



GROWING GREAT BRANDS

2020 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS





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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

These annual financial statements were published on Monday, 7 September 2020.

The annual financial statements of the Company are presented separately from the consolidated annual financial statements and were approved by the directors on 4 September 2020, the same date as these consolidated financial statements. The separate annual financial statements are available at the Company's registered office.

directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of AVI Limited, comprising the balance sheet at 30 June 2020, 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 annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

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

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

approval of annual financial statements

The consolidated annual financial statements of AVI Limited, which appear on pages 3 to 9 and 13 to 72, were authorised for issue by the Board of directors on 4 September 2020 and are signed on their behalf.



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 2020, 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
4 September 2020

directors' report

Business of the Group

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

Financial

The results of operations for the year are set out in the statement of comprehensive income on page 29.

Revenue and operating profit before capital items were as follows:

	2020 R'm	2019 R'm
REVENUE	13 209,7	13 150,9
OPERATING PROFIT BEFORE CAPITAL ITEMS	2 334,5	2 522,5

Further details are provided in the segmental report, which follows the Directors' Report.

Impact of COVID-19 on financial results

The outbreak of COVID-19 has been a significant event during the year. Most business units and the majority of the Group's suppliers and customers have been able to operate during the COVID-19 lockdown restrictions. The Group has therefore remained cash generative, been able to pay employees and suppliers, and support parts of the business that were not able to operate during the lockdown period, most notably the retail operations.

Protocols are in place across all business units to mitigate against the impact of COVID-19. In addition, the Group has sufficient borrowing facilities to manage disruptions to operational cash flows and to continue to support its business units.

The Group has taken into account the JSE COVID-19 related guidance notes, as well as the related educational documents prepared by SAICA regarding the impact of COVID-19 on the application of IFRS, in the preparation of these financial statements. Specific disclosure has been provided in the notes to these financial statements where the impact has been material.

In addition, disclosure has been provided regarding estimates made in applying IFRS, as well as financial instrument risk disclosures, none of which have been materially impacted by COVID-19. The Group does not make any judgements in applying IFRS.

Going concern

The Group earned a net profit for the year ended 30 June 2020 of R1 947,3 million (2019: R1 604,5 million) and as of that date, its total assets exceeded its total liabilities by R5 018,4 million (2019: R4 539,3 million). The Directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe that the Group will not be a going concern in the year ahead.

Share capital

Details of the Company's authorised and issued share capital are given in Note 10 to the financial statements, on page 41.

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.

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. 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.

The delisting and cancellation of shares has resulted in a R299,3 million reduction of treasury shares balance, of which R0,9 million has been allocated against share capital and the balance to share buy-back reserve, with no impact on earnings or earnings per share.

directors' report continued

Corporate activity

There have been no significant changes to investments during the year, apart from the above delisting and cancellation of shares and the sale of I&J's interest in its joint venture with Simplot Australia Proprietary Limited (Note 4).

Issues and redemptions during the year

A summary of the movement in the number of ordinary shares in issue during the year is given in Note 10 to the financial statements, on page 41.

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 5 November 2020.

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. Accordingly, shareholders will be asked to approve such general authority at the Annual General Meeting on 5 November 2020.

Dividends

Dividends, paid and proposed, are disclosed in Note 31 to the financial statements on page 51.

Directorate

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 ("Mol"), Messrs OP Cressey, GR Tipper and MJ Bosman retire at the forthcoming Annual General Meeting. All of the retiring Directors, being eligible, offer themselves for re-election.

In terms of the Companies Act, the appointments of Messrs MJ Bosman (Chairman), A Nuhn and Mrs A Muller to the Audit and Risk Committee needs to be approved at the forthcoming Annual General Meeting.

Directors' service contracts

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

Share schemes

Particulars of the Group's various share incentive schemes are set out in Note 33, on page 52 of the financial statements.

directors' report continued

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 2020 and 30 June 2019, are as follows:

	Direct number	Beneficial indirect number	% of total
At 30 June 2020			
SL Crutchley	800 000	–	0,24
OP Cressey	40 000	–	0,01
M Koursaris	57 500	–	0,02
GR Tipper	11 000	–	0,00
Total	908 500	–	0,27
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

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 2020, according to the information available to the directors, were:

	Number of ordinary shares	%
Government Employees Pension Fund	49 039 717	14,6
Old Mutual Group	19 986 202	6,0
MFS Investment Management	12 354 214	3,7
Vanguard Investment Management	11 106 023	3,3

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 6 September 2019 to the date of this report.

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

Post-reporting date events

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

directors' remuneration report

Share incentive scheme interests

The AVI Executive Share Incentive Scheme

Name	Date of award	Award price per instrument (exercise price) R	Instruments outstanding at 30 June 2019 number	Awarded number	Exercised/lapsed number	Relinquished ¹ number	Instruments outstanding at 30 June 2020 number
SL Crutchley	1 April 2015	84,45	128 252	–	(128 252)	–	–
	1 April 2016	83,06	149 693	–	–	–	149 693
M Koursaris	1 April 2016	83,06	64 097	–	(64 097)	–	–
			342 042	–	(192 349)	–	149 693

The Revised AVI Executive Share Incentive Scheme

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2019 number	Awarded number	Exercised/lapsed number	Relinquished ¹ number	Instruments outstanding at 30 June 2020 number
SL Crutchley	1 April 2017	101,79	127 258	–	–	–	127 258
	1 April 2018	108,73	124 856	–	–	(76 798)	48 058
	1 April 2019	89,27	261 227	–	–	–	261 227
	1 April 2020	69,75	–	361 080	–	–	361 080
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	82 925	–	–	(38 598)	44 327
	1 October 2019	83,91	–	150 210	–	–	150 210
M Koursaris	1 April 2017	101,79	48 198	–	–	–	48 198
	1 April 2018	108,73	48 136	–	–	(27 781)	20 355
	1 April 2019	89,27	94 975	–	–	–	94 975
	1 April 2020	69,75	–	130 064	–	–	130 064
			940 186	641 354	–	(143 177)	1 438 363

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 33).

All options vest three years after grant date, and lapse on the fifth anniversary of the grant date.

directors' remuneration report continued

The AVI Out-Performance Scheme

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2019 number	Awarded number	Exercised/lapsed number	Relinquished number	Instruments outstanding at 30 June 2020 number
SL Crutchley	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
	1 October 2019	83,73	–	76 798	–	–	76 798
OP Cressey	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
	1 October 2019	83,73	–	38 598	–	–	38 598
M Koursaris	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
	1 October 2019	83,73	–	27 781	–	–	27 781
			292 383	143 177	(95 353)	–	340 207

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

The AVI Deferred Bonus Share Plan

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2019 number	Awarded number	Vested number	Relinquished number	Instruments outstanding at 30 June 2020 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
	1 October 2019	83,91	–	37 340	–	–	37 340
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
	1 October 2019	83,91	–	15 764	–	–	15 764
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
	1 October 2019	83,91	–	11 346	–	–	11 346
			308 109	64 450	(131 898)	–	240 661

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 33).

All instruments vest three years after award date. Upon vesting, the shares become unrestricted in the hands of participants.

directors' remuneration report continued

Emoluments

	2020						2019 R'000
	Salary R'000	Bonus and performance- related payments R'000	Pension fund contributions R'000	Gains on exercise of share incentive instruments* R'000	Other benefits and allowances R'000	Total R'000	
Executive directors							
SL Crutchley	9 676	4 642	766	11 433	515	27 032	38 465
OP Cressey	5 946	1 943	462	5 464	55	13 870	21 334
M Koursaris	4 102	1 398	512	4 455	38	10 505	17 824
	19 724	7 983	1 740	21 352	608	51 407	77 623

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

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

	2020 R'000	2019 R'000
Non-executive directors' and committee fees		
GR Tipper (Chairman)	1 853	1 740
JR Hersov	361	443
A Nühn ¹	1 028	1 007
MJ Bosman	713	669
A Muller ²	590	–
AM Thebyane	599	432
NP Dongwana ³	–	517
	5 144	4 808
	56 551	82 431

¹ Paid in Euros.

² Appointed 1 July 2019.

³ Resigned 7 May 2019.

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

	2020 R'000	2019 R'000
SL Crutchley	10 416	10 311
OP Cressey	4 849	4 843
M Koursaris	3 566	3 616
	18 831	18 770

audit committee report

The Audit Committee is pleased to present its report for the financial year ended 30 June 2020 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 2019; and
 - the annual financial statements for the year ended 30 June 2020.
2. Considered and satisfied itself that the external auditor Ernst & Young Inc. are independent.
3. Approved the external auditor's budgeted fees and terms of engagement for the 2020 financial year.
4. Determined the non-audit related services which the external auditor was 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 auditor were pre-approved.
5. Satisfied itself that the necessary documentation and confirmations in terms of the JSE requirements were obtained from the external auditor.
6. Resolved that BDO Inc. would continue to perform the internal audit function during the financial year.
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 2020 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 auditor and Mrs P Wittstock as the registered auditor responsible for the audit for the year ending 30 June 2021, 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

4 September 2020

independent auditor's report

To the shareholders of AVI Limited

Report on the audit of the consolidated annual financial statements

Opinion

We have audited the consolidated annual financial statements of AVI Limited and its subsidiaries ("the Group") set out on pages 6 to 8 and 13 to 69, which comprise the consolidated balance sheet as at 30 June 2020, the directors' Remuneration Report, the segment reporting, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's 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 consolidated annual financial statements.

independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill and trademarks</p> <p>Management performs an impairment test on the recoverability of the intangibles as well as the goodwill as required by International Financial Reporting Standards which is subjective in nature due to the estimates having to be made of future performance.</p> <p>Refer to note 3 – Intangible Assets and Goodwill.</p> <p>As disclosed in Note 3 to the consolidated annual financial statements (Intangible Assets and Goodwill), the Group uses a discounted cash flow model to determine the value in use for each cash generating unit, on the basis of the following key assumptions:</p> <ul style="list-style-type: none">• revenue and profit growth;• discount rates; and• growth rate used to extrapolate cash flows beyond the budget period. <p>During the second half of the financial year, the COVID-19 global pandemic arrived in South Africa and brought with it a significant negative impact on the South African economy. The pandemic has created new uncertainties around the above revenue and growth rate assumptions. More specifically, there is uncertainty around the duration of the pandemic and timing of the recovery of the economy. These factors have made the timing and amount of future cash flows more uncertain, when they are already inherently uncertain.</p> <p>A significant portion of the Group's goodwill and trademarks' value relates to its retail businesses.</p> <p>Given the above, impairment testing, particularly in the retail businesses, required significant audit attention in the current year through extended sensitivity testing and stress tests with different economic recovery scenarios with the use of our valuation experts.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none">• We involved the EY internal valuation specialists in our team to assist in evaluating management's impairment methodology and key assumptions used in the impairment calculations;• Together with the EY internal valuation specialists, we assessed management's impairment methodology by comparing it to best practices and the requirements of IAS 36;• Our valuation specialists calculated independent weighted average cost of capitals ("WACCs") to compare to management's WACCs. Our independent WACC recalculation was based on publicly available market data for comparable companies for each of the material cash-generating units ("CGUs");• For assumptions based on historical results, we compared the cash flow forecasts to past performance (particularly as it relates to historical working capital levels and gross profit margins);• For assumptions based on future trends and where the risk of an altered economy was present:<ul style="list-style-type: none">• We vouched CPI assumptions to current market information, which we obtained externally;• We stress tested the retail businesses' revenue cash flows by determining the impact of a delayed economic recovery, by pushing the cashflow forecasts out by one year;• We have considered the actual trading results of the retail businesses post year end in our assessment of the reasonability of the revenue cash flow projections.• We have performed sensitivity analyses around all the key assumptions used in the impairment model. We did this by increasing and decreasing the following assumptions in the model to determine the impact on the headroom between the value of the recorded assets of the CGU and the value in use as calculated by the impairment calculation model:<ul style="list-style-type: none">• The WACC used to discount the cash flows• Revenue, overhead and terminal value growth rates• Gross profit margins• Working capital requirements;• We assessed the historical reliability of cash flow forecasts prepared by management through a review of actual past performance compared to previous forecasts to understand management's ability to accurately estimate future cash flows;• We assessed the disclosures relating to goodwill and trademarks in terms of IAS 36.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 72 page document titled "AVI 2020 Consolidated Annual Financial Statements", which includes 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, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated annual financial statements and our auditor's report thereon.

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

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

independent auditor's report continued

Responsibilities of the directors for the consolidated annual financial statements

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

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

Auditor's responsibilities for the audit of the consolidated annual financial statements

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 three years.

Ernst & Young Inc.

ERNST & YOUNG INC.
DIRECTOR – PENELOPE WITTSTOCK
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road, Sandton

4 September 2020

segment reporting

	Food and beverage brands					
	National brands					
	Entyce Beverages		Snackworks		Total	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Revenue	3 849,0	3 822,6	4 365,1	3 890,9	8 214,1	7 713,5
Total segment revenue	3 849,0	3 822,6	4 365,1	3 890,9	8 214,1	7 713,5
Intersegment revenue	–	–	–	–	–	–
Revenue from contracts with customers	3 849,0	3 822,6	4 365,1	3 890,9	8 214,1	7 713,5
Operating profit/(loss) before capital items	846,6	838,3	910,2	723,1	1 756,8	1 561,4
Share of equity accounted earnings of joint ventures	–	–	–	–	–	–
Operating profit/(loss) from ordinary activities	846,6	838,3	910,2	723,1	1 756,8	1 561,4
Income from investments					3,7	2,9
Interest expense					(166,0)	(190,3)
Taxation					(454,9)	(394,8)
Segment profit before capital items					1 139,6	979,2
Capital items (after tax)						
Profit for the year						
Segment assets					4 069,5	4 317,5
Segment liabilities					2 926,8	3 325,9
Additions to property, plant and equipment					173,2	252,2
Depreciation and amortisation					245,8	242,4
Impairment losses					–	2,6
Number of employees at year end					2 688	3 007**

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

** Restated in respect of temporary employees not correctly converted to full-time equivalent employees.

Segmental revenue and operating profit for both the year ended 30 June 2020 and 30 June 2019 are presented in accordance with the Group's internal accounting presentation which takes into account the impact of new accounting standards IFRS 15, IFRS 16 and IFRS 9 adopted on 1 July 2018.

segment reporting continued

Fashion brands

I&J		Personal Care		Footwear & apparel		Corporate & consolidation		Total	
2020 R'm	2019 R'm	2020 R'm	2019 R'm	2020 R'm	2019 R'm	2020 R'm	2019 R'm	2020 R'm	2019 R'm
2 327,9	2 507,2	1 192,7	1 111,4	1 475,0	1 818,8	–	–	13 209,7	13 150,9
2 327,9	2 507,2	1 192,7	1 111,4	1 475,0	1 818,8	119,7	112,0	13 329,4	13 262,9
–	–	–	–	–	–	(119,7)	(112,0)	(119,7)	(112,0)
2 327,9	2 507,2	1 192,7	1 111,4	1 475,0	1 818,8	–	–	13 209,7	13 150,9
237,8	407,9	150,2	237,2	202,2	328,5	(12,5)	(12,5)	2 334,5	2 522,5
17,4	42,2	–	–	–	–	–	–	17,4	42,2
255,2	450,1	150,2	237,2	202,2	328,5	(12,5)	(12,5)	2 351,9	2 564,7
0,4	4,5	–	–	0,4	0,6	5,3	(2,0)	9,8	6,0
(4,2)	(4,8)	(0,3)	(0,4)	(26,2)	(41,0)	21,4	35,7	(175,3)	(200,8)
(72,3)	(123,3)	(23,4)	(50,1)	(50,2)	(69,4)	(35,9)	(36,1)	(636,7)	(673,7)
179,1	326,5	126,5	186,7	126,2	218,7	(21,7)	(14,9)	1 549,7	1 696,2
								397,6	(91,7)
								1 947,3	1 604,5
2 658,3	2 660,3	865,4	867,2	1 898,4	1 941,7	277,1	8,6	9 768,7	9 795,3
1 099,6	814,5	683,4	651,3	1 341,9	1 297,6	(1 301,5)	(833,3)	4 750,2	5 256,0
137,3	103,1	25,0	44,5	28,9	55,5	12,2	17,3	376,6	472,6
100,0	101,4	35,0	30,9	194,6	197,5	19,1	20,2	594,5	592,4
–	3,7	–	–	18,4	119,5	–	–	18,4	125,8
2 059	2 098	359	437	1 303	1 452	3 415*	3 445*	9 824	10 439

segment reporting continued

Basis of segment presentation

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

Identification of reportable segments

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

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

Segment revenue excludes Value Added Taxation and includes intersegment revenue. Revenue from contracts with customers represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis.

Segment operating profit before capital items represents segment revenue less segment operating expenses, excluding capital items included in Note 22.

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

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

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

Reportable segments

National Brands

Entyce Beverages

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

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

Snackworks

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

I&J

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

Fashion brands

Fashion brands provide personal care and footwear and apparel offerings.

Personal Care

Indigo Brands, which forms the base for the personal care segment, creates, manufactures and distributes leading body spray, fragrance, cosmetics and body lotion products. These products are sold primarily in South Africa and neighbouring countries.

Footwear & apparel

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

segment reporting continued

Reportable segments continued

Corporate

The corporate office provides strategic direction, as well as financial, treasury, legal and information technology services to the largely autonomous subsidiaries.

Other entities in this segment comprise the various staff share scheme trusts.

Geographical information

The Group's operations are principally located in South Africa. The Australian asset comprises I&J's interest in an Australian fish processing joint venture with Simplot (Australia) Proprietary Limited which was disposed of in November 2019 (refer Note 4).

Major customers

The Group's most significant customers, being two South African retailers, individually contribute more than 10% of the Group's revenue (R3 293,0 million in the current year and R3 069,9 million in the previous year) in the National Brands, I&J and Personal Care segments.

Segmental revenue by market	2020 R'm	%	2019 R'm	%
The Group's consolidated revenue by geographic market, regardless of where goods were produced, was as follows:				
South Africa	10 649,6	80,6	10 445,0	79,5
Other African countries	1 172,0	8,9	1 071,6	8,1
Rest of the world	1 388,1	10,5	1 634,3	12,4
Total segmental revenue	13 209,7	100,0	13 150,9	100,0
Analysis of non-current assets* by geographic area				
South Africa	4 451,9	99,3	4 549,6	92,3
Rest of Africa	32,9	0,7	27,5	0,6
Australia **	–	0,0	347,4	7,1
	4 484,8	100,0	4 924,5	100,0

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

** The Group no longer holds non-current assets in Australia following the sale of I&J's interest in the Simplot joint venture (refer Note 4).

accounting policies

AVI Limited (the "Company") is a South African registered company. The consolidated annual financial statements of the Company for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group" or "AVI") and the Group's interest in joint ventures.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. The financial statements were approved for issue by the Board of directors on 4 September 2020.

Basis of preparation

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

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

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

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

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

- Note 1 – useful lives and residual values of property, plant and equipment;
- Note 3 – useful lives and impairment tests on intangible assets;
- Note 6 – utilisation of tax losses;
- Note 12 – lease terms applied in calculating lease liabilities;
- Note 13 – measurement of defined benefit obligations; and
- Note 34 – measurement of cash-settled share-based payment liabilities relating to BBBEE transactions.

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

The Group has adopted the following new or amended accounting standards in the preparation of these results, which became effective for the Group from 1 July 2019:

COVID-19-Related Rent Concessions – amendments to IFRS 16 Leases

The Group, which early adopted IFRS 16 on 1 July 2018, has adopted the amendments to IFRS 16 which provide optional relief to lessees from applying the IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, lessees can elect to treat these rent concessions as if they were not lease modifications, and instead as variable lease payments.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; and
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Applying the practical expedient has resulted in total concessions of R14,3 million being recognised as a credit to selling and administrative expenses on the statement of comprehensive income, and a reduction of lease liabilities repaid on the statement of cash flows.

IFRIC 23 Uncertainty over Income Tax treatments

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 *Income Taxes* are applied where there is uncertainty over income tax treatments. The interpretation applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. In adopting the interpretation, the Group has considered and applied the requirements of IFRIC 23 and concluded that there are no material items for disclosure.

accounting policies continued

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 Group and management has concluded that they are not applicable to the business of the Group and will therefore have no impact on future financial statements.

Basis of consolidation

Subsidiaries

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

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

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

Joint arrangements

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

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

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

Eliminations on consolidation

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

Goodwill

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

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

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

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

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

Premiums and discounts arising on subsequent purchases from, or sales to, non-controlling interests in subsidiaries

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

accounting policies continued

Broad Based Black Economic Empowerment (BBBEE) transactions

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

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

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

Borrowing costs

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

Cash and cash equivalents

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

Capital items

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

Capital items relate to separately identifiable remeasurements (not adjusted for related taxation and related non-controlling interests) other than remeasurements specifically included in headline earnings as defined in Circular 1/2019 *Headline earnings*.

Dividends payable

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

Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

Defined benefit obligations

The Group's obligation to provide post-retirement medical aid benefits is a defined benefit obligation. The projected unit credit method is used to measure the present value of the obligation and the cost of providing these benefits. Current service costs and interest costs are recognised in profit or loss in the period incurred.

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

Other long-term employee benefits

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

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

accounting policies continued

Termination benefits

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

Share-based payment transactions

Group share-based payment transactions

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

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

Equity settled

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

BBBEE transactions

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

Group share scheme recharge arrangements

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

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

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

Fair value measurement

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

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

accounting policies continued

Fair value measurement continued

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

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

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

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

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

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Note 8 – Biological assets.
- Note 37 – Financial assets and liabilities.

Financial instruments

Financial instruments are recognised on the Group's balance sheet when the Group 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 Group 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

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.

The Group does not have any financial assets at fair value through other comprehensive income.

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 Group 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.

Debt instruments at amortised cost

Debt instruments at amortised cost (including trade and other receivables, bank balances and cash) 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 Group 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 or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial liability classification and measurement

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

accounting policies continued

Financial liability classification and measurement continued

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 Group 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 on re-measurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings and trade and 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 Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments

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

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

Hedging

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

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

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

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

Derecognition

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

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

Foreign currencies

Foreign currency transactions

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

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

accounting policies continued

Foreign operations

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

Government grants

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

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

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

Impairment of non-financial assets

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

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

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

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

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

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

Impairment of financial assets

The Group 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 Group 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 two 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). For those credit exposures for which there has been a significant increase 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).

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

For trade receivables the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

accounting policies continued

Intangible assets

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

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

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

Inventories

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

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

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

Biological assets

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

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset is physically distinct, or if not physically distinct, the lessee has the right to use substantially all of the capacity of the asset during the lease term. If a contract contains more than one lease component, or a combination of leasing and selling transactions, the consideration is allocated to each of the lease and non-lease components on conclusion, and on each subsequent measurement, of the contract on the basis of their relative standalone selling prices.

Lessee

Leases are accounted for based on a "right-of-use model". The model reflects that, at the commencement date, a lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term. The lessor conveys that right to use the underlying asset at lease commencement, which is the time when it makes the underlying asset available for use by the lessee.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The lease term also takes into account the likelihood of exercising a renewal option.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment regarding purchase of the underlying asset.

accounting policies continued

Variable lease payments

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

Certain of the Group's retail outlets are subject to contingent rentals which are determined with reference to the respective store's annual turnover. Turnover rentals are calculated as a percentage of the value of sales that exceed agreed targets, and expensed as part of variable lease payments when incurred.

COVID-19 related rent concessions

The Group treats rent concessions occurring as a direct consequence of the COVID-19 pandemic as variable lease payments when all of the following conditions are met:

- The change in lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; and
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group currently does not have any finance leases.

Operating lease payments are recognised as income on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as income in the period in which they are earned.

Property, plant and equipment

Recognition and measurement

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

Subsequent costs

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

Vessels

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

Depreciation

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

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

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

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

accounting policies continued

Derecognition

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

Provisions

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

Revenue recognition

Revenue from contracts with customers mostly comprises the sale of goods, as well as the provision of services. Revenue is recognised when control of the goods or services is transferred to customers.

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, which is generally on delivery of the goods. However, for export sales, the transfer of control often takes place once goods are handed over to the shipping company.

Revenue from service transactions is recognised over time as the service is performed and control is transferred.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services, net of value added tax and any consideration payable to customers for returns, discounts, rebates, cooperative advertising and other allowances.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. However, contracts generally comprise a single performance obligation. Where more than one performance obligation exists, the Group allocates the transaction price based on the relative stand-alone selling price of each performance obligation.

Based on payment terms agreed with customers, the Group expects to receive payment within less than a year of transferring goods or services, and therefore no significant financing component exists.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception based on the mostly likely amount and adjusted for in the transaction price accordingly. Variable consideration is mostly applicable to contracts for the sale of goods which include a right of return or volume rebate allowance.

Consideration payable to customers that is not distinct or separable from the goods or services in the contract is accounted for as a reduction of the transaction price. The Group in turn accounts for amounts payable to customers for returns, discounts, rebates, cooperative advertising and other trade allowances as a deduction against revenue, with recognition of a concomitant liability.

For expected returns, in addition to the recognition of a refund liability, a right-of-return asset (and corresponding adjustment to cost of sales) is recognised for the right to recover products from customers.

In terms of layby arrangements and the sale of gift cards within the Group's retail businesses, consideration is received from customers before the transfer of goods. In these instances, the consideration received is recorded as a contract liability, and later recognised as revenue when the Group performs under the contract.

When another party is involved in providing goods or services to customers, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and

records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and records revenue at the net amount that it retains for its agency services. In the majority of contracts with customers, the Group is the principal and records revenue on a gross basis.

Recognition of income from investments

Interest

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

Share capital

Ordinary shares

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

accounting policies continued

Preference share capital

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

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

Repurchase of share capital

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

Taxation

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

Current taxation

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

Deferred taxation

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

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

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

Dividend withholding tax

Dividend withholding tax is a tax on shareholders receiving dividends. Shareholders who are not exempt from paying dividend tax are subject to dividend withholding tax at a rate of 20%. In terms of dividend tax legislation, the dividend tax amount is withheld and paid over to the South African Revenue Services by nominee companies, stockbrokers or the relevant Central Securities Depository Participant on behalf of shareholders. Dividends are recognised at the gross amount directly in equity.

Earnings per share

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

balance sheet

As at 30 June 2020	Notes	2020 R'm	2019 R'm
ASSETS			
Non-current assets			
Property, plant and equipment	1	3 361,7	3 430,1
Right-of-use assets	2	310,8	317,5
Intangible assets and goodwill	3	799,3	817,0
Investments in joint ventures	4	13,0	359,9
Other long-term assets	5	22,1	17,1
Deferred taxation	6	41,5	46,7
		4 548,4	4 988,3
Current assets			
Inventories	7	2 268,3	2 267,2
Biological assets	8	223,6	234,3
Other financial assets including derivatives	15	77,4	45,0
Current tax assets		24,2	7,1
Trade and other receivables	9	1 784,4	2 020,3
Cash and cash equivalents		842,4	233,1
		5 220,3	4 807,0
Total assets		9 768,7	9 795,3
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	16,3	17,2
Share premium	10	263,1	263,1
Treasury shares	10	(150,9)	(458,2)
I&J BBBEE shareholders	34	(106,6)	(106,6)
Reserves	11	151,4	573,7
Retained earnings		4 845,1	4 250,1
Total equity		5 018,4	4 539,3
Non-current liabilities			
Cash-settled share-based payment liability	34	41,4	39,7
Lease liabilities	12	230,0	251,0
Employee benefit liabilities	13	378,4	378,0
Deferred taxation	6	433,8	428,9
		1 083,6	1 097,6
Current liabilities			
Current borrowings including short-term portion of lease liabilities	14	1 927,7	2 425,6
Other financial liabilities including derivatives	15	71,0	26,4
Trade and other payables	16	1 641,2	1 671,6
Current tax liabilities		26,8	34,8
		3 666,7	4 158,4
Total equity and liabilities		9 768,7	9 795,3

statement of comprehensive income

For the year ended 30 June 2020	Notes	2020 R'm	2019 R'm
Revenue	17	13 209,7	13 150,9
Cost of sales		(7 958,5)	(7 740,2)
Gross profit		5 251,2	5 410,7
Selling and administrative expenses		(2 916,7)	(2 888,2)
Operating profit before capital items	18	2 334,5	2 522,5
Interest received	19	9,8	6,0
Finance costs	20	(175,3)	(200,8)
Share of equity accounted earnings of joint ventures	21	17,4	42,2
Capital items	22	455,9	(127,8)
Profit before taxation		2 642,3	2 242,1
Taxation	23	(695,0)	(637,6)
Profit for the year		1 947,3	1 604,5
Other comprehensive income/(loss), net of tax:		25,7	(16,4)
Items that are or may subsequently be reclassified to profit or loss			
Foreign currency translation differences	11	13,2	(27,6)
Cash flow hedging reserve	11	(2,8)	(4,5)
Taxation on items that are or may subsequently be reclassified to profit or loss		0,8	1,3
Items that will never be reclassified to profit or loss			
Actuarial gain recognised	11	20,2	20,0
Taxation on items that will never be reclassified to profit or loss		(5,7)	(5,6)
Total comprehensive income for the year		1 973,0	1 588,1
Profit attributable to:			
Owners of AVI		1 947,3	1 604,5
		1 947,3	1 604,5
Total comprehensive income attributable to:			
Owners of AVI		1 973,0	1 588,1
		1 973,0	1 588,1
Basic earnings per share (cents)	30	591,6	488,7
Diluted earnings per share (cents)	30	589,8	486,7

Details of the headline earnings and dividends declared per ordinary share are provided in Notes 30 and 31 to the financial statements, on page 50 and 51.

statement of cash flows

For the year ended 30 June 2020	Notes	2020 R'm	2019 R'm
Cash flows from operating activities			
Cash generated by operations	24	3 220,3	2 849,9
Interest paid		(175,3)	(200,8)
Taxation paid	25	(711,3)	(604,0)
Net cash available from operating activities		2 333,7	2 045,1
Cash flows from investing activities			
Interest received		9,8	6,0
Acquisition of property, plant and equipment		(376,6)	(472,6)
Acquisition of intangible assets		(7,0)	(16,7)
Proceeds from disposals of property, plant and equipment		23,1	22,0
Proceeds from disposal of interest in Simplot joint venture	4	631,8	–
Other cash flows from investments	26	7,4	18,4
Net cash generated by/(utilised in) investing activities		288,5	(442,9)
Cash flows from financing activities			
Proceeds from shareholder funding	27	8,0	28,0
Short-term funding (repaid)/raised	29	(498,9)	655,1
Lease liabilities repaid	29	(159,6)	(166,7)
Payment to I&J BBBEE shareholders		(13,7)	(1,0)
Ordinary dividends paid	28	(1 352,3)	(1 399,4)
Special dividend paid	28	–	(822,9)
Net cash utilised in financing activities		(2 016,5)	(1 706,9)
Increase/(decrease) in cash and cash equivalents		605,7	(104,7)
Cash and cash equivalents at beginning of year		233,1	342,8
Net increase/(decrease) as a result of the translation of the cash equivalents of foreign subsidiaries		3,6	(5,0)
Cash and cash equivalents at end of year		842,4	233,1

statement of changes in equity

	Notes	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	I&J BBBEE shareholders R'm	Total equity R'm
For the year ended 30 June 2020							
Balance at beginning of year		280,3	(458,2)	573,7	4 250,1	(106,6)	4 539,3
Total comprehensive income for the year							
Profit for the year		-	-	-	1 947,3	-	1 947,3
Other comprehensive gain							
Foreign currency translation differences		-	-	13,2	-	-	13,2
Actuarial gains recognised, net of tax		-	-	14,5	-	-	14,5
Cash flow hedging reserve, net of tax		-	-	(2,0)	-	-	(2,0)
Total other comprehensive gain for the year		-	-	25,7	-	-	25,7
Total comprehensive income for the year		-	-	25,7	1 947,3	-	1 973,0
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Share-based payments	33.3	-	-	44,7	-	-	44,7
Group share scheme recharge		-	-	(1,2)	-	-	(1,2)
Dividends paid	31	-	-	-	(1 352,3)	-	(1 352,3)
Own ordinary shares sold by Company's share trusts	27	-	8,0	-	-	-	8,0
Delisting and cancellation of treasury shares	10	(0,9)	299,3	(298,4)	-	-	0,0
Reclassification of foreign currency translation reserve relating to Simplot joint venture (Note 4) and other entities in the process of being deregistered		-	-	(193,1)	-	-	(193,1)
Total contributions by and distributions to owners		(0,9)	307,3	(448,0)	(1 352,3)	-	(1 493,9)
Balance at end of year		279,4	(150,9)	151,4	4 845,1	(106,6)	5 018,4
For the year ended 30 June 2019							
Balance at beginning of year		280,3	(486,5)	534,1	4 925,1	(106,6)	5 146,4
Impact of changes in accounting policies*		-	-	-	(56,9)	-	(56,9)
Balance at beginning of year (restated)		280,3	(486,5)	534,1	4 868,2	(106,6)	5 089,5
Total comprehensive income for the year							
Profit for the year		-	-	-	1 604,5	-	1 604,5
Other comprehensive loss							
Foreign currency translation differences		-	-	(27,6)	-	-	(27,6)
Actuarial gains recognised, net of tax		-	-	14,4	-	-	14,4
Cash flow hedging reserve, net of tax		-	-	(3,2)	-	-	(3,2)
Total other comprehensive loss for the year		-	-	(16,4)	-	-	(16,4)
Total comprehensive income for the year		-	-	(16,4)	1 604,5	-	1 588,1
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Share based payments	33.3	-	-	41,5	-	-	41,5
Group share scheme recharge		-	-	14,5	-	-	14,5
Dividends paid	31	-	-	-	(2 222,3)	-	(2 222,3)
Own ordinary shares sold by Company's share trusts	27	-	28,3	-	(0,3)	-	28,0
Total contributions by and distributions to owners		-	28,3	56,0	(2 222,6)	-	(2 138,3)
Balance at end of year		280,3	(458,2)	573,7	4 250,1	(106,6)	4 539,3

* Impact of changes in accounting policies following the adoption of IFRS 15, IFRS 16 and IFRS 9 on 1 July 2018.

notes to the financial statements

For the year ended 30 June 2020

1. Property, plant and equipment

	Land R'm	Buildings R'm	Plant and machinery R'm	Vehicles, furniture and equipment R'm	Vessels R'm	Total R'm
2020						
Cost						
At beginning of year	86,6	825,8	3 007,8	1 173,0	1 076,2	6 169,4
Additions	–	27,0	188,2	93,7	67,7	376,6
Disposals	–	(0,1)	(49,4)	(68,7)	(31,3)	(149,5)
Effect of movement in exchange rates	–	0,4	0,4	–	–	0,8
At end of year	86,6	853,1	3 147,0	1 198,0	1 112,6	6 397,3
Accumulated depreciation and impairment losses						
At beginning of year	–	187,8	1 376,7	702,2	472,6	2 739,3
Disposals	–	(0,1)	(44,8)	(58,1)	(30,2)	(133,2)
Effect of movement in exchange rates	–	0,2	0,6	(0,4)	–	0,4
Depreciation	–	19,1	196,6	139,7	55,3	410,7
Impairment loss	–	4,7	–	13,7	–	18,4
At end of year	–	211,7	1 529,1	797,1	497,7	3 035,6
Net carrying value						
At beginning of previous year	86,6	633,8	1 557,8	497,3	628,1	3 403,6
At end of previous year	86,6	638,0	1 631,1	470,8	603,6	3 430,1
At end of current year	86,6	641,4	1 617,9	400,9	614,9	3 361,7
2019						
Cost						
At beginning of year	86,6	787,6	2 783,0	1 142,7	1 054,1	5 854,0
Additions	–	39,1	271,9	125,4	36,2	472,6
Disposals	–	(0,9)	(46,3)	(93,7)	(14,1)	(155,0)
Effect of movement in exchange rates	–	–	(0,8)	(1,4)	–	(2,2)
At end of year	86,6	825,8	3 007,8	1 173,0	1 076,2	6 169,4
Accumulated depreciation and impairment losses						
At beginning of year	–	153,8	1 225,2	645,4	426,0	2 450,4
Disposals	–	(0,4)	(45,1)	(84,8)	(13,3)	(143,6)
Effect of movement in exchange rates	–	–	(0,4)	(0,9)	–	(1,3)
Depreciation	–	18,1	191,0	141,2	57,4	407,7
Impairment loss	–	16,3	6,0	1,3	2,5	26,1
At end of year	–	187,8	1 376,7	702,2	472,6	2 739,3
Net carrying value						
At beginning of previous year	86,6	618,7	1 536,2	604,8	634,5	3 480,8
At end of previous year	86,6	633,8	1 557,8	497,3	628,1	3 403,6
At end of current year	86,6	638,0	1 631,1	470,8	603,6	3 430,1
	2020	2019				
	R'm	R'm				
Land comprises:						
Freehold	86,6	86,6				

- The current estimated useful lives of property, plant and equipment are reflected under accounting policies on page 25.
- The estimated useful lives and residual values are reviewed annually, taking cognisance of forecast commercial and economic realities, historical usage of similar assets and input from original equipment manufacturers on plant and machinery.
- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2020 was R155,4 million (2019: R164,3 million).
- Impairment losses during the year of R18,4 million arose due to underperformance of Green Cross assets, most notably store fixtures and fittings due to subdued trading throughout the year, exacerbated by COVID-19 lockdown restrictions, with the expectation that demand will remain under pressure during the year ahead.
- In the prior year, impairment losses of R26,1 million arose due to identified obsolescence of, damage to, and underperformance of items of building, plant machinery and equipment.
- A register containing details of properties is available for inspection by shareholders or their duly authorised agents during business hours at the registered office of the Company.

notes to the financial statements continued

For the year ended 30 June 2020

2. Right-of-use assets

2020	Retail stores and storerooms R'm	Other commercial and industrial sites R'm	Total R'm
Carrying value at 1 July 2019	252,8	64,7	317,5
Additions for new leases and lease renewals	129,8	17,6	147,4
Impact of lease modifications and remeasurements	–	5,1	5,1
Depreciation	(134,3)	(24,9)	(159,2)
Carrying value at 30 June 2020	248,3	62,5	310,8

2019	Retail stores and storerooms R'm	Other commercial and industrial sites R'm	Total R'm
Carrying value at 1 July 2018	–	–	–
Impact of changes in accounting policies	298,0	69,1	367,1
Effect of movement in exchange rates	–	0,2	0,2
Additions for new leases and lease renewals	88,9	21,3	110,2
Impact of lease modifications and remeasurements	–	0,4	0,4
Depreciation	(134,1)	(26,3)	(160,4)
Carrying value at 30 June 2019	252,8	64,7	317,5

Right-of-use assets mostly relate to retail doors which are leased by the Group's retail businesses. The Group also leases a number of other commercial and industrial sites. Right-of-use assets are effectively ceded as security for concomitant lease liabilities (Note 12) as the rights to the leased assets revert to the lessor in the event of default.

notes to the financial statements continued

For the year ended 30 June 2020

3. Intangible assets and goodwill

	Goodwill R'm	Fishing rights R'm	Trademarks R'm	Customer relationships and contracts R'm	Computer software R'm	Total R'm
2020						
Cost						
At beginning of year	489,2	6,1	705,7	15,3	233,8	1 450,1
Additions*	-	0,6	3,4	-	3,0	7,0
Disposals	-	-	-	-	(3,1)	(3,1)
Effect of movement in exchange rates	-	-	-	-	0,1	0,1
At end of year	489,2	6,7	709,1	15,3	233,8	1 454,1
Accumulated amortisation and impairment losses						
At beginning of year	12,2	3,7	436,0	15,3	165,9	633,1
Disposals	-	-	-	-	(3,0)	(3,0)
Effect of movement in exchange rates	-	-	-	-	0,1	0,1
Amortisation	-	0,4	1,6	-	22,6	24,6
At end of year	12,2	4,1	437,6	15,3	185,6	654,8
Net carrying value						
At beginning of previous year	477,0	2,7	364,3	-	-	844,0
At end of previous year	477,0	2,4	269,7	-	67,9	817,0
At end of current year	477,0	2,6	271,5	-	48,2	799,3
2019						
Cost						
At beginning of year	489,2	6,1	699,5	15,3	240,3	1 450,4
Additions*	-	-	6,2	-	10,5	16,7
Disposals	-	-	-	-	(16,8)	(16,8)
Effect of movement in exchange rates	-	-	-	-	(0,2)	(0,2)
At end of year	489,2	6,1	705,7	15,3	233,8	1 450,1
Accumulated depreciation and impairment losses						
At beginning of year	12,2	3,4	335,2	15,3	158,1	524,2
Disposals	-	-	-	-	(16,6)	(16,6)
Effect of movement in exchange rates	-	-	-	-	(0,2)	(0,2)
Amortisation	-	0,3	1,1	-	22,9	24,3
Impairment loss	-	-	99,7	-	1,7	101,4
At end of year	12,2	3,7	436,0	15,3	165,9	633,1
Net carrying value						
At beginning of previous year	477,0	2,0	515,0	-	-	994,0
At end of previous year	477,0	2,7	364,3	-	82,2	926,2
At end of current year	477,0	2,4	269,7	-	67,9	817,0

* Capitalisation of fishing rights application costs, computer software and trademark registration costs.

Useful lives

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

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

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

The majority of trademarks are deemed to have indefinite useful lives, with the exception of:

- Trademark registrations, with a net book value of R9,7 million (2019: R9,1 million), which are amortised over their respective useful lives of between five and 10 years.

notes to the financial statements continued

For the year ended 30 June 2020

3. Intangible assets and goodwill continued

Cost-generating units containing goodwill and trademarks

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

	Goodwill		Trademarks		Total	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Spitz	449,2	449,2	69,5	69,5	518,7	518,7
Carvela	–	–	71,3	71,3	71,3	71,3
Kurt Geiger	–	–	15,3	15,3	15,3	15,3
Yardley	–	–	28,7	28,5	28,7	28,5
Lentheric	–	–	41,0	39,7	41,0	39,7
House of Coffees	15,3	15,3	33,6	33,6	48,9	48,9
Baker Street Snacks	12,5	12,5	–	–	12,5	12,5
Multiple units without significant balances	–	–	12,1	11,8	12,1	11,8
	477,0	477,0	271,5	269,7	748,5	746,7

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

Impairment tests

The carrying amounts of goodwill and trademarks with indefinite useful lives are reviewed at least annually for impairment. The recoverable amount of goodwill and trademarks is their value in use which is calculated using the discounted cash flow model, taking into account the forecast profits of the CGUs they form part of. Management forecasts typically cover a five-year period and thereafter a reasonable rate of growth is applied based on market conditions. Revenue and profit growth assumptions are based on budgets, business plans and historical performance, taking into account the economic and political environment. The current year also took into account the impact of the COVID-19 pandemic. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital of similar businesses in the same sector and of similar size and range between 11,8% and 17,6% (2019: 13,4% and 17,5%) depending on the business' risk profile. Perpetuity growth rates were set at 5% (2019: 5%).

Impairment tests were conducted on all intangible assets with impairment indicators.

notes to the financial statements continued

For the year ended 30 June 2020

4. Investments in joint ventures

	2020 R'm	2019 R'm
Group carrying value of principal joint venture (Simplot joint venture)		
Cost of investment	–	25,1
Share of post-acquisition reserves	–	322,3
Carrying value	–	347,4
Group carrying value of non-principal joint venture (Umsobomvu joint venture)		
Cost of investment	–	–
Share of post-acquisition reserves	13,0	12,5
Carrying value	13,0	12,5
Total carrying value	13,0	359,9

Principal joint venture

Simplot Seafood Snacks and Meals ("Simplot") is an unincorporated joint venture which processes, trades and distributes seafood in Australia, over which I&J had joint control and 40% (2019: 40%) ownership interest until its disposal in November 2019. The joint venture is managed by Simplot Australia Proprietary Limited and has a 31 August financial year end.

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

On 4 November 2019, AVI Limited and its subsidiary, I&J Holdings Proprietary Limited ("I&J"), entered into an agreement in terms of which Simplot Australia Proprietary Limited and related entities acquired I&J's 40% effective interest in the Simplot joint venture and the rights to certain internally generated intellectual property assets ("IP Assets") utilised by the joint venture, for an aggregate cash consideration of AUD62 million.

The net purchase consideration after transaction costs was R631,8 million and has resulted in a capital gain of R433,1 million before tax, and R373,7 million after tax, comprising:

	Net capital gain R'm
– Sale of interest in Simplot joint venture and IP Assets	210,7
– Reclassification of the cumulative foreign currency translation reserve from equity to profit on disposal, as required by IAS 21	163,0
	373,7

IP Assets were internally generated and therefore were not recognised as intangible assets.

notes to the financial statements continued

For the year ended 30 June 2020

4. Investments in joint ventures continued

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

	2020 R'm	2019 R'm
Property, plant and equipment	–	125,3
Current assets	–	1 109,1
Current liabilities	–	(354,9)
Total net assets (100%)	–	879,5
Group's proportionate share of assets and liabilities of Simplot Seafood, Snacks and Meals division (40%)	–	351,8
Elimination of unrealised profit on downstream sales	–	(4,4)
Carrying amount of interest in joint venture	–	347,4
Revenue	939,0	2 571,9
Expenditure	(919,2)	(2 485,4)
Profit before taxation	19,8	86,5
Taxation	–	–
Profit after taxation (100%)	19,8	86,5
Group's proportionate share of profit after taxation of Simplot Seafood, Snacks and Meals division (40%)	7,9	34,6
Realisation/elimination of unrealised profit on downstream sales	6,4	1,1
Group's share of total comprehensive income (including capital items)	14,3	35,7
Cash generated by/(utilised in) operating activities	28,5	(81,8)
Cash generated by investing activities	–	6,0
Cash effects of financing activities	(25,5)	(45,5)
Net increase/(decrease) in cash and cash equivalents (100%)	3,0	(121,3)
Group's proportionate share of cash flow generated (40%)	1,2	(48,5)
Dividends paid to I&J	10,2	18,2
Depreciation	6,7	19,4
Capital commitments		
– contracted for	–	1,6
– not contracted for	–	–
	–	1,6

notes to the financial statements continued

For the year ended 30 June 2020

5. Other long-term assets

	2020 R'm	2019 R'm
Contributions to Enterprise and Supplier Development initiatives	19,4	14,1
Operating lease straight-line assets	2,7	3,0
Total other long-term assets	22,1	17,1

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

6. Deferred taxation

	2020 R'm	2019 R'm
Balance at beginning of year, being a net liability	382,2	364,9
Impact of changes in accounting policies	–	(22,1)
Charge to profit or loss	6,5	49,2
– current year temporary differences	8,6	51,3
– prior year over provision	(2,1)	(2,1)
Effect of movement in exchange rates/other	(2,5)	0,4
Reserve movements in respect of actuarial gains recognised directly in other comprehensive income	5,7	5,6
Reserve movements in respect of cash flow hedging recognised directly in other comprehensive income	(0,8)	(1,3)
Reserve movements in respect of Group share scheme recharge arrangements	1,2	(14,5)
Balance at end of year, being a net liability	392,3	382,2
Balance at end of year comprises:		
Accelerated capital allowances	527,6	501,7
Temporary differences on trademarks	66,6	66,1
Provisions and other temporary differences:	(151,8)	(147,6)
– post-retirement medical aid	(95,5)	(99,8)
– leave pay and bonus accruals	(68,7)	(55,7)
– other deductible temporary differences	12,4	7,9
Cash flow hedge reserve	3,1	4,0
Group share scheme recharge	(11,2)	(14,0)
Right-of-use assets and related lease liabilities	(21,9)	(25,6)
Unused tax losses	(20,1)	(2,4)
	392,3	382,2
Reflected as:		
Deferred taxation asset	41,5	46,7
Deferred taxation liability	433,8	428,9

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

	2020 R'm	2019 R'm
The estimated losses which are available for the reduction of future taxable income	140,1	116,3
Less: Estimated losses taken into account in calculating deferred taxation	71,7	8,4
Shareholders' interest in the estimated tax losses not yet recognised	68,4	107,9

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

notes to the financial statements continued

For the year ended 30 June 2020

7. Inventories

	2020 R'm	2019 R'm
Raw materials	565,6	485,7
Consumable stores	256,6	215,6
Work in progress	63,2	45,3
Manufactured finished goods	577,6	588,3
Merchandise – finished goods purchased for resale	805,3	932,3
	2 268,3	2 267,2

8. Biological assets

Balance at beginning of year	234,3	164,5
Increase due to farming costs	95,7	87,9
Decreases due to harvest	(129,1)	(144,0)
Gains arising from change in fair value due to physical change	64,1	129,8
Losses arising from change in fair value due to price changes (including exchange movement)	(41,4)	(3,9)
Balance at end of year	223,6	234,3
	Kilograms	Kilograms
Standing volume	742 453	659 683
Volume harvested in current year	432 507	324 995

Biological assets comprise abalone farmed by I&J. The COVID-19 pandemic has adversely impacted demand and prices for abalone, and has contributed to a decrease in fair value.

Measurement of fair value

The fair value measure for abalone of R223,6 million (2019: R234,3 million) has been categorised as a level 3 fair value based on the inputs to the valuation techniques used. The valuation technique used in measuring fair value, as well as the significant unobservable inputs used, are as follows:

Valuation technique

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

notes to the financial statements continued

For the year ended 30 June 2020

8. Biological assets continued

Significant unobservable inputs

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

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

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

- the size and volume of abalone, which are based on growth rates, harvest volumes, etc., were higher/(lower);
- the current market price of abalone were higher/(lower).

Risk management strategy related to aquaculture activities

Currency risks

I&J is subject to changes in the exchange rate as abalone sales prices are denominated in US Dollars and biological assets are measured at fair value, which is also based on the US Dollar market price. The Group's currency risk management is described in Note 36.5.

Process risks

Abalone farming relies on a living environment which simulates natural conditions. This calls for a continuous supply of water and oxygen to the growing areas. A potential shortage of electrical supply to drive the key equipment is mitigated by failsafe backup power generators. Critical equipment such as pumps for water flow and fans for oxygen are monitored by sophisticated alarm systems.

Extensive security measures are in place to protect against theft while abalone is growing, being processed and being transported.

Comprehensive fixed asset insurance is in place, whilst livestock insurance covers losses due to theft, accident or transport claims from the point of harvest.

Disease risks

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

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

Natural seasonal events could give rise to algal blooms in the ocean which can be a potential risk to animal health. This is mitigated by an algal bloom protocol, which includes the activation of a recirculation plan in the event of a bloom, which includes the activation of a recirculation and filtration plan to dilute the algal bloom concentration.

notes to the financial statements continued

For the year ended 30 June 2020

9. Trade and other receivables

	2020 R'm	2019 R'm
Trade receivables	2 144,9	2 385,6
Indirect taxation	45,5	31,7
Prepayments	52,3	27,7
Other receivables	65,3	42,8
	2 308,0	2 487,8
Allowances for credit notes, discounts and other trading terms	(512,9)	(461,2)
Impairment loss allowance	(10,7)	(6,3)
	1 784,4	2 020,3

Refer Note 36.3 for a reconciliation of the impairment loss allowance.

Trade accounts are non-interest-bearing and are generally on terms of 30 to 90 days.

10. Share capital and premium

Share capital

Authorised

Ordinary share capital

960 000 000 (2019: 960 000 000) ordinary shares of 5 cents each

48,0 48,0

Preference share capital

10 000 000 (2019: 10 000 000) convertible redeemable preference shares of 20 cents each

2,0 2,0

Total authorised share capital

50,0 50,0

Issued

335 837 451 (2019: 352 665 190) ordinary shares of 5 cents each

17,2 17,2

Delisting and cancellation of treasury shares*

(0,9) –

Total issued share capital

16,3 17,2

Share premium

Balance at end of year

263,1 263,1

Total issued share capital and premium

279,4 280,3

Treasury shares

Balance at beginning of year

(458,2) (486,5)

Own ordinary shares sold by the Company's share trusts during the year

8,0 28,3

Delisting and cancellation of treasury shares*

299,3 –

Balance at end of year

(150,9) (458,2)

	2020 Number	2019 Number
The number of ordinary shares in issue is as follows:		
Total issued shares	335 837 451	352 665 190
Less: Shares held by the Company's share trusts and subsidiary and restricted shares held by participants of the Deferred Bonus Share Plan (Note 33)	(6 473 065)	(23 932 751)
	329 364 386	328 732 439

* 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.

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. 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.

The delisting and cancellation of shares has resulted in a R299,3 million reduction of treasury shares of which R0,9 million has been allocated against share capital and the balance to share buy-back reserve, with no impact on earnings or earnings per share.

notes to the financial statements continued

For the year ended 30 June 2020

11. Reserves

	2020 R'm	2019 R'm
The balance at end of year comprises:		
Cash flow hedging reserve	7,9	9,9
Actuarial reserve	4,8	(9,7)
Foreign currency translation reserve	(29,0)	150,9
Share-based payment reserve	466,1	422,6
Share buy-back reserve	(298,4)	–
	151,4	573,7

Cash flow hedging reserve

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

Actuarial reserve

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

Foreign currency translation reserve

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

Share-based payments reserve

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

Share buy-back reserve

The reserve represents the reversal of share premium relating to the delisting and cancellation of treasury shares (Note 10).

12. Lease liabilities

	2020 R'm	2019 R'm
Lease liabilities	389,0	408,9
Less: Portion repayable within one year included in current borrowings	(159,0)	(157,9)
Lease liabilities (non-current portion)	230,0	251,0

Lease liabilities mostly relate to the Group's retail, businesses which lease all their retail doors. The Group also leases a number of other commercial and industrial sites. Lease liabilities represent the financial obligation of the Group to make lease payments to landlords to use the underlying leased premises, or right-of-use assets, during the lease term. The majority of retail leases cover a period of three to five years and some include an option to renew on expiry. The lease term includes this renewal period if the Group is reasonably certain it will exercise the renewal option, taking into account factors such as store location, historical store performance and the value of lease payments in the renewal period. Further to this, the likelihood of exercising a termination option, if applicable, is considered in determining the lease term.

The discount rate used to determine the present value of future lease payments is generally based on the lessee's incremental borrowing rate, as in most instances, the interest rate implicit in the lease cannot be readily determined. The discount rate applied to new leases concluded during the year varied between 8,22% and 10,16% (2019: 8,39% and 10,01%).

Total cash outflow for leases in the current period

	2020 R'm	2019 R'm
Finance costs	34,1	39,0
Capital portion	159,6	166,7
Total cash outflow for leases	193,7	205,7

The expense relating to variable lease payments, short-term leases and leases of low value assets is disclosed as part of Note 18.

No commitments for variable lease payments have been disclosed due to these being subject to the fulfilment of specific conditions which are uncertain at reporting date.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

notes to the financial statements continued

For the year ended 30 June 2020

13. Employee benefit liabilities

	2020 R'm	2019 R'm
Post-retirement medical aid obligation	343,1	359,2
Earnings-linked performance bonus liabilities	8,8	10,9
I&J Black Staff Employee Benefit Scheme liability (Note 34)	64,1	46,1
	416,0	416,2
Amount payable within one year included in trade and other payables (Note 16)	(37,6)	(38,2)
	378,4	378,0
Post retirement medical aid obligation		
Reconciliation of benefit obligation recognised on the balance sheet		
Balance at beginning of year	359,2	373,4
Recognised in profit or loss – operating profit	34,8	35,1
– Current service cost	0,9	0,9
– Interest cost	33,9	34,2
Actuarial gain recognised in other comprehensive income	(20,2)	(20,0)
Contributions paid	(30,7)	(29,3)
Balance at end of year	343,1	359,2
Actuarial (gain)/loss recognised directly in other comprehensive income		
Net cumulative amount at beginning of year	9,7	24,1
Recognised during the year	(20,2)	(20,0)
Deferred tax thereon	5,7	5,6
Net cumulative amount at end of year	(4,8)	9,7

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

The principal actuarial assumptions used were:

Discount rate	10,70% (2019: 9,90%)
Medical inflation	8,00% (2019: 8,00%)

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

	One percentage point increase R'm	One percentage point decrease R'm
Increase/(decrease) in the present value of the actuarially determined defined benefit obligation	30,8	(26,6)
Increase/(decrease) in the aggregate service and interest cost	3,4	(3,0)

notes to the financial statements continued

For the year ended 30 June 2020

14. Current borrowings

	2020 R'm	2019 R'm
Overdraft and current borrowings	1 768,7	2 267,7
Current portion of lease liabilities (Note 12)	159,0	157,9
	1 927,7	2 425,6

Interest on overdraft and current borrowings is payable monthly at the daily borrowing rate applicable.

15. Other financial assets/liabilities including derivatives

	2020 R'm	2019 R'm
Forward exchange contract derivative assets	76,8	44,0
Fuel swap derivative assets	0,6	1,0
Other financial assets including derivatives	77,4	45,0
Forward exchange contract derivative liabilities	59,9	24,0
Fuel swap derivative liabilities	11,1	2,4
Other financial liabilities including derivatives	71,0	26,4

16. Trade and other payables

	2020 R'm	2019 R'm
Trade payables	1 051,1	1 090,7
Contract liabilities	33,2	28,2
Employee benefits falling due within one year (Note 13)	37,6	38,2
Other payables and accrued expenses	519,3	514,5
	1 641,2	1 671,6

Terms and conditions of significant trade and other payables:

- Trade accounts are non-interest-bearing and are normally settled within one month.
- Other payables and accrued expenses are non-interest-bearing and are normally settled within six months.

Contract liabilities relate to cash received in advance from customers for layby sales and gift card purchases within the Group's retail businesses.

notes to the financial statements continued

For the year ended 30 June 2020

17. Revenue

	2020 R'm	2019 R'm
Revenue from contracts with customers comprises the following:		
– Sale of goods	13 060,1	12 951,6
– Services, fees, commissions and royalties	149,6	199,3
Total	13 209,7	13 150,9

Disaggregation of revenue

Disaggregation of revenue from contracts with customers ("revenue") into categories that depict the nature, amount, timing and uncertainty of revenue.

The following table sets out revenue by geographical market:

Geographical market	2020					Total R'm
	Entyce Beverages R'm	Snackworks R'm	I&J R'm	Personal Care R'm	Footwear & apparel R'm	
South Africa	3 357,2	3 838,1	913,5	1 077,6	1 463,2	10 649,6
Other African countries	484,2	511,4	49,7	114,9	11,8	1 172,0
Rest of the world	7,6	15,6	1 364,7	0,2	–	1 388,1
Total	3 849,0	4 365,1	2 327,9	1 192,7	1 475,0	13 209,7

Geographical market	2019					Total R'm
	Entyce Beverages R'm	Snackworks R'm	I&J R'm	Personal Care R'm	Footwear & apparel R'm	
South Africa	3 347,2	3 447,9	860,1	985,7	1 804,1	10 445,0
Other African countries	467,9	432,1	31,6	125,3	14,7	1 071,6
Rest of the world	7,5	10,9	1 615,5	0,4	–	1 634,3
Total	3 822,6	3 890,9	2 507,2	1 111,4	1 818,8	13 150,9

The majority of revenue comprises revenue from the sale of goods. Less than 2% (2019: less than 2%) of total revenue comprises income arising from service agreements, rental agreements and trademark licence agreements.

notes to the financial statements continued

For the year ended 30 June 2020

18. Operating profit before capital items

	2020 R'm	2019 R'm
In arriving at operating profit before capital items, the following have been taken into account:		
Amortisation	24,6	24,3
– fishing rights	0,4	0,3
– computer software	22,6	22,9
– trademarks	1,6	1,1
Depreciation of property, plant and equipment	410,7	407,7
– buildings	19,1	18,1
– plant, equipment and vehicles	336,3	332,2
– vessels	55,3	57,4
Depreciation of right-of-use assets	159,2	160,4
– retail stores and storerooms	134,3	134,1
– other commercial and industrial sites	24,9	26,3
Total depreciation	569,9	568,1
Total depreciation and amortisation	594,5	592,4
Auditors' remuneration		
– fees for audit	10,2	8,9
– fees for other services	0,7	1,4
– taxation services and consultations	0,3	0,5
– other	0,4	0,9
Employment costs (Note 33)	2 811,2	2 664,8
Foreign exchange gains	(15,7)	(18,5)
Lease expenses:	(1,5)	16,0
– Variable lease payments – turnover rental	–	6,3
– Variable lease payments – COVID-19 rental concessions*	(14,3)	–
– short-term leases	10,7	8,4
– leases of low-value assets	2,1	1,3
Research and development costs	33,6	36,5**

* The Group has applied the amendments to IFRS 16 that allow rent concessions that occur as a direct consequence of the COVID-19 pandemic to be treated as variable lease payments.

** During the current year, the Group revised its definition of research and development expenditure to more appropriately align to that of IAS 38 Intangible Assets. Accordingly, prior year research and development expenditure has been adjusted downwards by R53,1 million.

19. Interest received

	2020 R'm	2019 R'm
Interest income on cash and cash equivalents and other investments	9,8	6,0

20. Finance costs

Interest expense on borrowings	(141,2)	(161,8)
Interest expense on lease liabilities	(34,1)	(39,0)
	(175,3)	(200,8)

21. Share of equity-accounted earnings of joint ventures

Equity-accounted profit of principal joint venture (Note 4)	14,3	35,7
Equity-accounted profit of non-principal joint venture	3,1	6,5
	17,4	42,2

notes to the financial statements continued

For the year ended 30 June 2020

22. Capital items

	2020 R'm	2019 R'm
Gain on disposal of interest in Simplot joint venture (Note 4)	(433,1)	–
Gain on reclassification of the cumulative foreign currency translation reserve from equity to profit for entities in the process of being deregistered	(30,1)	–
Net (gain)/loss on disposal of property, plant and equipment	(11,2)	0,1
Impairment of property, plant and equipment	18,4	26,1
Net loss on disposal and impairment of other intangible assets	0,1	1,9
Impairment of Green Cross trademark	–	99,7
	(455,9)	127,8
Attributable taxation (Note 23)	58,3	(36,1)
	(397,6)	91,7

The Green Cross trademark of R399,7 million was recognised on acquisition of the business on 1 March 2012. As part of the annual review of the carrying amounts of trademarks with indefinite useful lives for the year ended 30 June 2019, the remaining carrying amount of the Green Cross trademark of R99,7 million was impaired, taking into account the extended period it will take to return the business to acceptable profitability.

23. Taxation

	2020 R'm	2019 R'm
Current income tax	680,7	578,2
Deferred taxation	8,6	51,2
Withholding tax	7,5	8,5
Prior year under/(over) provisions		
– Current	0,3	1,8
– Deferred	(2,1)	(2,1)
	695,0	637,6
Dealt with as follows:		
In respect of profit before capital items	636,7	673,7
In respect of capital items (Note 22)	58,3	(36,1)
	695,0	637,6
Foreign taxation included in the above	41,1	32,7
	%	%
Reconciliation of rate of taxation		
Standard rate of company taxation	28,0	28,0
Increase/(reduction) in effective rate as a result of:		
– Capital gains tax	(2,7)	–
– Disallowable expenditure	0,8	0,6
– Share-based payments	0,1	0,1
– Expenses attributable to exempt income earned	0,3	0,4
– Other	0,4	0,1
– Exempt income	(0,2)	(0,2)
– Employment tax incentives	(0,1)	(0,1)
– Other	(0,1)	(0,1)
– Special tax allowances	(0,2)	(0,3)
– Withholding tax	0,3	0,4
– Tax losses incurred, not recognised as deferred tax asset	0,5	–
– Effect of foreign tax rate differential	(0,1)	(0,1)
– Prior year over provisions	(0,1)	–
Effective rate of taxation for the year	26,3	28,4

notes to the financial statements continued

For the year ended 30 June 2020

24. Cash generated by operations

	2020 R'm	2019 R'm
Operating profit before capital items	2 334,5	2 522,5
Adjusted for:		
– Non-cash items	761,6	594,2
– Depreciation of property, plant and equipment	410,7	407,7
– Depreciation of right-of-use assets	159,2	160,4
– Amortisation of intangible assets	24,6	24,3
– Foreign currency translations	0,3	(2,7)
– Equity-settled share-based payments	44,7	41,5
– Movement in provisions and other non-cash items ¹	122,1	(37,0)
Cash generated by operations before working capital changes	3 096,1	3 116,7
Changes in working capital ² :		
Increase in inventories and biological assets	(31,0)	(321,7)
Decrease/(increase) in trade and other receivables	243,4	(0,3)
(Decrease)/increase in trade and other payables	(88,2)	55,2
	124,2	(266,8)
Cash generated by operations	3 220,3	2 849,9

¹ Includes non-cash movements in biological assets, fuel swap derivatives, operating lease straight-line liabilities, inventory obsolescence provisions, impairment loss allowances and bonus and leave pay accruals, offset by related cash payments.

² The net movement in working capital has been adjusted to take account of the foreign exchange differences and other non-cash items.

25. Taxation paid

	2020 R'm	2019 R'm
Amount owing at beginning of year	34,8	49,1
Amount prepaid at beginning of year	(7,1)	(5,6)
Net amount owing at beginning of year	27,7	43,5
	688,5	588,4
Charge per profit or loss	695,0	637,6
Deferred taxation included therein (Note 6)	(6,5)	(49,2)
Effect of movement in foreign exchange rates	(2,3)	(0,2)
Net amount owing at end of year	(2,6)	(27,7)
Amount owing at end of year	(26,8)	(34,8)
Amount prepaid at end of year	24,2	7,1
Amount paid during year	711,3	604,0

notes to the financial statements continued

For the year ended 30 June 2020

26. Other cash flows from investments

	2020 R'm	2019 R'm
Movements in Enterprise and Supplier Development initiatives	(5,3)	(5,4)
Dividends received from joint ventures	12,7	23,8
Total	7,4	18,4

27. Proceeds from shareholder funding

Sale of own ordinary shares by the Company's share trusts	8,0	28,0
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28. Dividends paid

Ordinary dividends paid	1 352,3	1 399,4
Special dividend paid	–	822,9
Dividends paid and reflected in statement of changes in equity	1 352,3	2 222,3

29. Changes in liabilities arising from financing activities

	Balance at 1 July 2019 R'm	Cash flows R'm	Non-cash changes				Balance at 30 June 2020 R'm
			Effect of movement in exchange rates R'm	New leases R'm	Impact of lease modifications and remeasurements R'm	COVID-19 rental concessions ¹ R'm	
Overdraft and current borrowings	2 267,6	(498,9)	–	–	–	–	1 768,7
Lease liabilities	408,9	(159,6)	1,7	147,4	4,9	(14,3)	389,0
	2 676,5	(658,5)	1,7	147,4	4,9	(14,3)	2 157,7

	Balance at 1 July 2018 R'm	Cash flows R'm	Non-cash changes				Balance at 30 June 2019 R'm
			Effect of movement in exchange rates R'm	New leases R'm	Impact of lease modifications and remeasurements R'm	Impact of changes in accounting policies R'm	
Overdraft and current borrowings	1 579,1	688,6	–	–	–	–	2 267,6
Lease liabilities	–	(166,7)	–	110,2	0,4	465,0	408,9
Vessel finance liability	33,5	(33,5)	–	–	–	–	–
	1 612,6	488,4	–	110,2	0,4	465,0	2 676,5

¹ The Group has applied the amendments to IFRS 16 that allow rent concessions that occur as a direct consequence of the COVID-19 pandemic to be treated as variable lease payments. These rental concessions are non-cash movements in lease liabilities.

notes to the financial statements continued

For the year ended 30 June 2020

30. Earnings and headline earnings

	2020		2019	
	Gross R'm	Net of tax and non-controlling interests R'm	Gross R'm	Net of tax and non-controlling interests R'm
The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 329 140 892 (2019: 328 315 207) ordinary shares in issue. The diluted earnings and headline earnings per share are calculated based on a weighted average of 330 184 802 (2019: 329 641 365) ordinary shares.				
Determination of headline earnings				
Earnings attributable to owners of AVI		1 947,3		1 604,5
Adjustment for capital items	(455,9)	(397,6)	127,8	91,7
Gain on disposal of interest in Simplot joint venture (Note 4)	(433,1)	(373,7)	–	–
Gain on reclassification of the cumulative foreign currency translation reserve from equity to profit for entities in the process of being deregistered	(30,1)	(30,1)	–	–
Net (gain)/loss on disposal of property, plant and equipment	(11,2)	(7,4)	0,1	0,1
Impairment of property, plant and equipment (Note 1)	18,4	13,5	26,1	18,5
Net loss on disposal and impairment of other intangible assets	0,1	0,1	1,9	1,3
Impairment of Green Cross trademark (Note 22)	–	–	99,7	71,8
Headline earnings		1 549,7		1 696,2

	2020 Number	2019 Number
Reconciliation of weighted average number of ordinary shares		
Issued shares at beginning of year	352 665 190	351 673 245
Own shares held by trusts and subsidiary at beginning of year	(23 932 751)	(24 241 976)
Effect of treasury shares sold in July – September	14 115	22 800
Effect of treasury shares sold in October – December	393 947	832 870
Effect of treasury shares sold in January – March	391	22 869
Effect of treasury shares sold in April – June	–	5 400
Weighted average number of ordinary shares	329 140 892	328 315 207
Effect of the AVI Executive Share Incentive Scheme instruments outstanding during the year	170	173 323
Effect of the AVI Deferred Bonus Share Plan instruments outstanding during the year	253 444	388 903
Effect of the AVI Out-Performance Scheme instruments outstanding during the year	790 296	763 932
Weighted average diluted number of ordinary shares	330 184 802	329 641 365

In determining the dilutive effect of these options, the IFRS 2 *Share-based payment charge* not yet expensed is added to the exercise price.

	2020 Cents	2019 Cents
Earnings per ordinary share	591,6	488,7
Diluted earnings per ordinary share	589,8	486,7
Headline earnings per ordinary share	470,8	516,6
Diluted headline earnings per ordinary share	469,3	514,6

notes to the financial statements continued

For the year ended 30 June 2020

31. Dividends paid

	2020 R'm	2019 R'm
Ordinary shares		
No. 90 of 260 cents, paid 15 October 2018		855,9
No. 91 of 250 cents, paid 15 October 2018		822,9
No. 92 of 165 cents, paid 23 April 2019		543,5
No. 93 of 250 cents, paid 14 October 2019	824,5	
No. 94 of 160 cents, paid 20 April 2020	527,8	
	1 352,3	2 222,3
Ordinary dividend No. 95 of 250 cents in respect of the year ended 30 June 2020 was declared on 4 September 2020 and is payable on 19 October 2020. 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.	824,7	

The dividends 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.

32. Commitments and contingent liabilities

	2020 R'm	2019 R'm
Commitments		
Capital commitments		
Capital expenditure authorised by the Directors		
Property, plant and equipment		
– contracted for	90,4	153,4
– not contracted for	55,0	13,9
	145,4	167,3

It is anticipated that this expenditure will be financed by cash resources, cash generated from activities and existing borrowing facilities.

Other contractual commitments have been entered into in the normal course of business.

notes to the financial statements continued

For the year ended 30 June 2020

33. Employee benefits

	2020 R'm	2019 R'm
Employment costs	2 811,2	2 664,8
Short-term employment benefits	2 539,7	2 399,3
Termination benefits	14,1	28,1
Retirement benefits	155,5	148,9
Post-retirement medical aid costs	34,9	35,1
Share-based payments – equity-settled	44,7	41,5
Movement in provisions for long-term earnings-linked performance bonuses	4,3	(0,1)
I&J Black Staff Employee Benefit Scheme (Note 34)	18,0	12,0

33.1 Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 9 824 (2019: 10 439) employees, 8 385 (2019: 7 935) are members of defined contribution Group pension and provident funds or state-administered funds in other jurisdictions. South African funds are governed by the Pension Funds Act 1956, as amended. Other funds are governed by the respective legislation of the countries concerned. The contributions paid by the Group companies for retirement benefits are charged to profit or loss as they are incurred, and amounted to R155,5 million (2019: R148,9 million).

33.2 Share incentive schemes

The interests of the directors are given on page 6 in the Directors' Remuneration Report. A summary of the movements in share incentive instruments is set out in the tables below.

The AVI Executive Share Incentive Scheme

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

Date of award	Award price (Exercise price) R	Instruments outstanding at 30 June 2019 number	Awarded number	Exercised/ Lapsed number	Relinquished number	Instruments outstanding at 30 June 2020 number
1 October 2014	67,47	5 692	–	(5 692)	–	–
1 April 2015	84,45	269 398	–	(269 398)	–	–
1 October 2015	82,67	44 502	–	–	–	44 502
1 April 2016	83,06	504 845	–	(96 595)	–	408 250
		824 437	–	(371 685)	–	452 752
Weighted average award price (R)		83,39	–	83,83	–	83,02
Weighted average share price on date of exercise (R)				90,19		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2020 is 0 years (2019: 0 years).

The options are available to be exercised in their entirety in all cases three years after the effective date of granting of awards. Any options not exercised by the fifth anniversary of such date will lapse. Exercises in any period prior to vesting in the third year represent the portion allowed to be exercised on retirement, death, disability or retrenchment.

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

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.

notes to the financial statements continued

For the year ended 30 June 2020

33. Employee benefits continued

33.2 Share incentive schemes continued

The Revised AVI Executive Share Incentive Scheme continued

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2019 number	Awarded number	Exercised/lapsed number	Relinquished number	Instruments outstanding at 30 June 2020 number
23 November 2016	94,07	188 974	–	–	–	188 974
1 April 2017	101,79	485 660	–	–	(37 586)	448 074
1 October 2017	97,77	238 106	–	–	–	238 106
1 April 2018	108,73	446 703	–	–	(222 361)	224 342
1 October 2018	106,84	267 592	–	–	(59 314)	208 278
1 April 2019	89,27	870 108	–	–	(106 703)	763 405
1 October 2019	83,91	–	472 683	–	(2 753)	469 930
1 April 2020	69,75	–	1 220 305	–	(4 415)	1 215 890
		2 497 143	1 692 988	–	(433 132)	3 756 999
Weighted average award price (R)		98,24	73,70	–	102,52	86,69
Weighted average share price on date of exercise (R)				–		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2020 is 1,7 years (2019: 1,8 years).

The share appreciation rights are available to be exercised in their entirety three years after the effective date of granting of awards, subject to the performance condition being met. Any rights not exercised by the fifth anniversary of such date will lapse. Exercises in any period prior to vesting in the third year represent the portion allowed to be exercised on retirement, death, disability or retrenchment.

The AVI Out-Performance Scheme

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

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

At the measurement date in respect of each tranche:

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

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

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

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2019 number	Awarded number	Exercised/Lapsed number	Relinquished number	Instruments outstanding at 30 June 2020 number
1 October 2016	92,35	201 760	–	(201 760)	–	–
1 October 2017	98,57	254 012	–	–	–	254 012
1 October 2018	110,52	255 980	–	–	–	255 980
1 October 2019	83,73	–	378 964	–	–	378 964
		711 752	378 964	(201 760)	–	888 956
Weighted average award price (R)		101,10	83,73	92,35	–	95,68
Weighted average share price on date of exercise (R)				85,42		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2020 is 1,4 years (2019: 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.

notes to the financial statements continued

For the year ended 30 June 2020

33. Employee benefits continued

33.2 Share incentive schemes 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 during this vesting period. Participants are, however, eligible to receive dividends and vote at shareholder meetings.

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2019 number	Awarded number	Vested number	Relinquished number	Instruments outstanding at 30 June 2020 number
18 November 2016	88,59	269 886	–	(267 860)	(2 026)	–
1 October 2017	97,55	152 315	–	(4 494)	(5 211)	142 610
1 October 2018	106,84	229 814	–	(1 529)	(8 194)	220 091
1 October 2019	83,91	–	147 886	–	(3 847)	144 039
		652 015	147 886	(273 883)	(19 278)	506 740
Weighted average award price (R)		97,12	83,91	88,84	97,84	97,71
Weighted average share price on date of exercise (R)				86,80		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2020 is 1,3 years (2019: 1,2 years).

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

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

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 were 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 was subject to the settlement of the exercise price by the participant and the express condition that the participant was still an employee at the relevant exercise date. 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 2020 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.

Remaining share options at 30 June 2020

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notes to the financial statements continued

For the year ended 30 June 2020

33. Employee benefits continued

33.2 Share incentive schemes continued

Restrictions

Ordinary shares in the authorised and unissued capital of the Company were placed under the control of the Directors with specific authority to allot and issue them in terms of the Company's existing share incentive schemes ("the schemes"). The total number of share instruments, options or instruments convertible into ordinary shares which may be allocated for purposes of the schemes are detailed in the table below.

Share incentive scheme	Authorised number	% of total issued share capital*	Remaining authorised but not issued number
AVI Executive Share Incentive Scheme	–	0,0	–
Revised AVI Executive Share Incentive Scheme	5 213 369	1,5	5 209 627
AVI Deferred Bonus Share Plan	5 213 369	1,5	4 338 134
AVI Out-Performance Scheme	6 915 158	2,0	5 210 495
Total	17 341 896	5,0	14 758 256

* 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 6 716 749 ordinary shares, which presently equates to 2,0% of the total issued share capital of the Company.

notes to the financial statements continued

For the year ended 30 June 2020

33. Employee benefits continued

33.3 Share-based payments

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

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

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

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

Assumptions applied in arriving at fair value of instruments issued during the year	2020	2019
Equity instruments issued by the Revised AVI Executive Share Incentive Scheme		
Fair value at grant date	R15,40 – R16,13	R19,31 – R22,25
Share price	R55,66 – R68,85	R74,93 – R89,17
Exercise price	R69,75 – R83,91	R89,27 – R106,84
Expected volatility	24,9% – 33,0%	14,3% – 17,7%
Option life	3,5 years	3,5 years
Dividend yield	2,37% – 2,50%	2,33% – 5,10%
Risk-free interest rate	8,32% – 9,87%	8,60% – 8,98%
Equity instruments issued by the AVI Out-Performance Scheme		
Fair value at grant date	R50,38	R53,12
Share price	R83,73	R110,06
Option life	3 years	3 years
Dividend yield	5,0%	4,7%
Risk-free interest rate	8,32%	8,99%
Expected mean TSR performance	7,4%	7,5%
Equity instruments issued by the AVI Deferred Bonus Share Plan		
Share price	R83,91	R106,84

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

The R186 bond rate was used to determine a risk-free interest rate at grant date or measurement date.

	2020 R'm	2019 R'm
Share-based payment expense		
AVI Executive Share Incentive Scheme	–	3,0
Revised AVI Executive Share Incentive Scheme	12,3	10,4
AVI Out-Performance Scheme	14,5	10,6
AVI Deferred Bonus Share Plan	17,9	17,7
AVI Black Staff Empowerment Scheme	–	(0,2)
	44,7	41,5

notes to the financial statements continued

For the year ended 30 June 2020

34. Broad Based Black Economic Empowerment (“BBBEE”) transactions

Irvin & Johnson Holding Company Proprietary Limited (“I&J”)

The Company sold 20% of its shareholding in I&J to Main Street 198 Proprietary Limited (“Main Street”) in November 2004. Main Street is jointly owned by Mast Fishing Investment Holdings Proprietary Limited (“Mast Fishing”) and Tresso Trading 946 Proprietary Limited (“Tresso Trading”), two broad-based black empowered companies with strong commitments to the South African fishing industry. The proceeds on disposal amounted to R160,8 million and the consideration was funded by the Company subscribing for cumulative redeemable preference shares in Main Street.

The Main Street Memorandum of Incorporation allows for the payment of ordinary dividends to Main Street’s shareholders out of dividends received by Main Street from I&J, with the balance paid as preference dividends to AVI. Furthermore, the I&J shareholders agreement provides for put and call options between the Company and Main Street, the exercise price of which is determined by a fixed formula based on I&J’s earnings.

During June 2018, the exercise date of the put and call options was extended from July 2018 to July 2022. As part of the extension, a minimum guaranteed exercise price of R106,8 million was agreed with Main Street based on the application of the fixed formula at 30 June 2018. R65,0 million of this minimum guaranteed amount was paid to Main Street in June 2018 with the balance payable on exercise of the put and call options.

AVI further increased the BBBEE shareholding in I&J by donating 1% and selling 4% of its shareholding in I&J to a company owned by the South African black employees of I&J and its subsidiaries, Richtrau No. 53 Proprietary Limited (“Richtrau”), on 1 May 2005. On completion of the first vesting cycle and settlement of the gains due to I&J’s black employees, the scheme has been extended through the introduction of the I&J Black Staff Holding Company Proprietary Limited (“I&J Black Staff HoldCo”), a company owned by the South African black employees of I&J and its subsidiaries, which acquired 100% of the issued share capital of Richtrau. The consideration paid by the I&J Black Staff HoldCo amounted to R15,3 million and was funded by AVI Limited subscribing for cumulative redeemable preference shares in the I&J Black Staff HoldCo.

As a result of the above arrangements the effective direct BEE shareholding in I&J is 25% (2019: 25%).

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

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

Notwithstanding that the BBBEE transactions have been completed and that the BBBEE shareholders have beneficial ownership and voting control over their 25% shareholding, the accounting recognition in the Group’s consolidated financial statements of a non-controlling interest in respect of shares held by the BBBEE companies in I&J is deferred until such shares in I&J are regarded as issued outside of the Group in terms of the control principles of IFRS 10 – *Consolidated Financial Statements*. Payments made to the Main Street shareholders are reflected directly against equity.

notes to the financial statements continued

For the year ended 30 June 2020

34. Broad Based Black Economic Empowerment (“BBBEE”) transactions continued

Main Street

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

The extension of the arrangement in June 2018 was treated as a modification within the scope of IFRS 2 – *Share-based Payments*. Prior to the extension AVI could elect to settle the transaction in either shares or cash. The inclusion of the minimum guaranteed amount, however, resulted in the modification of the transaction from an equity-settled share-based payment transaction to a cash-settled share-based payment transaction. The payment of R65,0 million and the present value of the remaining minimum guaranteed amount were recorded directly against equity as part of the modification of the previous equity-settled arrangement. A cash-settled share-based payment liability of R41,4 million (2019: R39,7 million) has been recognised for the present value of the remaining minimum guaranteed amount plus estimated dividends over the remaining period. The fair value of any potential incremental value over and above the minimum guaranteed amount upon final vesting was estimated to be negligible at 30 June 2020 considering that the calculation of the minimum guaranteed amount was based on a period of high earnings. The fair value of the potential incremental value, as assessed annually, is estimated using the Monte Carlo valuation methodology by extrapolating I&J’s historical earnings over the remaining vesting period of three years, discounted at 5,5% (2019: 6,5%), and will be assessed annually.

No derivative asset or liability is recognised on consolidation for the put and call options as the Company is deemed to control Main Street in terms of the principles of IFRS 10 – *Consolidated Financial Statements* while the preference shares remain outstanding.

I&J Black Staff HoldCo

The I&J Black Staff HoldCo shareholders’ agreement provides for the payment of ordinary dividends equal to 10% of dividends received from I&J, through the shareholding in Richtrau, to the I&J Black Staff HoldCo’s shareholders (who are employees of I&J) on an annual basis. Furthermore, when employee vesting conditions are met, I&J Black Staff HoldCo has undertaken to repurchase ordinary shares from the employees at a price based on the earnings performance of I&J less the remaining redeemable preference share liability. The Company has undertaken to provide funding for the repurchase commitments of I&J Black Staff HoldCo, if required. The arrangement has been accounted for as a long-term employee benefit under the requirements of IAS 19 – *Employee Benefits* in the consolidated financial statements as ultimately the obligation is to the employees of the Group. The liability (Note 13 – R64,1 million at 30 June 2020 and R46,1 million at 30 June 2019) has been measured using the projected unit credit method and an expense of R18,0 million (2019: R12,0 million) has been recognised in the current year.

notes to the financial statements continued

For the year ended 30 June 2020

35. Related party transactions

	2020 R'm	2019 R'm
Transactions with Group entities		
Trade receivables from joint ventures	–	26,5
Royalties received from joint ventures	7,2	20,0
Sales to joint ventures	69,5	101,8
Payments to AVI Limited Pension Fund	98,0	96,0
Payments to AVI Limited Provident Fund	108,0	100,0

Details of the principal subsidiaries, joint ventures and other investments are given on pages 37 and 71.

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 2020, according to the information available to the directors were:

	Number of ordinary shares	%
Government Employees Pension Fund	49 039 717	14,6
Old Mutual Group	19 986 202	6,0
MFS Investment Management	12 354 214	3,7
Vanguard Investment Management	11 106 023	3,3

Directors of the Company

Directors' emoluments

The individual directors' emoluments paid in respect of the financial period under review are set out in the Directors' Remuneration Report on page 6.

Directors' service contracts

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

Transactions with key management personnel

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

The key management personnel costs are as follows:

	2020 R'm	2019 R'm
Short-term employee benefits	132,9	157,8
Post-employment benefits	8,6	8,6
Termination benefits	0,6	3,3
Other long-term benefits*	5,3	10,9
Share-based payment benefits	39,1	34,8
	186,5	215,4

* Gains on settlement of long-term earnings-linked performance bonuses.

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

notes to the financial statements continued

For the year ended 30 June 2020

36. Financial risk management

36.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk.

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

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

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

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

36.2 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of directors monitors the return on average capital employed, which the Group defines as operating profit before capital items from continuing operations, after taxation, divided by average total shareholders' equity plus net debt.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target, which is determined by the AVI Board, is to achieve a return on average capital employed of at least 120% of the weighted average cost of capital, which was estimated at 10,5% (2019: 11,4%). In 2020, the return was 24,8% (2019: 26,9%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 7,07% (2019: 7,64%).

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

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

The AVI Group is subject to and complies with the following financial covenants required by some of the Group's bankers:

- consolidated net debt to EBITDA less than 2,5.
- consolidated EBITDA to net interest paid greater than 3,5.

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

notes to the financial statements continued

For the year ended 30 June 2020

36. Financial risk management continued

36.3 Credit risk

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

Trade and other receivables

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

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

Most of the Group's customers have been transacting with the Group for over three years and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity, existence of previous financial difficulties and the existence of current financial difficulties due to the impact of COVID-19 or otherwise. Trade and other receivables relate mainly to the Group's retail and wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis. Overdue accounts are put on hold until payments are received to return them to within limits.

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

The Group establishes an impairment loss allowance for expected credit losses in respect of trade and other receivables by applying the simplified approach of IFRS 9, measuring the impairment loss allowance based on lifetime expected credit loss. Further to this, as a practical expedient, the Group applies a provision matrix assessing historical credit losses per aged bucket of trade debtors, grouped into customer segments with similar loss patterns, and overlays this with the Group's assessment of general economic conditions to estimate expected future losses. The assessment of impairment loss allowance takes into account credit enhancements that are part of the contractual terms and are not recognised separately by the Group. The majority of the debtors balance is insured.

Cash and cash equivalents, loan receivables and other investments

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

Guarantees

The Company's policy is to provide limited financial guarantees in respect of banking facilities for subsidiaries. At 30 June 2020, 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, Green Cross Manufacturers Proprietary Limited, Ciro Full Service Beverage Company Proprietary Limited, Irvin & Johnson Aquaculture Proprietary Limited and Irvin & Johnson Property Holding Company Proprietary Limited (2019: 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, Green Cross Manufacturers Proprietary Limited, Ciro Full Service Beverage Company Proprietary Limited, Irvin & Johnson Aquaculture Proprietary Limited and Irvin & Johnson Property Holding Company 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.

notes to the financial statements continued

For the year ended 30 June 2020

36. Financial risk management continued

36.3 Credit risk continued

Exposure to credit risk

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

	Carrying amount	
	2020 R'm	2019 R'm
Long-term receivables	19,4	14,1
Derivatives	77,4	45,0
Trade and other receivables*	1 686,6	1 960,9
Cash and cash equivalents	842,4	233,1
Total	2 625,8	2 253,1

* Excludes prepayments and VAT receivables.

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

	Carrying amount	
	2020 R'm	2019 R'm
South Africa	1 215,3	1 460,0
Europe	227,2	241,3
Australasia	–	25,8
Rest of Africa	170,5	157,4
Other	19,0	39,9
Total	1 632,0	1 924,4

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

	Carrying amount	
	2020 R'm	2019 R'm
Wholesale customers	713,0	630,7
Retail customers	835,3	1 043,0
End-user customers and direct sales	83,7	250,7
Total	1 632,0	1 924,4

The Group's most significant customers, being two South African retailers, accounted for 32,2% of the carrying amount of trade receivables at 30 June 2020 (2019: 34,8%).

notes to the financial statements continued

For the year ended 30 June 2020

36. Financial risk management continued

36.3 Credit risk continued

Impairment issues

The ageing of trade receivables at the reporting date was:

	2020			2019		
	Gross R'm	Impairment loss allowance R'm	Expected credit loss rate %	Gross R'm	Impairment loss allowance R'm	Expected credit loss rate %
Not past due	1 445,9	–	0,0	1 816,8	(3,9)	(0,2)
Past due 0 – 30 days	128,5	(0,4)	(0,3)	85,2	(0,4)	(0,5)
Past due 31 – 120 days	42,3	(3,6)	(8,5)	13,1	(0,4)	(3,1)
Past due 121 days – 1 year	15,3	(6,7)	(43,8)	7,8	(1,6)	(13,8)
Past due more than 1 year	–	–	0,0	1,5	–	0,0
Total	1 632,0	(10,7)	(0,7)	1 924,4	(6,3)	(0,3)

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

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

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

	2020 R'm	2019 R'm
Balance as at 1 July	(6,3)	(3,4)
Impact of changes in accounting policies*	–	(4,5)
Impairment loss recognised in profit or loss	(5,0)	0,7
Impairment loss utilised	0,6	0,9
Balance as at 30 June	(10,7)	(6,3)

* Impact of changes in accounting policies following the adoption of IFRS 9 on 1 July 2018.

The Group establishes an impairment loss allowance for expected credit losses in respect of trade and other receivables by applying the simplified approach of IFRS 9, measuring the impairment loss allowance based on lifetime expected credit loss. Further to this, as a practical expedient, the Group applies a provision matrix assessing historical credit losses per aged bucket of trade debtors, grouped into customer segments with similar loss patterns, and overlays this with the Group's assessment of general economic conditions to estimate expected future losses. The assessment of impairment loss allowance takes into account credit enhancements that are part of the contractual terms and are not recognised separately by the Group. The majority of the debtors balance is insured.

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

The carrying amounts represent the maximum exposure to credit risk.

The impact of the COVID-19 pandemic has been considered in the measurement of expected credit losses. The impairment loss allowance in the current year has been increased for customers negatively impacted by COVID-19, most notably customers in the restaurant and hospitality sectors.

notes to the financial statements continued

For the year ended 30 June 2020

36. Financial risk management continued

36.4 Liquidity risk

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

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

In addition, the Group maintains R3,8 billion of committed borrowing facilities with banks. These are a combination of short and medium-term facilities. These facilities provide the Group with access to sufficient funding to maintain its strong financial position and to continue to support its business units during the COVID-19 pandemic.

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	1 year or less R'm	+1 – 2 years R'm	+2 – 5 years R'm	More than 5 years R'm
30 June 2020						
Non-derivative financial liabilities						
Trade and other payables*	1 296,6	1 296,6	1 296,6	–	–	–
Lease liabilities	389,0	451,0	187,9	148,4	106,4	8,5
Overdraft and current borrowings	1 768,7	1 768,7	518,7	–	1 250,0**	–
	3 454,3	3 516,3	2 003, 2	148,4	1 356,4	8,5
30 June 2019						
Non-derivative financial liabilities						
Trade and other payables*	1 367,7	1 367,7	1 367,7	–	–	–
Lease liabilities	408,9	471,7	188,1	144,2	138,6	0,9
Overdraft and current borrowings	2 267,7	2 267,7	2 267,7	–	–	–
	4 044,3	4 107,1	3 823,5	144,2	138,6	0,9

* Excludes earnings-linked performance bonuses, post-retirement medical aid liabilities, operating lease straight-line liabilities and indirect tax liabilities.

** The Group expects to settle these borrowings within the normal operating cycle.

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

	Carrying amount R'm	Contractual cash flows R'm	6 months or less R'm	6 – 12 months R'm	+ 2 – 5 years R'm	More than 5 years R'm
30 June 2020						
FEC's used for hedging						
– Imports	39,2	520,3	476,5	43,8	–	–
– Exports	(27,6)	(685,7)	(276,4)	(409,4)	–	–
	11,6	(165,4)	200,1	(365,6)	–	–
Imports – average forward rate:						
– USD/ZAR			15,87	15,84		
– EUR/ZAR			17,29	18,91		
Exports – average forward rate:						
– USD/ZAR			16,17	17,68		
– EUR/ZAR			18,22	19,51		
30 June 2019						
FEC's used for hedging						
– Imports	17,2	794,5	689,4	105,1	–	–
– Exports	(31,6)	(760,6)	(310,8)	(449,7)	–	–
	(14,4)	33,9	378,6	(344,6)	–	–
Imports – average forward rate:						
– USD/ZAR			14,53	14,83		
– EUR/ZAR			16,79	17,23		
Exports – average forward rate:						
– USD/ZAR			15,04	15,05		
– EUR/ZAR			17,60	17,34		

notes to the financial statements continued

For the year ended 30 June 2020

36. Financial risk management continued

36.5 Market risk

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

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

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

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

Currency risk

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

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

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

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

Exposure to currency risk

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

	Trade receivables FC'm	Cash and cash equivalents FC'm	Trade payables FC'm	Borrowings (including lease liabilities) FC'm	Balance sheet exposure FC'm	Estimated forecast sales [*] FC'm	Estimated forecast purchases [*] FC'm	FEC's on sales/receivables FC'm	FEC's on purchases/payables FC'm	Net forecast FC exposure FC'm
Net exposure as at 30 June 2020										
Australian Dollar	-	0,6	-	-	0,6	10,9	-	5,8	-	17,3
Botswana Pula	36,4	43,0	(6,3)	(7,5)	65,6	-	-	-	-	65,6
Euro	11,3	5,0	(5,9)	(1,0)	9,4	66,8	(28,3)	35,1	(11,0)	72,0
US Dollar	1,5	1,9	(4,5)	(0,2)	(1,3)	14,2	(61,8)	6,0	(24,9)	(67,8)
Zambian Kwacha	22,4	11,8	(2,5)	(0,1)	(18,4)	-	-	-	-	31,6
Net exposure as at 30 June 2019										
Australian Dollar	2,6	0,9	-	-	3,5	7,9	-	4,3	-	15,7
Botswana Pula	44,1	36,8	(16,2)	(10,2)	54,5	-	-	-	-	54,5
Euro	13,3	0,4	(5,0)	(3,8)	4,9	79,2	(30,5)	36,4	(19,2)	70,8
US Dollar	2,9	3,6	(9,0)	(1,7)	(4,2)	23,6	(77,2)	12,6	(37,5)	(82,7)
Zambian Kwacha	32,4	6,5	(2,7)	(2,8)	33,4	-	-	-	-	33,4

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

The following significant exchange rates applied during the year:

	Reporting date			
	30 June 2020		30 June 2019	
	Closing rate	Average for the year	Closing rate	Average for the year
1FC = X ZAR				
Australian Dollar	11,96	10,61	9,88	10,12
Botswana Pula	1,47	1,39	1,32	1,33
Euro	19,46	17,32	16,01	16,19
US Dollar	17,33	15,68	14,08	14,19
Zambian Kwacha	0,96	1,06	1,09	1,21

notes to the financial statements continued

For the year ended 30 June 2020

36. Financial risk management continued

36.5 Market risk continued

Sensitivity analysis

A 10 percent weakening of the Rand against the following currencies at 30 June applied against the net forecast foreign currency exposure for the next 12 months would result in the following changes to operating profit over a 12-month period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as 2019.

	Profit/(loss) and equity	
	2020 R'm	2019 R'm
Australian Dollar	20,7	15,5
Botswana Pula	9,6	7,2
Euro	140,1	113,3
US Dollar	(117,5)	(116,4)
Zambian Kwacha	3,0	3,7
	55,9	23,3

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

Interest rate risk

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

Profile

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

	Carrying amount	
	2020 R'm	2019 R'm
Variable rate instruments		
– financial assets ¹	842,4	233,1
– financial liabilities ²	(1 768,7)	(2 267,7)
	(926,3)	(2 034,6)

¹ Includes cash and cash equivalents.

² Includes current borrowings and bank overdraft.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date, calculated on the closing balances and using simple interest for 12 months, would have decreased profit by the amounts shown below. A decrease of 100 basis points would have had an equal but opposite effect to the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit/(loss) and equity	
	2020 R'm	2019 R'm
Variable rate instruments		
– financial assets	8,4	2,3
– financial liabilities	(17,7)	(22,7)
Net cash flow sensitivity	(9,3)	(20,4)

notes to the financial statements continued

For the year ended 30 June 2020

37. Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, including their levels in the fair value hierarchy (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				
30 June 2020	R'm	R'm	R'm	R'm	R'm	R'm
Financial assets measured at fair value	77,4	77,4	-	-	77,4	-
Forward exchange contract derivative assets	76,8	76,8	-	-	76,8	-
Fuel swap derivative assets	0,6	0,6	-	-	0,6	-
Financial assets not measured at fair value	2 548,4	-	2 548,4	-	-	-
Contributions to enterprise and supplier development initiatives	19,4	-	19,4	-	-	-
Trade and other receivables						
– Trade receivables	1 621,3	-	1 621,3	-	-	-
– Other receivables	65,3	-	65,3	-	-	-
Cash and cash equivalents	842,4	-	842,4	-	-	-
Financial liabilities measured at fair value	(112,4)	(112,4)	-	-	(112,4)	-
Cash-settled share-based payment liability	(41,4)	(41,4)	-	-	(41,4)	-
Forward exchange contract derivative liabilities	(59,9)	(59,9)	-	-	(59,9)	-
Fuel swap derivative liabilities	(11,1)	(11,1)	-	-	(11,1)	-
Financial liabilities not measured at fair value	(3 761,3)	-	(3 761,3)	-	-	-
Bank overdraft and current borrowings	(1 768,7)	-	(1 768,7)	-	-	-
Lease liabilities	(389,0)	-	(389,0)	-	-	-
Trade and other payables						
– Trade payables	(1 051,1)	-	(1 051,1)	-	-	-
– Other payables	(552,5)	-	(552,5)	-	-	-

notes to the financial statements continued

For the year ended 30 June 2020

37. Financial assets and liabilities continued

Accounting classifications and fair values continued

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

	CARRYING AMOUNT			FAIR VALUE HIERARCHY		
	Debt instruments, derivatives and equity instruments at fair value through profit or loss	Debt instruments at amortised cost		Level 1	Level 2	Level 3
Assets						
Liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost				
30 June 2019	R'm	R'm	R'm	R'm	R'm	R'm
Financial assets measured at fair value	45,0	45,0	–	–	45,0	–
Forward exchange contract derivative assets	44,0	44,0	–		44,0	
Fuel swap derivative assets	1,0	1,0	–		1,0	
Financial assets not measured at fair value	2 208,1	–	2 208,1	–	–	–
Contributions to Enterprise and Supplier Development initiatives	14,1	–	14,1			
Trade and other receivables						
– Trade receivables	1 918,1	–	1 918,1			
– Other receivables	42,8	–	42,8			
Cash and cash equivalents	233,1	–	233,1			
Financial liabilities measured at fair value	(68,5)	(68,5)	–	–	(68,5)	–
Cash-settled share-based payment liability	(39,7)	(39,7)	–		(39,7)	
Forward exchange contract derivative liabilities	(26,4)	(26,4)	–		(26,4)	
Fuel swap derivative liabilities	(2,4)	(2,4)	–		(2,4)	
Financial liabilities not measured at fair value	(4 310,0)	–	(4 310,0)	–	–	–
Bank overdraft and current borrowings	(2 267,7)	–	(2 267,7)			
Lease liabilities	(408,9)	–	(408,9)			
Trade and other payables						
– Trade payables	(1 090,7)	–	(1 090,7)			
– Other payables	(542,7)	–	(542,7)			

notes to the financial statements continued

For the year ended 30 June 2020

37. Financial assets and liabilities continued

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables, current borrowings and bank overdrafts 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).

Measurement of fair value

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Derivative assets and liabilities at fair value: used for hedging	Market comparison technique: The fair value of foreign currency contracts and fuel swaps (used for hedging) are marked-to-market by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date.	Not applicable	Not applicable
Cash-settled share-based payment liability	Refer to Note 34.		

There were no transfers between levels 1,2 or 3 of the fair value hierarchy for the years ended 30 June 2020 and 30 June 2019.

38. Post-balance sheet date events

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

39. Going concern

The Group earned a net profit for the year ended 30 June 2020 of R1 947,3 million (2019: R1 604,5 million) and as of that date, its total assets exceeded its total liabilities by R5 018,4 million (2019: R4 539,3 million). The directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe that the Group will not be a going concern in the year ahead.

annexure a – interests in other entities

Interests in other entities as at 30 June 2020

Principal subsidiary companies of AVI Limited

Name of company and nature of business	Class	Issued permanent capital*		Group effective percentage holding	
		2020 R'm	2019 R'm	2020 %	2019 %
A&D Spitz Proprietary Limited – retailer of branded shoes and apparel	Ord	–	–	100	100
AVI Investment Services Proprietary Limited – investment company	Ord	–	–	100	100
Green Cross Manufacturers Proprietary Limited – producer and retailer of branded shoes and footwear accessories	Ord	–	–	100	100
Hampton Sportswear Proprietary Limited – retailer of branded apparel	Ord	–	–	100	100
Irvin & Johnson Holding Company Proprietary Limited – international integrated fishing, processing and marketing of branded value added fish and seafood products	Ord	–	–	75	75
Indigo Brands Proprietary Limited – manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord	–	–	100	100
National Brands Limited – manufacturers and marketers of branded food and beverage products	Ord	3,5	3,5	100	100
Nina Roche Shoe Collection Proprietary Limited – licensor of shoe brands	Ord	–	–	100	100

All companies are incorporated in South Africa.

* Where Rnil amount is less than R1 million.

annexure b – analysis of ordinary shareholders

analysis of ordinary shareholders as at 30 June 2020

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000 shares	10 428	60,99	4 102 763	1,22
1 001 – 10 000 shares	5 214	30,49	16 104 851	4,80
10 001 – 100 000 shares	1 074	6,28	34 787 874	10,36
100 001 – 1 000 000 shares	331	1,94	91 016 917	27,10
1 000 001 shares and over	52	0,30	189 825 046	56,52
Total	17 099	100,00	335 837 451	100,0

Distribution of shareholders

Assurance companies	84	0,49	23 248 130	6,9
Close corporations	149	0,87	338 207	0,1
Collective investment schemes	581	3,40	137 496 662	40,9
Control accounts	2	0,01	69	0,0
Custodians	50	0,29	11 792 605	3,5
Foundations and charitable funds	197	1,15	2 723 448	0,8
Hedge funds	13	0,08	1 418 304	0,4
Insurance companies	21	0,12	1 599 838	0,5
Investment partnerships	51	0,30	299 444	0,1
Managed funds	96	0,56	18 912 606	5,6
Medical aid funds	33	0,19	1 099 294	0,3
Organs of state	16	0,09	52 358 195	15,6
Private companies	497	2,91	3 522 381	1,2
Public companies	14	0,08	2 683 339	0,8
Public entities	5	0,03	98 437	0,0
Retail shareholders	12 080	70,65	17 172 407	5,1
Retirement benefit funds	480	2,81	33 389 058	9,9
Scrip lending	16	0,09	2 137 217	0,6
Share schemes	2	0,01	5 884 171	1,8
Sovereign funds	7	0,04	7 309 547	2,2
Stockbrokers and nominees	75	0,44	682 933	0,2
Treasury	1	0,01	588 894	0,2
Trusts	2 621	15,33	11 065 824	3,3
Unclaimed scrip	8	0,05	16 441	0,0
Total	17 099	100,00	335 837 451	100,0

Shareholder type

Non-public shareholders	8	0,05	47 066 910	14,0
Directors	4	0,02	908 500	0,3
Beneficial holders >10% (GEPF)	1	0,01	39 685 345	11,8
AVI share schemes	3	0,02	6 473 065	1,9
Public shareholders	17 091	99,95	288 770 541	86,0
Total	17 099	100,00	335 837 451	100,0

Fund managers with a holding greater than 3% of the issued shares

Public Investment Corporation	44 952 338	13,4
Old Mutual Investment Group	21 293 746	6,3
Schroder Investment Management	17 085 997	5,1
Ninety One	15 118 233	4,5
Allan Gray	12 849 107	3,8
MFS Investment Management	12 683 527	3,8
Stanlib Asset Management	11 998 169	3,6
Abax Investments	11 521 173	3,4
Vanguard Investment Management	11 139 453	3,3
JP Morgan Asset Management	10 960 201	3,3
Total	169 601 944	50,5

annexure b – analysis of ordinary shareholders

Analysis of ordinary shareholders as at 30 June 2020

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Government Employees Pension Fund	49 039 717	14,6
Old Mutual Group	19 986 202	6,0
MFS Investment Management	12 354 214	3,7
Vanguard Investment Management	11 106 023	3,3
Total	92 486 156	27,6
Total number of shareholdings	17 099	
Total number of shares in issue	335 837 451	
Share price performance		
Opening price 01 July 2019	R91,33	
Closing price 30 June 2020	R70,54	
Closing high for period	R95,75	
Closing low for period	R63,32	
Number of shares in issue	335 837 451	
Volume traded during period	318 468 810	
Ratio of volume traded to shares issued (%)	94,83%	
Rand value traded during the period	R25 221 610 681	
Market capitalisation at 30 June 2020	R23 689 973 794	

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