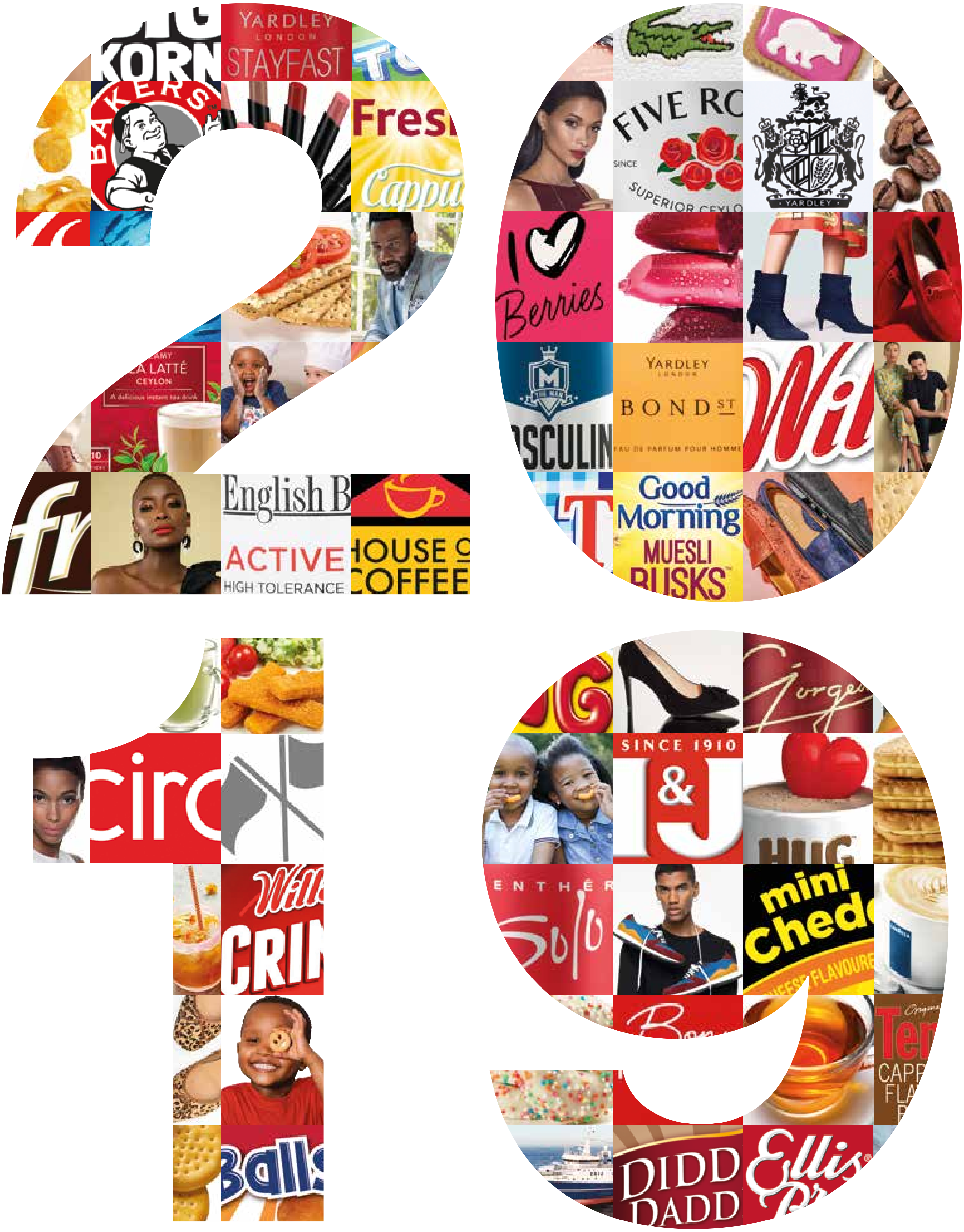
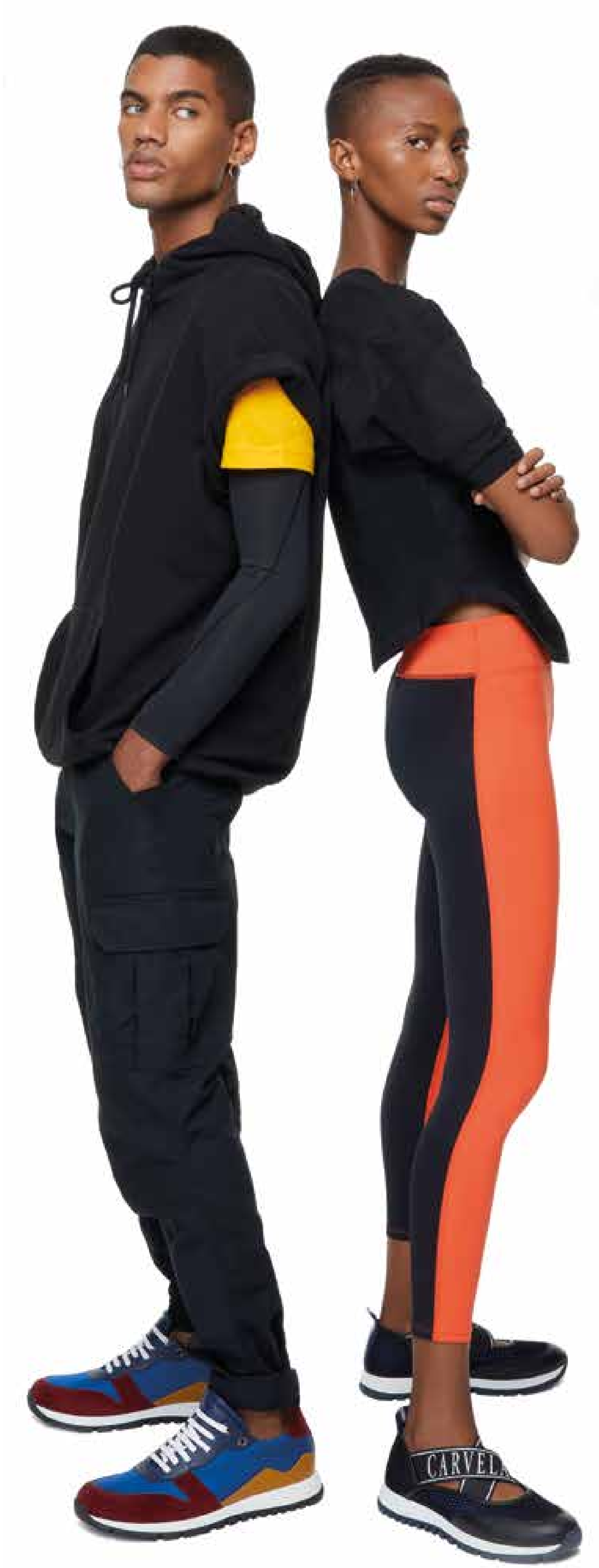


AVI

GROWING GREAT BRANDS

2019 COMPANY ANNUAL FINANCIAL STATEMENTS

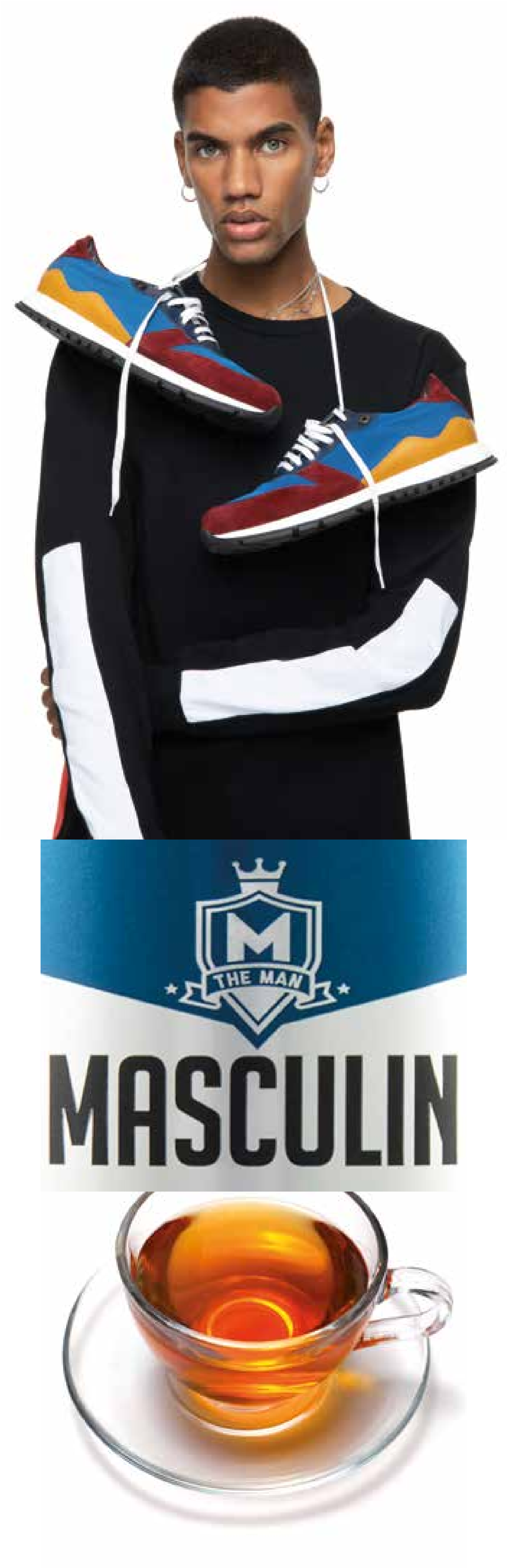


AVI LIMITED

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

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

AVI



contents

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

ANNUAL FINANCIAL STATEMENTS

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

These annual financial statements for the year ended 30 June 2019 were published on 9 September 2019.

directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of AVI Limited, comprising the balance sheet at 30 June 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the Directors' Report.

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

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

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

approval of annual financial statements

The annual financial statements of AVI Limited, as identified in the first paragraph, were approved by the Board of directors on 6 September 2019 and are signed by

GR TIPPER
Non-executive Chairman
Authorised director

SL CRUTCHLEY
Chief Executive Officer
Authorised director

certificate of the company secretary

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission for the financial year ended 30 June 2019, 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
6 September 2019

directors' report

The directors have pleasure in presenting their report for the year ended 30 June 2019.

Business of the Company

AVI Limited ("the Company"), which is registered and incorporated in the Republic of South Africa with a primary listing on the JSE Limited ("JSE"), and a secondary listing on A2X, 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 financial results and position of the Company are fully set out in the balance sheet, statement of comprehensive income, statement of cash flows and notes thereto.

Corporate activity

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

Share capital

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

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

General authority for the Company to acquire its own shares

The directors consider that it will be advantageous for the Company to have a general authority to acquire its own shares. Such authority will be utilised if the directors consider that it is in the best interests of the Company and shareholders to effect such acquisitions having regard to prevailing circumstances and the cash resources of the Company at the appropriate time. Accordingly, shareholders will be asked to approve such general authority at the Annual General Meeting on 7 November 2019.

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. The current general authority was granted by shareholders at the 2018 Annual General Meeting of the Company and is valid up to and including the 2020 Annual General Meeting of the Company.

Dividends

Dividends, paid and proposed, are disclosed in Note 16 to the financial statements.

Directorate

Mrs NP Dongwana resigned from the Board on 7 May 2019. Mrs A Muller was appointed to the Board on 1 July 2019. There were no other changes to the Board during the year under review.

In terms of the Company's Memorandum of Incorporation, Messrs JR Hersov, M Koursaris and S Crutchley 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 A Muller to the Audit and Risk Committee need to be approved at the forthcoming Annual General Meeting.

Directors' service contracts

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

Share schemes

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

Directors' interests

The interests of the directors in the issued listed securities of the Company, being ordinary shares of 5 cents each, as at 30 June 2019 and 30 June 2018, are as follows:

	Direct number	Beneficial indirect number	% of total
At 30 June 2019			
SL Crutchley	**800 000**	**–**	**0,23**
OP Cressey	**55 000**	**–**	**0,02**
M Koursaris	**82 500**	**–**	**0,02**
GR Tipper	**11 000**	**–**	**0,00**
Total	**948 500**	**–**	**0,27**
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

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 2019, according to the information available to the directors, were:

	Number of ordinary shares	%
Government Employees Pension Fund	**46 788 420**	**13,3**
AVI Investment Services Proprietary Limited	**17 234 352**	**4,9**
Vanguard Investment Management	**11 430 314**	**3,3**
MFS Investment management	**11 132 143**	**3,2**

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 7 September 2018, to the date of this report:

- To approve the fees payable to the current non-executive directors, excluding the Chairman of the Board and the foreign non-executive director.
- To approve the fees payable to the Chairman of the Board.
- To approve the fees payable to the foreign non-executive director.
- To approve the fees payable to the members of the Remuneration, Nomination and Appointments Committee, excluding the Chairman of the committee.
- To approve the fees payable to the members of the Audit and Risk Committee, excluding the Chairman of the committee.
- To approve the fees payable to the members of the Social and Ethics Committee, excluding the Chairman of the committee.
- To approve the fees payable to the Chairman of the Remuneration, Nomination and Appointments Committee.
- To approve the fees payable to the Chairman of the Audit and Risk Committee.
- To approve the fees payable to the Chairman of the Social and Ethics Committee.
- To authorise, by way of a general approval, the Company or any of its subsidiaries to acquire ordinary shares issued by the Company, in terms of the Companies Act and Listings Requirements of the JSE.
- To authorise the Company, in terms of section 45 of the Companies Act, to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related.

Post-reporting date events

At 30 June 2019, the Company's wholly owned subsidiary, AVI Investment Services Proprietary Limited ("AVI Investment Services") held 17 234 352 ordinary shares in the Company, which were acquired in the market pursuant to a share buy-back exercise in 2007, and funded by means of a loan from the Company. The balance of the loan at 30 June 2019 was R300,4 million (Note 2).

On 19 August 2019, AVI Investment Services effected a distribution in specie of these shares to the Company in its capacity as the holding company of AVI Investment Services. In addition, the Company waived the debt owing by AVI Investment Services.

The subsequent delisting and cancellation of the 17 234 352 ordinary shares, as approved by the JSE Limited, was effected on 29 August 2019.

The shares cancelled represented 4,89% of the issued share capital of the Company immediately prior to the cancellation. Post the cancellation, the issued share capital of the Company is 335 430 838 ordinary shares.

The delisting and cancellation of shares is expected to result in R312,3 million dividend income of which R0,9 million will be allocated against share capital and the balance to reserves. The waiver of debt of R300,4 million will be included in operating profit.

audit committee report

The Audit Committee is pleased to present its report for the financial year ended 30 June 2019 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 2018; and
   - The annual financial statements for the year ended 30 June 2019.
2. Considered and satisfied itself that the external auditors Ernst & Young are independent.
3. Approved the external auditors' budgeted fees and terms of engagement for the 2019 financial year.
4. Determined the non-audit related services which the external auditors were permitted to provide to AVI and reviewed the policy for the use of the external auditors for non-audit related services. All non-audit related service agreements between the AVI Group and the external auditors were pre-approved.
5. Satisfied itself that the necessary documentation and confirmations in terms of the JSE Listings Requirements were obtained from the external auditors.
6. Resolved to appoint BDO Inc. to perform the Group internal audit function from 1 July 2018.
7. Reviewed the Audit Committee charter in line with King IV recommendations.
8. Reviewed the internal audit charter in line with King IV recommendations.
9. Confirmed the internal audit plan for the 2019 financial year.
10. Reviewed the IT governance structure for the AVI Group.
11. Confirmed that adequate whistle-blowing facilities were in place throughout the AVI Group and reviewed and considered actions taken with regard to incident reports.
12. 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.
13. 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.
14. Conducted a self-evaluation exercise into its effectiveness.
15. Recommended to the Board the re-appointment 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 2020, which will be considered at the forthcoming Annual General Meeting.
16. Evaluated and satisfied itself as to the appropriateness of the expertise and experience of the Company's financial director.
17. Satisfied itself as to the expertise, resources and experience of the Company's finance function.

On behalf of the Audit Committee

MJ BOSMAN
Audit Committee Chairman
6 September 2019

independent auditors' report

To the shareholders of AVI Limited

Report on the audit of the separate annual financial statements

Opinion

We have audited the separate financial statements of AVI Limited ("the Group") set out on pages 10 to 40, which comprise the separate balance sheet as at 30 June 2019, and the directors' Remuneration Report, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the Company's financial position as at 30 June 2019, and its financial performance and separate 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 separate financial statements section of our report. We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the "IRBA Codes") and other independence requirements applicable to performing audits of financial statements of the Company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the Company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 separate financial statements of the current year. These matters were addressed in the context of our audit of the separate 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.

We have fulfilled the responsibilities described in the auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries Management performs an annual impairment test on the recoverability of the carrying amounts of investments and loan balances where impairment indicators exist as required by IAS 36 – *Impairment of Assets* and IFRS 9 – *Financial Instruments*. During the financial year, there was a restructuring plan that resulted in a change of business model of the Green Cross business from one that relied significantly on its manufacturing operation to a full import business. This resulted in the impairment of the remaining carrying amount of the share investment in Green Cross of R68,8 million and the Green Cross inter-company loan receivable of R90,8 million being impaired by R63,3 million. As disclosed in Note 1 the Company 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 judgements and assumptions concerning the future cash flows are therefore inherently uncertain and could change over time, and thus required significant audit attention. Refer to Note 1 – Investments in subsidiaries	Our audit procedures included, among others: • We involved EY internal valuation specialists 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; • We assessed the reliability of cash flow forecasts through a review of actual past performance and comparison to previous forecasts; • We assessed the recoverability of the loan balance by examining the entity's financial circumstances and ability to repay the debt; • We assessed the adequacy of the Company's disclosures in terms of IAS 36 – *Impairment of assets* and IFRS 9 – *Financial Instruments*, in relation to the investments and the loans included in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 40 page document titled "AVI Limited Separate Financial Statements for the year ended 30 June 2019" and in the 164 page document titled "AVI Limited Annual Report for the year ended 30 June 2019", the Directors' Report, the Audit Committee's Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa and the directors' responsibility statement. The other information does not include the separate financial statements and our auditors' report thereon.

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' 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.

Responsibilities of the directors for the separate financial statements

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

In preparing the separate financial statements, the directors are responsible for assessing the 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 separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

ERNST & YOUNG INC.

Ernst & Young Inc.

DIRECTOR – PENELOPE WITTSTOCK
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road, Sandton

6 September 2019

accounting policies

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

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with the 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 6 September 2019.

Basis of preparation

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

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

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

In particular, information about areas of estimation that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:
Note 1, 2 – estimation of recoverable amount of investments in subsidiaries
Note 1, 2 – estimation of expected cash flows from loans to subsidiaries
Note 8 – valuation of incentive scheme options
Note 18 – valuation of derivative financial instruments

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

Changes in accounting policies due to the adoption of new and revised accounting standards

The Company has changed its accounting policies following the adoption of the following new accounting standard, including any consequential amendments to other standards, in the preparation of these results.

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*.

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 Company have been assessed, considering contractual cash flow characteristics and the business models for managing financial assets and it was concluded that there is no impact on the measurement of financial assets as a result of the adoption of IFRS 9.

The standard is mandatory for accounting periods beginning on or after 1 January 2018 and has therefore been adopted by AVI for the year ended 30 June 2019. The Company has applied the standard retrospectively as at 1 July 2018, however, with no restatement of comparative information for prior years.

The 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. Financial assets to which the new impairment model applies have been assessed, with no impact on adoption of IFRS 9.

On 1 July 2018, financial assets previously classified as "Loans and receivables" were classified as "Debt instruments at amortised cost" under IFRS 9. Similarly, financial assets previously classified as "Financial assets at fair value through profit or loss" were classified as "Debt instruments, derivatives and equity instruments at fair value through profit or loss" under IFRS 9. On transition to IFRS 9, the carrying amount of these financial assets remained the same as the carrying amount reported at 30 June 2018 per IAS 39 (Note 21).

New standards and interpretations in issue not yet effective

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

Cash and cash equivalents

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

Dividends payable

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

Share-based payment transactions

Transactions in which a parent grants rights to its own equity instruments directly to the employees of its subsidiaries are classified as equity settled in the financial statements of the parent.

The parent recognises in equity the equity-settled share-based payment and recognises a corresponding increase in the investment in subsidiary.

Equity settled

The equity-settled share-based payment is measured at fair value at grant date and recognised 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 is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

Group share scheme recharge arrangements

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

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

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

Financial instruments

Financial instruments are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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

Financial asset classification and measurement
Since 1 July 2018
Financial assets are classified into the following three principal categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and debt instruments at amortised cost. The classification depends on the contractual cash flow characteristics and the business models for managing the financial assets, and is determined at the time of initial recognition.

Debt instruments, derivatives and equity instruments at fair value through profit or loss ("FVTPL")
Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as FVTPL.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

Financial assets at fair value through other comprehensive income ("FVTOCI")
Debt instruments
The Company measures debt instruments at FVTOCI if both of the following conditions are met:
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Equity instruments
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32 – *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

The Company does not have any financial assets classified as financial assets at FVTOCI.

Debt instruments at amortised cost
Debt instruments at amortised cost are measured at amortised cost using the effective interest method, less any impairment.

Amortised cost is calculated considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The Company measures financial assets at amortised cost if both of the following conditions are met:
- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Before 1 July 2018
Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss ("FVTPL")
Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Amortised cost is calculated considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available-for-sale ("AFS") financial assets
AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or at FVTPL.

Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in other reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other reserves is reclassified to profit or loss.

The Company does not have any financial assets classified as AFS financial assets.

Financial liability classification and measurement
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss ("FVTPL")
Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

The Company does not have any financial liabilities classified as financial liabilities at FVTPL.

Other financial liabilities
Other financial liabilities (including other payables) are subsequently measured at amortised cost using the effective interest method.

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

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

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

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

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

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

Impairment of non-financial assets

The carrying amounts of the Company's assets other than financial assets which are separately assessed and provided against where necessary, are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or related cash-generating unit's fair value less costs of disposal and its value in use.

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

Since 1 July 2018

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL) (Stage 1). For those credit exposures for which there has been a significant increase (significant change in the likelihood of receiving contractual outstanding amounts) in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL) (Stage 2/3). Stage 3 in particular relates to those financial instruments that are considered to be credit impaired.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts, taking into account credit enhancements that are part of the contractual terms and are not recognised separately by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Before 1 July 2018

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

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

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

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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 Company. 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.

Any cumulative loss in respect of an impaired available-for-sale financial asset accumulated in equity is transferred to profit or loss.

In addition, for financial assets that are debt securities, the reversal is also recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Recognition of revenue

Dividends

Dividends are recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividends will flow to the entity and the amount of dividends can be reliably measured, with the exception of dividends on cumulative preference share investments, which are recognised on a time proportion basis in the period to which they relate.

Share capital

Ordinary shares

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

Preference share capital

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

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

Repurchase of share capital

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

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

Investment in subsidiary companies

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

Capital items

Capital items are items of income and expense relating to the acquisition, disposal or impairment of investments, and businesses.

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 items are 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. 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 Company withholds dividend tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge but rather as part of the dividend paid, recognised directly in equity.

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

balance sheet

As at 30 June 2019	Notes	2019 R'm	2018 R'm
ASSETS			
Non-current assets			
Investments in subsidiaries	1, 2	**1 660,0**	1 869,0
Other investments	3	**180,5**	174,6
Group share scheme recharge receivable	4	**34,3**	48,2
Other long-term assets including derivatives	5	**420,3**	330,4
		2 295,1	2 422,2
Current assets			
Other receivables	6	**97,7**	118,8
Cash and cash equivalents	7	**524,4**	1 109,9
		622,1	1 228,7
Total assets		**2 917,2**	3 650,9
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	**17,6**	17,6
Share premium	8	**776,6**	697,4
Reserves	9	**284,2**	242,8
Retained earnings		**1 810,4**	2 663,6
Total equity		**2 888,8**	3 621,4
Current liabilities			
Other payables	10	**28,4**	29,5
Total equity and liabilities		**2 917,2**	3 650,9

statement of comprehensive income

For the year ended 30 June 2019	Notes	2019 R'm	2018 R'm
Revenue	11	**1 580,1**	1 745,5
Other income		**89,8**	46,3
Expected credit loss	1	**(63,3)**	–
Operating expenses		**(10,3)**	(13,0)
Operating profit	12	**1 596,3**	1 778,8
Finance costs	13	**(0,3)**	(1,2)
Capital items	1	**(68,8)**	(105,7)
Profit for the year		**1 527,2**	1 671,9
Taxation		**–**	–
Total comprehensive income for the year		**1 527,2**	1 671,9

statement of changes in equity

For the year ended 30 June 2019	Share capital and premium R'm	Reserves R'm	Retained earnings R'm	Total R'm
Balance at beginning of year	**715**	**242,8**	**2 663,6**	**3 621,4**
Total comprehensive income for the year				
Profit for the year	**–**	**–**	**1 527,2**	**1 527,2**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Share-based payments	**–**	**41,4**	**–**	**41,4**
Dividends paid	**–**	**–**	**(2 380,4)**	**(2 380,4)**
Issue of ordinary shares	**79,2**	**–**	**–**	**79,2**
Total contributions by and distributions to owners	**79,2**	**41,4**	**(2 380,4)**	**(2 259,9)**
Balance at end of year	**794,2**	**284,2**	**1 810,4**	**2 888,8**

For the year ended 30 June 2018	Share capital and premium R'm	Reserves R'm	Retained earnings R'm	Total R'm
Balance at beginning of year	646,5	205,6	2 461,7	3 313,8
Total comprehensive income for the year				
Profit for the year	–	–	1 671,9	1 671,9
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Share-based payments	–	37,2	–	37,2
Dividends paid	–	–	(1 470,0)	(1 470,0)
Issue of ordinary shares	68,5	–	–	68,5
Total contributions by and distributions to owners	68,5	37,2	(1 470,0)	(1 364,3)
Balance at end of year	715,0	242,8	2 663,6	3 621,4

statement of cash flows

For the year ended 30 June 2019	Notes	2019 R'm	2018 R'm
Cash flows from operating activities			
Cash generated by operations	14	**1 592,3**	1 795,0
Interest paid	13	**(0,3)**	(1,2)
Net cash available from operating activities		**1 592,0**	1 793,8
Cash flows from investing activities			
Increase in amounts owing by subsidiary companies		**(0,3)**	(0,2)
Decrease in amount owing by subsidiary company		**124,0**	–
Net cash available from/(utilised in) investing activities		**123,7**	(0,2)
Cash flows from financing activities			
Proceeds on issue of shares	15	**79,2**	68,5
Payment to I&J BBBEE shareholders	18	**–**	(65,0)
Ordinary dividends paid	16	**(1 498,7)**	(1 470,0)
Special dividend paid	16	**(881,7)**	–
Net cash utilised in financing activities		**(2 301,2)**	(1 466,5)
(Decrease)/increase in cash and cash equivalents		**(585,5)**	327,1
Cash and cash equivalents at beginning of year		**1 109,9**	782,8
Cash and cash equivalents at end of year		**524,4**	1 109,9

	2019 R'm	2018 R'm
1. Investments in subsidiaries		
Unlisted – shares in owned subsidiaries	**1 448,5**	1 448,5
Loans to subsidiary companies	**422,3**	546,2
	1 870,8	1 994,7
Share-based payments capitalised	**188,7**	141,7
Impairment allowance	**(305,1)**	(267,4)
Expected credit loss allowance – loans	**(94,4)**	–
Total investments in subsidiaries	**1 660,0**	1 869,0
Impairment allowance		
Balance at beginning of year	**(267,4)**	(161,7)
Impact of changes in accounting policies*	**31,1**	–
Impairment loss recognised	**(68,8)**	(105,7)
Balance at end of year in respect of investments in shares	**(305,1)**	(267,4)
Expected credit loss allowance		
Balance at beginning of year	**–**	–
Impact of changes in accounting policies*	**(31,1)**	–
Expected credit loss allowance recognised	**(63,3)**	–
Balance at end of year in respect of inter-company loans	**(94,4)**	–

Investments in subsidiary companies are stated at cost, less expected credit loss allowances and impairment allowances from 1 July 2018 following the adoption of IFRS 9 – *Financial Instruments*.

The carrying amounts of the Company's share investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

*From 1 July 2018, borrowings to subsidiaries are assessed to determine whether an allowance for expected credit loss should be recognised calculated as the difference between the contractual cash flows due and the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. In line with this, on 1 July 2018, R31,1 million relating to a loan granted to Nina Roche Shoe Collection Proprietary Limited, previously classified as an impairment allowance, has been reclassified as an expected credit loss allowance (stage 3).

The Green Cross business was acquired on 1 March 2012. An additional impairment of R68,8 million was processed in the current year, resulting in the initial investment in shares of R305,0 million being fully impaired by 30 June 2019. This is after a disappointing year for Green Cross, recognising the longer period required to grow the business to AVI's target profitability in the current constrained environment.

Further to this, an expected credit loss of R63,3 million (stage 2) was recognised against the shareholder loan of R90,8 million.

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

The value in use of the Green Cross business has been determined as R230 million (2018: R285 million) discounting future cash flows at 17,5%. This value is based on forecast improvements in profits and working capital in line with management plans in progress.

Refer to Note 2 for the gross carrying amounts of investments and loans to subsidiaries, and related allowances.

2. Principal subsidiary companies

Name of company and nature of business	Class	Issued permanent capital[1] 2019 R'm	2018 R'm	Effective percentage holding 2019 %	2018 %	Shares at book value 2019 R'm	2018 R'm	Indebtedness to the Company[2] 2019 R'm	2018 R'm
A&D Spitz Proprietary Limited Retailer of branded shoes and fashion accessories	Ord	–	–	100	100	576,6	576,6	–	–
AVI Investment Services Proprietary Limited Investment Company	Ord	–	–	100	100	–	–	300,4	300,1
Green Cross Manufacturers Proprietary Limited Producer and retailer of branded shoes and footwear accessories	Ord	–	–	100	100	305,0	305,0	90,8	90,8
Hampton Sportswear Proprietary Limited Retailer of branded apparel	Ord	–	–	100	100	20,7	20,7	–	–
Irvin & Johnson Holding Company Proprietary Limited International integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord	–	–	75	75	319,1	319,1	–	–
Indigo Brands Proprietary Limited Manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord	–	–	100	100	–	–	–	124,0
National Brands Limited Manufacturers and marketers of branded food and beverage products	Ord	3,5	3,5	100	100	227,1	227,1	–	–
Nina Roche Shoe Collection Proprietary Limited Retailer of branded shoes and fashion accessories	Ord	–	–	100	100	–	–	31,1	31,1
						1 448,5	1 448,5	422,3	546,2
Expected credit loss allowance/impairment allowance									
– Green Cross (Note 1)						(305,0)	(236,2)	(63,3)	–
– Nina Roche						(0,1)	(0,1)	(31,1)	(31,1)
Share-based payments capitalised						188,7	141,7	–	–
						1 332,1	1 353,9	327,9	515,1

All companies are incorporated in South Africa.

The loan to Indigo Brands Proprietary Limited was settled in the current year per the instruction of the Company.

[1] *Where Rand amount is less than R1 million is indicated as "–".*
[2] *The loans are interest free and have no fixed repayment terms, and the Company has no intention to recall these loans within the next 12 months.*

3. Other investments

	Shares held		Effective percentage holding		Book value of investment	
	2019 number	2018 number	2019 %	2018 %	2019 R'm	2018 R'm
Name of company and nature of business						
Main Street 198 Proprietary Limited						
– Cumulative redeemable convertible "A" preference shares	**800**	800	**100**	100	**165,2**	159,3
I&J Black Staff Holding Company Proprietary Limited						
– Cumulative redeemable preference shares	**50 000**	50 000	**100**	100	**15,3**	15,3
					180,5	174,6

The 25% black empowerment shareholding in I&J is held by two investment nominee companies (Note 18). AVI has subscribed for preference shares in Main Street 198 Proprietary Limited and I&J Black Staff Holding Company Proprietary Limited (collectively referred to as "the empowerment consortia"), the investment nominee companies owned by these empowerment investors, to fund the acquisition of the I&J shares. The net preference share investment represents the original subscription price plus arrear preference dividends, less a capping allowance, if applicable, to limit the recognition of preference dividend income to the equivalent attributable earnings of I&J.

None of the investments are listed on a stock exchange.

4. Group share scheme recharge receivable

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

The Group recharge receivable has been accounted for as follows:

	2019 R'm	2018 R'm
Group share scheme recharge receivable at fair value (Note 19)	**87,0**	92,6
Less: short-term portion reflected in other receivables (Note 6)	**(52,7)**	(44,4)
Long-term portion of receivable at fair value	**34,3**	48,2
The AVI Out-Performance Scheme		
Share price	**R91,36**	R108,20
Terms (years)	**0,25 – 2,25**	0,25 – 2,25
Expected vesting percentage based on Total Shareholder Return ("TSR") performances	**50 – 70**	50 – 70
Vesting multiple based on relative TSR performance	**0,9 – 1,8**	0,9 – 1,8
The AVI Deferred Bonus Share Plan		
Award price	**R106,84**	R97,55
The Revised Executive Share Incentive Scheme		
Share price	**R91,36**	R108,20
Award price	**R89,27 – R106,84**	R97,77 – R108,74

	2019 R'm	2018 R'm
5. Other long-term assets including derivatives		
On-charge receivable from subsidiary (Note 19)	**72,0**	52,5
Call option assets (Note 18)	**348,3**	277,9
	420,3	330,4
6. Other receivables		
Short-term portion of Group share scheme recharge receivable (Note 4)	**52,7**	44,4
Loan receivable from subsidiary (Note 19)	**45,0**	74,4
	97,7	118,8
7. Cash and cash equivalents		
AVI Group Treasury call deposit (Note 19)	**524,0**	1 109,6
Bank balances	**0,4**	0,3
	524,4	1 109,9
The AVI Group Treasury call deposit is interest free and receivable on demand.		
8. Share capital and premium		
Share capital		
Authorised		
Ordinary share capital		
960 000 000 (2018: 960 000 000) ordinary shares of 5 cents each	**48,0**	48,0
Preference share capital		
10 000 000 (2018: 10 000 000)	**2,0**	2,0
Total authorised share capital	**50,0**	50,0
Issued		
352 665 190 (2018: 351 673 245) ordinary shares of 5 cents each	**17,6**	17,6
Total issued share capital	**17,6**	17,6
Share premium		
Balance at beginning of year	**697,4**	629,0
Premium on issue of ordinary shares	**79,2**	68,4
Balance at end of year	**776,6**	697,4
Total issued share capital and premium	**794,2**	715,0

Subsequent to year end, 17 234 352 ordinary shares were delisted and cancelled. Refer to Note 17.

8. Share capital and premium continued

Share incentive schemes

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

The AVI Executive Share Incentive Scheme

Eligible participants are awarded share options which vest after the completion of a three-year service period. Upon vesting, participants are 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 per instrument R	Instruments outstanding at 30 June 2018 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2019 number**
1 April 2014	53,38	89 250	–	(89 250)	–	**–**
1 October 2014	67,47	8 710	–	(3 018)	–	**5 692**
1 April 2015	84,45	316 246	–	(46 848)	–	**269 398**
1 October 2015	82,67	224 242	–	(166 168)	(13 572)	**44 502**
1 April 2016	83,06	526 448	–	(16 903)	(4 700)	**504 845**
		1 164 896	–	(322 187)	(18 272)	**824 437**
Weighted average award price (R)		80,97	–	74,69	82,77	**83,39**
Weighted average share price on date of exercise (R)				101,55		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2019 is 0,0 years (2018: 0,4 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 on the fifth anniversary of such date will lapse. Exercises in any period prior to vesting in the third year represent the portion allowed to be exercised on retirement, death, disability or retrenchment.

The scheme was replaced by the Revised AVI Executive Share Incentive Scheme in November 2016 with no further allocations since.

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 2018 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2019 number**
23 November 2016	94,07	233 652	–	(8 469)	(36 209)	**188 974**
1 April 2017	101,79	545 829	–	(4 836)	(55 333)	**485 660**
1 October 2017	97,77	293 661	–	(3 981)	(51 574)	**238 106**
1 April 2018	108,73	621 715	–	–	(175 009)	**446 703**
1 October 2019	106,84	–	294 921	–	(27 329)	**267 592**
1 April 2019	89,27	–	906 927	–	(36 819)	**870 108**
		1 694 854	1 201 848	(17 286)	(382 273)	**2 497 143**
Weighted average award price (R)		102,57	93,58	97,08	102,85	**98,24**
Weighted average share price on date of exercise (R)				96,51		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2019 is 1,8 years (2018: 2,1 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 on the fifth anniversary of such date will lapse. Exercises in any period prior to vesting in the third year represent the portion allowed to be exercised on retirement, death, disability or retrenchment.

8. Share capital and premium continued

The AVI Deferred Bonus Share Plan

The 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 over this vesting period. Participants are eligible to receive dividends and vote at shareholder meetings.

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2018 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2019 number**
18 November 2016	88,59	303 747	–	(7 920)	(25 941)	**269 886**
1 October 2017	97,55	171 245	–	(1 746)	(17 184)	**152 315**
1 October 2018	106,84	–	241 675	(597)	(11 264)	**229 814**
		474 992	241 675	(10 263)	(54 389)	**652 015**
Weighted average award price (R)		91,82	106,84	91,18	95,20	**97,12**
Weighted average share price on date of exercise (R)				98,32		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2019 is 1,2 years (2018: 1,6 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.

The AVI Out-Performance Scheme

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

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

At the measurement date in respect of each tranche:
- AVI's TSR and the TSR of each peer in the peer group for that tranche will be determined;
- the TSR of each peer in the peer group will be ranked in ascending order in 10 performance deciles; and
- depending on the peer group decile within which AVI's TSR will be ranked, a vesting multiple of between 0 times and 3,6 times will be applied to the notional shares to determine the number of shares allocated to the participant upon vesting. No shares vest if AVI's TSR is ranked below the 50th peer group percentile.

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

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

8. Share capital and premium continued

The AVI Out-Performance Scheme continued

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2018 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2019 number**
1 October 2015	81,56	248 562	–	(248 562)	–	**–**
1 October 2016	92,35	216 444	–	–	(14 684)	**201 760**
1 October 2017	98,57	271 865	–	–	(17 853)	**254 012**
1 October 2018	110,52	–	284 481	–	(28 501)	**255 980**
		736 871	284 481	(248 562)	(61 308)	**711 752**
Weighted average award price (R)		91,01	110,52	81,56	104,16	**100,91**
Weighted average share price on date of exercise (R)				100,54		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2019 is 1,3 years (2018: 1,3 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 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 final allocation was made in December 2011 and the final tranche vested on 31 December 2018. The scheme established in terms of the Trust deed has terminated and no further allocations will be made.

The remaining share options at 30 June 2019 in respect of good leavers have lapsed in terms of the scheme rules. These options remain unexercised despite ongoing attempts to trace the affected participants. The Trustees have, however, resolved to allow these participants to exercise their share options should they be traced in future.

Date of award	Award price R	Exercise price[1] R	Instruments outstanding at 30 June 2018 number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2018 number**
January 2007	15,51	0,78	31 328	–	–	**31 328**
October 2007	19,58	9,17	66	–	–	**66**
April 2008	16,49	2,42	6 011	(6 011)	–	**–**
April 2009	16,16	–	990	–	–	**990**
October 2009	18,48	2,80	6 972	(974)	–	**5 998**
April 2010	23,47	11,42	1 048	–	–	**1 048**
October 2010	25,32	13,72	1 218	–	–	**1 218**
April 2011	29,55	21,72	7 690	(1 486)	–	**6 204**
October 2011	32,29	25,35	175 501	(171 575)	(1 606)	**2 320**
December 2011	37,25	33,63	21 914	(20 465)	(1 417)	**32**
			25 738	(200 511)	(3 023)	**49 204**
Weighted average award price (R)			29,66	32,24	34,61	**18,88**
Weighted average share price on date of exercise (R)				103,70		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2019 is 0,0 years (2018: 0,2 years).

[1] *The exercise price is calculated at 30 June 2019 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.

8. Share capital and premium 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 Group's existing share incentive schemes ("the schemes"). The total number of share instruments, options or instruments convertible into ordinary shares which may be allocated for purposes of the schemes are detailed in the table below.

Share incentive scheme	Authorised number	% of total issued share capital*	Remaining authorised but not issued number
AVI Executive Share Incentive Scheme	–	0,0	–
Revised AVI Executive Share Incentive Scheme	5 213 369	1,5	5 209 627
AVI Deferred Bonus Share Plan	5 213 369	1,5	4 485 013
AVI Out-Performance Scheme	6 915 158	2,0	5 470 229
Total	17 341 896	5,0	15 164 869

** As at date authority was granted.*

Each participant may not acquire share instruments or options under the schemes which would amount in aggregate to more than 7 053 304 ordinary shares, which presently equates to 2,0% of the total issued share capital of the Company.

	2019 R'm	2018 R'm
9. Reserves		
The balance at end of year comprises:		
Share-based payment reserve	**284,2**	242,8
	284,2	242,8

Share-based payment reserve

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

	2019 R'm	2018 R'm
10. Other payables		
Inter-company payables (Note 19)	**22,2**	23,7
Other payables and accrued expenses	**6,2**	5,8
	28,4	29,5

The inter-company payable is interest bearing and payable on demand.

	2019 R'm	2018 R'm
11. Revenue		
Dividends – unlisted companies	**1 580,1**	1 745,5
Dividends were received from:		
– Subsidiary companies (Note 19)	**1 563,8**	1 729,6
– Other investments	**16,3**	15,9
	1 580,1	1 745,5

12. Operating profit

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

	2019 R'm	2018 R'm
Change in fair value of call option assets (Note 18)	**(70,4)**	(37,4)
Income on recognition of on-charge receivable	**(19,3)**	(8,9)
Auditors' remuneration		
– Fee for audit	**0,1**	0,3
– Fee for taxation services and consultations	**0,5**	0,2

Details of the directors' remuneration are given in the related party disclosure (Note 19).

	2019 R'm	2018 R'm
13. Finance costs		
Interest expense on borrowings	0,3	1,2
14. Cash generated by operations		
Operating profit before finance costs and capital items	1 596,2	1 778,8
Adjusted for:		
Non-cash items	(32,3)	(46,4)
– On-charge income recognised in profit and loss	(19,3)	(8,9)
– Change in fair value of call option assets	(70,4)	(37,4)
– Movement in expected credit loss allowance	63,3	–
– Other non-cash items	(5,9)	(0,1)
Cash generated by operations before working capital changes	1 564,0	1 732,4
Change in working capital	28,3	62,6
Decrease in other receivables	29,4	53,1
(Decrease)/increase in other payables	(1,1)	9,5
Cash generated by operations	1 592,3	1 795,0
15. Proceeds on issue of shares		
Own ordinary shares issued	79,2	68,5
16. Dividends paid		
Ordinary dividends paid	1 498,7	1 470,0
Special dividend paid	881,7	
Dividend paid and reflected in statement of changes in equity	2 380,4	1 470,0
Ordinary shares		
No 88 of 243 cents, paid 16 October 2017		855,0
No 89 of 175 cents, paid 23 April 2018		615,0
No 90 of 260 cents, paid 15 October 2018	916,9	
No 91 of 250 cents, paid 15 October 2018	881,7	
No 92 of 165 cents, paid 23 April 2019	581,8	
	2 380,4	1 470,0
Ordinary dividend No 93 of 250 cents in respect of the year ended 30 June 2019 was declared on 6 September 2019 and is payable on 14 October 2019. 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.	838,6	

Dividends declared post 1 April 2012 have been declared out of income reserves and are subject to Dividend Withholding Tax at a rate of 20% in respect of those shareholders who are not exempt from paying Dividend Withholding Tax.

17. Post-balance sheet events

At 30 June 2019, the Company's wholly owned subsidiary, AVI Investment Services Proprietary Limited ("AVI Investment Services") held 17 234 352 ordinary shares in the Company, which were acquired in the market pursuant to a share buy-back exercise in 2007, and funded by means of a loan from the Company. The balance of the loan at 30 June 2019 was R300,4 million (Note 2).

On 19 August 2019, AVI Investment Services effected a distribution in specie of these shares to the Company in its capacity as the holding company of AVI Investment Services. In addition, the Company waived the debt owing by AVI Investment Services.

The subsequent delisting and cancellation of the 17 234 352 ordinary shares, as approved by the JSE Limited, was effected on 29 August 2019.

The shares cancelled represented 4,89% of the issued share capital of the Company immediately prior to the cancellation. Post the cancellation, the issued share capital of the Company is 335 430 838 ordinary shares.

The delisting and cancellation of shares is expected to result in R312,3 million dividend income of which R0,9 million will be allocated against share capital and the balance to reserves. The waiver of debt of R300,4 million will be included in operating profit.

18. 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.

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

Post the implementation of the above transactions the effective BBBEE shareholding in I&J is 25% (2018: 25%).

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

	2019 R'm	2018 R'm
Main Street 198 Proprietary Limited	**165,2**	159,3
I&J Black Staff Holding Company Proprietary Limited	**15,3**	15,3

The investment in redeemable preference shares is measured at amortised cost using the effective interest method. Preference dividend income is recognised in profit or loss at the preference dividend rate over the period that it is earned. The preference share investment is assessed for impairment at each reporting date taking into consideration the earnings attributable to the BBBEE shareholders and is recognised in profit or loss, if impaired. No impairment has been recognised for the year ended 30 June 2019 (2018: Rnil).

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

Main Street

The I&J shareholders' agreement provides for a put option whereby Main Street can require AVI to purchase its shareholding in I&J, and a call option whereby AVI can acquire Main Street's shareholding in I&J. The exercise price of the put and call options is determined by a fixed formula per the shareholders' agreement, largely based on I&J's earnings. During June 2018, the exercise date was extended from July 2018 to July 2022. As part of the extension, a minimum guaranteed exercise price was agreed with Main Street based on the application of the fixed formula at 30 June 2018, of which R65,0 million was paid to Main Street.

A derivative financial asset (call option asset) or liability (put option liability) is recognised to the extent that Main Street's interest in the estimated fair value of I&J exceeds or falls short of the forecast exercise price. The derivative financial instrument is accounted for in terms of IAS 39 – *Financial Instruments: Recognition and Measurement* (for the year end 30 June 2018) and IFRS 9 – *Financial Instruments* (for the year end 30 June 2019). The adoption of IFRS 9 did not result in a change in accounting treatment. The value of the derivative financial instrument when the put or call option is exercised will be included as part of AVI's equity investment in I&J upon reacquiring the I&J shares. The derivative financial instrument was adjusted by the part payment of the minimum guaranteed exercise price in the prior year.

I&J Black Staff HoldCo

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

A derivative financial asset (call option asset) or liability (put option liability) is recognised to the extent that I&J Black Staff HoldCo's interest in the estimated fair value of I&J exceeds or falls short of the forecast exercise price. The derivative financial instrument is accounted for in terms of IAS 39 – *Financial Instruments: Recognition and Measurement* (for the year end 30 June 2018) and IFRS 9 – *Financial Instruments* (for the year end 30 June 2019). The adoption of IFRS 9 did not result in a change in accounting treatment. The value of the derivative financial instrument when the put or call option is exercised will be included as part of AVI's equity investment in I&J upon reacquiring the I&J shares.

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

18. Broad Based Black Economic Empowerment ("BBBEE") transactions continued

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

	2019 R'm	2018 R'm
Fair value of call option assets at beginning of year	277,9	175,5
Changes in fair value recognised in profit or loss	70,4	37,4
Payment made to Main Street	–	65,0
Fair value of call option assets at end of year	348,3	277,9

19. Related party transactions

Transactions with Group entities

	2019 R'm	2018 R'm
Administration fees paid to a subsidiary – AVI Financial Services Proprietary Limited	0,7	0,6
Dividends received from subsidiaries (Note 11)	1 563,8	1 729,6
Loans to subsidiary companies (Note 2)	327,9	515,1
Call account maintained with AVI Group Treasury – AVI Financial Services Proprietary Limited (Note 7)	524,0	1 109,6
On-charge receivable from subsidiary (Note 5) – Irvin & Johnson Limited	72,0	52,5
Loan receivable from subsidiary (Note 6) – The AVI Limited Executive Share Incentive Scheme	45,0	74,4
Group share scheme recharge receivable from subsidiaries (Note 4)	87,0	92,6
Other payables to subsidiaries (Note 10) – Irvin & Johnson Black Staff Holding Company Proprietary Limited	22,2	23,7

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

Ordinary shares

The beneficial holders of 3% or more of the issued ordinary shares of the Company at 30 June 2019 according to the information available to the directors were:

	Number of ordinary shares	%
Government Employees Pension Fund	46 788 420	13,3
AVI Investment Services Proprietary Limited	17 234 352	4,9
Vanguard Investment Management	11 430 314	3,3
MFS Investment Management	11 132 143	3,2

Directors of the Company

Directors' emoluments

The following emoluments were paid to directors of the Company:

	Salary R'000	Bonus and performance-related payments R'000	Pension fund contributions R'000	Gains on exercise of share incentive instruments* R'000	Other benefits and allowances R'000	2019 Total R'000	2018 Total R'000
Executive directors							
SL Crutchley	8 949	10 527	710	18 015	264	38 465	48 029
OP Cressey	5 557	4 597	432	10 696	52	21 334	18 741
M Koursaris	3 833	3 286	478	10 191	36	17 824	11 828
	18 339	18 410	1 620	38 902	352	77 623	78 598

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

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

	2019 R'000	2018 R'000

19. Related party transactions continued

Directors of the Company continued

Directors' emoluments continued

Non-executive directors' and committee fees	2019 R'000	2018 R'000
GR Tipper (Chairman)	**1 740**	1 553
JR Hersov	**443**	448
A Nühn[1]	**1 007**	1 035
MJ Bosman	**669**	716
A Kawa[2]	**–**	368
AM Thebyane	**432**	438
NP Dongwana[3]	**517**	574
Total non-executive directors' and committee fees	**4 808**	5 132
Total directors' emoluments	**82 431**	83 730

[1] *Paid in Euros.*
[2] *Resigned 27 February 2018.*
[3] *Resigned 7 May 2019.*

	2019 R'000	2018 R'000
The IFRS 2 charge in respect of share incentive instruments granted to directors is as follows:		
SL Crutchley	**10 311**	7 705
OP Cressey	**4 843**	3 651
M Koursaris	**3 616**	2 692
	18 770	14 048

Share incentive scheme interests

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

The AVI Executive Share Incentive Scheme

Name	Date of award	Award price per instrument (exercise price) R	Instruments outstanding at 30 June 2018 number	Awarded number	Exercised number	Relinquished[1] number	**Instruments outstanding at 30 June 2019 number**
SL Crutchley	1 April 2015	84,45	128 252	–	–	–	**128 252**
	1 April 2016	83,06	149 693	–	–	–	**149 693**
OP Cressey	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**
			485 427	–	(143 385)	–	**342 042**

[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.*

19. Related party transactions continued

The Revised AVI Executive Incentive Scheme

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2018 number	Awarded number	Exercised number	Relinquished number[1]	Instruments outstanding at 30 June 2019 number
SL Crutchley	1 April 2017	101,79	127 258	–	–	–	**127 258**
	1 April 2018	108,73	178 728	–	–	(53 872)	**124 856**
	1 April 2019	89,27	–	261 227	–	–	**261 227**
OP Cressey	1 October 2016	94,07	74 489	–	–	–	**74 489**
	1 October 2017	97,77	78 122	–	–	–	**78 122**
	1 October 2018	106,84	–	110 254	–	(27 329)	**82 925**
M Koursaris	1 April 2017	101,79	48 198	–	–	–	**48 198**
	1 April 2018	108,73	67 806	–	–	(19 670)	**48 136**
	1 April 2019	89,27	–	94 975	–	–	**94 975**
			574 601	466 456	–	(100 871)	**940 186**

[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 8).

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

The AVI Out-Performance Scheme

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2018 number	Awarded number	Exercised number	Relinquished number	Instruments outstanding at 30 June 2019 number
SL Crutchley	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**
	1 October 2018	110,52	–	53 872	–	–	**53 872**
OP Cressey	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**
	1 October 2018	110,52	–	27 329	–	–	**27 329**
M Koursaris	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**
	1 October 2018	110,52	–	19 670	–	–	**19 670**
			290 565	100 871	(99 053)	–	**292 383**

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

19. Related party transactions continued

The AVI Deferred Bonus Share Plan

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2018 number	Awarded number	Exercised number	Relinquished number	**Instruments outstanding at 30 June 2019 number**
SL Crutchley	18 November 2016	88,59	74 892	–	–	–	**74 892**
	1 October 2017	97,55	27 185	–	–	–	**27 185**
	1 October 2018	106,84	–	73 898	–	–	**73 898**
OP Cressey	18 November 2016	88,59	33 003	–	–	–	**33 003**
	1 October 2017	97,55	12 229	–	–	–	**12 229**
	1 October 2018	106,84	–	31 490	–	–	**31 490**
M Koursaris	18 November 2016	88,59	24 003	–	–	–	**24 003**
	1 October 2017	97,55	8 904	–	–	–	**8 904**
	1 October 2018	106,84	–	22 505	–	–	**22 505**
			180 216	127 893	–	–	**308 109**

The AVI Deferred Bonus Share Plan was approved by shareholders at the Annual General Meeting held on 3 November 2016 with the first allocation on 18 November 2016 (refer Note 8).

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.

20. Financial risk management

20.1 Overview

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

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

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

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

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

20.2 Capital management

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

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

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

20. Financial risk management continued

20.3 Credit risk

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

Cash and cash equivalents and other investments

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

Guarantees

The Company's policy is to provide limited financial guarantees in respect of banking facilities for subsidiaries. At 30 June 2019 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, Ciro Full Service Beverage Company Limited, Irvin & Johnson Aquaculture Proprietary Limited and Irvin & Johnson Property Holding Company Proprietary Limited (2018: AVI Financial Services Proprietary Limited, National Brands Limited, Irvin & Johnson Holding Company Proprietary Limited, A&D Spitz Proprietary Limited and Green Cross Manufacturers Proprietary Limited).

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

Subordination agreement

The Company has subordinated its right to claim or accept repayment of its loan from Green Cross Manufacturing Proprietary Limited in favour of the other creditors until the assets of Green Cross Manufacturing Proprietary Limited, fair valued, exceed its liabilities.

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:

	2019 R'm	2018 R'm
Loans to subsidiaries	**327,9**	515,1
Other investments	**180,5**	174,6
Other receivables*	**45,0**	74,4
Cash and cash equivalents	**524,4**	1 109,9
	1 077,8	1 874,0

* *Excludes Group share scheme recharge receivable.*

20.4 Liquidity risk

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

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

	Carrying amount R'm	Contractual cash flows R'm	6 months or less R'm	6 – 12 months R'm	+1 – 5 years R'm	More than 5 years R'm
30 June 2019						
Non-derivative financial liabilities						
Other payables	**28,4**	**28,4**	**28,4**	**–**	**–**	**–**
30 June 2018						
Non-derivative financial liabilities						
Other payables	29,5	29,5	29,5	–	–	–

20. Financial risk management continued

20.5 Market risk

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

Interest rate risk

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

Profile

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

	Carrying amount	
	2019 R'm	2018 R'm
Variable rate instruments		
– financial assets	**704,9**	1 284,5
– financial liabilities	**–**	–
	704,9	1 284,5

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date, calculated on the closing balances and using simple interest for 12 months, would have decreased profit by the amounts shown below. A decrease of 100 basis points would have had the equal but opposite effect to the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	2019 R'm	2018 R'm
Variable rate instruments		
– financial assets	**7,0**	12,8
– financial liabilities	**–**	–
Net cash flow sensitivity	**7,0**	12,8

21. Financial assets and liabilities

Accounting classifications and fair values

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

	CARRYING AMOUNT			FAIR VALUE HIERARCHY		
	Assets	Debt instruments, derivatives and equity instruments at fair value through profit or loss	Debt instruments at amortised cost	Level 1	Level 2	Level 3
	Liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost			
	R'm	R'm	R'm	R'm	R'm	R'm
30 June 2019						
Financial assets	1 585,0	507,2	1 077,8	–	87,0	420,3
On-charge receivable	71,9	71,9	–			71,9
Loans to subsidiary companies	327,9	–	327,9			
Preference shares	180,5	–	180,5			
Call option assets	348,3	348,3	–			348,4
Group share scheme recharge receivable	87,0	87,0	–		87,0	
Other receivables	45,0	–	45,0			
Cash and cash equivalents	524,4	–	524,4			
Financial liabilities	(28,5)	–	(28,5)	–	–	–
Other payables and accrued expenses	(28,5)	–	(28,5)			

21. Financial assets and liabilities continued

Accounting classifications and fair values continued

	CARRYING AMOUNT			FAIR VALUE HIERARCHY		
	Assets	Financial assets at fair value through profit or loss	Loans and receivables at amortised cost	Level 1	Level 2	Level 3
	Liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost			
	R'm	R'm	R'm	R'm	R'm	R'm
30 June 2018						
Financial assets	2 296,8	422,8	1 874,0	–	92,4	277,9
On-charge receivable	52,5	52,5	–			52,5
Loans to subsidiary companies	515,1	–	515,1			
Preference shares	174,6	–	174,6			
Call option assets	277,9	277,9	–			277,9
Group share scheme recharge receivable	92,4	92,4	–		92,4	
Other receivables	74,4	–	74,4			
Cash and cash equivalents	1 109,9	–	1 109,9			
Financial liabilities	(29,5)	–	(29,5)	–	–	–
Other payables and accrued expenses	(29,5)	–	(29,5)			

Management has assessed that the fair values of borrowings by subsidiary companies, preference shares, cash and cash equivalents, other receivables and other payables 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).

Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Measurement of fair value

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

Financial instruments measured at fair value

Derivative financial instruments have been recognised for the call and put options relating to I&J's BBBEE transactions (Note 18). These derivative financial instruments have been accounted for in terms of IAS 39 – *Financial Instruments: Recognition and Measurement* (for the year end 30 June 2018) and IFRS 9 – *Financial Instruments* (for the year end 30 June 2019). The adoption of IFRS 9 did not result in a change in accounting treatment.

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

21. Financial assets and liabilities continued

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Derivative financial instruments at fair value in respect of call option assets, and on-charge receivable.	The call option assets are measured as the difference between I&J's estimated fair value and the forecast option exercise price. The on-charge receivable from I&J is measured as the difference between the forecast option exercise price and the forecast preference share balance. A discounted cash flow valuation model as well as a Monte Carlo valuation model is used to determine the forecast option exercise price and forecast preference share balance by considering the present value of expected cash flows discounted to a present value using a risk free discount rate. The expected cash flows are determined with reference to a fixed formula, taking into account the minimum guaranteed exercise price (for the Main Street arrangement), which forms the basis for future payments and considers the I&J Group forecast headline earnings over the applicable measurement period taking cognisance of historical earnings volatility. Given the complexity of I&J's business and historical headline earnings volatility, the determination of forecast earnings is challenging, however, greater certainty will be achieved closer to vesting date. I&J's estimated fair value is determined by: – evaluating the reasonability of its net asset value; – assessing future earnings prospects; and – considering specific factors unique to an asset of its nature. In the current year an estimated fair value of net asset value plus 20% has been used in the calculation of the call option assets.	1. I&J's forecast headline earnings are impacted by exchange rates, hake resource performance, quota allocation and selling prices in export markets; and 2. Discount rate of 6,5% based on the R208 bond rate which has a similar maturity date.	The estimated fair value would increase/(decrease) if: 1. The headline earnings were higher/(lower); and 2. The discount rate were lower/(higher).

There were no transfers between levels 1, 2 or 3 of the fair value hierarchy for the years ended 30 June 2019 and 30 June 2018.

A reconciliation of the movement in the fair value of the call option assets has been disclosed in Note 18.

22. Segment reporting

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

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

AVI

GROWING GREAT BRANDS

WWW.AVI.CO.ZA