the following:		
	– Sale of goods	**13 272,7**	13 016,1
	– Services, fees, commissions and royalties	**164,8**	168,5
		13 437,5	13 184,6
	A segmental and geographical analysis of revenue is given on page 92 and 95 in the segment report.		

	2018 R'm	2017 R'm
17. Operating profit before capital items		
In arriving at operating profit before capital items, the following have been taken into account:		
Amortisation	**25,0**	3,7
– Fishing rights	**0,3**	0,3
– Computer software	**22,6**	–*
– Trademarks	**2,1**	3,4
Auditors' remuneration		
– Fees for audit	**11,1**	10,8
– Fees for other services	**1,4**	0,9
– Taxation services and consultations	**1,0**	0,5
– Other	**0,4**	0,4
Depreciation of property, plant and equipment	**387,9**	393,7
– Buildings	**16,7**	14,4
– Plant, equipment and vehicles	**317,7**	324,7*
– Vessels	**53,5**	54,6
Employment costs (Note 32)	**2 597,1**	2 516,9
Foreign exchange gains	**(60,6)**	(108,4)
Operating lease expenses	**233,7**	221,1
– Property	**226,5**	214,5
– Plant, equipment and vehicles	**7,2**	6,6
Research and development costs	**84,0**	79,1

* *Computer software, reported as part of 'Property, plant and equipment' in the prior year, has been reclassified to 'Intangible assets and goodwill' in the current year resulting in amortisation of computer software disclosed separately in the current year (Notes 1 and 2).*

	2018 R'm	2017 R'm
18. Interest received		
Interest income on cash and cash equivalents and other investments	**5,7**	5,1
19. Finance costs		
Interest expense on borrowings	**(132,4)**	(157,5)
20. Share of equity-accounted earnings of joint ventures		
Equity-accounted profit of principal joint venture (Note 3)	**48,9**	57,5
Equity-accounted profit of non-principal joint venture	**7,4**	5,7
	56,3	63,2
21. Capital items		
Net gain on disposal of property, plant and equipment	**(13,4)**	(9,7)
Impairment of property, plant and equipment	**–**	2,3
Impairment of Green Cross trademark (Note 2)	**150,0**	150,0
Joint venture capital profit	**–**	(15,1)
	136,6	127,5
Attributable taxation (Note 22)	**(38,5)**	(34,7)
	98,1	92,8
	2018 R'm	2017 R'm

22. Taxation

South African normal taxation	**595,8**	511,6
Deferred taxation	**19,8**	55,1
Foreign taxation	**34,8**	46,4
Capital gains tax	**4,0**	–
Withholding tax	**8,9**	6,8
Prior year under/(over) provisions		
– Current	**9,6**	(0,4)
– Deferred	**(3,2)**	(4,1)
	669,7	615,4
Dealt with as follows:		
In respect of profit before capital items	**708,2**	650,1
In respect of capital items (Note 21)	**(38,5)**	(34,7)
	669,7	615,4
	%	%
Reconciliation of rate of taxation		
Standard rate of company taxation	**28,0**	28,0
Increase/(reduction) in effective rate as a result of:		
– Capital gains tax	**0,2**	–
– Disallowable expenditure	**0,4**	0,5
– Share-based payments	**0,1**	0,2
– Expenses attributable to exempt income earned	**0,3**	0,2
– Other	**–**	0,1
– Exempt income	**(0,6)**	(0,3)
– Learnerships and employment tax incentives	**(0,3)**	(0,2)
– Capital income	**(0,2)**	–
– Other	**(0,1)**	(0,1)
– Withholding tax	**0,4**	0,3
– Effect of foreign tax differential	**(0,1)**	0,1
– Prior year overprovisions	**0,3**	(0,2)
Effective rate of taxation for the year	**28,6**	28,4

	2018 R'm	2017 R'm
23. Cash generated by operations		
Operating profit before capital items	**2 552,5**	2 385,3
Adjusted for:		
– non-cash items	**478,7**	353,1
– depreciation of property, plant and equipment	**387,9**	393,7*
– amortisation of intangible assets	**25,0**	3,7*
– foreign currency translations	**6,4**	(36,2)
– equity-settled share-based payments	**37,0**	28,0
– movement in provisions and other non-cash items[1]	**22,4**	(36,1)**
Cash generated by operations before working capital changes	**3 031,2**	2 738,4**
Change in working capital[2]:	**(339,3)**	(419,8)**
– Increase in inventories and biological assets	**(108,1)**	(158,7)
– Increase in trade and other receivables	**(316,8)**	(163,9)
– Increase/(decrease) in trade and other payables	**85,6**	(97,2)**
Cash generated by operations	**2 691,9**	2 318,6

[1] Includes non-cash movements in biological assets, fuel swap derivatives, operating lease straight-line liabilities, inventory obsolescence provisions, impairment loss allowances and bonus and leave pay accruals, offset by related cash payments.

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

** Computer software, reported as part of 'Property, plant and equipment' in the prior year, has been reclassified to 'Intangible assets and goodwill' in the current year resulting in amortisation of computer software disclosed separately in the current year (Notes 1 and 2).*

*** Historically adjustments for non-cash items have taken into account the income statement charge for incentive provisions and earnings-linked performance bonuses, as well as the current service cost and interest cost relating to the Group's post-retirement medical aid obligation, without adjusting for related cash payments. This has been corrected in the current year, and the prior year has been restated. Accordingly, an adjustment of R255,2 million has been processed between 'movement in provisions and other non-cash items' and 'Increase/(decrease) in trade and other payables' to more appropriately account for cash payments within 'Cash generated by operations before working capital changes'. 'Cash generated by operations' remains unchanged.*

	2018 R'm	2017 R'm
24. Taxation paid		
Amount owing at beginning of year	**29,8**	13,8
Amount prepaid at beginning of year	**(18,2)**	(19,8)
Net amount owing/(prepaid) at beginning of year	**11,6**	(6,0)
	653,1	564,4
Charge per profit or loss	**669,7**	615,4
Deferred taxation included therein (Note 5)	**(16,6)**	(51,0)
Effect of movement in foreign exchange rates	**(0,3)**	(0,1)
Net amount owing at end of year	**(43,5)**	(11,6)
Amount owing at end of year	**(49,1)**	(29,8)
Amount prepaid at end of year	**5,6**	18,2
Amount paid during year	**620,9**	546,7
25. Cash flows from joint ventures		
Dividends received	**83,9**	79,1
26. Proceeds from shareholder funding		
Sale of own ordinary shares by the Company's share trusts	**59,9**	63,3
27. Dividends paid		
Ordinary dividends paid	**1 368,2**	1 240,9
Distributions to I&J BBBEE shareholders	**53,2**	3,6
Dividends paid and reflected in statement of changes in equity	**1 421,3**	1 244,5

28. Changes in liabilities arising from financing activities

	Balance at 1 July 2017 R'm	Cash flows R'm	Non-cash changes R'm	30 June 2018 R'm
Overnight call borrowings	**1 657,3**	**(78,2)**	**–**	**1 579,1**
Vessel finance liability	**33,5**	**–**	**–**	**33,5**
	1 690,8	**(78,2)**	**–**	**1 612,6**

	Balance at 1 July 2016 R'm	Cash flows R'm	Non-cash changes R'm	30 June 2017 R'm
Overnight call borrowings	1 704,2	(46,9)	–	1 657,3
Vessel finance liability	33,5	–	–	33,5
	1 737,7	(46,9)	–	1 690,8

29. Earnings and headline earnings

The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 326 624 426 (2017: 324 230 182) ordinary shares in issue.

The diluted earnings and headline earnings per share are calculated based on a weighted average of 328 520 186 (2017: 326 828 137) ordinary shares.

	2018		2017	
	Gross R'm	**Net of tax and non-controlling interests R'm**	Gross R'm	Net of tax and non-controlling interests R'm
Determination of headline earnings				
Earnings attributable to owners of AVI	**–**	**1 675,8**	–	1 553,2
Adjustment for capital items	**136,6**	**98,1**	127,5	92,8
Net gain on disposal of property, plant and equipment	**(13,4)**	**(9,9)**	(9,7)	(6,0)
Impairment of property, plant and equipment	**–**	**–**	2,3	1,7
Impairment of Green Cross trademark (Note 2)	**150,0**	**108,0**	150,0	108,0
Joint venture capital profit	**–**	**–**	(15,1)	(10,9)
Headline earnings	**–**	**1 773,9**	–	1 646,0

	2018 Number	2017 Number
29. Earnings and headline earnings continued		
Reconciliation of weighted average number of ordinary shares		
Issued shares at beginning of year	**350 799 039**	347 557 914
Own shares held by trusts and subsidiary at beginning of year	**(25 431 085)**	(24 866 332)
Effect of treasury shares sold in July – September	**10 397**	60 429
Effect of treasury shares sold in October – December	**1 177 764**	1 288 197
Effect of treasury shares sold in January – March	**21 817**	36 498
Effect of treasury shares sold in April – June	**46 495**	153 476
Weighted average number of ordinary shares	**326 624 426**	324 230 182
Effect of the AVI Executive Share Incentive Scheme instruments outstanding during the year	**388 201**	510 201
Effect of the AVI Black Staff Empowerment Scheme instruments outstanding during the year	**440 755**	1 103 766
Effect of the AVI Deferred Bonus Share Plan instruments outstanding during the year	**241 756**	905 495
Effect of the AVI Out-Performance Scheme instruments outstanding during the year	**825 048**	78 492
Weighted average diluted number of ordinary shares	**328 520 186**	326 828 137

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

	2018 Cents	2017 Cents
Earnings per ordinary share	**513,1**	479,0
Diluted earnings per ordinary share	**510,1**	475,2
Headline earnings per ordinary share	**543,1**	507,7
Diluted headline earnings per ordinary share	**540,0**	503,6

	2018 R'm	2017 R'm
30. Dividends paid		
Ordinary shares		
No 86 of 220 cents, paid 17 October 2016		713,4
No 87 of 162 cents, paid 24 April 2017		527,5
No 88 of 243 cents, paid 16 October 2017	**794,5**	
No 89 of 175 cents, paid 23 April 2018	**573,7**	
	1 368,2	1 240,9
Distributions to I&J non-controlling interest	**53,2**	3,6
	1 421,3	1 244,5
Ordinary dividend No 90 of 260 cents in respect of the year ended 30 June 2018 and a special dividend No 91 of 250 cents per share were declared on 7 September 2018 and are payable on 15 October 2018. 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.	**1 672,3**	

The dividends have been declared out of income reserves and are subject to Dividend Withholding Tax at a rate of 20% from 22 February 2017 (15% before 22 February 2017) in respect of those shareholders who are not exempt from paying Dividend Withholding Tax.

	2018 R'm	2017 R'm
31. Commitments and contingent liabilities		
Commitments		
Capital commitments		
Capital expenditure authorised by the directors		
Property, plant and equipment		
– contracted for	**143,3**	97,6
– not contracted for	**228,1**	254,2
	371,4	351,8

It is anticipated that this expenditure will be financed by cash resources, cash generated from activities and existing borrowing facilities.

Other contractual commitments have been entered into in the normal course of business.

	2018 R'm	2017 R'm
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**190,3**	162,4
Between two and five years	**349,7**	305,7
After five years	**4,4**	12,1
	544,4	480,2

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

The Company has signed limited guarantees with certain major banks in respect of banking facilities for some of its subsidiaries.

	2018 R'm	2017 R'm
32. Employee benefits		
Employment costs	**2 597,1**	2 516,9
Short-term employment benefits	**2 325,0**	2 229,2
Termination benefits	**10,6**	19,6
Retirement benefits	**141,2**	135,0
Post-retirement medical aid costs	**35,7**	35,0
Share-based payments – equity-settled	**37,0**	28,0
Earnings-linked performance bonuses	**36,3**	63,0
I&J Black Staff Employee Benefit Scheme (Note 33)	**11,3**	7,1

32.1 Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 10 753 (2017: 10 944) employees, 7 751 (2017: 7 875) are members of defined contribution Group pension and provident funds or state-administered funds in other jurisdictions. South African funds are governed by the Pension Funds Act 1956, as amended. Other funds are governed by the respective legislation of the countries concerned. The contributions paid by the Group companies for retirement benefits are charged to profit or loss as they are incurred, and amounted to R141,2 million (2017: R135,0 million).

32. Employee benefits continued

32.2 Share incentive schemes

The interests of the directors are given on page 84 in the Directors' Remuneration Report.

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

The AVI Executive Share Incentive Scheme

Eligible participants are awarded share options which vest after the completion of a three-year service period. Upon vesting, participants are entitled 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 outstanding at 30 June 2017 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2018 number**
1 April 2013	55,88	192 635	–	(192 635)	–	**–**
1 October 2013	58,50	5 295	–	(5 295)	–	**–**
1 April 2014	53,38	306 846	–	(217 596)	–	**89 250**
1 October 2014	67,47	297 116	–	(288 406)	–	**8 710**
1 April 2015	84,45	370 353	–	(36 616)	(17 491)	**316 246**
1 October 2015	82,67	260 747	–	(17 620)	(18 885)	**224 242**
1 April 2016	83,06	550 081	–	(4 096)	(19 537)	**526 448**
		1 983 073	–	(762 264)	(55 913)	**1 164 896**
Weighted average award price (R)		73,63	–	61,71	83,36	**80,97**
Weighted average share price on date of exercise (R)				103,00		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2018 is 0,4 years (2017: 0,8 years).

The options are available to be exercised in their entirety in all cases three years after the effective date of granting of awards. Any options not exercised by 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 was replaced by the Revised AVI Executive Share Incentive Scheme in November 2016 with no allocations since.

32. Employee benefits continued

32.2 Share incentive schemes continued

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 replaced 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 entitled 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 2017 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2018 number**
23 November 2016	94,07	267 029	–	(11 188)	(22 189)	**233 652**
1 April 2017	101,79	684 744	–	–	(138 915)	**545 829**
1 October 2018	97,77	–	352 532	(2 899)	(55 972)	**293 661**
1 April 2018	108,73	–	621 712	–	–	**621 712**
		951 773	974 244	(14 087)	(217 076)	**1 694 854**
Weighted average award price (R)		99,62	104,76	94,83	99,96	**102,57**
Weighted average share price on date of exercise (R)				109,47		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2018 is 2,1 years (2017: 2,6 years).

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 by the fifth anniversary of such date will lapse. Exercises in any period prior to vesting in the third year represent the portion allowed to be exercised on retirement, death, disability or retrenchment.

The AVI Out-Performance Scheme

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 is 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.

32. Employee benefits continued

32.2 Share incentive schemes continued

The AVI Out-Performance Scheme continued

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2017 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2018 number**
1 October 2014	65,46	233 081	–	(233 081)	–	**–**
1 October 2015	81,56	248 562	–	–	–	**248 562**
1 October 2016	92,35	216 444	–	–	–	**216 444**
1 October 2017	98,57	–	271 865	–	–	**271 865**
		698 087	271 865	(233 081)	–	**736 871**
Weighted average award price (R)		79,53	98,57	65,46	–	**91,01**
Weighted average share price on date of exercise (R)				101,22		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2018 is 1,3 years (2017: 1,2 years).

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

The AVI Deferred Bonus Share Plan

The Deferred Bonus Share Plan was approved by shareholders at the Annual General Meeting held on 3 November 2016. The value of the awards allocated is determined with reference to each eligible participant's annual bonus (earned under the Group's short-term bonus incentive framework). A portion of the annual bonus is paid in cash while the deferred element is settled in equity as AVI shares and 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 during 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 2017 number	Awarded number	Vested number	Relinquished number	**Instruments outstanding at 30 June 2018 number**
18 November 2016	88,59	310 876	–	(1 470)	(5 659)	**303 747**
1 October 2017	97,55	–	174 960	(115)	(3 600)	**171 245**
		310 876	174 960	(1 585)	(9 259)	**474 992**
Weighted average award price (R)		88,59	97,55	89,24	92,07	**91,82**
Weighted average share price on date of exercise (R)				104,47		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2018 is 1,6 years (2017: 2,2 years).

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

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

32. Employee benefits continued

32.2 Share incentive schemes continued

The AVI Black Staff Empowerment Scheme

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

Participants have been granted a right to purchase ordinary AVI shares equal to the number of options awarded in three equal tranches after the fifth, sixth and seventh anniversaries 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 2017 number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2018 number**
January 2007	15,51	0,78	48 594	(17 266)	–	**31 328**
October 2007	19,58	9,17	2 296	(2 230)	–	**66**
April 2008	16,49	2,42	6 011	–	–	**6 011**
October 2008	15,68	–	–	–	–	**–**
April 2009	16,16	–	1 721	(731)	–	**990**
October 2009	18,48	2,80	9 164	(2 192)	–	**6 972**
April 2010	23,47	11,42	2 330	(1 282)	–	**1 048**
October 2010	25,31	13,72	210 156	(199 160)	(9 778)	**1 218**
April 2011	29,55	21,72	175 837	(161 420)	(6 727)	**7 690**
October 2011	32,29	25,35	371 163	(191 669)	(3 993)	**175 501**
December 2011	37,25	33,63	45 846	(22 973)	(959)	**21 914**
			873 118	(598 923)	(21 457)	**252 738**
Weighted average award price (R)			29,04	28,80	28,47	**29,66**
Weighted average share price on date of exercise (R)				102,21		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2018 is 0,2 years (2017: 0,8 years).

[1] *The exercise price is calculated at 30 June 2018 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.

32. Employee benefits continued

32.2 Share incentive schemes continued

Restrictions

Ordinary shares in the authorised and unissued capital of the Company were placed under the control of the directors with specific authority to allot and issue them in terms of the Company's existing share incentive schemes ("the schemes"). The total number of share instruments, options or instruments convertible into ordinary shares which may be allocated for purposes of the schemes are detailed in the table below.

Share incentive scheme	Authorised number	% of total issued share capital	Remaining authorised but not issued number
AVI Executive Share Incentive Scheme	–	0,0	–
Revised AVI Executive Share Incentive Scheme	5 213 369	1,5	5 199 282
AVI Deferred Bonus Share Plan	5 213 369	1,5	4 727 530
AVI Out-Performance Scheme	6 915 158	2,0	6 215 915
Total	17 341 896	5,0	16 142 727

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

32.3 Share-based payments

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

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

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

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

32. Employee benefits continued

32.3 Share-based payments continued

Assumptions applied in arriving at fair value of instruments issued during the year	2018	2017
Equity instruments issued by the Revised AVI Executive Share Incentive Scheme		
Fair value at grant date	**R15,64 – R20,81**	R19,09 – R19,32
Share price	**R82,53 – R91,26**	R80,30 – R87,10
Exercise price	**R97,77 – R108,74**	R94,07 – R101,79
Expected volatility	**17,1% – 24,8%**	20,1% – 23,4%
Option life	**3,5 years**	3,5 years
Dividend yield	**4,52% – 6,17%**	4,33% – 4,42%
Risk-free interest rate	**7,98% – 8,55%**	8,66% – 8,87%
Equity instruments issued by the AVI Out-Performance Scheme		
Fair value at grant date	**R45,40**	R44,45
Share price	**R98,56**	R92,32
Option life	**3 years**	3 years
Dividend yield	**4,5%**	4,4%
Risk-free interest rate	**8,55%**	8,66%
Expected mean TSR performance	**8,6%**	10,0%
Equity instruments issued by the AVI Deferred Bonus Share Plan		
Share price	**R97,55**	R88,59

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

The R186 bond rate was used to determine a risk-free interest rate at grant date or measurement date.

	2018 R'm	2017 R'm
Share-based payment expense		
AVI Executive Share Incentive Scheme	**5,8**	8,9
Revised AVI Executive Share Incentive Scheme	**7,0**	2,4
AVI Out-Performance Scheme	**10,7**	8,7
AVI Deferred Bonus Share Plan	**13,1**	6,1
AVI Black Staff Empowerment Scheme	**0,4**	1,9
	37,0	28,0

33. Broad Based Black Economic Empowerment ("BBBEE") 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.

The Main Street memorandum of incorporation allows for the payment of ordinary dividends to Main Street's shareholders out of dividends received by Main Street from I&J, with the balance paid as preference dividends to AVI. Furthermore, the I&J shareholders' agreement provides for put and call options between the Company and Main Street, the exercise price of which is determined by a fixed formula based on I&J's earnings.

During June 2018, the exercise date of the put and call options was extended from July 2018 to July 2022. As part of the extension, a minimum guaranteed exercise price of R106,8 million was agreed with Main Street based on the application of the fixed formula at 30 June 2018. R65,0 million of this minimum guaranteed amount was paid to Main Street in June 2018 with the balance payable on exercise of the put and call options.

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

As a result of the above arrangements the effective direct BBBEE shareholding in I&J is 25% (2017: 25%).

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

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

Notwithstanding that the BBBEE transactions have been completed and that the BBBEE shareholders have beneficial ownership and voting control over their 25% shareholding, the accounting recognition in the Group's consolidated financial statements of a non-controlling interest in respect of shares held by the BBBEE companies in I&J is deferred until such shares in I&J are regarded as issued outside of the Group in terms of the control principles of IFRS 10 – *Consolidated Financial Statements*. Payments made to the Main Street shareholders are reflected directly against equity.

Main Street

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

The extension of the arrangement in the current year has been treated as a modification within the scope of IFRS 2 – *Share-Based Payments*. Prior to the extension AVI could elect to settle the transaction in either shares or cash. The inclusion of the minimum guaranteed amount, however, results in the modification of the transaction from an equity-settled share-based payment transaction to a cash-settled share-based payment transaction. The payment of R65,0 million and the present value of the remaining minimum guaranteed amount have been recorded directly against equity as part of the modification of the previous equity-settled arrangement, and a cash-settled share-based payment liability of R38,9 million recognised for the present value of the remaining minimum guaranteed amount plus estimated dividends over the remaining period. The fair value of any potential incremental value over and above the minimum guaranteed amount upon final vesting was estimated to be negligible at 30 June 2018 considering I&J's recent period of good results that underpin the minimum guaranteed price. The fair value of the potential incremental value has been measured using the Monte Carlo valuation methodology by extrapolating I&J's historical earnings over the remaining vesting period of four years, discounted at 7,0%, and will be assessed annually.

No derivative asset or liability is recognised on consolidation for the put and call options as the Company is deemed to control Main Street in terms of the principles of IFRS 10 – *Consolidated Financial Statements* while the preference shares remain outstanding.

33. Broad Based Black Economic Empowerment ("BBBEE") transactions continued

I&J Black Staff HoldCo

The I&J Black Staff HoldCo shareholders' agreement provides for the payment of ordinary dividends equal to 10% of dividends received from I&J, through the shareholding in Richtrau, to I&J Black Staff HoldCo's shareholders (who are employees of I&J) on an annual basis. Furthermore, when employee vesting conditions are met, I&J Black Staff HoldCo has undertaken to repurchase ordinary shares from the employees at a price based on the earnings performance of I&J less the remaining redeemable preference share liability. The Company has undertaken to provide funding for the repurchase commitments of I&J Black Staff HoldCo, if required. The arrangement has been accounted for as a long-term employee benefit under the requirements of IAS 19 – *Employee Benefits* in the consolidated financial statements as ultimately the obligation is to the employees of the Group. The liability (Note 11 – R34,1 million at 30 June 2018 and R22,7 million at 30 June 2017) has been measured using the projected unit credit method and an expense of R11,3 million (2017: R7,1 million) has been recognised in the current year.

	2018 R'm	2017 R'm
34. Related party transactions		
Transactions with Group entities		
Trade receivables from joint ventures	**27,3**	17,5
Royalties received from joint ventures	**17,3**	19,3
Sales to joint ventures	**115,6**	99,0
Payments to AVI Limited Pension Fund	**95,0**	91,0
Payments to AVI Limited Provident Fund	**88,0**	81,0

Details of the principal subsidiaries, joint ventures and other investments are given on pages 116 and 147.

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 2018, according to the information available to the directors were:

	Number of ordinary shares	%
Government Employees Pension Fund	**51 381 827**	14,6
AVI Investment Services Proprietary Limited	**17 234 352**	4,9
JP Morgan Asset Management	**11 134 992**	3,2
Vanguard Investment Management	**10 879 268**	3,1

Directors of the Company

Directors' emoluments

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

Directors' service contracts

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

Transactions with key management personnel

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

34. Related party transactions continued

The key management personnel costs are as follows:

	2018 R'm	2017 R'm
Short-term employee benefits	**140,5**	153,2
Post-employment benefits	**8,2**	8,2
Termination benefits	**0,8**	12,6
Other long-term benefits*	**9,3**	65,5
Share-based payment benefits	**28,7**	17,1
	187,5	256,6

** Gains on settlement of earnings-linked performance bonuses.*

Executives also participate in the Company's share option schemes, details of which are provided in Note 32.

35. Financial risk management

35.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

35.2 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of directors monitors the return on average capital employed, which the Group defines as operating profit before capital items from continuing operations, after taxation, divided by average total shareholders' equity plus net debt.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target, which is determined by the AVI Board, is to achieve a return on average capital employed at 120% of the weighted average cost of capital, which was estimated at 11,0% (2017: 10,0%). In 2018 the return was 28,7% (2017: 28,0%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 7,94% (2017: 8,13%).

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

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

35. Financial risk management continued

35.2 Capital management continued

The AVI Group is subject to and complies with the following financial covenants required by some of the Group's bankers:

- consolidated net debt to EBITDA less than 2,5
- consolidated debt to EBITDA less than 3,0
- consolidated EBITDA to finance costs greater than 3,5

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

35.3 Credit risk

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

Trade and other receivables

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

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

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

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

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

Cash and cash equivalents, loan receivables and other investments

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

Guarantees

The Company's policy is to provide limited financial guarantees in respect of banking facilities for subsidiaries. At 30 June 2018 guarantees were in place for AVI Financial Services Proprietary Limited, National Brands Limited, Irvin & Johnson Holding Company Proprietary Limited, A&D Spitz Proprietary Limited, Indigo Brands Proprietary Limited, Hampton Sportswear Proprietary Limited and Green Cross Manufacturers Proprietary Limited (2017: AVI Financial Services Proprietary Limited, National Brands Limited, Irvin & Johnson Holding Company Proprietary Limited, A&D Spitz Proprietary Limited and Green Cross Manufacturers Proprietary Limited).

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

35. Financial risk management continued

35.3 Credit risk continued

Exposure to credit risk

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

	Carrying amount 2018 R'm	Carrying amount 2017 R'm
Long-term receivables	**8,6**	1,0
Derivatives	**73,5**	40,5
Trade and other receivables*	**2 279,6**	1 930,1
Cash and cash equivalents	**342,8**	246,7
Total	**2 704,5**	2 218,3

** Excludes prepayments and VAT receivables.*

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

	Carrying amount 2018 R'm	Carrying amount 2017 R'm
South Africa	**1 765,0**	1 462,2
Europe	**207,6**	180,6
Australasia	**27,3**	17,8
Rest of Africa	**191,7**	189,6
Other	**31,2**	27,6
Total	**2 222,8**	1 877,8

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

	Carrying amount 2018 R'm	Carrying amount 2017 R'm
Wholesale customers	**693,9**	667,7
Retail customers	**1 308,6**	1 002,3
End-user customers and direct sales	**220,3**	207,8
Total	**2 222,8**	1 877,8

The Group's most significant customers, being two South African retailers, accounted for 37,1% of the carrying amount of trade receivables at 30 June 2018 (2017: 28,8%).

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2018 R'm	Impairment 2018 R'm	Gross 2017 R'm	Impairment 2017 R'm
Not past due	**2 112,5**	**–**	1 795,6	–
Past due 0 – 30 days	**78,0**	**–**	37,7	–
Past due 31 – 120 days	**20,7**	**(0,1)**	21,6	(0,6)
Past due 121 days – 1 year	**9,9**	**(2,1)**	14,5	(1,0)
Past due more than 1 year	**1,7**	**(1,2)**	8,4	(2,5)
Total	**2 222,8**	**(3,4)**	1 877,8	(4,1)

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

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

35. Financial risk management continued

35.3 Credit risk continued

Impairment losses continued

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

	2018 R'm	2017 R'm
Balance as at 1 July	**(4,1)**	(5,9)
Impairment loss recognised in profit or loss	**(0,6)**	(1,5)
Impairment loss utilised	**1,3**	3,3
Balance as at 30 June	**(3,4)**	(4,1)

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

The carrying amounts represent the maximum exposure to credit risk.

35.4 Liquidity risk

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

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

In addition, the Group maintains R2,83 billion of treasury facilities with banks. These are a combination of short and medium-term facilities. Interest is payable at the quoted overnight borrowing rate applicable on the date of advance.

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

	Carrying amount R'm	Contractual cash flows R'm	6 months or less R'm	6 – 12 months R'm	+1 – 2 years R'm	+2 – 5 years R'm	More than 5 years R'm
30 June 2018							
Non-derivative financial liabilities							
Trade and other payables*	**1 876,9**	**1 876,9**	**1 876,9**	**–**	**–**	**–**	**–**
Vessel finance liability	**33,5**	**33,5**	**33,5**	**–**	**–**	**–**	**–**
Current borrowings	**1 579,1**	**1 579,1**	**1 579,1**	**–**	**–**	**–**	**–**
	3 489,5	**3 489,5**	**3 489,5**	**–**	**–**	**–**	**–**
30 June 2017							
Non-derivative financial liabilities							
Trade and other payables*	1 775,0	1 775,0	1 775,0	–	–	–	–
Vessel finance liability	33,5	33,5	33,5	–	–	–	–
Current borrowings	1 657,3	1 657,3	1 657,3	–	–	–	–
	3 465,8	3 465,8	3 465,8	–	–	–	–

** Excludes earnings-linked performance bonuses, post-retirement medical aid liabilities, operating lease straight-line liabilities and indirect tax liabilities.*

35. Financial risk management continued

35.4 Liquidity risk continued

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

	Carrying amount R'm	Contractual cash flows R'm	6 months or less R'm	6 – 12 months R'm	+1 – 2 years R'm	+2 – 5 years R'm	More than 5 years R'm
30 June 2018							
FECs used for hedging							
– Imports	**34,8**	**(921,7)**	**(744,1)**	**(177,6)**	**–**	**–**	**–**
– Exports	**(12,7)**	**582,0**	**194,6**	**387,4**	**–**	**–**	**–**
	22,2	**(339,7)**	**(549,5)**	**209,8**	**–**	**–**	**–**
30 June 2017							
FECs used for hedging							
– Imports	(20,2)	(913,1)	(629,9)	(283,3)	–	–	–
– Exports	10,1	434,9	232,3	202,6	–	–	–
	(10,1)	(478,3)	(397,6)	(80,7)	–	–	–

35.5 Market risk

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

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

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

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

Currency risk

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

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

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

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

35. Financial risk management continued

35.5 Market risk continued

Exposure to currency risk

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

	Trade receivables FC'm	Cash and cash equivalents FC'm	Trade payables FC'm	Balance sheet exposure FC'm	Estimated forecast sales* FC'm	Estimated forecast purchases* FC'm	FECs on sales/ receivables FC'm	FECs on purchases/ payables FC'm	Net forecast FC exposure FC'm
Net exposure as at 30 June 2018									
Australian Dollar	**2,6**	**0,8**	**–**	**3,4**	**13,6**	**–**	**9,2**	**–**	**26,2**
Botswana Pula	**33,1**	**47,4**	**(14,9)**	**65,6**	**–**	**–**	**–**	**–**	**65,6**
Euro	**11,9**	**3,8**	**(6,3)**	**9,4**	**57,9**	**(34,2)**	**29,9**	**(23,6)**	**39,4**
US Dollar	**2,2**	**0,7**	**(7,3)**	**(4,4)**	**20,2**	**(63,7)**	**9,8**	**(42,8)**	**(80,9)**
Zambian Kwacha	**30,7**	**6,8**	**(1,6)**	**35,9**	**–**	**–**	**–**	**–**	**35,9**
Net exposure as at 30 June 2017									
Australian Dollar	1,8	1,6	–	3,4	11,0	–	5,3	–	19,7
Botswana Pula	29,6	36,7	(12,2)	54,1	–	–	–	–	54,1
Euro	11,2	3,5	(6,4)	8,3	58,7	(31,9)	25,2	(26,4)	33,9
US Dollar	2,3	0,5	(7,9)	(5,1)	16,7	(77,1)	6,8	(45,2)	(103,9)
Zambian Kwacha	29,5	9,4	(1,8)	37,1	–	–	–	–	37,1

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

The following significant exchange rates applied during the year:

	Current borrowings			
	30 June 2018		30 June 2017	
1FC = X ZAR	**Closing rate**	**Average for the year**	Closing rate	Average for the year
Australian Dollar	**10,1626**	**9,9761**	10,0806	10,2915
Botswana Pula	**1,3205**	**1,2921**	1,2850	1,2911
Euro	**16,0406**	**15,3652**	14,9625	14,8779
US Dollar	**13,7275**	**12,8877**	13,1250	13,6183
Zambian Kwacha	**1,3742**	**1,3265**	1,4384	1,4001

Sensitivity analysis

A 10 percent weakening of the Rand against the following currencies at 30 June applied against the net forecast foreign currency exposure for the next 12 months would result in the following changes to operating profit over a 12-month period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as 2017.

	Profit/(loss)	
	2018 R'm	2017 R'm
Australian Dollar	**26,6**	19,9
Botswana Pula	**8,7**	7,0
Euro	**63,2**	50,7
US Dollar	**(111,1)**	(136,4)
Zambian Kwacha	**4,9**	5,3
	(7,7)	(53,5)

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

35. Financial risk management continued

35.5 Market risk continued

Interest rate risk

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

Profile

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

	Carrying amount	
	2018 R'm	2017 R'm
Variable rate instruments		
– Financial assets[1]	**342,8**	247,7
– Financial liabilities[2]	**(1 579,1)**	(1 657,3)
	(1 236,3)	(1 409,6)

[1] Includes pension fund surplus and cash and cash equivalents.
[2] Includes overnight borrowings and bank overdraft.

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 an 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 2017.

	Profit/(loss)	
	2018 R'm	2017 R'm
Variable rate instruments		
– Financial assets	**3,4**	2,5
– Financial liabilities	**(15,8)**	(16,6)
Net cash flow sensitivity	**(12,4)**	(14,1)

36. Financial assets and liabilities

Accounting classifications and fair values

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

	Carrying amount					Fair value			
	Total carrying amount R'm	Fair value 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 2018									
Financial assets measured at fair value	73,5	73,5	–	–	73,5	–	73,5	–	73,5
Forward exchange contract derivative assets	61,5	61,5	–	–	61,5	–	61,5	–	61,5
Fuel swap derivative assets	12,0	12,0	–	–	12,0	–	12,0	–	12,0
	2 631,0	–	2 631,0	–	2 631,0	–	–	–	–
Contributions to Enterprise and Supplier Development initiatives	8,6	–	8,6	–	8,6	–	–	–	–
Trade and other receivables									
– Trade accounts	2 219,4	–	2 219,4	–	2 219,4	–	–	–	–
– Other receivables	60,2	–	60,2	–	60,2	–	–	–	–
Cash and cash equivalents	342,8	–	342,8	–	342,8	–	–	–	–
Financial liabilities measured at fair value	(78,6)	(78,6)	–	–	(78,6)	–	(78,6)	–	(78,6)
Forward exchange contract derivative liabilities	(39,7)	(39,7)	–	–	(39,7)	–	(39,7)	–	(39,7)
Cash-settled share-based payment liability	(38,9)	(38,9)	–	–	(38,9)	–	(38,9)	–	(38,9)
Financial liabilities not measured at fair value	(3 535,8)	–	–	(3 535,8)	(3 535,8)	–	–	–	–
Overnight call borrowings and bank overdrafts	(1 579,1)	–	–	(1 579,1)	(1 579,1)	–	–	–	–
Vessel finance liability	(33,5)	–	–	(33,5)	(33,5)	–	–	–	–
Trade and other payables									
– Trade payables	(1 096,4)	–	–	(1 096,4)	(1 096,4)	–	–	–	–
– Other payables and accrued expenses	(826,8)	–	–	(826,8)	(826,8)	–	–	–	–

36. Financial assets and liabilities continued

Accounting classifications and fair values continued

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

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables, overnight call borrowings and bank overdrafts and the vessel finance liability approximate their carrying amounts largely due to the short-term maturities of these instruments.

The different levels as disclosed in the table above have been defined as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

36. Financial assets and liabilities continued

Measurement of fair value

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Derivative assets and liabilities at fair value: used for hedging	Market comparison technique: The fair value of foreign currency contracts and fuel swaps (used for hedging) are marked-to-market by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date.	Not applicable	Not applicable
Cash-settled share-based payment liability	Refer to Note 33.		

There were no transfers between levels 1, 2 or 3 of the fair value hierarchy for the years ended 30 June 2018 and 30 June 2017.

37. Post-balance sheet date events

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

38. Going concern

The Group earned a net profit for the year ended 30 June 2018 of R1 675,8 million (2017: R1 553,2 million) and as of that date, its total assets exceeded its total liabilities by R5 146,4 million (2017: R4 851,7 million). The directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe the Group will not be a going concern in the year ahead.

ANNEXURE A – INTERESTS IN OTHER ENTITIES

as at 30 June 2018

Principal subsidiary companies of AVI Limited

Name of company and nature of business	Class	Issued permanent capital* 2018 R'm	2017 R'm	Group effective percentage holding 2018 %	2017 %
A&D Spitz Proprietary Limited – retailer of branded shoes and fashion accessories	Ord	–	–	100	100
AVI Investment Services Proprietary Limited – investment company	Ord	–	–	100	100
Green Cross Manufacturers Proprietary Limited – producer and retailer of branded shoes and footwear accessories	Ord	–	–	100	100
Hampton Sportswear Proprietary Limited – retailer of branded apparel	Ord	–	–	100	100
Irvin & Johnson Holding Company Proprietary Limited – international integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord	–	–	75	75
Indigo Brands Proprietary Limited – manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord	–	–	100	100
National Brands Limited – manufacturers and marketers of branded food and beverage products	Ord	3,5	3,5	100	100
Nina Roche Shoe Collection Proprietary Limited – retailer of branded shoes and fashion accessories	Ord	–	–	100	100

All companies are incorporated in South Africa.

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

OVERVIEW BUSINESS REVIEW GOVERNANCE ANNUAL FINANCIAL STATEMENTS SHAREHOLDER INFORMATION

ANNEXURE B – ANALYSIS OF ORDINARY SHAREHOLDERS

as at 30 June 2018

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000 shares	11 443	59,19	5 000 304	1,42
1 001 – 10 000 shares	6 403	33,12	18 896 979	5,37
10 001 – 100 000 shares	1 091	5,64	34 867 471	9,91
100 001 – 1 000 000 shares	340	1,76	98 202 421	27,92
1 000 001 shares and over	56	0,29	194 706 070	55,37
Total	19 333	100,00	351 673 245	100,0

Distribution of shareholders

Assurance companies	61	0,32	13 755 144	3,9
Close corporations	162	0,84	330 499	0,1
Collective investment schemes	600	3,10	132 319 847	37,6
Control accounts	2	0,01	69	0,0
Custodians	60	0,31	20 447 762	5,8
Foundations and charitable funds	216	1,12	3 626 195	1,0
Hedge funds	15	0,08	422 542	0,1
Insurance companies	23	0,12	843 867	0,2
Investment partnerships	70	0,36	276 963	0,1
Managed funds	119	0,62	17 432 574	5,0
Medical aid funds	36	0,19	1 084 391	0,3
Organs of State	18	0,09	54 720 155	15,6
Private companies	559	2,89	3 881 107	1,1
Public companies	10	0,05	1 971 776	0,6
Public entities	8	0,04	220 092	0,1
Retail shareholders	13 699	70,86	19 541 798	5,6
Retirement benefit funds	416	2,15	32 388 983	9,2
Scrip lending	15	0,08	863 107	0,2
Share schemes	2	0,01	6 523 980	1,9
Sovereign funds	8	0,04	9 543 983	2,7
Stockbrokers and nominees	32	0,17	990 438	0,3
Treasury	2	0,01	17 717 996	5,0
Trusts	3 190	16,50	12 754 530	3,6
Unclaimed scrip	10	0,05	15 447	0,0
Total	19 333	100,00	351 673 245	100,0

Shareholder type

Non-public shareholders	18	0,09%	76 511 303	21,8%
Directors and associates (excluding employee share schemes)	3	0,02%	887 500	0,3%
Government Employees Pension Fund	11	0,06%	51 381 827	14,6%
AVI Investment Services Proprietary Limited	1	0,01%	17 234 352	4,9%
Employee share schemes	3	0,02%	7 007 624	2,0%
Public shareholders	19 315	99,91%	275 161 942	78,2%
Total	19 333	100,00%	351 673 245	100,0%

Shareholder type continued

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Public Investment Corporation	45 591 801	13,0
Abax Investments	15 913 092	4,5
JP Morgan Asset Management	14 619 242	4,2
Schroder Investment Management	14 615 827	4,2
Morgan Stanley Investment Management	13 540 266	3,9
Stanlib Asset Management	12 787 161	3,6
Vanguard Investment Management	10 923 491	3,1
Total	127 990 880	36,4
Beneficial shareholders with a holding greater than 3% of the issued shares		
Government Employees Pension Fund	51 381 827	14,6
AVI Investment Services Proprietary Limited	17 234 352	4,9
JP Morgan Asset Management	11 134 992	3,2
Vanguard Investment Management	10 879 268	3,1
Total	90 630 439	25,8
Total number of shareholdings	19 333	
Total number of shares in issue	351 673 245	

Share price performance

Opening price 3 July 2017	R94,60
Closing price 30 June 2018	R108,20
Closing high for period	R122,51
Closing low for period	R94,70
Number of shares in issue	351 673 245
Volume traded during period	211 685 826
Ratio of volume traded to shares issued (%)	60,19
Rand value traded during the period	R22 135 811 066
Market capitalisation at 30 June 2018	R38 051 045 109

SHAREHOLDERS' DIARY

Reports and profit statements

Interim report announcement in press	Tuesday, 13 March
Annual results announcement in press	Tuesday, 11 September
Annual financial statements posted	Tuesday, 2 October

Final dividend

Dividends declared	Friday, 7 September
Details of dividends announcement on SENS	Monday, 10 September
Details of dividends announcement in press	Tuesday, 11 September
Last day to trade cum dividend on the JSE Limited ("JSE")	Tuesday, 9 October
First day trading ex dividend on the JSE	Wednesday, 10 October
Record date	Friday, 12 October
Payment date	Monday, 15 October

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE OF ANNUAL GENERAL MEETING

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

Notice is hereby given that the seventy-fourth Annual General Meeting of members of the Company will be held at 2 Harries Road, Illovo, Johannesburg, on Thursday, 1 November 2018 at 11:00 for the following purposes:

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

1. "That the annual financial statements for the year ended 30 June 2018, together with the reports of the directors, the independent auditors, and the Audit and Risk Committee, be and are hereby adopted."
2. "That Ernst & Young Inc. be and are hereby appointed as the external auditors of the Company."
3. "That Mr A Nühn, who will retire by rotation in accordance with the Company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."*
4. "That Mr MJ Bosman, who will retire by rotation in accordance with the Company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."*
5. "That Mr A Thebyane, who will retire by rotation in accordance with the Company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."*
6. "That Mr MJ Bosman, be and is hereby elected as a member and the Chairman of the Audit and Risk Committee."*
7. "That Mrs NP Dongwana, be and is hereby elected as a member of the Audit and Risk Committee."*
8. "That Mr JR Hersov, be and is hereby elected as a member of the Audit and Risk Committee."*

** Brief CVs of the directors appear on pages 58 and 59 of the Integrated Annual Report.*

To consider and, if deemed fit, to pass with or without modification, special resolutions 9 to 19. In terms of the Companies Act for a special resolution to be adopted, it must be supported by at least 75% of the total number of votes exercised on the resolution by shareholders present or represented by proxy at this meeting and entitled to vote thereon.

9. "That with effect from 1 July 2018 the fees payable to the current non-executive directors, excluding the Chairman of the Board and the foreign non-executive director, Mr A Nühn, be increased from R302 502 per year to R322 165 per year."
10. "That with effect from 1 July 2018 the fees payable to the Chairman of the Board be increased from R984 872 per year to R1 200 000 per year."
11. "That with effect from 1 July 2018 the fees payable to the foreign non-executive director, Mr A Nühn, remains at Euro 46 164 per year."
12. "That with effect from 1 July 2018 the fees payable to the members of the Remuneration, Nomination and Appointments Committee, excluding the Chairman of this committee, be increased from R103 518 per year to R110 247 per year."
13. "That with effect from 1 July 2018 the fees payable to the members of the Audit and Risk Committee, excluding the Chairman of this committee, be increased from R113 778 per year to R121 174 per year."
14. "That with effect from 1 July 2018 the fees payable to the members of the Social and Ethics Committee, excluding the Chairman of this committee, be increased from R76 258 per year to R81 215 per year."
15. "That with effect from 1 July 2018 the fees payable to the Chairman of the Remuneration, Nomination and Appointments Committee be increased from R225 439 per year to R240 093 per year. If the foreign non-executive director, Mr A Nühn, is Chairman of the Remuneration, Nomination and Appointments Committee, the fee remains at Euro 15 181 per year with effect from 1 July 2018."
16. "That with effect from 1 July 2018 the fees payable to the Chairman of the Audit and Risk Committee be increased from R243 842 per year to R259 692 per year."
17. "That with effect from 1 July 2018 the fees payable to the Chairman of the Social and Ethics Committee be increased from R113 778 per year to R121 174 per year."

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

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

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

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

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

19. "That the Company be and is hereby authorised, 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, for any purpose or in connection with any matter, including but not limited to, the subscription for any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company."

    The directors consider that such a general authority should be put in place in order to assist the Company inter alia to make inter-company loans to subsidiaries as well as to grant letters of support and guarantees in appropriate circumstances. The existence of a general authority would avoid the need to refer each instance to shareholders for approval. This general authority would be valid up to and including the 2020 Annual General Meeting of the Company.

To consider the non-binding ordinary resolution 20.

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

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

To consider the non-binding ordinary resolution 21.

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

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

To consider any other business.

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

Directors' statement

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

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

General information

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

- major beneficial shareholders – pages 136 and 147 to 149; and
- share capital of the Company page 120.

Directors' responsibility statement

The directors, whose names appear on pages 58 and 59 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to resolution 18 above and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the Listings Requirements of the JSE.

Material changes

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

Record date

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

- the record date for the purposes of receiving notice of the Annual General Meeting shall be the close of business on Friday, 21 September 2018; and
- the record date for the purposes of the Annual General Meeting (being the date on which a shareholder must be registered in the Company's share register in order to participate in and vote at the Annual General Meeting) shall be the close of business on Friday, 26 October 2018. Accordingly, the last day to trade to participate in and vote at the AGM is Tuesday, 23 October 2018.

Identification

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

Voting and proxies

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

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

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

A form of proxy is attached for the convenience of certificated shareholders and "own-name" dematerialised shareholders only, who are unable to attend the Annual General Meeting, but who wish to be represented thereat. For administrative purposes, duly completed forms of proxy should be received by the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) by not later than 11:00 on Tuesday, 30 October 2018. Any forms of proxy not lodged by this time may be lodged at the Annual General Meeting prior to its commencement.

By order of the Board

Sureya Scheepers
Company Secretary
2 Harries Road, Illovo
28 September 2018

FORM OF PROXY

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

For use only by shareholders holding certificated shares, nominee companies of a Central Securities Depository Participant ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own-name registration at the seventy-fourth Annual General Meeting of the Company, to be held at 2 Harries Road, Illovo, Johannesburg, 2196 at 11:00 on Thursday, 1 November 2018 ("Annual General Meeting").

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

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

I/We ______________________________

of (address) ______________________________

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

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

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

Resolution number		Number of votes (one vote per share)		
		In favour of	Against	Abstain
1.	Adoption of the financial statements for the year ended 30 June 2018			
2.	Appointment of Ernst & Young Inc. as the external auditors of the Company			
3.	Re-election of Mr A Nühn as a director			
4.	Re-election of Mr MJ Bosman as a director			
5.	Re-election of Mr A Thebyane as a director			
6.	Appointment of Mr MJ Bosman as a member and Chairman of the Audit and Risk Committee			
7.	Appointment of Mrs NP Dongwana as a member of the Audit and Risk Committee			
8.	Appointment of Mr JR Hersov as a member of the Audit and Risk Committee			
9.	Special resolution (increase in fees payable to non-executive directors, excluding the Chairman of the Board and the foreign non-executive director)			
10.	Special resolution (increase in fees payable to the Chairman of the Board)			
11.	Special resolution (increase in fees payable to the foreign non-executive director)			
12.	Special resolution (increase in fees payable to members of the Remuneration, Nomination and Appointments Committee)			
13.	Special resolution (increase in fees payable to members of the Audit and Risk Committee)			
14.	Special resolution (increase in fees payable to members of the Social and Ethics Committee)			
15.	Special resolution (increase in fees payable to Chairman of the Remuneration, Nomination and Appointments Committee)			
16.	Special resolution (increase in fees payable to Chairman of the Audit and Risk Committee)			
17.	Special resolution (increase in fees payable to Chairman of the Social and Ethics Committee)			
18.	Special resolution (general authority to buy back shares)			
19.	Special resolution (financial assistance to Group entities)			
20.	Ordinary resolution to endorse the remuneration policy (non-binding advisory vote)			
21.	Ordinary resolution to endorse the implementation report (non-binding advisory vote)			

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

Signed at ______________ on ______________ 2018

Signature ______________________________

Assisted by me (where applicable) ______________________________

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

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

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

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

3. For administrative purposes, duly completed forms of proxy should be received at the office of the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or posted to PO Box 61051, Marshalltown, 2107 to be received by not later than 11:00 on Tuesday, 30 October 2018. Any forms of proxy not lodged by this time may be lodged at the Annual General Meeting prior to its commencement.

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

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

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

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

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

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

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

ADMINISTRATION AND PRINCIPAL SUBSIDIARIES

Administration

Company registration

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

Company Secretary
Sureya Scheepers

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

Postal address
PO Box 1897
Saxonwold 2132
South Africa

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

Auditors

Ernst & Young Inc.
Appointed 30 January 2018

Sponsor

The Standard Bank of South Africa Limited

Commercial bankers

Standard Bank
FirstRand Bank

Transfer secretaries

Computershare Investor Services Proprietary Limited

Business address
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196

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

Principal subsidiaries

Food & Beverage brands

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

30 Sloane Street
Bryanston 2021

PO Box 5159
Rivonia 2128

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

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

1 Davidson Street
Woodstock
Cape Town 7925

PO Box 1628
Cape Town 8000

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

Fashion brands

Personal Care

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

16 – 20 Evans Avenue
Epping 1 7460

PO Box 3460
Cape Town 8000

Managing director
John Knox
Telephone: +27 (0)21 507 8500
Telefax: +27 (0)21 507 8501

Footwear & Apparel

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

29 Eaton Avenue
Bryanston 2021

PO Box 782916
Sandton 2145

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

Green Cross Manufacturers Proprietary Limited
Reg no: 1994/008549/07

26 – 30 Benbow Avenue
Epping Industria
7460

PO Box 396
Epping Industria 7475

Acting managing director
Simon Crutchley
Telephone: +27 (0)21 507 9700
Telefax: +27 (0)21 507 9707

Directors

Executive

Simon Crutchley
(Chief Executive Officer)

Owen Cressey
(Chief Financial Officer)

Michael Koursaris
(Business Development Director)

Independent non-executive

Gavin Tipper[1] (Chairman)
James Hersov[2]
Adriaan Nühn[1, 4]
Mike Bosman[2]
Andisiwe Kawa[1, 5]
Abe Thebyane[1]
Neo Dongwana[2, 3]

[1] *Member of the Remuneration, Nomination and Appointments Committee*
[2] *Member of the Audit and Risk Committee*
[3] *Member of the Social and Ethics Committee*
[4] *Dutch*
[5] *Resigned 27 February 2018*

GROWING GREAT BRANDS

WWW.AVI.CO.ZA