AV | GROWING GREAT BRANDS

2020 INTEGRATED ANNUAL REPORT

1 OVERVIEW
- 1 Board responsibility
- 1 Our business
- 1 Operating structure
- 2 Our business highlights
- 4 Objectives and strategies

6 BUSINESS REVIEW
- 6 Chairman and CEO's review
- 11 Operational reviews
- 12 **ENTYCE BEVERAGES**
- 14 **SNACKWORKS**
- 16 **I&J**
- 19 **PERSONAL CARE**
- 20 **FOOTWEAR AND APPAREL**
- 23 **INTERNATIONAL**
- 24 Financial review
- 32 Sustainable development report

62 GOVERNANCE
- 62 Board of directors
- 64 Corporate governance report
- 74 Remuneration report

85 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

158 SHAREHOLDER INFORMATION
- 158 Shareholders' diary
- 159 Notice of Annual General Meeting
- 163 Form of proxy

about this report

AVI's Integrated Annual Report covers the economic, environmental and social activities of the Group for the period 1 July 2019 to 30 June 2020 and aims to provide AVI's stakeholders with a transparent, balanced and holistic view of the Group's performance. In addition, where it is informative to add information post 30 June 2020, this has been included and noted.

This report covers the entire Group, comprising Entyce Beverages, Snackworks, I&J and Fashion brands.

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

board responsibility

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

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

our business

GROWING GREAT BRANDS

With a primary listing on the Johannesburg Stock Exchange in the food products sector, and a secondary listing on A2X, AVI Limited's extensive brand portfolio includes more than 50 brands. AVI's lifeblood is its portfolio of remarkable brands, many of which carry a heritage and pedigree built up over decades and some of which occupy a place in our national character. It would not be a stretch to claim that the vast majority of South Africa's population has at some time or another been conscious of, consumed or aspired to own, one of our brands.

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

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

We have 150 branded retail outlets under the Spitz, Kurt Geiger, Green Cross, GX&co and Gant brands.

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

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

With a turnover of R13,21 billion in this last financial year, AVI's brands are a household name in South Africa and growing every day.

operating structure

AVI

ENTYCE BEVERAGES	SNACKWORKS	I&J	PERSONAL CARE	FOOTWEAR & APPAREL	SHARED SERVICES
TEA	BISCUITS	SEAFOOD	INDIGO	SPITZ	INTERNATIONAL
COFFEE	SNACKS	GENERAL FOOD		KURT GEIGER	IT
CREAMER				GREEN CROSS	HUMAN RESOURCES
OUT OF HOME				GANT	FINANCE
					LOGISTICS
					FIELD MARKETING
					MARKETING
					PROCUREMENT

our business highlights

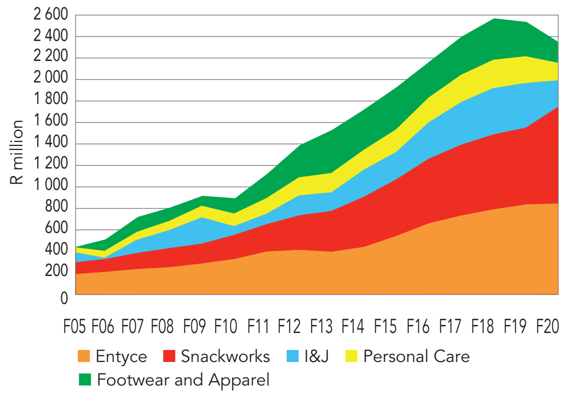
Note: AVI adopted the new accounting standards listed below with effect from 1 July 2018; consequently both the current and prior year information presented in this report is prepared in accordance with the new standards:

- IFRS 15 – *Revenue from Contracts with Customers*;
- IFRS 16 – *Leases*; and
- IFRS 9 – *Financial Instruments.*

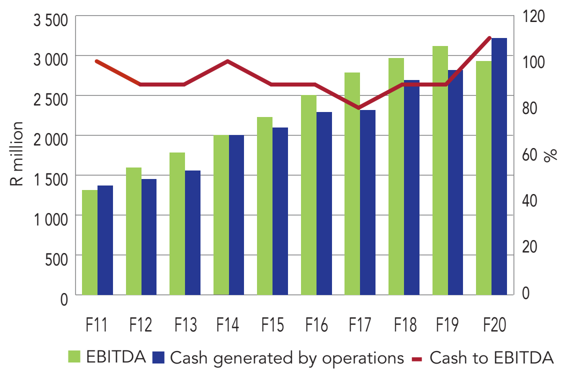
Key features

- The COVID-19 pandemic materially affected the second semester
- Full year revenue growth of 0,4%
- Gross profit margins protected despite volume losses in some businesses
- Selling and administrative cost increases limited to 1,0%
- Operating profit declined by 7,5% due to the impact of the second semester
- Cash generated by operations increased by 13,0% over the prior year
- Investment of R376,6 million in capital projects and essential replacements
- Headline earnings per share down 8,9% to 470,8 cents
- Final dividend of 250 cents per share

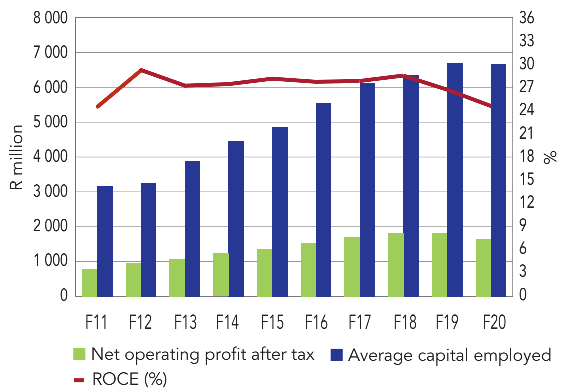
Operating profit history



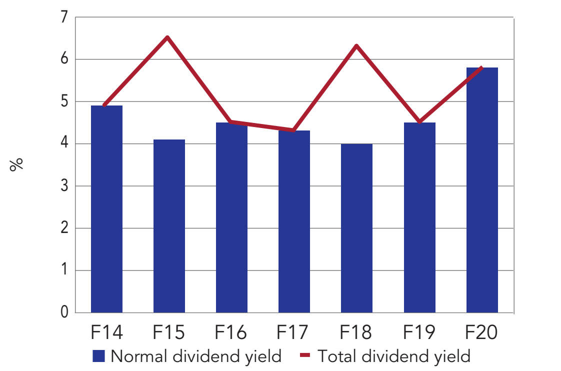
Cash conversion



Return on capital employed



Historical dividend yield (year end)



AVI	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	Change F20 vs F19 %
REVENUE	**13 209,7**	13 150,9	13 437,5	13 184,6	12 188,9	**0,4**
OPERATING PROFIT	**2 334,5**	2 522,5	2 552,5	2 385,3	2 154,6	**(7,5)**
OPERATING MARGIN (%)	**17,7**	19,2	19,0	18,1	17,7	**(7,8)**
CAPITAL EXPENDITURE	**376,6**	472,6	419,9	545,6	881,8	**(20,3)**

ENTYCE BEVERAGES	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	Change F20 vs F19 %
REVENUE	**3 849,0**	3 822,6	3 834,1	3 757,1	3 421,9	0,7
OPERATING PROFIT	**846,6**	838,3	792,6	735,1	661,7	1,0
OPERATING MARGIN (%)	**22,0**	21,9	20,7	19,6	19,3	0,5
CAPITAL EXPENDITURE	**92,6**	106,7	42,7	127,2	130,7	(13,2)

Snackworks That's Good Times!	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	Change F20 vs F19 %
REVENUE	**4 365,1**	3 890,9	3 960,8	3 956,2	3 643,2	**12,2**
OPERATING PROFIT	**910,2**	723,1	705,0	666,4	609,1	**25,9**
OPERATING MARGIN (%)	**20,9**	18,6	17,8	16,8	16,7	**12,4**
CAPITAL EXPENDITURE	**80,6**	145,5	161,8	175,8	239,2	**(44,6)**

I&J	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	Change F20 vs F19 %
REVENUE	**2 327,9**	2 507,2	2 487,6	2 362,7	2 171,8	**(7,2)**
OPERATING PROFIT	**237,8**	407,9	425,0	389,1	331,0	**(41,7)**
OPERATING MARGIN (%)	**10,2**	16,3	17,1	16,5	15,2	**(37,4)**
CAPITAL EXPENDITURE	**100,0**	103,1	116,9	128,7	345,7	**(3,0)**

Fashion brands	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	Change F20 vs F19 %
REVENUE	**2 667,7**	2 930,2	3 155,0	3 108,6	2 950,7	**(9,0)**
OPERATING PROFIT	**352,4**	565,7	645,0	607,5	563,0	**(37,7)**
OPERATING MARGIN (%)	**13,2**	19,3	20,5	19,5	19,1	**(31,6)**
CAPITAL EXPENDITURE	**53,9**	100,0	78,4	104,6	153,9	**(46,1)**

objectives and strategies

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

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

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

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

AVI's financial success is measured first and foremost by the adequacy of returns generated for our shareholder community. Our twin return objectives reflect our goal of being an attractive investment vehicle over the long term, both relative to our peer set, and on an absolute basis. Our relative performance target is to earn top quartile total shareholder returns over successive rolling three-year periods. Our absolute performance target is to deliver real combined dividend and share price appreciation annually. The achievement of these targets will depend crucially on AVI's ability to service its customers and communities efficiently and effectively and will reflect the value added by our organisation and be a key underpin of the ongoing sustainability thereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

chairman and ceo's review

Overview

The latter part of the financial year under review was dominated by the COVID-19 pandemic. While many of the major economies possessed the resources to cushion their populations from the worst financial effects of the pandemic, or by virtue of their status as a reserve currency were able to print money to do so, the manner in which governments behaved was often concerning.

While the development of an effective vaccine seems probable, the disease is likely to remain a challenge for some time and the resultant economic damage will continue to mount. Although many of the measures taken to mitigate the impact of the global financial crises did not have the inflationary and other consequences that were predicted, the scale of the measures applied this time was markedly greater and we have a real exposure to the disparities between financial markets and the real economy, as well as to a world accustomed to and awash with cheap money.

In South Africa the damage done to an economy that was in a precarious state prior to March has far exceeded both what was required to manage the effects of COVID-19 and what the economy had the capacity to bear. The result is a population that is measurably poorer than it was a year ago, with hardship being experienced across a large part of the country, and the prospects of any recovery to pre-pandemic levels, as lacking as those were, being dim at best.

GAVIN TIPPER *Chairman*

In recent years we have highlighted our concerns regarding the South African economy, the trajectory it was on and the seeming lack of any preparedness by government to take the actions necessary to address the problems. The COVID-19 pandemic has brought us far closer to the edge and we believe that absent drastic steps by government, South Africa will soon find itself in a debt trap. Our current borrowing requirements are significant, the recent International Monetary Fund ("IMF") loan being less than 10% of the estimated figure, and it is questionable whether the local market will have the capacity or the appetite to absorb the required issuances. While the balance will be raised internationally, that will come at an increasing cost as foreign investors recognise the rapidly growing risks of lending to a stagnant economy, and a higher proportion of hard currency denominated debt will increase our sovereign risk. The tax base, which has been trending in the wrong direction for a number of years, will decline dramatically as a result of the pandemic, and is unlikely to recover for an extended period, if at all, and the Rand is not a reserve currency that can realistically be printed. Unless all of this is arrested, the country will struggle to service its debt, it may not be able to afford the combination of its welfare spend and the state salary bill, and it will not be able to support its currency.

South Africa desperately needs growth and the level of government mismanagement over an extended period means that there is very little public sector capacity for investment. The country is therefore dependent on the private sector in an environment where there have been massive outflows from the equity and bond markets as foreigners withdraw, and local businesses are sceptical of government's ability to maintain a commercially enabling environment. The cancellation of a number of large investment projects has been highlighted in the press, unfortunately there are likely to be many more large and small cancellations as businesses adjust to the smaller and poorer markets they are serving, and reduce their capacity accordingly.

The massive unemployment problem South Africa faced prior to the pandemic will have accelerated in recent months and the capital and businesses that were unnecessarily lost will mean that many jobs may not be replaced for a long time. As an ever larger proportion of our population is disenfranchised, levels of social unrest and crime are likely to rise; further discouraging investment.

AVI reported revenue growth of 0,4%, reflecting strong performances by the biscuit and beverages businesses during the lockdown, tempered by COVID-19 related declines in the Fashion brands, Ciro and I&J businesses. Gross profit margins were well protected reflecting lower raw material cost inflation and good cost control. However, gross profit decreased largely as the result of a weak second semester at I&J, where the pandemic constrained operations resulting in reduced fish volumes and low demand and selling prices for abalone. Selling and administrative costs were tightly managed, increasing by 1,0%. Operating profit was 7,5% lower due mainly to the lower gross profit.

Our core food businesses continued to trade during the different levels of lockdown, with strong demand for a number of products, particularly where they were favoured for inclusion in food hampers. Unfortunately we incurred significant additional costs to comply with required protocols and keep the businesses in operation and to ensure that our staff continued to report for work.

The depreciation of the Rand during the latter part of the financial year will result in cost pressure in many of our businesses in due course. We operate a hedging book to provide a degree of predictability on certain costs but as hedges are worked off, we will be exposed to the weaker Rand. Furthermore, we have been fortunate in that a number of the commodities we use in our production processes have been subject to limited cost inflation, however, that may not endure. On a positive note, I&J exports a large portion of its turnover, both of which provides a degree of currency offset at a Group level.

Our staff are critical to our success and we have consistently granted wage increases at levels above CPI. While wage negotiations are always a difficult process, we generally find them to be constructive and we are pleased to report that the majority of our negotiations have been finalised.

The retention of salaried staff is critical with many of our better people receiving regular approaches from competitors and emigration continuing to be a drain. While our staff turnover has historically been low, the retention of key staff is important to our success and we will continue to consider proactive steps to ensure that we are able to retain our best people.

All of the instruments issued under the Company's Black Staff Empowerment Scheme ("the Scheme") have vested. The Scheme created considerable value with 18 300 participants benefiting from a gross value of R841 million.

We continue to work on improving our BBBEE rating. We are currently rated as a level 6, one level below our rating a year ago. The change in the rating was the result of an inability by our companies to continue their skills development programmes during the lockdown, and a directive by the Department of Trade and Industry changing the interpretation of a provision applicable to our skills development efforts. We have worked hard to ensure that the rating is sustainable and have embarked on a number of initiatives to drive further improvements. Progress on the rating is monitored at Board level with a focus on compliance with the spirit of the codes and achieving transformation in a manner that contributes to meaningful advancement of our people and the long-term success of the Group.

I&J achieved a level one rating in 2019 and has retained that rating. This required considerable investment in a large, capital intensive business that is a significant employer in the Western Cape. The deep sea hake quotas were due to be reallocated in 2020; the process was, however, postponed to 2021 and given its nature, and the perceived value of allocations, whether or not there is an ability to fish them, is likely to be difficult and controversial. I&J should be well placed to benefit from the process, although we remain concerned about the possibility of allocations to "paper" holders who rent their allocations out, effectively imposing a tax on the industry that neither it nor those employed by it, can afford.

Financial review

The Group produced a credible result for the year given the constrained trading environment prior to April, and the severe restrictions imposed on businesses and consumers in the fourth quarter by the COVID-19 lockdown regulations.

Group revenue was 0,4% higher than last year, due largely to strong demand for Entyce and Snackworks' brands during the fourth quarter, stemming from changes in consumer spending patterns during the lockdown, as well as the inclusion of key products in food hampers. The additional demand offset the COVID-19 related declines in the Fashion brands, Ciro and I&J businesses, as well as the generally constrained economic environment.

Gross margins were well protected reflecting lower raw material cost inflation and good cost control. Consolidated gross profit declined by 2,9%, primarily as a result of a weak second semester at I&J, where the impact of reduced fish volumes due to the pandemic was compounded by low demand and selling prices for abalone.

Selling and administrative costs were tightly managed and increased by 1,0%.

Operating profit was 7,5% lower due mainly to the lower gross profit.

Entyce grew revenue by 0,7% and operating profit increased by 1,0%. Tea revenue was 2,5% higher with a 4,4% increase in sales volumes during the lockdown period, partly offset by lower rooibos selling prices as raw materials prices declined. Coffee revenue was 9,1% lower as a result of lower sales in the Ciro out of home business during the lockdown, and ongoing competitor pressure on mixed instant and speciality coffee. Creamer grew sales volumes by 4,4%, benefiting from a significant increase in demand in the second semester, partly as a result of its inclusion in food hampers.

Snackworks produced a strong performance with revenue growth of 12,2% and operating profit growth of 25,9%. Biscuits revenue was 12,3% higher due to a 5,1% increase in sales volumes, with strong demand during the lockdown period and higher selling prices. Snacks revenue increased by 11,7%, with growth of 6,7% in sales volumes and higher selling prices.

I&J's revenue declined by 7,2%, while operating profit decreased from R407,9 million to R237,8 million. The pandemic had a significant impact as compliance with isolation and quarantine protocols resulted in reduced processing capacity, and a concomitant reduction in fishing activity, during the fourth quarter. Abalone exports were impacted by poor export demand, low selling prices due to lockdowns in key markets and limited freight availability. Repairs and maintenance on the freezer vessels resulted in lost sea days, which exacerbated the decrease in gross profit. While selling and administration costs were only slightly higher than last year, the decrease in gross profit resulted in a material decrease in operating profit.

On a like-for-like basis, excluding the impact of the change in the Coty business model on 1 July 2019, Indigo's revenue was 10,7% lower than last year with cosmetic and fragrance sales being suspended during the level 5 lockdown, and generally soft demand since March.

Revenue in the Spitz business declined by 15,5% due largely to lower footwear demand prior to the lockdown period, with the all-important December sales result being lower than last year, and a significant loss of revenue during the lockdown as a result of store closures. Reductions in selling and administrative expenses and some rent relief partly offset the lower sales volumes, however, operating profit declined from R358,1 million to R234,2 million.

Green Cross was similarly affected by both the constrained environment and the lockdown with revenue decreasing by 36,5% and an operating loss of R32,0 million. The business has been converted to a full import model and integrated into the Spitz management structure, resulting in higher gross margins and lower fixed costs, which should lead to an improvement in returns.

Revenue for the international business, which largely comprises exports to adjacent African countries, grew by 8,6% with strong growth in biscuits and snacks, and solid growth in tea. Operating profit was 18,8% higher, due largely to the revenue growth, an improvement in gross profit as a result of lower rooibos raw material costs, and lower marketing spend in line with lower levels of activity in the latter part of the year.

Cash generated by operations increased by 13,0% to R3,22 billion, as working capital levels decreased. Capital expenditure amounted to R376,6 million, which was below the average spend in the last few years but reflective of the constrained operating environment. Cash flows from investments included the proceeds on sale of Simplot of R631,8 million. Net debt declined from R2,44 billion to R1,32 billion.

The return on capital employed for the period was 24,8% (2019: 26,9%), with the decrease reflecting the lower profit for the year. The return remains strong, particularly in the context of the events this year, and is substantially higher than the Company's weighted average cost of capital.

Dividend

A number of companies have elected to reduce or pass their dividends in response to the economic impact of the pandemic. Despite the direct pandemic costs, and significantly reduced operations in our retail, personal care and out of home coffee businesses, the rest of the Group performed well throughout the lockdown, resulting in solid, if muted, results for the period.
Our balance sheet is in a healthy state and given the Group's strong cash generative nature and the receipt of the Simplot proceeds, the Board believed that it was appropriate to declare a final dividend of 250 cents per share, in line with the final dividend in the previous financial year. This brings the total normal dividend for

SIMON CRUTCHLEY *Chief Executive Officer*

the year to 410 cents, a marginal decrease from the 2019 dividend of 415 cents per share.

Investing for growth

Capital expenditure for the year amounted to R376,6 million. Significant items of expenditure included R52 million on the rooibos expansion project at the Durban tea factory, R24 million on biscuit line, capacity and process improvment at the Snackworks biscuit factories, R43 million on dry docks, R58 million on vessel upgrades, R7 million on the abalone farm filtration system, and R19 million on permanent merchandising units for Indigo.

As indicated last year we have reduced the level of capital investment to reflect the difficult economic environment and reduced growth opportunities. Budgeted Capital expenditure for the next financial year is similar to that for the current year, and will exceed the depreciation charge. We will continue to monitor the environment carefully and, where appropriate, expenditure will be curtailed should the risk adjusted returns not justify the cost.

The Green Cross business has been integrated into the Spitz infrastructure, a number of stores were converted to GX&Co stores and five underperforming stores were closed. These GX&Co stores offer comfort brands in addition to the core Green Cross footwear and, subject to any lasting effects of the pandemic on their customer base, should, together with the full importation model, provide a base for returning the business to profitability.

In addition to investments in our own business we will continue to look at acquisitions that are appropriate, and available at prices that will provide an acceptable risk-based return to shareholders. A consequence of the current environment is that there are likely to be a number of businesses available at lower prices than was historically the case; in considering these we will, however, ensure that the lower prices are not a function of lower achievable returns in a smaller and more constrained economy.

Corporate governance

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

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

In compliance with recent changes to the JSE Listings Requirements, AVI has adopted a broader diversity policy. Details of this policy are provided on page 64 of this integrated report. The policy formalises long-standing Group practices.

Board

We continue to work on Board and executive succession plans and will recruit additional directors where we find individuals with the ability to contribute to the Board's deliberations in this environment.

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

Outlook

A year ago, we commented that the pressures on business in the current environment should not be underrated. Unfortunately, the economy continued to slide until March when it literally fell off a cliff. The shocking extent of the contraction over the quarter to June 2020 has recently been published followed by the expected reassurances from government that a plan that will rescue the economy and restore it to a path of real growth is being developed, and will be announced.

The full impact of the pandemic is yet to be felt or measured and we are concerned that in the absence of bold and decisive action from government the country will not find a way out of the low-growth debt trap it is in.

The consequences of this for business will include cost pressure from a weakening Rand and a poorer consumer. The addition of high levels of administered inflation, unreliable electricity, and increasingly water, supplies, and aggressive competitor behaviour to capture what remains of a shrinking retail pool, will be dire.

We have geared our businesses for success in the current environment with an ongoing focus on efficiency, cost reduction, and achieving the optimal balance between value and volume. We have restructured a number of operations to simplify processes, eliminate costs that cannot be justified in this environment and to benefit from more effective use of existing Group resources and will remain alert to opportunities to do more of this.

We have a strong portfolio of brands that is resilient in difficult times and we will continue to innovate and invest in our brands to ensure that they remain exciting and attractive, and justify the brand premium we enjoy. Our hedging book will once again provide a reasonable level of coverage for the first semester but we will face higher input costs after that should commodity costs rise or the Rand weaken. We have planned a number of price increases to address cost pressures and will carefully monitor the impact on consumer demand.

Our African business performed well despite difficulties in certain of the countries in which we operate. Although the situations in certain of those countries is likely to remain difficult, or worsen, we expect another good performance in the next year as growth picks up and the performance of some of the products in the portfolio improves.

We are fortunate to have a committed team of people who work hard to run our businesses in the interests of all stakeholders, and to provide the best possible returns to shareholders in this environment. We generate strong, diversified cash flows that provide operational flexibility and an ability to reinvest, or to expand where appropriate, and we will remain alert for acquisition opportunities, domestically and regionally.

Acknowledgements

The energy and integrity of our people are critical to our success and we thank our staff for their hard work and sacrifice. This has been a particularly difficult year and the commitment displayed by our staff, particularly the factory staff, throughout the lockdown, was remarkable. Their efforts enabled us to keep the factories running, to keep our customers supplied during a period of high demand and to pay the staff in the businesses that were not allowed to operate. The continued support of our suppliers, service providers, retail partners and customers is fundamental to what we are and our thanks go to all of those parties. Finally, the ongoing support from our shareholders is acknowledged and appreciated.

GAVIN TIPPER
Chairman

SIMON CRUTCHLEY
Chief Executive Officer

operational reviews

Note: AVI adopted the new accounting standards listed below with effect from 1 July 2018; consequently both the current and prior year information presented in the tables of this report is prepared in accordance with the new standards:

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- IFRS 16 – *Leases*; and
- IFRS 9 – *Financial Instruments*.

	Segmental revenue			Segmental operating profit			Operating margin	
	2020 Rm	2019 Rm	% change	**2020 Rm**	2019 Rm	% change	**2020 %**	2019 %
Food & Beverage brands	**10 542,0**	10 220,7	3,1	**1 994,6**	1 969,3	1,3	**18,9**	19,3
Entyce Beverages	**3 849,0**	3 822,6	0,7	**846,6**	838,3	1,0	**22,0**	21,9
Snackworks	**4 365,1**	3 890,9	12,2	**910,2**	723,1	25,9	**20,9**	18,6
I&J	**2 327,9**	2 507,2	(7,2)	**237,8**	407,9	(41,7)	**10,2**	16,3
Fashion brands	**2 667,7**	2 930,2	(9,0)	**352,4**	565,7	(37,7)	**13,2**	19,3
Personal Care*	**1 192,7**	1 111,4	7,3	**150,2**	237,2	(36,7)	**12,6**	21,3
Footwear & Apparel	**1 475,0**	1 818,8	(18,9)	**202,2**	328,5	(38,4)	**13,7**	18,1
Spitz (including Gant)	**1 287,8**	1 523,8	(15,5)	**234,2**	358,1	(34,6)	**18,2**	23,5
Green Cross	**187,2**	295,0	(36,5)	**(32,0)**	(29,6)	(8,1)	**(17,1)**	(10,0)
Corporate	**–**	–		**(12,5)**	(12,5)			
Group	**13 209,7**	13 150,9	0,4	**2 334,5**	2 522,5	(7,5)	**17,7**	19,2

** Revenue impacted by change in Coty business model.*

operational reviews

continued

Entyce Beverages

Revenue of R3,85 billion was 0,7% higher than last year due primarily to growth in the tea and creamer categories with coffee and Ciro declining on last year. Tea benefited from good volume growth through the period which was supported by raw material cost savings which allowed for increased discounts while effectively managing margins. Creamer achieved strong revenue growth with improved pricing supported by better volumes despite the improvement in competitor supply through the year. The impact of the lockdown materially impacted Ciro's customer base with revenue declining significantly on last year while coffee sales volumes were lower due to aggressive competitor activity and delayed supply of raw materials towards the end of the year caused by the COVID-19 pandemic.

Gross profit margins were largely protected and gross profit grew 1,9% despite a material decline in Ciro due to COVID-19 and continued pressure on coffee volumes and prices. Manufacturing disruption was not significant and improved volumes from additional demand during the COVID-19 lockdown period helped to absorb the additional direct costs incurred in responding to the pandemic.

Selling and administrative costs decreased due to lower marketing spend, with activity planned for the last quarter delayed due to the national lockdown, and tight cost control which contained escalations to levels below inflation despite increased stock and debtor provisioning in Ciro and higher incentive costs.

Operating profit increased by 1,0% from R838,3 million to R846,6 million and the operating profit margin improved slightly to 22,0%.

Tea

Tea revenue grew 2,5% on last year due to a 4,4% increase in volumes partly offset by increased discounts and a change in sales mix, with demand for our more affordable offerings increasing ahead of our premium range. A material uplift in volume performance as a result of increased "at-home" consumption was seen following the commencement of the lockdown in March 2020 with most of the black tea and rooibos offerings delivering strong growth. This supported a strong second semester which saw volume growth offset the first semester decline. Discounts were carefully managed with additional deals on key products to pass back benefits where raw material prices were better. The key brands performed well, with Five Roses and Trinco improving volumes through pack size differentiation and affordability which have given good alternatives to constrained consumers. Trinco also benefited as a popular item included in COVID-19 food hampers. Although Freshpak volumes declined due to aggressive competitor promotions and pricing, market share positions remained strong.

Gross profit margins improved with rooibos raw material prices starting to decline from record levels and lower black tea input costs ameliorating some of the pressure from a weaker Rand. The recent devaluation of the Rand did not materially impact on the FY20 performance given the level of forward cover that was in place with much of the currency secured earlier in the year. Selling and administrative costs were well contained with limited increases when compared to last year. Marketing spend in the fourth quarter was delayed, considering the strong demand experienced during the lockdown period.

Operating profit for the tea category increased by 14,3% and the operating profit margin improved.

Coffee

Coffee revenue was slightly lower than last year due to volume declines partly offset by higher realised prices. Competition within the category has remained aggressive with limited price inflation and a large proportion of volume sold on promotion. Key competitors as well as new smaller entrants have persisted in their drive to grow market share by discounting frequently, making it difficult to deliver volume without similar price support. While increased demand was evident through the lockdown period we were unable to maintain targeted service levels on mixed instant and affordable brewed coffee due to shipping delays caused by the pandemic.

Gross profit was adversely impacted by constrained selling prices, lower sales volumes and higher factory costs from inflationary increases as well as additional costs related to COVID-19. Raw material costs were slightly higher, with low coffee bean prices helping to offset the impact of the weaker Rand. Selling and administrative costs increased off a low prior year base as a result of higher channel marketing spend to support sales volumes. The pressure on gross profit combined with higher selling and administrative costs led to a decrease in operating profit. Notwithstanding the pressure on specific segments, the overall operating profit margin for the combined coffee business remains acceptable.

Creamer

Creamer had another strong year with revenue growing 12,5% on last year as a result of a 4,4% increase in sales volumes and improved price realisation necessary to offset raw material cost inflation. We saw good overall volume performance despite better on shelf availability from competitors as market demand grew through the lockdown period. As with Trinco, Ellis Brown was a popular item included in food hampers. The factory performed well delivering strong service levels in a challenging environment.

While gross profit increased, the gross profit margin declined slightly with pressure from increased raw material input costs and higher factory expenditure, which included additional repair and maintenance spend and COVID-19 costs, not fully recovered through improved price realisation and volume leverage. Selling and administration costs were well managed and operating profit increased, despite a small decrease in the operating profit margin.

Ciro

Revenue for the year declined 19,6% due primarily to the national lockdown which negatively impacted demand from core customers in the outsourced catering, hospitality, restaurant and coffee shop channels who were not allowed to trade. Some growth was seen in the forecourt and online channels, however, this was small in comparison to the declines elsewhere. Costs were tightly managed which helped to offset increased provisions for aged stock and higher doubtful debt provisions related to some of the smaller customers that fall below Ciro's credit insurance thresholds.

The significant loss of contribution during the lockdown period materially impacted the full year performance and operating profit finished well below prior year levels. Although revenue is improving with the easing of lockdown restrictions, demand is expected to take some time to recover to pre-COVID-19 levels. A restructuring exercise is in progress which will ameliorate this pressure, however it is likely to take some time for operating profit to return to historical levels.

Capital expenditure

In addition to normal replacement expenditure, Entyce's capital expenditure of R92,6 million included R41,8 million of spend on the project to upgrade the rooibos manufacturing facility at the Durban tea factory (total project investment of R94,7 million). This project, which was commissioned in the second half of the year, provides relief from space constraints at the site as well as improved capacity, efficiency and quality for our premium Rooibos offerings.

ENTYCE BEVERAGES	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	Change F20 vs F19 %
REVENUE	**3 849,0**	3 822,6	3 834,1	3 757,1	3 421,9	3 041,2	2 717,4	2 414,9	2 330,7	2 112,2	**0,7**
OPERATING PROFIT	**846,6**	838,3	792,6	735,1	661,7	545,2	442,4	397,8	415,4	402,2	**1,0**
OPERATING MARGIN (%)	**22,0**	21,9	20,7	19,6	19,3	17,9	16,3	16,5	17,8	19,0	**0,5**
CAPITAL EXPENDITURE	**92,6**	106,7	42,7	127,2	130,7	196,6	180,4	219,8	205,2	127,9	**(13,2)**

Snackworks
That's Good Times!

Revenue of R4,37 billion was 12,2% higher than last year with strong growth achieved in both biscuits and snacks due to improved volume performances and higher selling prices. Gross profit grew ahead of the top-line with margins in biscuits improved by the correction of poor prior year yields in the Isando biscuit factory as well as volume leverage. Snacks performed well to maintain margins in a competitive environment. Selling price inflation was supported by lower levels of discounting and annual price increases effective from April last year and this year.

Selling and administrative costs were tightly managed but grew as a result of increased incentive costs and additional costs related to COVID-19. Marketing spend finished lower than last year due primarily to reduced investment in snacks with biscuits in line with last year. Both biscuits and snacks performed exceptionally well in the second half of the year, buoyed by increased demand through the lockdown period. Manufacturing and supply chain disruption from the pandemic was not material and the improved volumes helped to absorb the additional direct costs incurred in responding to the pandemic. Operating profit grew 25,9% from R723,1 million to R910,2 million and the operating profit margin increased from 18,6% to 20,9%.

Biscuits

Biscuit revenue grew 12,3% on last year as a result of higher selling prices and volume increases of 5,1%. A relatively benign commodity cost environment provided some respite from the weaker Rand, however, inflationary pressures resulted in a need to recover fixed cost escalations with selling price increases taken with effect from April 2019 and April 2020. Volume growth was achieved in both the domestic and international markets with growth across most of our key offerings in the sweet and savoury segments. First semester volume declines reversed in the last quarter with increased "at-home" consumption during the lockdown period. The factories and supply chain performed well in challenging circumstances.

Better factory performance and volume leverage supported an improvement in the gross profit margin and consequently gross profit grew ahead of revenue. Factory costs were generally well controlled and included additional investment in maintenance to improve line efficiencies at Isando as well as additional costs related to COVID-19.

Selling and administrative costs were well controlled but finished higher than last year due to increases in incentive costs and additional costs related to the pandemic. Marketing spend was carefully managed and was maintained in line with last year with funds only directed towards activities where benefits were expected.

A strong second semester together with a sound first half performance supported strong operating profit growth of 27,2%. The improved factory performance, benefits from volume leverage and well contained costs supported an expansion in the operating profit margin on last year.

Snacks

Snacks revenue grew 11,8% due to a 6,7% increase in sales volumes and higher selling prices. Volume growth was supported by increased consumption through the lockdown period in the last quarter, as well as increased customer promotional activities with our market share position improving on last year. In addition, the improved volume performance was bolstered by newly launched line extension, Monster Munch, which has gained good traction in a short period of time. The category remains extremely competitive and critical price points were effectively managed to support volumes with price increases taken in April 2019 and April 2020 to recover inflationary pressures.

Gross profit grew in line with the top-line performance with margins well maintained in line with last year. The factory performed well with additional costs related to COVID-19 and higher commodity input costs partly offset by benefits from volume leverage, labour efficiencies and capital investment in our soft extrude line distribution system.

Selling and administrative costs increased on last year with higher distribution costs, increased incentive costs and additional costs related to the COVID-19 pandemic partly offset by lower marketing investment. The strong gross profit together with well contained costs supported healthy operating profit growth of 19,7% with margins also expanding.

Capital expenditure

In addition to normal replacement expenditure, capital expenditure of R80,6 million for the year included R8,9 million to complete the upgrade of our chocolate biscuit lines at Westmead. The chocolate line ramp up has been positive with improvements continuing. In addition, R5,3 million was spent on the replacement of the wafer plant at Westmead, which produces a key component in our Bakers Choice Assorted offering. This project has a total cost of R22,3 million and will be commissioned in time for next year's Choice Assorted production.

Investment in our Rosslyn snacks factory has been an important underpin to improved profitability over the last few years. R17,4 million was spent on line upgrades during the year, with improved capacity and efficiencies supporting the operating performance.

Snackworks That's Good Times!	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	Change F20 vs F19 %
REVENUE	**4 365,1**	3 890,9	3 960,8	3 956,2	3 643,2	3 405,3	3 057,9	2 681,6	2 428,7	2 159,7	**12,2**
OPERATING PROFIT	**910,2**	723,1	705,0	666,4	609,1	533,4	474,5	387,9	328,5	263,9	**25,9**
OPERATING MARGIN (%)	**20,9**	18,6	17,8	16,8	16,7	15,7	15,5	14,5	13,5	12,2	**12,4**
CAPITAL EXPENDITURE	**80,6**	145,5	161,8	175,8	239,2	225,1	76,1	143,9	171,8	117,6	**(44,6)**

Revenue declined by 7,2% to R2,33 billion, mainly attributable to a 4,8% decrease in sales volume, and lower foreign currency prices achieved on certain fish products and abalone. This was partly mitigated by higher export exchange rates and price increases in the domestic market.

The COVID-19 pandemic had a significant impact on the second semester result, as full compliance with isolation and quarantine protocols reduced the number of employees available to work, resulting in reduced processing activity and a concomitant reduction in fishing activity during the fourth quarter. The loss of production impacted cost recoveries in both the fishing fleet and land based factories. In addition, congestion at the Cape Town port delayed export shipments, impacting margin recognition in the quarter. The Danger Point abalone farm was impacted by poor export demand and low selling prices due to COVID-19 lockdowns in key markets, compounded by limited airfreight availability due to flight restrictions. The combined impact of these factors was a material decrease in gross profit and gross profit margin, which was exacerbated by lost sea days on the freezer vessels for repairs and maintenance.

Catch rates were largely in line with the prior year, with a lower percentage of freezer vessel landings offsetting a slight improvement in wet vessel catch rates.

The abalone market in Hong Kong and China was constrained by protests, trade wars, and most recently COVID-19, and as such, sales volumes and prices declined, negatively impacting the realised sales margin, and resulting in a significant unfavourable fair value adjustment of live abalone stock.

Selling and administrative costs increased in line with inflation and were, partly mitigated by a R27,7 million favourable move in unrealised fuel hedge losses and foreign exchange gains compared to the prior year.

Operating profit decreased from R407,9 million to R237,8 million, and the operating profit margin decreased from 16,3% to 10,2%.

Simplot joint venture

In addition to the operating profit reflected above, I&J's joint ventures yielded equity earnings of R17,4 million, compared to R42,2 million last year. The reduction in equity earnings was primarily attributable to the sale of I&J's investment in the Simplot joint venture in November 2019, realising a capital profit after tax of R374 million, including the release of the foreign currency translation reserve associated with the investment.

Capital expenditure

Capital expenditure of R137,3 million included R100,9 million on vessel maintenance and upgrades, R20,8 million on replacement of obsolete processing equipment at the Woodstock and Value Added Processing plants, and R6,6 million to extend the filtration system at the Danger Point abalone farm and improve the mitigation against algal bloom risk.

RSA hake resource

The South African hake total allowable catch ("TAC") increased by 10% to 146 430 tons for the 2019 calendar year, and remained unchanged in 2020. I&J's quota for both years was 39 517 tons, amounting to 27,0% of the TAC.

Changes in the TAC are made by the Department of Environment, Forestry and Fisheries ("DEFF") in accordance with a well-established management programme based on research voyages and catch data recorded by quota holders. During 2015 the Marine Stewardship Council ("MSC") recertified that the South African hake resources met the requisite environmental standards for sustainable fishing for a further five years. The 2020 recertification is in progress, with the expectation that this will be completed by December 2020. This certification gives assurance to buyers and consumers that the seafood comes from a well-managed and sustainable resource, which is increasingly relevant to customers in I&J's export markets.

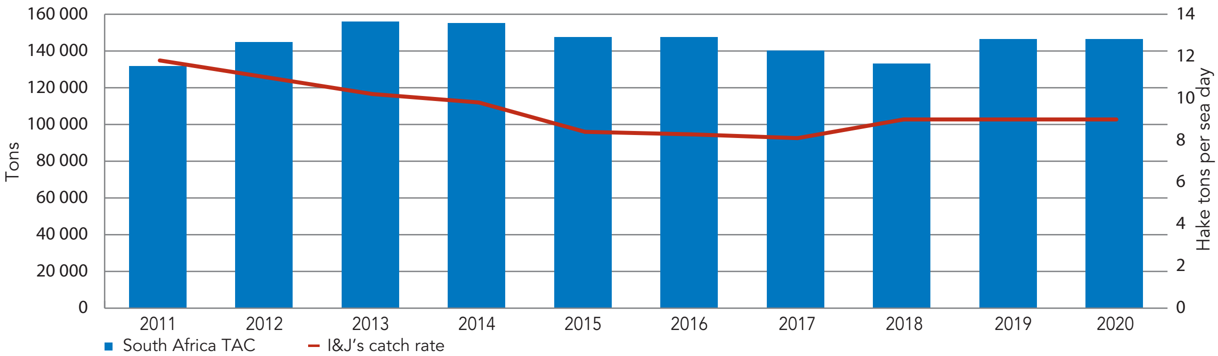
The South African Deep Sea Trawling Association continues to work closely with the DEFF to maintain a sustainable fishery into the future, including activities such as research voyages, the on-board observer programme and effective patrolling of the fishery.

Catch rates remained largely consistent with the prior year, with the benefit of an increase in wet fleet catch rates largely offset by an unfavourable mix effect due to a decline in freezer vessel utilisation. Following a high proportion of small fish caught in the past few years, early signs of an increase in the average fish size were evidenced in F19 and F20 as the small fish grow into bigger size classes.

The long-term Deep Sea hake rights expire at the end of 2020, but following a change in the departmental structure, the DEFF has delayed the Fishing Rights Application Process by 12 months to ensure a robust and transparent process, and has accordingly granted an extension to the current rights holders. I&J continues to focus on a number of initiatives to prepare for this process, including retaining its Level 1 BBBEE score card rating.

I&J SINCE 1910	**2020 R'm**	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	**Change F20 vs F19 %**
REVENUE	**2 327,9**	2 507,2	2 487,6	2 362,7	2 171,8	1 960,5	1 823,1	1 591,9	1 515,4	1 369,3	**(7,2)**
OPERATING PROFIT	**237,8**	407,9	425,0	389,1	331,0	248,4	244,6	165,8	178,6	92,1	**(41,7)**
OPERATING MARGIN (%)	**10,2**	16,3	17,1	16,5	15,2	12,7	13,4	10,4	11,8	6,7	**(37,4)**
CAPITAL EXPENDITURE	**100,0**	103,1	116,9	128,7	345,7	212,5	183,7	112,9	67,1	40,9	**(3,0)**

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



Hake quota

(tons)	**2020**	2019	2018	2017	2016	2015	2014	2013	2012	2011
South Africa	**146 430**	146 430	133 120	140 126	147 555	147 500	155 308	156 088	144 742	131 847
I&J	**39 517**	39 517	36 013	37 901	41 245	41 222	43 471	43 689	40 515	36 906
% of TAC	**27,0**	27,0	27,1	27,0	28,0	27,9	28,0	28,0	28,0	28,0

Personal Care

Indigo's revenue was inflated for the year as a result of the latest amendment to the Coty agreement that was effective from 1 July 2019. For the 2020 financial period the long-standing relationship shifted to one of owning the distribution rights to the same portfolio of products that agency fees were earned on previously. This resulted in the Coty sales being disclosed as revenue in Indigo, with a concomitant increase in revenue. On a like-for-like basis revenue decreased by 10,7%, reflecting a challenging year with core categories declining in retail, and the COVID-19 pandemic driving decreased demand across all categories in the fourth quarter, particularly colour cosmetics and fragrance which were not allowed to be sold during the level 5 lockdown period from 27 March to 30 April. Through innovation and balanced trading, market share positions were largely maintained, and increased in male aerosol, roll-on and the body care categories.

Price points, cost and margin enhancement initiatives were all managed to protect gross profit margins as far as possible. However in an environment where price increments were hard to land and the weaker Rand resulted in upward pressure on input costs for imported ingredients and components, gross margins were lower year on year. This was exacerbated by a change in the mix of revenue as beauty products, which achieve higher gross margin levels, declined while lower margin personal care categories grew. The revised Coty terms also resulted in lower gross profit margin, notwithstanding that the overall contribution was slightly higher than it would have been under the old terms.

Despite well contained selling and administrative costs, the material loss of contribution from lower sales resulted in a decrease in operating profit from R237,2 million to R150,2 million, with a commensurate contraction in the operating profit margin.

Capital expenditure

R25,0 million was spent on normal replacement expenditure, including R19,1 million on permanent merchandising units.

Personal Care	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	Change F20 vs F19 %
REVENUE	**1 192,7**	1 111,4	1 190,6	1 194,5	1 096,4	1 033,0	1 043,8	982,1	918,1	890,3	**7,3**
OPERATING PROFIT	**150,2**	237,2	250,3	241,5	218,0	198,0	172,0	167,1	155,7	132,4	**(36,7)**
OPERATING MARGIN (%)	**12,6**	21,3	21,0	20,2	19,9	19,2	16,5	17,0	17,0	14,9	**(40,8)**
CAPITAL EXPENDITURE	**25,0**	44,5	36,9	55,6	54,6	19,4	24,5	31,5	35,0	71,5	**(43,8)**

SPITZ CARVELA KURT GEIGER LACOSTE GANT nina roche TOSONI

Footwear and Apparel

Footwear and Apparel	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	Change F20 vs F19 %
REVENUE	**1 475,0**	1 818,8	1 964,4	1 914,1	1 854,3	1 796,2	1 615,5	1 536,1	1 087,1	952,3	**(18,9)**
OPERATING PROFIT	**202,2**	328,5	394,7	366,0	345,0	404,2	388,1	409,8	307,9	236,1	**(38,4)**
OPERATING MARGIN (%)	**13,7**	18,1	20,1	19,1	18,6	22,5	24,0	26,7	28,3	24,8	**(24,3)**
CAPITAL EXPENDITURE	**28,9**	55,5	41,5	49,1	99,3	88,9	64,0	48,8	50,7	41,8	**(48,0)**

SPITZ KURT GEIGER GANT

The Spitz business saw revenue decline by 15,5% due largely to lower footwear demand up to the commencement of the COVID-19 lockdown, including lower December sales than last year, followed by a significant loss of revenue during the lockdown, with all retail stores closed during the level 5 lockdown from 27 March to 30 April 2020 before re-opening on a phased basis during May. Trading post re-opening was subdued due to poor shopper footfall at many shopping malls.

The gross profit margin was similar to last year, however the loss of contribution from lower sales volumes was significant and only partially offset by reductions in selling and administrative costs. Rent relief of R11,6 million has been recognised.

Operating profit decreased from R358,1 million to R234,2 million and the operating profit margin decreased from 23,5% to 18,2%.

Spitz opened one new store and closed one store; Kurt Geiger opened two new stores and closed one store.

Capital expenditure of R15,5 million included R8,3 million for the opening of new stores and R2,2 million for the refurbishment and maintenance of stores.

SPITZ KURT GEIGER Spitz (including Gant)	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	Change F20 vs F19 %
REVENUE	**1 287,8**	1 523,8	1 598,3	1 542,2	1 514,6	1 460,0	1 289,0	1 208,6	1 087,1	952,3	**(15,5)**
OPERATING PROFIT	**234,2**	358,1	388,5	339,2	317,7	359,2	329,3	330,0	307,9	236,1	**(34,6)**
OPERATING MARGIN (%)	**18,2**	23,5	24,3	22,0	21,0	24,6	25,5	27,3	28,3	24,8	**(22,6)**
CAPITAL EXPENDITURE	**15,5**	53,8	37,9	33,6	69,1	49,8	32,8	45,3	50,7	41,8	**(71,2)**

SPITZ	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
NUMBER OF STORES	74	74	75	77	76	74	70	64	61	57
TURNOVER (R'm)	1 065	1 251	1 329	1 287	1 271	1 231	1 093	1 044	959	876
AVERAGE (m^2)	19 489	19 484	19 841	19 776	19 388	18 442	17 264	16 357	15 107	15 233
TRADING DENSITY (R/m^2)	54 650	64 198	66 960	65 071	65 550	66 767	63 300	63 820	63 460	57 480
CLOSING (m^2)	19 384	19 363	19 460	20 037	19 726	19 144	17 813	16 586	15 662	14 991

KURT GEIGER	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
NUMBER OF STORES	34	33	33	33	34	29	32	30	26	15
TURNOVER (R'm)	175	210	217	211	196	179	154	127	86	25
AVERAGE (m^2)	4 259	4 186	4 194	4 135	4 187	4 045	3 825	3 845	2 839	953
TRADING DENSITY (R/m^2)	41 116	50 237	51 460	50 920	46 883	44 139	40 175	32 897	30 140	26 149
CLOSING (m^2)	4 289	4 191	4 194	4 115	4 266	3 677	3 880	3 751	3 507	1 910

GREEN CROSS GX&Co

Green Cross revenue decreased by 36,5% largely due to lower sales volumes. Sales volumes were impacted by soft demand and wide-spread discounting in the mid-price comfort footwear segment in the period prior to lockdown, followed by significant loss of revenue during the lockdown, with all retail stores closed during the level 5 lockdown from 27 March to 30 April 2020 before re-opening on a phased basis during May. Trading post re-opening was subdued due to poor shopper footfall at many shopping malls.

The gross profit margin was higher than last year, following the conversion to a full import model, and fixed costs have decreased with integration into the Spitz management structure, however these improvements were not enough to offset the impact of lower sales volumes, resulting in an operating loss of R32,0 million for the year.

Five store closures in F20 contributed to the revenue decline. Eleven stores were refurbished to the new GX&Co brand and one new store was opened during the year.

GREEN CROSS	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	Change F20 vs F19 %
REVENUE	**187,2**	295,0	366,1	371,9	339,7	336,0	326,5	327,5	(36,5)
OPERATING PROFIT/(LOSS)	**(32,0)**	(29,6)	6,2	26,8	27,3	45,0	58,8	79,9	(8,1)
OPERATING MARGIN (%)	**(17,1)**	(10,0)	1,7	7,2	8,0	13,4	18,0	24,4	(71,0)
CAPITAL EXPENDITURE	**13,3**	1,7	3,6	15,5	30,2	39,1	31,2	3,5	

	2020	2019	2018	2017	2016	2015	2014	2013
NUMBER OF STORES	**37**	41	45	42	38	30	31	30
TURNOVER (R'm)	**141**	225	276	275	238	221	205	200
AVERAGE (m²)	**4 825**	5 340	5 436	4 925	4 210	3 457	3 394	3 382
TRADING DENSITY (R/m²)	**29 202**	42 110	50 804	55 778	56 484	64 021	60 416	59 014
CLOSING (m²)	**4 471**	4 936	5 536	5 218	4 697	3 529	3 517	3 382

Green Cross has been included in the Group results from 1 July 2012.

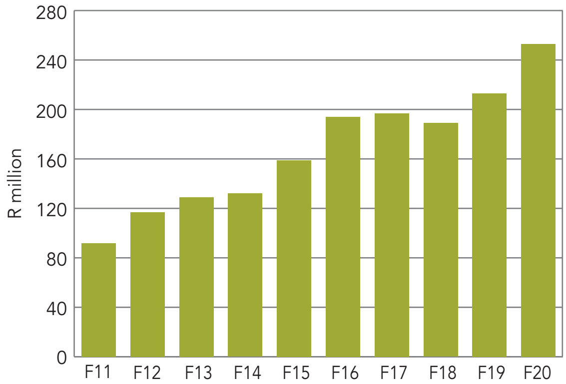
AVI INTERNATIONAL

A positive year for AVI International where steady, pleasing growth was made in both subsidiary and export markets. The growth was driven mainly by our subsidiary in Botswana, our distributor in Mozambique and increased orders from agents for the DRC and Sudan. This was partially offset by declines in Zambia and Zimbabwe. Zambia continues to be affected by aggressive pricing by regional competitors and the weakening currency resulting in high food inflation, while Zimbabwe continues to struggle with currency liquidity issues. COVID-19 presented a number of logistical challenges in the second semester, however without significant impact on our business.

From a category perspective, the business experienced particularly strong growth in biscuits across most markets. The tea portfolio ended slightly down on last year with growth in black tea being offset by rooibos declines. The coffee and creamer categories also had a positive year notwithstanding premium coffee declines. The personal care portfolio performed disappointingly, struggling with affordability throughout the year, which was further exacerbated by a lack of demand during the lockdown period.

Top line growth was enhanced by meaningful cost reduction and containment initiatives, resulting in a strong operating profit growth of 18,8% as well as improvement in the operating profit margin.

OPERATING PROFIT HISTORY



AVI International	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	Change F20 vs F19 %
REVENUE	1 133,9	1 044,1	992,1	1 016,2	962,2	879,6	769,0	639,4	557,5	497,8	8,6
OPERATING PROFIT	252,9	212,9	188,6	196,9	193,7	159,3	131,9	128,9	117,5	91,7	18,8
OPERATING MARGIN (%)	22,3	20,4	19,0	19,4	20,1	18,1	17,2	20,2	21,1	18,4	9,4

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

financial review

Note: AVI adopted the new accounting standards listed below with effect from 1 July 2018; consequently both the current and prior year information is prepared in accordance with the new standards:

- IFRS 15 – *Revenue from Contracts with Customers*;
- IFRS 16 – *Leases*; and
- IFRS 9 – *Financial Instruments*.

AVI's unique brand portfolio underpinned a credible result in the context of a weak economy and the severe restrictions imposed on businesses and consumers in the fourth quarter by South Africa's COVID-19 lockdown regulations. While the food and beverage businesses were classified as essential services and continued to operate, the footwear and apparel businesses ceased trading on 27 March and only commenced re-opening stores during May. In addition, Indigo had to suspend some of its operations that were classified as non-essential services and the Ciro coffee business was severely impacted by low demand from hospitality, leisure and corporate customers.

The Group's essential businesses implemented the protocols required to keep staff safe and comply with the government's lockdown regulations effectively, and together with exceptional commitment from our manufacturing and field marketing employees, this ensured continuity of operations and minimised lost production and sales volumes. The main operational disruption was at I&J, where the relatively early build-up of COVID-19 infections in the Western Cape resulted in reduced processing capacity and a concomitant reduction in fishing activity during the fourth quarter, as well as delayed export shipments in June.

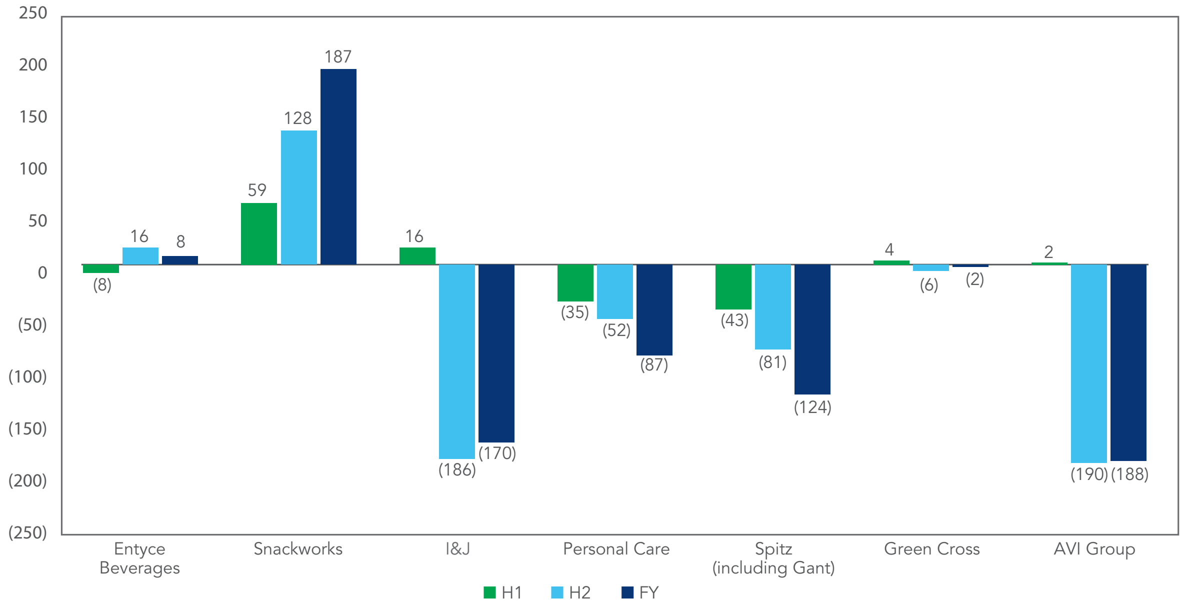
Group revenue was 0,4% higher than last year, with the increase largely attributable to strong demand for Entyce and Snackworks' brands during the fourth quarter, stemming from changes in consumer spending patterns during lockdown as well as the inclusion of key products in food hampers. This additional demand was sufficient to offset the COVID-19 related declines in the fashion brands, Ciro and I&J, as well as a generally constrained environment prior to the onset of the COVID-19 pandemic.

Gross profit margins were well protected reflecting lower raw material cost inflation and good cost control. The impact of a weaker Rand was ameliorated by currency hedge positions, low underlying raw material prices in foreign currencies and higher realised selling prices due to tight management of discounts and selected price increases to deal with specific cost pressures. Direct additional costs of R58 million were incurred in responding to the COVID-19 pandemic. The consolidated gross profit decreased by 2,9%, largely reflecting a weak second semester result at I&J, where the impact of reduced fish volumes due to the COVID-19 pandemic was compounded by low demand and lower selling prices for abalone.

Selling and administrative costs were tightly managed to reduce the impact of the lost contribution in some of our businesses, and increased by only 1,0%. Rent relief of R14,3 million has been recognised in the retail businesses while other variable costs were pulled back as much as possible in the fourth quarter.

Operating profit was 7,5% lower due mainly to the lower gross profit. A comparison of year-on-year operating profit by semester is shown in the chart below:

CHANGE IN OPERATING PROFIT F20 VERSUS F19 – H1, H2 AND FULL YEAR (R'million)



Headline earnings declined by 8,6% from R1,70 billion to R1,55 billion due to the decrease in operating profit and lower joint venture earnings, partly offset by lower finance costs in line with lower interest rates and decreasing debt levels. Headline earnings per share decreased 8,9% from 516,6 cents to 470,8 cents with a 0,3% increase in the weighted average number of shares in issue due to the vesting of employee share options.

During the first semester I&J sold its interest in a joint venture with Simplot, realising proceeds after transaction costs of R631,8 million and a capital gain, after tax, of R373,7 million. This resulted in a 21,1% increase in basic earnings per share for the year.

Cash generated by operations increased by 13,0% to R3,22 billion. Cash invested in working capital decreased by R124,2 million due mainly to improved debtor collections with last year's collections impacted by the year-end falling on a weekend, which resulted in delayed payments from some customers. Capital expenditure amounted to R376,6 million, reflecting continued investment to sustain and improve our businesses. Other material cash flows during the period were the receipt of R631,8 million, net of costs, for I&J's interest in the Simplot joint venture; ordinary dividends paid of R1,35 billion; and taxation of R711,3 million. Net debt at the end of June 2020 was R1,31 billion compared to R2,44 billion at the end of June 2019.

Segmental review

Year ended 30 June	Segmental revenue 2020 R'm	Segmental revenue 2019 R'm	Segmental revenue Change %	Segmental operating profit 2020 R'm	Segmental operating profit 2019 R'm	Segmental operating profit Change %
Food & Beverage brands	**10 542,0**	10 220,7	3,1	**1 994,6**	1 969,3	1,3
Entyce Beverages	**3 849,0**	3 822,6	0,7	**846,6**	838,3	1,0
Snackworks	**4 365,1**	3 890,9	12,2	**910,2**	723,1	25,9
I&J	**2 327,9**	2 507,2	(7,2)	**237,8**	407,9	(41,7)
Fashion brands	**2 667,7**	2 930,2	(9,0)	**352,4**	565,7	(37,7)
Personal Care	**1 192,7**	1 111,4	7,3	**150,2**	237,2	(36,7)
Spitz (including Gant)	**1 287,8**	1 523,8	(15,5)	**234,2**	358,1	(34,6)
Green Cross	**187,2**	295,0	(36,5)	**(32,0)**	(29,6)	(8,1)
Corporate	**–**	–		**(12,5)**	(12,5)	
Group	**13 209,7**	13 150,9	0,4	**2 334,5**	2 522,5	(7,5)

Definitions

Number of ordinary shares in issue
Total issued ordinary share capital.

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

Earnings per ordinary share
- Earnings and headline earnings respectively for the year in cents divided by the weighted average number of ordinary shares in issue.
- Diluted earnings and diluted headline earnings per ordinary share are calculated taking account of the unexercised share options as disclosed in Note 33 of the annual financial statements on pages 138 to 142, duly adjusted to take account of the shares to be issued at fair value calculated in accordance with IAS 33. Calculations are presented in Note 30 of the annual financial statements.

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

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

Key statistics – five-year summary

	2020	2019	2018	2017	2016
Financial ratios (%)					
– Operating margin	**17,7**	19,2	19,0	18,1	17,7
– Return on capital employed	**24,8**	26,9	28,7	28,0	27,9
– Net working capital as a percentage of revenue	**23,2**	25,3	24,5	22,4	20,3
– EBITDA (R'm)	**2 929,0**	3 114,9	2 965,4	2 782,7	2 504,7
Liquidity					
– Free cash flow (R'm)	**1 990,0**	1 600,5	1 539,2	1 091,9	782,9
– Free cash flow per ordinary share (cents)	**604,6**	487,5	471,2	336,8	243,5
– Net debt/capital employed (%)	**20,8**	35,0	19,8	22,9	24,1
– Interest cover ratio	**17,7**	16,0	23,4	18,3	19,4
Employees at 30 June	**9 824**	10 439	10 753	10 944	11 587
Revenue – continuing operations (R'm)	**13 209,7**	13 150,9	13 437,5	13 184,6	12 188,9
Revenue per employee (R'000)	**1 344,6**	1 259,8	1 249,7	1 204,7	1 051,9

Share statistics – five-year summary

	2020	2019	2018	2017	2016
Number of ordinary shares in issue ('000)	**335 837**	352 665	351 673	350 799	347 558
Weighted average number of ordinary shares in issue ('000)	**329 141**	328 315	326 624	324 230	321 536
Share performance (cents per share)					
Earnings	**591,6**	488,7	513,1	479,0	460,7
Diluted earnings	**589,8**	486,7	510,1	475,2	455,4
Headline earnings	**470,8**	516,6	543,1	507,7	464,1
Diluted headline earnings	**469,3**	514,6	540,0	503,6	458,8
Dividends declared (excluding special dividends)	**410,0**	415,0	435,0	405,0	370,0
Dividend cover (times)	**1,14**	1,25	1,25	1,25	1,25
Market price per share (cents)					
– at year end	**7 054**	9 136	10 820	9 500	8 300
– highest	**9 575**	11 601	12 251	10 481	9 296
– lowest	**6 332**	8 723	9 470	8 182	7 050
– volume weighted average	**7 920**	9 901	10 457	9 307	8 288
Total market capitalisation at closing prices (R'm)	**23 690,0**	32 219,5	38 051,0	33 325,9	28 847,3
Price earnings ratio[1]	**15,0**	17,7	19,9	18,7	17,9
Value of shares traded (R'm)	**25 221,6**	26 044,8	22 135,8	22 727,6	24 558,2
Value traded as a percentage of average capitalisation (%)	**94,8**	74,6	60,2	69,6	85,3
Number of shares traded (millions)	**318,5**	263,1	211,7	244,2	296,3
Liquidity – number traded as percentage of shares in issue at year end (%)	**94,8**	74,6	60,2	69,6	85,3
Average weekly Rand value traded (R'm)	**494,5**	510,7	434,0	445,6	481,5

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

Value added statement

	2020 R'm	2020 %	2019 R'm	2019 %
VALUE ADDED				
Revenue*	13 209,7		13 150,9	
Cost of materials and services	7 134,4		7 134,2	
Value added by operations	6 075,3	93	6 016,7	101
Capital items (gross)	455,9	7	(127,8)	(2)
	6 531,2	100	5 888,9	99
Investment and other income	27,2	–	48,2	1
	6 558,4	100	5 937,1	100
VALUE DISTRIBUTED AND RETAINED				
Employees				
Salaries, wages and other benefits	2 811,2	43	2 664,8	45
Providers of capital	1 526,1	23	2 439,1	41
Dividends paid to Group shareholders	1 352,3	21	2 222,3	37
Interest paid	175,3	3	200,8	3
Lease expenses	12,8	–	16,0	–
COVID-19 rental concessions*	(14,3)	–	–	–
Government	1 056,2	16	882,9	15
Taxation	1 056,2	16	882,9	15
Reinvested in the Group	1 164,9	18	(49,7)	(1)
Depreciation	569,9	9	568,1	10
Profit for the year	1 947,3	30	1 604,5	27
Dividends paid	(1 352,3)	(21)	(2 222,3)	(37)
	6 558,4	100	5 937,1	100

* *Rent concessions from lessors arising as a direct consequence of the COVID-19 pandemic. The Group has applied the amendments to IFRS 16 (Leases) that allow for these rent concessions to be treated as variable lease payments. Refer to details in the accounting policies and Note 18 of the consolidated annual financial statements.*

Group at a glance

	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	Change F20 vs F19 %
AVI						
Revenue	**13 209,7**	13 150,9	13 437,5	13 184,6	12 188,9	0,4
Operating profit	**2 334,5**	2 522,5	2 552,5	2 385,3	2 154,6	(7,5)
Operating margin (%)	**17,7**	19,2	19,0	18,1	17,7	(7,8)
Capital expenditure	**376,6**	472,6	419,9	545,6	881,8	(20,3)
Entyce Beverages						
Revenue	**3 849,0**	3 822,6	3 834,1	3 757,1	3 421,9	0,7
Operating profit	**846,6**	838,3	792,6	735,1	661,7	1,0
Operating margin (%)	**22,0**	21,9	20,7	19,6	19,3	0,5
Capital expenditure	**92,6**	106,7	42,7	127,2	130,7	(13,2)
Snackworks						
Revenue	**4 365,1**	3 890,9	3 960,8	3 956,2	3 643,2	12,2
Operating profit	**910,2**	723,1	705,0	666,4	609,1	25,9
Operating margin (%)	**20,9**	18,6	17,8	16,8	16,7	12,4
Capital expenditure	**80,6**	145,5	161,8	175,8	239,2	(44,6)
I&J						
Revenue	**2 327,9**	2 507,2	2 487,6	2 362,7	2 171,8	(7,2)
Operating profit	**237,8**	407,9	425,0	389,1	331,0	(41,7)
Operating margin (%)	**10,2**	16,3	17,1	16,5	15,2	(37,4)
Capital expenditure	**100,0**	103,1	116,9	128,7	345,7	(3,0)
Fashion brands						
Revenue	**2 667,7**	2 930,2	3 155,0	3 108,6	2 950,7	(9,0)
Operating profit	**352,4**	565,7	645,0	607,5	563,0	(37,7)
Operating margin (%)	**13,2**	19,3	20,5	19,5	19,1	(31,6)
Capital expenditure	**53,9**	100,0	78,4	104,6	153,9	(46,1)
Personal Care						
Revenue	**1 192,7**	1 111,4	1 190,6	1 194,5	1 096,4	7,3
Operating profit	**150,2**	237,2	250,3	241,5	218,0	(36,7)
Operating margin (%)	**12,6**	21,3	21,0	20,2	19,9	(40,8)
Capital expenditure	**25,0**	44,5	36,9	55,6	54,6	(43,8)
Footwear & Apparel						
Revenue	**1 475,0**	1 818,8	1 964,4	1 914,1	1 854,3	(18,9)
Operating profit	**202,2**	328,5	394,7	366,0	345,0	(38,4)
Operating margin (%)	**13,7**	18,1	20,1	19,1	18,6	(24,3)
Capital expenditure	**28,9**	55,5	41,5	49,1	99,3	(48,0)
Spitz (including Kurt Geiger and Gant stores)						
Revenue	**1 287,8**	1 523,8	1 598,3	1 542,2	1 514,6	(15,5)
Operating profit	**234,2**	358,1	388,5	339,2	317,7	(34,6)
Operating margin (%)	**18,2**	23,5	24,3	22,0	21,0	(22,6)
Capital expenditure	**15,5**	53,8	37,9	33,6	69,1	(71,2)
Green Cross						
Revenue	**187,2**	295,0	366,1	371,9	339,7	(36,5)
Operating profit/(loss)	**(32,0)**	(29,6)	6,2	26,8	27,3	(8,1)
Operating margin (%)	**(17,1)**	(10,0)	1,7	7,2	8,0	(71,0)
Capital expenditure	**13,3**	1,7	3,6	15,5	30,2	

Group balance sheets – five-year summary

	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm
ASSETS					
Non-current assets					
Property, plant and equipment	**3 361,7**	3 430,1	3 403,6	3 480,8	3 352,4
Right-of-use assets	**310,8**	317,5	–	–	–
Intangible assets and goodwill	**799,3**	817,0	926,2	994,0	1 145,4
Investments	**35,1**	377,0	360,0	376,9	414,5
Deferred tax asset	**41,5**	46,7	24,3	24,1	24,6
	4 548,4	4 988,3	4 714,1	4 875,8	4 936,9
Current assets					
Inventories and biological assets	**2 491,9**	2 501,5	2 165,4	2 068,8	1 889,6
Trade and other receivables including derivatives	**1 886,0**	2 072,4	2 442,3	2 074,9	1 895,5
Cash and cash equivalents	**842,4**	233,1	342,8	246,7	309,1
	5 220,3	4 807,0	4 950,5	4 390,4	4 094,2
Total assets	**9 768,7**	9 795,3	9 664,6	9 266,2	9 031,1
EQUITY AND LIABILITIES					
Capital and reserves					
Attributable to equity holders of AVI	**5 018,4**	4 539,3	5 146,4	4 851,7	4 489,5
Total equity	**5 018,4**	4 539,3	5 146,4	4 851,7	4 489,5
Non-current liabilities					
Operating lease straight-line liabilities	**–**	–	14,3	12,8	10,6
Lease liabilities	**230,0**	251,0	–	–	–
Cash-settled share-based payment liability	**41,4**	39,7	38,9	–	–
Employee benefit liabilities	**378,4**	378,0	382,3	379,7	342,9
Deferred taxation	**433,8**	428,9	389,2	375,6	354,9
	1 083,6	1 097,6	824,7	768,1	708,4
Current liabilities					
Current borrowings	**1 927,7**	2 425,6	1 612,6	1 690,8	1 737,7
Trade and other payables including derivatives	**1 712,2**	1 698,0	2 031,8	1 925,8	2 081,7
Current tax liabilities	**26,8**	34,8	49,1	29,8	13,8
	3 666,7	4 158,4	3 693,5	3 646,4	3 833,2
Total equity and liabilities	**9 768,7**	9 795,3	9 664,6	9 266,2	9 031,1

Group income statements – five-year summary

	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm
Revenue	**13 209,7**	13 150,9	13 437,5	13 184,6	12 188,9
Operating profit before capital items	**2 334,5**	2 522,5	2 552,5	2 385,3	2 154,6
Income from investments	**9,8**	6,0	5,7	5,1	6,5
Finance costs	**(175,3)**	(200,8)	(132,4)	(157,5)	(135,9)
Equity accounted earnings of joint ventures	**17,4**	42,2	56,3	63,2	58,1
Capital items	**455,9**	(127,8)	(136,6)	(127,5)	(14,3)
Profit before taxation	**2 642,3**	2 242,1	2 345,5	2 168,6	2 069,0
Taxation	**(695,0)**	(637,6)	(669,7)	(615,4)	(587,8)
Profit after taxation	**1 947,3**	1 604,5	1 675,8	1 553,2	1 481,2
Earnings attributable to owners of AVI	**1 947,3**	1 604,5	1 675,8	1 553,2	1 481,2
Capital items after tax	**(397,6)**	91,7	98,1	92,8	11,0
Headline earnings	**1 549,7**	1 696,2	1 773,9	1 646,0	1 492,2

Group cash flow statements – five-year summary

	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm
Operating activities					
Cash generated by operations	**3 220,3**	2 849,9	2 691,9	2 318,6	2 292,5
Interest paid	**(175,3)**	(200,8)	(132,4)	(157,5)	(135,9)
Taxation paid	**(711,3)**	(604,0)	(620,9)	(546,7)	(508,6)
Net cash available from operating activities	**2 333,7**	2 045,1	1 938,6	1 614,4	1 648,0
Investing activities					
Cash flow from investments	**9,8**	6,0	5,7	5,1	6,5
Property, plant and equipment – net investment	**(353,5)**	(450,6)	(405,1)	(527,6)	(871,6)
Intangible assets purchased	**(7,0)**	(16,7)	(14,6)	(2,3)	(2,4)
Proceeds from disposal of interest in Simplot joint venture	**631,8**	–	–	–	–
Other movements in investments	**7,4**	18,4	75,3	79,1	53,3
Net cash used in investing activities	**288,5**	(442,9)	(338,7)	(445,7)	(814,2)
Financing activities					
Net increase in shareholder funding	**8,0**	28,0	59,9	63,3	56,3
(Decrease)/increase in short-term funding	**(498,9)**	655,1	(78,2)	(46,9)	72,6
Lease liabilities repaid	**(159,6)**	(166,7)	–	–	–
Payment to I&J BBBEE shareholders	**(13,7)**	(1,0)	(65,0)	–	–
Dividends paid	**(1 352,3)**	(2 222,3)	(1 421,3)	(1 244,5)	(1 126,9)
Net cash used in financing activities	**(2 016,5)**	(1 706,9)	(1 504,6)	(1 228,1)	(998,0)
Increase/(decrease) in cash and cash equivalents	**605,7**	(104,7)	95,3	(59,4)	(164,2)
Cash and cash equivalents at beginning of year	**233,1**	342,8	246,7	309,1	462,5
	838,8	238,1	342,0	249,7	298,3
Translation of cash equivalents of foreign subsidiaries at beginning of year	**3,6**	(5,0)	0,8	(3,0)	10,8
Cash and cash equivalents at end of year	**842,4**	233,1	342,8	246,7	309,1

sustainable development report

Introduction and overview

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

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

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

- **Ethics** – ethics are at the foundation of an effective and sustainable organisation that must be able to operate without censure or compromise over the long term. Proper ethics and appropriate values are central to the Company's culture and therefore to the behaviour of its employees. They assist in establishing a willingness to accept and respond to broader issues in our society, forming the basis of the Company's interactions with its stakeholders.
- **Scarce resources** – in order to ensure future generations have access to the resources on which the Company is reliant, and that the Company's viability is not compromised in the long term, the Company is intent on carefully managing those scarce resources relevant to its operations, where practical, and ensuring that its operation does not detrimentally impact vulnerable and/or endangered natural habitats, wildlife or local communities. The Company is committed to the application of sustainable practices across its operations.
- **Transformation and good corporate citizenship** – the Company recognises the moral, social and economic imperative to embrace and support transformation in South Africa and to be regarded as a valuable participant in the South African economy and society. The Company also recognises the need to be, and to be seen as, a good corporate and socially responsible citizen that is desirable to do business with.

COVID-19

On 15 March 2020 the South African Government declared a national state of disaster relating to the Novel Coronavirus Disease 2019 (COVID-19) outbreak, which had been declared a global pandemic by the World Health Organization. This was followed shortly afterwards by the announcement of a nationwide lockdown from 26 March to 16 April 2020, subject to certain regulations enacted in terms of the Disaster Management Act, 2002. This was subsequently extended to 30 April 2020, where after a gradual and phased easing of lockdown restrictions, based on a risk-adjusted strategy, was announced with effect from 1 May 2020. In addition to the enactment of the regulations, the Department of Labour and Employment enacted the COVID-19 Occupational Health and Safety Measures in Workplaces Directive (as amended from time to time) to manage the continued operations of essential services workplaces during the total lockdown and the subsequent re-opening of other workplaces thereafter.

The Company drafted, published and implemented a COVID-19 Preparedness and Response Policy in terms of which all Group companies were required to comply with the legal framework and to provide guidelines for each workplace to develop workplace-specific COVID-19 protocols. All of the Company's workplaces implemented compliant COVID-19 protocols.

As essential service providers, National Brands, I&J and certain product categories of Indigo Brands remained open during the level 5 total lockdown. Since then, under the easing of the restrictions, all of the Company's remaining businesses have re-opened.

The Company was fortunate to be able to sustain its role as a provider of essential products, during the various stages of lockdown and thereby sustain its cash flows, and pay its employees and suppliers.

Guiding framework

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

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

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

During the year the Company identified material Group-wide issues for reporting purposes and an index indicating where these issues are referenced throughout this annual report can be found on page 57. While these issues have been categorised according to the GRI framework, the Company has not undertaken a detailed self-assessment nor been formally assessed, and the decision to use the GRI and JSE Responsible Investment Index frameworks for guidance in compiling this report is not intended to declare compliance as understood in either framework. In addition the Company has been independently assessed by FTSE Russell (FTSE International Limited and Frank Russell Company) on behalf of the JSE against the FTSE Russell ESG Rating framework and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.


FTSE Russell

CERTIFICATE OF MEMBERSHIP

This is to certify that

AVI

is a constituent company in the FTSE4Good Index Series

FTSE4Good

June 2020

The FTSE4Good Index Series is designed to identify companies that demonstrate strong environmental, social and governance practices measured against globally recognised standards.

The Company remains committed to ongoing review and re-assessment of the scope of its reporting, as well as to regular consideration of the advisability and need for formal reporting or assessment against the accepted frameworks.

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

Social and Ethics Committee

The Social and Ethics Committee was constituted in August 2011 in terms of the Companies Act No. 71 of 2008, as amended, and the Regulations thereto ("the Companies Act 2008"), and adopted formal terms of reference, delegated to it by the Board, as its charter. The charter is subject to the provisions of the Companies Act 2008 (in particular Section 72 as read with Regulation 43). The committee has discharged its functions in terms of its charter, and in particular reviewed the Company's activities, having regard to relevant legislation and other legal requirements and best practice, relating to:

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

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

For further details regarding the composition and meetings of the committee, shareholders are referred to the Corporate Governance Report on page 64.

Stakeholder engagement

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

Stakeholder type	Nature of engagement
Shareholders, analysts and media	• Annual General Meeting at which shareholders have an opportunity to vote on material resolutions, including the appointment and remuneration of directors • Distribution of information via the website, including financial, brand, governance, social, ethics, and sustainability matters • Press releases and SENS announcements • Formal presentation of the half year and final financial results to the investment community • Integrated Annual Report • Interviews and media briefings • Scheduled bi-annual meetings with analysts • Ad hoc meetings with analysts and investors, both locally and overseas, as required • Meetings to resolve queries on specific matters as required
Customers and consumers	• Daily contact in own and customers' stores • Meetings • Consumer and product research • Marketing campaigns • Websites • Customer care and complaint lines • Customer audits

Stakeholder type	Nature of engagement
Employees and employee representative bodies (including unions)	• Intranet and published newsletters or notices • Bi-annual presentations by the Chief Executive Officer to the executive community • Presentations and written communication (e.g. newsletters and posters) on material issues and regulations affecting employees • Conferences and general staff meetings • Performance appraisals • Union representative forums • Workplace forums such as the employment equity and learning and development forums • Industry relevant Sector Education and Training Authorities • Independent anonymous reporting hotline • Intranet-based incident reporting system • Ad hoc events
Suppliers	• Product conferences • Visits and meetings • Supplier audits • Senior operational and procurement staff day-to-day interactions
Communities and non-profit organisations	• Corporate social investment programmes • Workplace learning and development programmes for unemployed learners • AVI graduate development programme • Partnerships and sponsorships • Ad hoc community engagements in surrounding communities, including Company sponsored employee volunteer days
Business associations	• Participation in, or membership of numerous associations such as the South African Chamber of Commerce & Industry; Accelerate Cape Town; the Consumer Goods Council; a number of fishing industry associations including the South African Deep-Sea Fishing Industry Association, the Responsible Fishing Alliance, the World Wildlife Fund's South African Sustainable Seafood Initiative, the Abalone Farmers' Association and the South African Mid-water Trawling Association; the Association of Food and Science Technology; the Restaurant Association; the Speciality Coffee Association; the Cosmetic, Toiletry and Fragrance Association; the Aerosol Manufacturers' Association; the Institute of Packaging; the South African Rooibos Council, and the Responsible Packaging Management Association of South Africa • Participation in association initiatives
Government or regulators	• Regular contact with significant industry regulators directly or through business associations

Ethics

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

In order to monitor ongoing compliance with the code, the Company has a formal governance framework. Within the governance framework material issues are highlighted in management reports that are reviewed by the operating executives. If appropriate, matters are elevated to the Company's Board or Audit and Risk Committee. This formal framework is supported by the Company's internal audit function, which is responsible for investigating identified areas of concern and reporting its findings to the Company's Chief Financial Officer and the Audit and Risk Committee. The Company subscribes to an independent, professional hotline disclosure service as an important component of an ethical environment. This service facilitates confidential reporting on fraud and other unethical conduct.

Communication drives are undertaken from time to time to remind employees of this "whistleblowing" service. In addition the Company has implemented an in-house intranet-based incident reporting service that requires employees to report incidents, or potential incidents, which have caused, or could have caused, harm to the Company's property or people on the Company's premises. A senior employee actively manages the incident management reporting system and also engages with the ethics hotline service providers. All anonymous reports and other reported incidents are reviewed on a daily basis, and, if appropriate, thoroughly investigated. The Company has a proven track record of dealing appropriately with matters arising from the ethics hotline and incident management reporting systems. Investigations and disciplinary hearings have been held and, where appropriate, civil and criminal action has been taken.

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

Scarce resources and biodiversity

Fishing resources

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

A number of fishing rights that were allocated in 2005 expired at the end of 2015 and had to be reapplied for by means of the 2015 Fishing Rights Allocation Process ("FRAP2015"). After numerous delays in the process, including an extended appeal process, the Department of Environment, Forestry and Fisheries (previously the Department of Forestry and Fisheries and the Department of Environmental Affairs, which were merged in 2019) ("DEFF") announced the outcomes of the applications in the respective sectors. Based on the allocation process I&J was allocated 18,4% of the Hake Inshore Trawl (previously 34,1%), 13,4% of the Patagonian Toothfish (previously 17,8%), and 4,3% of the Horse Mackerel (previously 11,7%) total allowable catches. Despite an appeal, no rights were awarded to I&J for Kelp.

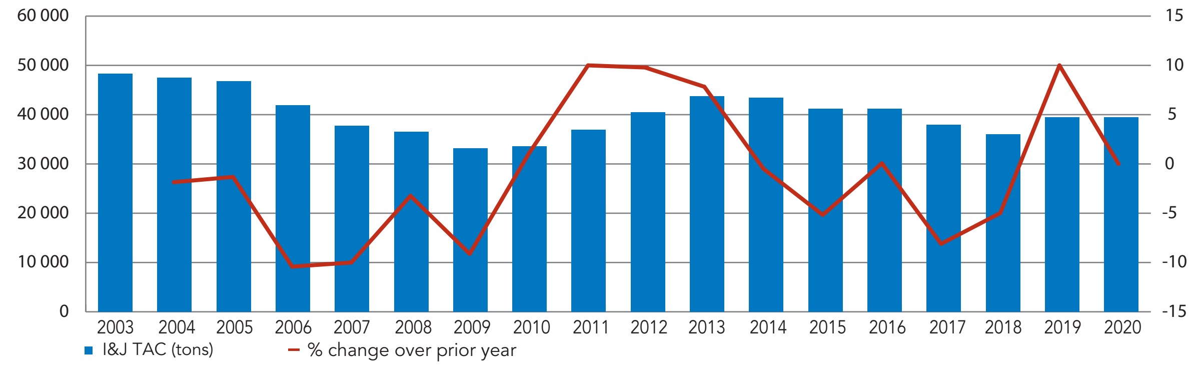
In adjudicating the appeals on the Horse Mackerel allocation, the Minister upheld the quantum allocation methodology applied by the Delegated Authority, namely the Deputy Director General: Fisheries Management, when awarding rights. I&J is, together with several of its industry counterparts, in the process of taking this decision on review in the Western Cape High Court. A date for hearing has not yet been set and, if opposed, it is anticipated that the matter will likely only be heard during the course of 2021 at the earliest.

The current Hake Deep Sea Trawl long-term rights, along with a number of other fishing rights, were due to expire at the end of 2020. These have however, been extended to the end of 2021 to allow adequate time for the completion of the FRAP. The revised 2020/2021 project plan timeline was gazetted on 26 June 2020. The gazette provided that draft policies, application forms, and fees will be made available for public comments from 12 October to 30 November 2020. During this period public consultations will also be held. The application process will then open from 1 February 2021 and run to 2 April 2021, where-after the adjudications will run between 17 May and 30 November 2021. Although I&J's experience in FRAP2015 has created a level of uncertainty regarding the 2020/2021 process, there are several initiatives in progress to ensure that I&J is well positioned to compete effectively for hake long-term rights in this process. In addition, there is ongoing engagement between the South African Deep Sea Trawling Industry Association – an association of South African trawler owners and operators that catch, process and market Cape hake – DEFF, and the broader fishing industry to emphasise and promote an understanding of the role of the large fishing companies in the deep sea trawling industry and the vital role they play in the ocean economy, and to seek alignment on the role and promotion of small scale fishing within the industry. To this end the South African Deep Sea Trawling Association supported a professional, independent economic study of the hake deep sea trawl industry during 2019, which report has been distributed to relevant stakeholders in the industry.

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

The TAC level is managed conservatively based on scientific modelling of catch data recorded by fishing companies and annual resource survey voyages conducted by the department using either their own or chartered vessels. The graph below shows the I&J TAC over an extended period, with movements tracking the performance of the hake resource over time. After a period of several years of decreases in quota in line with resource performance, the TAC was increased by 10% in 2019, reflecting an expectation of an improvement in resource performance after a period of strong recruitment. The TAC was left unchanged in 2020.

I&J TAC 2003 to 2020



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

In May 2015 the Marine Stewardship Council recertified that the South African hake resources met the requisite environmental standards for sustainable fishing for a further five years. This certification gives assurance to buyers and consumers that the seafood comes from a well-managed and sustainable resource, which is increasingly relevant in I&J's export markets. The next recertification is currently in progress and is scheduled to be concluded by December 2020. It is expected that the industry will be recertified for a further five years.

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

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

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

I&J's commitments have been incorporated into the I&J Sustainable Seafood Policy ("SSP"), a comprehensive document that sets out the standards to which I&J strives to adhere and the standards expected from its suppliers. With the policy in place customers are assured that all I&J seafood products are derived from sustainably managed fisheries or aquaculture operations, or fisheries working under an improvement programme.

However, notwithstanding this policy, during I&J's fishing operations there will be incidents where species with sustainability concerns may be caught as unavoidable by-catch. I&J cannot completely avoid or exclude these species from its fishing operations but it is committed to ensuring that these species are included in an effective By-Catch Management Plan and best practice solutions are pro-actively implemented to manage and mitigate the impact on these vulnerable species.

Water

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

I&J in particular is highly dependent on potable water to produce ice for the fishing operations as well as for the processing and cleaning of fish at both the Woodstock Primary Process and the Paarden Island Value Added Processing facilities. I&J has implemented a number of water saving initiatives across the business, resulting in a reduction in excess of 80% of usage of municipal water since FY16. In 2017/2018 and in view of the drought in the Western Cape and the risk of significant water supply restrictions in Cape Town, I&J engaged with both Government and water specialists to assist in investigating alternatives with a view to securing a supply of water sufficient to maintain operations into the future. To this end a substantial investment in producing potable water from non-potable ground water, and a desalination process have been installed, both of which have assisted substantially in the reduction of I&J's dependence on municipal water.

Indigo Brands has continued its water saving initiatives and, notwithstanding the relief of good rainfall in the Western Cape in the past season, went ahead with the drilling of an on-site borehole, yielding 18 000 litres per hour of non-potable water. The investment required to purify this water is substantial and Indigo Brands will continue relying on water transported from the I&J water purification plant in the event of municipal supply interruptions.

Borehole yield and quality tests at the Rosslyn snacks factory conducted in the previous year indicated sufficient capacity to provide for over 90% of the factory's water requirements. A project is being prepared to install suitable water purification equipment and storage tanks. Process water tanks have been installed and commissioned at the Westmead biscuit factory, which will reduce the impact of water supply interruptions resulting from poor quality water reticulation infrastructure in the area. However, while back-up water tanks are in place, repeated and protracted water supply interruptions in the Isando area necessitated the use of tanker-supplied water to the Isando biscuit factory on three occasions during the year, after the back-up tanks had been depleted.

Electricity

The extreme energy shortages experienced in South Africa a few years ago and which re-occur on a regular basis, highlighted the need for the Company to be more self-sufficient and to make energy conservation a priority. Numerous energy saving initiatives have been implemented by the subsidiary companies to manage energy usage and, at the same time, generators have been installed at most of the Company's facilities to ensure continuity of supply. During the past year the back-up generator project at the Rosslyn factory got under way. Despite delays occasioned by the national lockdown in the last quarter of the year, the infrastructure is expected to be commissioned in the first half of the new financial year. Subsequent to the end of the year the Rosslyn area was impacted by infrastructure maintenance failures flowing from industrial action by the Tshwane Municipal Power Department. This has reinforced the need for self-sufficiency.

Biodiversity

South African biodiversity presents a wide variety of natural resources. Despite its relatively small land surface area, South Africa is home to 10% of the world's plant species, many of which are endangered and vulnerable. The loss and degradation of South Africa's biodiversity has serious implications for society and the economy. Large portions of the country's economy are dependent on biodiversity, including the fishing industry and agriculture based on indigenous species.

I&J's Danger Point abalone farm is situated immediately adjacent to the sea and is the Company's only property in or adjacent to an area of high biodiversity. South Africa's high energy coastline is generally unsuitable for offshore fish farming and land-based aquaculture allows for better control over environmental factors so that the impact on the environment can be limited. Although abalone aquaculture has a relatively low impact on the environment, in order to minimise any potential harm, the global abalone farming industry, including I&J, has, together with the WWF, developed a set of standards. The Danger Point abalone farm has adopted the Global Abalone Standards and has been audited by the Aquaculture Stewardship Council. Accreditation was granted in November 2015 and renewed in 2019. This eco-label is used to guarantee that I&J's abalone products are and continue to be raised in an environmentally responsible manner. I&J has also been granted approval by DEFF to further expand the farm as well as to relocate the processing plant from Walker Bay to the farm.

The Rooibos plant *Aspalathus linearis* is part of the Cape Floral Kingdom, commonly known as "fynbos". Rooibos is indigenous to the Cederberg Mountains around Clanwilliam. At the turn of the 19th century it was common practice for the inhabitants of the Cederberg region to harvest the wild-growing Rooibos plants. The leaves and fine stems were chopped, fermented and dried to be used in a variety of ways. In 1904 a Russian immigrant and descendant of generations of tea traders, introduced Rooibos to the wider world. By 1930 a local medical doctor and botanist had discovered the secret of germinating Rooibos seeds and, together with a local farmer, developed new cultivation methods on a larger scale along the slopes of the Cederberg Mountains. This is still the only place in the world where Rooibos is grown.

The commercial farming and production of Rooibos has resulted in the establishment of a worldwide distribution network and medical science is only starting to discover the many health benefits of Rooibos. In 2010 the South African San Council ("SASC") approached DEFF requesting negotiations with the Rooibos industry in accordance with the National Environmental Management (Biodiversity) Act of 2004 ("NEMBA"). In 2012 they were joined by the National Khoi & San Council ("NKSC") in seeking recognition as joint traditional knowledge rights' holders. Under the facilitation of DEFF these two parties met with the South African Rooibos Council for the first time in 2012 to start the process of negotiating an Access and Benefit-Sharing ("ABS") agreement for Rooibos. One of the fundamental principles of an ABS is the fair and equitable sharing of the benefits arising from the commercial utilisation of indigenous biological resources.

After a long and thorough process of negotiations, an historic, industry-wide, ABS was signed in 2019 between the SASC, the NKSC, and the South African Rooibos industry. The ABS seeks to balance the interests of the indigenous communities and the sustainability of the industry and forms the basis on which these communities will access a percentage contribution from the sale of Rooibos. The ABS now brings the Rooibos industry into compliance with South Africa's bioprospecting laws and regulations. The benefits generated will be paid to the communities through two community trusts. These trusts will be overseen by trustees selected from within the traditional communities and the local farming communities. Additional members may include independent legal advisors and representatives of DEFF, the Department of Cooperative Governance and Traditional Affairs, and the Department of Science and Technology. The trusts will also be under the oversight of the Master of the High Court.

The industry is excited to have reached this milestone and is looking forward to growing the Rooibos industry for the benefit of the traditional communities, the local farming communities, and the wider Rooibos industry. On a global scale, natural forests are amongst the most bio-diverse habitats and are home to many people who derive their livelihoods from forest biodiversity. Large scale industrial logging and monoculture plantations are man-made causes of damage to natural forests. Protecting these and other bio-diverse habitats must be a priority for all industries and the Company is committed to addressing the issue of corporate deforestation through the development and implementation of environmentally friendly, responsible and sustainable procurement programmes, including the procurement of paper and packaging and palm oil. Details of such procurement programmes are set out in the environmental practices section of this report on pages 50 to 53.

Transformation and good corporate citizenship

Transformation

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

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

From FY10 to FY14, on the original BBBEE Codes of Good Practice, AVI materially improved its rating from a level 6 contributor (at 53,78%) to a level 4 contributor (at 70,25%). Since 2015 the verifications have been done against the amended Codes and for the first 3 years the Company consistently achieved a level 7 rating, discounted to level 8. In FY18 the Company improved its score and achieved a level 6 rating (78,22 points), which was then discounted to level 7 for failing to achieve the required 40% threshold on supplier development. FY19 saw further improvement to a level 5 rating, with no discounting owing to the minimum thresholds for equity ownership, skills development, preferential procurement, supplier development, and enterprise development having been achieved.

The consolidated score achieved for FY20 is level 6 (at 71,48 points) with no discounting. The main element that contributed to the change from level 5 to level 6 was Skills Development. This was for 2 reasons, firstly the inability of the Company to continue with and complete its skills programmes during the COVID-19 lockdown, and secondly a change in the interpretation of the provision relating to the absorption of unemployed learners at the end of their skills programmes. No dispensation was given to measured entities by the Department of Trade and Industry to take account of the impact of COVID-19.

BBBEE scorecard

A comparison of the FY15 to FY20 scorecard elements is set out below. As the amended Codes differ significantly from the "old" Codes, a comparison to years prior to 2015 would not be meaningful without an accompanying analysis of the underlying data.

Six-year BBBEE scorecard

Element	**2020 %**	2019 %	2018 %	2017 %	2016 %	2015 %
Ownership	**54,99**	56,45	77,50	76,39	58,20	55,95
Management control	**32,67**	29,81	28,94	27,74	24,33	25,94
Skills development (including bonus points)	**68,04**	100,75	90,97	57,82	68,73	69,26
Enterprise and supplier development (including bonus points)	**78,38**	81,61	75,39	62,31	56,66	43,09
Socio-economic development	**100**	100	100	100	100	100

EMPOWERLOGIC

Broad Based Black Economic Empowerment Verification Certificate

A Consolidated Verification Certificate Issued to

AVI Limited and Subsidiaries

Level 6 Contributor

Measured Entity

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

B-BBEE Status

B-BBEE Status Level	Level 6		
Element Points Obtained	EO: 13.75 points; MC: 6.21 points; SD: 13.61 points; ESD: 32.92 points; SED: 5 points		
Discounting Principle Applied	No	**Measurement Period Year End**	30/06/2020
Empowering Supplier	Yes		

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

Black Voting Rights	17.23%	**Black Women Voting Rights**	9.00%
Black Economic Interest	12.05%	**Black Women Economic Interest**	6.23%
51% Black Owned *	No	**30% Black Women Owned ***	No
Black Designated Groups	1.02%	**Normal Flow Through Principle Applied**	

BEE Procurement Recognition Levels

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

Enquiries
Tel: 086 111 4003
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www.empowerlogic.co.za

Issue Date	21/08/2020
Expiry Date	20/08/2021
Certificate Number	ELC9632RGENBB
Version	Final
Applicable Scorecard	Amended Codes - Generic
Applicable BBBEE Codes	Amended Generic Codes Gazetted on 11 October 2013 and Amendments Gazetted on 31 May 2019

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

Per Gianna Le Roux
Member - Verification Committee

SANAS Accredited
BVA018

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

Ownership

The Company achieved an ownership score of 54,99% and met the 40% threshold for net value (one of the sub-elements of equity ownership). This is in part still owing to the Company's Black Staff Empowerment Share Scheme ("the Scheme"), which was launched during January 2007 and the changes made to the Scheme in 2010, which allowed the Company to secure recognition of the Scheme for BBBEE rating purposes, thereby visibly providing support to the Company's transformation agenda. The Scheme placed 7,7% of the Company's total issued share capital or 26 million ordinary AVI shares in a trust for the benefit of its eligible black employees and, in aggregate, the participants benefited from growth in the share price over a seven-year period, with the first tranche vesting after five years.

The first tranche of shares, being one-third of the total allocation made on 1 January 2007, vested on 1 January 2012. The final tranche vested on 31 December 2018. Over the life of the Scheme, approximately 18 300 participants benefited from the Scheme and received a total gross benefit of R841 million, including 1 597 participants who left the Company's employ in a manner that classified them as "good leavers" and which good leavers received a total gross benefit of R106,6 million.

At a subsidiary level, the Company remains committed to ensuring that a direct economic benefit flows to I&J employees and the Company's Board has approved the continuation of a 5% black staff shareholding up to 2020. The total amount paid to participants since commencement of the scheme in May 2005 amounts to R41,5 million – a significant contribution towards the financial and social upliftment of I&J's employees. In addition 20% of the shareholding in I&J is held by two broad-based black empowered companies with strong commitments to the South African fishing industry. Both of these are important aspects of the focus on the transformation of the fishing industry.

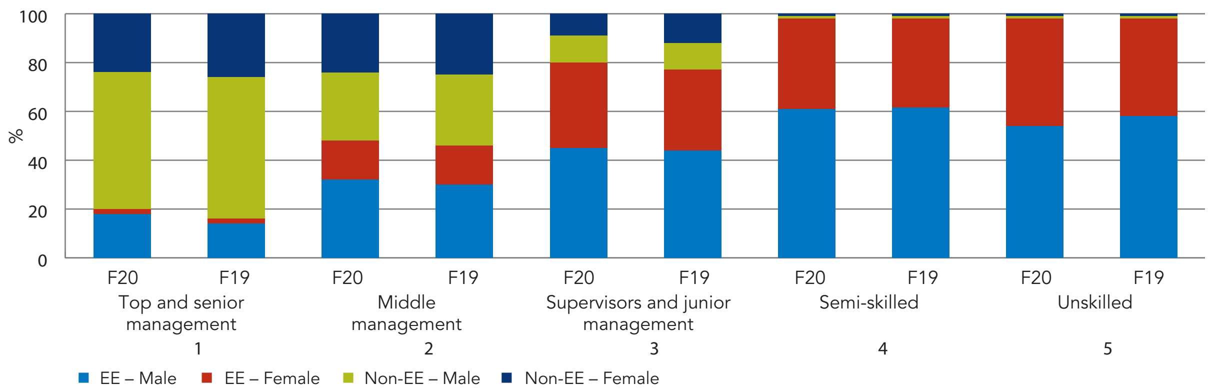
Management control

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

The Company achieved a score of 32,67%. Management control is an area of material importance and heightened focus for the Company. The Management Control element measures transformation at the Senior, Top and Board levels and the Employment Equity element measures transformation at the Junior and Middle Management levels. The on-going improvement in the Employment Equity score is reflective of the Company's training and internal talent management and promotion programmes.

Attracting senior black candidates from their current employment in these less certain economic times is difficult. It is anticipated that the economic downturn in the past 12 months will exacerbate this even further with employees being loathe to leave existing employment. At time of writing, the status of the current university year is unknown and the recruitment of suitable graduating students may be delayed. The Company nonetheless continues its efforts to appoint, develop and retain black employees, especially where representation is required in the middle, senior and top management bands. The Company's employment equity efforts remain behind training, developing and mentoring black employees with the objective of retaining them and preparing them for more senior roles.

AVI employment equity demographics



Skills development

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

The Company continues to have strong and credible relationships with six key Sector Education and Training Authorities ("SETA"), including the Food and Beverage SETA (which presented the Company with an award for excellence in implementing occupationally directed training programmes), the Wholesale and Retail SETA, the Transport SETA, and the Chemical Industries SETA, which enabled the Company to receive mandatory payments of R3,89 million and discretionary grant payments of R4,3 million. Unfortunately the national COVID-19 lockdown which started in April 2020 resulted in delayed payments for the year, which are now only expected to be made in the new financial year. Furthermore, the payment holiday on the skills development levies given by the Government, resulted in reduced income for the SETAs. This could in turn impact their ability to pay grant payments already due.

The Group skills development facilitator continues to focus on the management of learnership programmes, apprenticeships, internships, and graduate and work experience programmes and during the year the Company had 606 learners (the majority of whom were black) on skills development programmes.

Learnership programmes remain a priority throughout the Group.

In the past year National Brands supported 182 learners, of whom 31 were unemployed disabled persons on key programmes, including Business Administration.

I&J has made substantial investments in training unemployed youth for the fishing and broader maritime industry. I&J is also the first Group business to participate in the Youth Employment Service (YES programme) initiated by Government in terms of the BBBEE Act and aimed at youth employment. I&J has registered 60 unemployed youths on 12 month youth employment contracts, thereby giving them their first opportunity at employment. During the past year I&J invested in the formal training of 149 people (of whom 41 are disabled) on programmes including NQF3 and NQF4 Business Administration, NQF3 Freight Handling, NQF2 Fish and Seafood, NQF2 Wholesale and Retail Distribution, and NQF3 Maritime Operations. I&J makes every effort to find employment for learners within the business, or at one of its business partners.

Indigo Brands trained 51 learners (of whom four are disabled) and focused attention on NQF2, 3 and 4: Production Technology, as well as the Inventory Control learnership programmes. An electrical apprentice successfully completed his trade test and was retained in the business in place of a retiring electrician – an example of a well-planned and executed succession plan. For the periods, FY20 and FY21 Indigo Brands has invested in an unemployed NQF2: Production Technology learnership programme, three apprenticeships, and one Cosmetic Science (COSCHEM) bursary, all of which are progressing well. 11 Indigo Brands employees were selected to attend the AVI People Effectiveness programme in partnership with GIBS.

Spitz successfully enrolled 81 people on the UNISA retail programmes, including Retail Management and Introduction to Retail. In addition 18 store managers participated in the NQF5 Generic Management programme for wholesale and retail.

At Green Cross, 25 learners participated in the Introduction to Retail and Retail Management programmes, of whom 13 were unemployed.

Ciro enabled 10 people (of whom five were unemployed disabled persons) to complete their UNISA Barista Programme.

Since the inception of the AVI Graduate Programme in FY16, 52 students have had various opportunities within the Group. There are currently 29 graduates enrolled on a 24 month programme, while 13 have already been appointed to permanent positions, having proven themselves through their respective programme experiences. All 29 current graduates have had the opportunity to engage in soft skills and business specific training in order to fast track their development, with those students in their second year having had the opportunity to participate in an accredited foundation management programme hosted by the Project Management Institute. This accreditation has contributed positively towards the Skills Development element of the BBBEE scorecard. There are eight new graduate positions available for recruitment in FY21, including the introduction of an engineering graduate and a project management graduate at Indigo Brands, as well as two sales graduates at National Brands.

During the year, 58 middle managers across the Company enrolled on the AVI People Effectiveness Programme hosted by GIBS. This is a 24 month programme that aims to enhance, equip and motivate leaders within the businesses in order to enable them to effectively navigate and contribute to the changing business environment. This accreditation is not only improving management skills but is also making a positive contribution to the Skills Development element of the BBBEE scorecard.

The Company continues to focus on the development of online training courses in an effort to reduce the cost and complexity of classroom based programmes, particularly in the retail businesses. The Customer Service online course is running successfully through the Spitz business and has added increasing value to our customer focus proposition. The Biscuit Technology module within the Snackworks factories is in its final stage of review before implementation and an online Baking programme has been created on the iLearn platform. Various other courses have been developed and rolled out for the support functions in order to improve efficiencies and to reach all geographies. Online training programmes will continue to be identified to replace classroom options, where possible, across all of the businesses.

The amount spent on recorded skills development initiatives in the year was R69,82 million, an amount equivalent to 3,14% of leviable amount. 3 487 employees, or 37,79% of the total workforce (including permanent and fixed term contract employees), were trained during the year, 91,91% of whom were Black (African, Coloured and Indian).

The Company achieved a score of 68,04% in the June 2020 verification (including Bonus Points) and met the required 40% threshold. Skills development remains a priority area for the Company.

Enterprise and supplier development

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

The Chief Procurement Officer, in collaboration with specialist procurers in the Company, and with a focus on favouring local empowering suppliers (as defined in the amended Codes), plays a large role in the Company's enterprise and supplier development strategy. Measured on the amended Codes, the Company scored 78,38%. The Company met the 40% threshold in all three elements, namely preferential procurement (80,8%), supplier development (41,03%), and enterprise development (100%).

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

- Funding of rooibos tea farmers, who supply unprocessed rooibos tea, to enable them to sustainably farm the tea on the basis of off-take agreements with National Brands and other third parties.
- Heightened focus on increasing early payments to Exempt Micro Enterprises ("EME") and Qualifying Small Enterprises ("QSE").
- Funding of select supplier development initiatives across a wide range of sectors in collaboration with reputable third-party institutions, such as Inyosi Empowerment and B1SA.
- Increased focus on graduating Enterprise Development beneficiaries to Group suppliers.
- Growing the Company's business relationships with existing EMEs and QSEs within the supply chain. In particular extensive work was done to procure goods and services from Black-owned suppliers of temporary point of sale equipment, waste removal, flexible packaging consumables, personal protective equipment, and transport services.
- Establishment of an initiative with a QSE with the requisite technical competence to blend and co-package coffee for selected Ciro products.
- Localisation of previously imported flexible packaging used for key stock-keeping units in the snacks portfolio.

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

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

Good corporate citizenship

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

Labour data and practices

	2020	2019
Number of permanent employees (South Africa at 30 June)	**8 909**	8 504
Gender split (%) (including non-South African)		
Male	**59**	60
Female	**41**	40
Ethnic split (%)		
African	**70**	69
White	**6**	7
Indian/Chinese	**4**	4
Coloured	**19**	19
Non-South African	**1**	1
Ethnic and gender split (%)		
Black (African, Indian/Chinese and Coloured) male	**55**	55
White male	**3**	4
Black female	**38**	37
White female	**3**	3
Non-South African	**1**	1

Of the Company's permanent employees, 41,08% are members of recognised trade unions covered by collective agreements defining the terms of the relationship between the Company, the unions and the members, as well as their engagement on matters ranging from operational changes to annual negotiations on wages and other substantive issues. Union engagement is managed at an executive level within the subsidiaries, with oversight from the Company.

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

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

Health, safety and wellness

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

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

Statistically the Group's safety record is viewed against the industry standard disabling injury frequency rate ("DIFR"), which measures the percentage of employees that suffer a disabling injury for every 200 000 man hours worked. A disabling injury is an injury that causes an employee to miss a shift following the one on which they were injured. The Group experienced 79 disabling injuries – a notable decrease from 90 in the previous year. These injuries resulted in 761 lost days for the year, against 1 061 for the previous year, and achieved a DIFR of 0,6 for the year.

The Company categorises all injuries into 1 of 3 classes. Class 1 being damage that permanently alters a person's life ranging to class 3 that inconveniences a person's life. During the year under review there were 5 class 1 injuries, all of which resulted in broken bones or the amputation of fingers or part thereof, resulting primarily from employees' failures to comply with health and safety protocols. Each injury was properly reported and investigated and remedial and preventative actions taken, including where necessary, additional or improved employee training or changes to the work environment. In addition all employees who sustained class 1 injuries are provided with access to counselling. Throughout the businesses steps are taken to proactively identify and prevent potentially harmful situations and improve employee training.

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

Despite taking all reasonably practicable steps to identify, mitigate and eliminate potential exposure to the COVID-19 virus in the workplace, the Group has, together with the rest of the country, experienced the human impact thereof. The Company designed and implemented an online COVID-19 database and dashboard in order to record and track all COVID-19 related events. As at date of writing the Group had recorded 410 positive cases, the majority of whom had recovered. Sadly and regrettably however, the human toll included three deaths, two at I&J and one at National Brands.

Store robberies in the retail sector remain a reality and both Spitz and Green Cross are taking all practical measures to limit the probabilities of and risks associated with robberies in their stores, including continually updating and improving electronic surveillance, and physical security measures. As staff safety is paramount, staff are trained on how to react in the event of a robbery. In addition Spitz and Green Cross maintain a close relationship with the AVI Employee Wellness Programme to ensure that affected staff receive counselling after any traumatic event.

All of the National Brands manufacturing facilities are Food Safety System Certification ("FSSC") 22000 and American Institute of Baking ("AIB") Food Safety Standard certified. They maintained these certifications during the past year. In addition all the factories acquired and maintained their Certificates of Acceptability (now the R638 certificate) from their local municipal authorities. The Westmead and Isando biscuit factories, the Isando coffee and creamer factory, and the Durban tea factory have all maintained their ISO 14001 certification, while the Isando biscuit factory also maintained its Occupational Health and Safety Assessment Series ("OHSAS") 18001 certification.

The Indigo Brands cosmetics and aerosol factories are ISO 9001:2015 (quality management system), ISO 22716:2007 (Cosmetics Good Manufacturing Practice) and SANS 1841 (Control of Quality: Trade Metrology Act) certified. In the year under review Indigo Brands maintained compliance against SANS 1841 and ISO 22716 in both factories. 12 supplier quality management system audits were successfully completed in FY20.

The I&J Woodstock and Valued Added Processing sites have Hazard Analysis and Critical Control Points ("HACCP") accreditation, which is regulated by the National Regulator for Compulsory Specifications. In addition both I&J processing facilities have "A" listed British Retail Consortium for Global Standards ("BRC"), Higher Level International Food Standard ("IFS") global food safety certification, Marine Stewardship Council ("MSC") Chain of Custody Certification (a sustainability certification) and SANS 1841 (Control of Quantity – Trade Metrology Act) certification. The Micro laboratory at the Woodstock factory has SANAS 17025 accreditation and the Auckland Cold Store in Paarden Island is ISO 22000 and HACCP accredited, as well as ZA 282 certified (certification by the Department of Agriculture allowing the export of frozen product into the Southern African Development Community). The I&J chicken processing plant is ZA 111 certified (certification by the Department of Agriculture allowing the processing of chicken products). In addition to applying standards to the Company's own operations, the factories continue to make progress through supplier audits with a view to having all their suppliers certified to a recognised Food Safety standard. In accordance with customer requirements, the next Amfori BSCI social audit is scheduled to be conducted at I&J in September 2021. During the previous audit in September 2019 an "A" rating was achieved in each performance area with zero non-compliances, in recognition of which the audit interval was increased to every two years. The Amfori BSCI code of conduct refers to international conventions such as the Universal Declaration of Human Rights, the Children's Rights and Business Principles, UN Guiding Principles for Business and Human Rights, OECD Guidelines, UN Global Compact, and International Labour Organisation conventions and recommendations relevant to improve working conditions in the supply chain.

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

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

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

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

The Company's larger sites have active primary health care clinics either on a full-time or part-time basis. They are well equipped and managed by appropriate medical professionals, including a doctor employed on a full-time basis in I&J. These clinics play a material role in the day-to-day healthcare management of the Company's lower income earning employees, and in a number of instances provide an out-reach programme for immediate family members. Many of the clinics are involved in doing annual medical checks for all employees, running VCT programmes, and providing flu vaccines to high-risk employees at no cost to the employees.

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

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

Corporate social investment

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

During the year under review R22,4 million was available to the Company's CSI programmes. As at 30 June 2020, R21,3 million had been disbursed. In addition to the contributions made through the CSI Trust, the Company made a contribution of R10 million to the COVID-19 Solidarity Response Fund to support various government and non-governmental organisations in prevention, detection, medical, and humanitarian support

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

- The Ikusasa Student Financial Aid program, whose stated purpose is to provide needs-based assistance to students from poor and working-class families (the "missing middle"). This support enables students to acquire a broad set of knowledge, skills and character traits that will significantly improve their meaningful participation in the growth of the country. Areas covered include the economy, human development, leadership, ethical behaviour, and broad citizenship. The intention is to advance equal opportunity and equitable income distribution for all South Africans. The Company's contribution has assisted students in the engineering sector with their four year degrees and includes providing meals, accommodation, transport, books and stipends, in addition to paying tuition fees.
- The Supplementary Education Trust (formerly Star Schools), continues to be a meaningful cause. Through their incubator programme learners from grades 10 to 12 are exposed to high-quality educational materials and provided with expert tuition in English, Mathematics and Science, on Saturdays and during school holidays. The Trust also provides necessary study materials, career guidance, life skills training, transport and food. The programme seeks to upgrade the learners' academic standards to enable them to further their education at a tertiary institution. The Company has contributed over R6 million to the Durban and Winterveldt incubator programmes since 2013. This money has supported learners from impoverished homes and underperforming schools in areas such as Umlazi, Inanda, Kwa-Mashu, Claremont, and Mabopane.
- The Company, in partnership with the Study Trust, has been providing full or partial bursaries to students since 2009 through its Tertiary Bursary Programme. In 2020, 20 students were provided with bursaries to assist them to further their education at various universities. The students were selected based on their financial means, academic results and preferred fields of study, which were aligned to the Company's graduate recruitment needs.
- The St Mungo Diepsloot Community Action provides Adult Basic Education and Training as a key component of its strategy to uplift and empower the community through education, vocational training and enterprise development. The key objective is to channel funding, skills and resources into sustainable projects that will benefit and build the competencies of individuals and groups within Diepsloot. The projects also allow disadvantaged youth over the age of 18 who have not achieved their matric to achieve a matric-equivalent. In 2017 funding from the Company enabled the opening of an Early Childhood Development Centre – Khulani (meaning "to grow"). By January 2020 the Centre was catering for 45 children in two classes, grades 00 and 000.
- The Company has supported the Kliptown Youth Programme since 2008. The organisation was founded in 2007 and is situated in the Kliptown informal settlement in Soweto. It provides a safe haven and educational support for 460 children and youth in grades 1 to 12. The programme provides food for the children to take to school and offers a free after-school centre with a hot lunch and additional weekend activities. The Company's support has not only been monetary but has included support through a transfer of business, finance and leadership skills and direct involvement by the Group's employees through the AVI employee volunteer programme.
- The Ruth First Scholarship Programme sponsors disadvantaged girls' attendance at Jeppe High School for Girls, one of the country's foremost public schools for girls, with full tuition, boarding costs and pocket money to grade 12. The Company is currently sponsoring eight girls in different grades.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- The Rapport Onderwysfonds supports young students from disadvantaged communities with bursaries to enable them to gain a tertiary qualification with a view to qualifying as teachers, many of whom are now teaching at schools in under-privileged communities. The Company currently supports 20 students.
- The St Mary's School Waverley Foundation provides critical resources and opportunities to girls from disadvantaged communities by supporting their education and training, and the funding of community affairs programmes. The Company is currently committed to the funding for two girls for the full terms of their secondary school studies. The bursary includes payment for tuition, boarding, study materials, uniforms, and extra-mural activities, including money to provide the necessary equipment for cultural and sporting activities.
- The Learn to Earn foundation trains students in Basic Computer skills, Office Administration, Sewing, Hospitality, and Barista programmes, across three learning centres in the Western Cape. During the past year the Company sponsored 39 students.
- Afrika Tikkun focuses on education, personal development, career development, nutrition, health, family support, skills development, and ultimately, work placement, through its Cradle to Career Model. The programme focuses mainly on young people between the ages of 18 and 29. The goal is to ensure that young graduates of the skills programmes enjoy a better quality of life through access to employment or self-employment.
- Kingsway Centre of Concern operates the Kingsway School and the Thandanani House of Refuge. The school caters for 257 learners, providing high-quality early childhood education to disadvantaged pre-school children from the informal settlement of Zandspruit and its surrounding areas. In addition the children receive food parcels to take home.
- The My Maths Buddy project of the South African Mathematics Foundation is an initiative to promote excellence in mathematics, improving results for both teachers and learners. This is done through focused workshops using the My Maths Buddy book. The book is a mathematics dictionary developed to help understand mathematics terminology. Teachers and learners are taught by the My Maths Buddy project to use the book. The Company has funded the roll-out of the project in the Reagile Primary School in Thembisa and the Bonteheuwel Primary School in Cape Town.
- The Theo Jackson Jeppe Trust provides scholarships for boys at Jeppe High School for Boys. The Company currently sponsors four boys from disadvantaged backgrounds.

1. Ikusasa Student Financial Aid Programme
2. Study Trust – Tertiary Bursary Winter Programme Graduation
3. St Mungo Diepsloot Community Action
4. Kliptown Youth Programme
5. Two Oceans Education Foundation
6. The Rapport Onderwysfonds
7. The Love Trust – Nokuphila School

- The Two Oceans Education Foundation was established to promote and expand on the Two Oceans Aquarium educational, conservation, and research initiatives. The Foundation places emphasis on marine sciences and includes environmental education outreach programmes through the Marine Sciences Academy. The Company supports the Junior Biologist, Marine Science, and Oceanography programmes.
- Just Grace aims to alleviate poverty in the Langa community in Cape Town by supporting education attainment and skills training. They deliver a range of education, community development, and entrepreneurial projects. They identify projects with community members or through partnerships with local organisations. The Group helps to fund the Just Grace Qhubeka programme, which provides participating youths with comprehensive support and guidance over a four-year period (from grade 9 to grade 12) through 10 sub-projects, namely: academic support, social work counselling and psycho-social support, youth opportunity programme, computer training, weekly book club, computer coding/ programming, life skills, women's discussion group, job shadowing, and the holiday club.
- Love Trust delivers excellent education through the Nokuphila School in Midrand. It has 650 learners from grade 000 to grade 12. In addition the Love Trust Teacher Training course is SAQA accredited to provide the Nokuphila teachers with the required skills.

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

- The Peninsula School Feeding Scheme that feeds children attending primary, secondary and special needs' schools, as well as orphaned and vulnerable children centres, early childhood centres, and technical and vocational education and training colleges in the Western Cape, on a daily basis. Often this is the only meal of the day for many of the children.
- The National Sea Rescue Institute ("the NSRI") of which I&J is a platinum member, and to which the Group makes an annual donation. Over the years I&J has made a substantial contribution to the organisation's infrastructure, building a state-of-the-art rescue station in the Cape Town harbour, donating a number of rescue craft, and supporting the School Drowning Prevention Programme aimed at teaching children how to recognise and react appropriately to the threats posed by open bodies of water and to assist in helping those in a potential life threatening situation. The Survival Swimming Programme is a practical approach to drowning prevention using a host of basic swimming principles to increase the chances of survival.
- I&J is a founding sponsor of the Two Oceans' Aquarium in Cape Town and has supplied fresh fish to this facility since it opened in November 1995.
- The Red Cross Children's Hospital, where I&J's contributions since 1997 have funded the construction of consultation rooms, a radiology facility in the trauma unit, an isolation ward in the burns' unit, the upgrade and expansion of the Paediatric Intensive Care Unit, and, in collaboration with government and the Red Cross Children's Trust, the establishment of the Child Speech and Hearing Clinic at the Mitchell's Plein Hospital. In the past year the Group supported the upgrade and expansion of the emergency centre. The emergency centre is the only dedicated children's emergency unit in South Africa and operates 24 hours a day, seven days a week, providing high quality, medical, surgical, nursing and acute services.
- The Whale Coast Conservation Trust ("WCCT") was established in 2002 with a mission of unifying, coordinating and promoting environmentally sustainable living in the Cape Whale Coast region of the Western Cape. I&J has collaborated with the WCCT to inspire environmental learning and an understanding of one-planet/sustainable lifestyles through sponsorship of environmental education programmes. Following completion of the programme, schools are given "eco-school" status.
- Enactus promotes and supports leadership and professional development for registered students, challenging students to take entrepreneurial action to enable progress in order to ultimately improve the quality of life and standard of living of marginalised communities. Enactus brings together students, academics and business leaders who are committed to using the power of entrepreneurial action. Guided by the academics and business leaders, the students create and implement community empowerment projects.
- During the past year the Company supported the Enactus teams at the University of Fort Hare, the Mangosuthu University of Technology, the Walter Sisulu University, and the Vaal University of Technology.
- St Mary's Outreach Programme started in 2004 as a Catholic mission and now operates in the rural areas of Marianhill in KwaZulu-Natal, catering for destitute, unemployed youth, women and children. The programme offers a home drop-in centre for orphaned and vulnerable children, psycho-social counselling, a school health programme, community-based developments, income generation projects, and gardening projects.
- The Carel du Toit Centre, operated by the Carel du Toit Trust, offers detection, intervention and treatment for hearing impaired children to enable them to enter mainstream schooling. Support by the Company went towards the transport programme, enabling the programme to have five transport routes across the Western Cape for children whose parents are unable to pay for transport. The Centre is the only school of its kind in the Western Cape and most of the learners come from far outlying areas. More than 60% of the learners depend on the transport programme to get to school and back home.
- Food Forward SA uses surplus food to drive sustainable social development in vulnerable communities. They connect a world of food surplus

to a world of food shortages by recovering edible, nutritious, surplus foods from retailers, manufacturers, wholesalers and farmers (much of which would have gone to landfill) and re-distribute this to 670 registered beneficiaries that serve over 255 000 vulnerable people. A third of the beneficiaries are early childhood development centres, 10% are shelters and rehabilitation centres, and the balance are skills development facilities and homes for the aged.
- Heartwork reaches prisoners who have never been exposed to personal therapy or have never been afforded the opportunity to learn about their personal emotions in a controlled and secure environment. The programme objectives have enabled this access to curb the re-admittance rate that most prisoners experience. The programme also teaches coping mechanisms and integration skills. The Company's support has enabled the programme to be implemented in a number of prisons, including Leeuwkop, Boksburg, Groenpunt, Krugersdorp, and Zonderwater.
- Little Eden cares for children and adults with profound intellectual disabilities. They are provided with 24-hour nursing care, medicines, therapy, food, clothing and shelter. The Company has adopted and supports five Angels at the centre.
- Look Good-Feel Better offers skincare and make-up workshops to groups of cancer patients. The programme is designed to assist women in active cancer treatment to address their appearance, improve mental health, and manage side effects of the treatment, thus helping them to regain their self-confidence during trying times. The programme reaches 480 patients in the Groote Schuur Hospital in the Western Cape and the Charlotte Maxeke Hospital in Gauteng.
- Unjani Clinics is an enterprise development initiative aimed at empowering black women professional nurses, creating permanent jobs, and developing a sustainable clinic model for providing primary healthcare. The clinics serve the "bottom of the pyramid" and under-served markets. The clinics are founded on an owner-operator model and are based in the communities that they serve. The Company has funded the set-up of a clinic in the Gansbaai area. The only other affordable health facility is the Gansbaai Clinic, which has to serve approximately 8 000 to 10 000 people.

The Company has also been involved in or made donations to a number of other important initiatives, such as the Down's Syndrome Association, the SA Air Force Association, Action for Blind, Symphonia for South Africa (Partners for Possibility), Maths Centre, Friends of Chinsta, Gift of the Givers, Fibre Circle, the Rural Education Access Programme, Abraham Kriel Childcare, Atmore Brass Band, Blompark Ikamva Jeugontwikkeling, Gansbaai Academia, Lions Club Gansbaai, M-Jays Maths School, Masakane Pre-School, Sesterretjies Early Childhood Development Centre, Service Dining Rooms, SHARE, The Homestead Project for Street Children, Ukama Community Foundation, and Victoria Service Centre for the Aged.

At a more personal level, the Group's employees are encouraged to become involved with their local communities on Group sponsored employee volunteer days. All of the projects are selected from organisations with which the Group has established relationships and the Group gives employees time off to provide their services to these projects. This year employees came together to support the SAME Foundation for Mandela Day. The Foundation works with primary and secondary schools across South Africa by renovating their facilities and providing necessary learning equipment. AVI employees dedicated their day to the Blair Athol Primary School Project. The school serves an extremely impoverished community and employees assisted with repainting the outside of the school, and donated stationery, children's colouring books, and other educational books.

Environmental policy

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

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

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

The Carbon Tax Act, 15 of 2019 came into effect on 1 June 2019. Carbon Tax is aimed at reducing greenhouse gas ("GHG") emissions in a sustainable, cost effective and affordable manner and gives effect to the polluter-pays-principle. The Company has licensed each of its affected facilities for environmental levy purposes and the relevant emissions are measured. The subsidiaries are all taking steps to measure and manage their carbon footprint in accordance with the requirements of the Act. A total of R3,8 million has been accrued in the current year results in respect of the period from June 2019 to June 2020.

Environmental data

The Company has identified the following environmental impact areas for measurement, management and reporting:

				Data								
	Indicator	Unit	Carbon (kg)	**2020**	2019	2018	2017	2016	2015	2014	2013	2012
1	Total water consumption by source											
1,1	Municipal	Litres	149 240	**500 806 371**	530 332 908	717 199 757	927 850 679	1 094 362 412	1 063 057 427	1 043 354 478	981 630 869	876 674 227
1,2	Ground water (borehole)[1]	Litres	92 262	**309 604 165**	123 284 000	7 719 200	1 811 000	1 301 000	2 224 000	2 152 000	43 690 000	48 650 000
1,3	Desalination	Litres	91 531	**25 783 351**	20 176 000	–	–	–	–	–	–	–
2	Total energy consumption											
2,1	Purchased electricity	kWh	105 465 442	**102 393 633**	105 411 043	99 633 276	102 473 146	107 211 709	99 915 717	106 484 439	104 363 238	102 942 232
2,2	Coal	Tons	41 262 175	**14 444**	14 384	13 164	13 219	19 612	14 038	13 541	14 364	13 479
2,3	Petrol	Litres	1 889 250	**674 732**	786 396	946 631	1 062 496	1 138 870	1 155 078	996 017	1 089 360	1 101 370
2,4	Diesel[2]	Litres	36 649 951	**12 363 446**	8 214 665	8 132 364	6 871 614	10 585 592	9 481 650	12 268 956	19 039 640	6 498 706
2,5	Liquefied petroleum gas (LPG)	Litres	1 877 196	**1 927 767**	1 885 807	1 701 445	1 794 734	1 961 562	1 680 034	1 823 823	1 591 998	1 493 206
2,6	Natural gas	Cubic metres	8 482	**3 107 232**	3 049 839	3 084 274	3 130 938	3 396 701	3 289 399	3 482 760	3 283 150	3 371 258
2,7	Marine/heavy fuel oil[2]	Litres	23 227 255	**7 742 419**	12 097 912	13 431 358	16 141 409	14 071 795	10 727 200	8 234 325	–	11 247 428
2,8	Paraffin	Litres	5 740 607	**570 662**	610 803	422 352	422 060	821 770	855 096	970 877	1 064 317	1 011 376
3	Carbon emissions for above indicators		216 453 391									
3,1	Total carbon emissions	Metric tons	216 453	**216 453**	220 767	213 410	221 358	231 568	188 626	196 794	216 558	208 837
3,2	Carbon emissions per employee	Metric tons	24,95	**24,95**	25,96	24,59	25,51	26,69	22,66	24,44	28,24	28,86

[1] *Owing to the drought in the Western Cape and ongoing water restrictions, I&J drew an increased amount of borehole water*
[2] *The change in fuel-type usage reflects I&J's compliance with the requirements of the new standards imposed by the International Maritime Organisation*

In addition to the key areas referred to above the Group considers, on an ongoing basis, further areas of environmental impact for possible measurement and reporting, as well as initiatives to mitigate environmental impacts of products and services, where relevant.

Environmental practices

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

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

- Energy conservation – The current energy shortage, and global efforts to reduce greenhouse gas emissions, make conserving energy a priority for the Group. Projects in past years included: improving the efficiencies of production machinery, equipment and processes, and the installation of energy-efficient lighting solutions; the installation of electricity meters per site for the measurement of electricity consumption and consumption patterns; Demand Site Management Surveys by Eskom to enable the formulation of improvement plans; electrical load shifting where possible; the installation of a photovoltaic array on the rooftop of the Bryanston office building, and louvres to passively control heat gain; the installation of LED lighting in the Redhill warehouse; the installation of solar photovoltaic panels on the roof of the Isando warehouse; the installation of energy-efficient compressors at I&J Woodstock; and the installation of low power consumption LEDs in the majority of the Indigo Brands' facility as well as the upgrade of the power factor correction to optimise energy demand. Initiatives in the past year include:
  - Installation of LED lighting at the Westmead and Rosslyn factories;
  - Upgrading of the air compressors at the Isando biscuit factory to include variable speed drive and heat recovery functionality in order to provide warm water for ancillary processes; and
  - Replacement of the air compressors at the Rosslyn factory with more energy-efficient equipment.
- Water conservation – Poor water quality and shortages remain a significant potential risk to the Company and the subsidiaries take steps to minimise these risks. These steps include using borehole water where appropriate, reservoirs for storing water, recycling condensate produced during the heating processes back to the boilers, recycling production effluent with a view to reclaiming waste water, installing a desalination processing plant at I&J, and adopting environmentally friendly storm water reticulation, while simultaneously taking measures to measure and manage water consumption.
- Fuel consumption – Within its distribution operations there is ongoing focus on optimisation of delivery routes and distribution networks through the utilisation of routing and scheduling software, the deployment of on-board technology, advanced fuel management systems, more efficient engines and matching of loads to vehicles, as well as driver training academies, which are all key issues in reducing fuel consumption and the Group's carbon footprint.
- Emissions, effluents and waste – The Group is committed to a waste management strategy, reducing the use of raw materials, reducing waste, re-using waste wherever possible, and recycling waste that cannot be eliminated or re-used. Key to managing waste is the monitoring and analysis of waste volumes and component parts to give the Group the information it needs to manage waste effectively. The Group also recognises its responsibility in terms of the Air Quality Act of 2004 and is committed to efficient and effective air quality management, and ensures that all ovens, paraffin and oil-fired boilers, and boiler stacks are correctly operated, well maintained and routinely inspected. In addition the factories engage with approved inspection authorities and conduct air emission surveys.
  - The International Maritime Organisation 2020 legislation required a significant reduction in sulphur emissions from maritime vessels from January 2020. I&J was able to comply with the requirements of the new standards within the timelines allowed by the South African Maritime Safety Authority.
  - Effluent plant management has been outsourced to specialists at the Isando and Westmead biscuit factories, and the Isando coffee and creamer factory. Upgrades to the effluent plant at the Rosslyn factory are in progress and should be commissioned during the first half of FY21. At the distribution centres all vehicles are washed using biodegradable chemicals and grease traps are cleaned regularly to prevent contamination of the main sewer system. In general, waste materials are classified for possible re-use, recycling or disposal, and disposals are done through registered waste disposal and recycling companies.
  - Where appropriate the factories are installing new equipment and modifying old equipment in order to reduce emissions.
  - I&J routinely re-cycles metal, corrugated cartons, used sunflower oil and used marine oil.
  - National Brands continued implementing initiatives to reduce packaging waste by right-gauging flexible packaging and removing excess packaging. The business also encourages consumers to recycle and makes them aware of the recycling categorisation of the packaging.

– Indigo Brands commissioned a process effluent treatment and water recovery plant, which involves flocculation and removal of solids from the water, while balancing the pH levels and reducing chemical oxygen demand levels in the treated effluent.
– Logistics has replaced a number of their diesel forklifts with electric units, thereby eliminating harmful emissions.

- Raw materials
  – The Company is a member of and has representation on the Board of the South African Rooibos Council, a non-profit organisation whose goal is to protect the Rooibos Industry and to ensure the sustainability of this scarce raw material.
  – All yellow maize procured for the manufacture of liquid glucose is certified as non-genetically modified.
  – The Company has made good progress towards the use of environmentally friendly, responsible and sustainable packaging materials, including paperboard materials. The Sustainable Forestry Initiative ("SFI") and the Forestry Stewardship Council ("FSC") are the two most recognisable and legitimate certifications in paper packaging, with FSC being the most demanding. Both the SFI and FSC certify forest management programmes according to their set principles and criteria, including sustainable harvest levels, conservation of biodiversity and old growth, protection of endangered species, protection of water quality, recognition of the rights of indigenous people, prompt reforestation, forest conversion, plantations, clear-cutting, chemical use, and genetically modified trees. The Company's preferred certification for its paperboard suppliers is FSC. FSC has three product labels, namely FSC100%, FSC Recycled, and FSC Mix. FSC100% is wood that comes entirely from FSC-certified, well-managed forests; FSC Recycled is wood or paper that comes from reclaimed or re-used material; and FSC Mix is wood that is from FSC-certified forests, recycled material, or controlled wood. While not FSC-certified, controlled wood cannot be: (a) illegally harvested; (b) harvested in violation of traditional and civil rights; (c) harvested in forests where high conservation values are threatened; (d) harvested in forests being converted to plantations or non-forest use; or (e) harvested in forests where genetically modified trees are planted. Currently 98% of the Company's paperboard spend is with FSC-accredited suppliers. The remaining 2% is virgin carton board and this supply is currently under review. In addition all paperboard materials can be recycled multiple times. All paperboard materials used by National Brands are not only produced from sustainable forests which are FSC compliant, but also contain no heavy metals or mineral oils, and no fossil fuel energy is used in the production of these products. Furthermore, National Brands' major corrugate, carton and tin packaging suppliers are certified by SEDEX (a not-for-profit membership organisation dedicated to driving improvements in ethical and responsible business practices in global supply chains) and the business continues to encourage its wider supply base to aim for SEDEX certification.
  – Ciro Full Service Coffee Co. sells a range of Fairtrade, Organic, Rain Forest Alliance and UTZ (an international standard for sustainable farming of coffee, cocoa and tea) certified products. A partnership with Mbokomu Rural Cooperative Society in Tanzania assists farmers and farming communities to improve the quality of their coffee and improve processing to reduce waste.
  – In a project started last year, Indigo Brands has successfully completed trials with two of its rigid plastics' suppliers for the development of post-consumer recycled plastics, allowing for the introduction of these materials within personal care plastic packaging. This is a meaningful step towards support of the government's waste management strategy and the circular plastics' economy. Indigo Brands also continues to deliver meaningful packaging weight reductions with the introduction of 2 new body lotion packaging solutions that use significantly less rigid plastic material thereby improving the product – packaging ratio and reducing post-consumer waste plastic. Indigo Brands has now reached double-digit materials reduction with various initiatives that remove unnecessary packaging weight.
  – Palm oil is a vegetable oil from the fruit of oil palm trees and is more solid at room temperature. This makes it ideal for cooking and is an ingredient in many foods and beauty products. Palm oil has developed a poor reputation as a raw material owing to slash-and-burn deforestation. A balance needs to be found between the demand for palm oil, the economic benefits of the product, and protecting forests, wildlife and local communities. Therefore, the use of palm oil from ethical and sustainable sources as certified by bodies such as the RSPO is an integral part of the Company's environmental and sustainability policies and strategy. The RSPO is a not-for-profit association that works with stakeholders across the palm oil supply chain to make sustainable palm oil the norm. Members include plantations, processors and traders, consumer goods manufacturers and retailers, financial institutions, and non-

governmental organisations. The RSPO has developed a set of environmental and social criteria which companies must meet in order to produce certified sustainable palm oil. When they are properly applied these criteria help to minimise the negative impact of palm oil cultivation on the environment, wildlife, and communities in palm oil-producing regions. However, according to the RSPO "*although using other vegetable oils seems like a practical solution, it would actually create similar – if not even larger – environmental and social problems. Therefore, the best solution is to ensure you buy products that contain sustainable palm oil*". To this end all the palm oil procured by the Company is from RSPO certified suppliers.

During FY20 the Westmead factory received one warning from the eThekwini municipality for cleaning of sugar filters in an open area, risking air and water contamination. The Rosslyn factory received a verbal warning from the Tshwane municipality relating to the storage of coal in an uncontained area. The Westmead factory also experienced a paraffin leak from the boiler, resulting in some paraffin entering the storm water system. The eThekwini municipality was informed of the incident and no further actions or investigations were conducted by the municipality.

Other than the notices and fines referred to above, no other fines or non-monetary sanctions for infringement of or non-compliance with environmental laws and regulations were recorded and/or levied against the Company, directors, officers or employees during the period under review and the Company experienced no major environmental incidents. No formal requests or directives have been issued by Government Agencies or local authorities for the reduction of air emissions.

Consumer and product legislation

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

The year under review was a busy one for food and cosmetics-related legislation. The Group continued monitoring and addressing relevant changes, which includes the various Labelling Regulations, GMO Labelling Regulations, GMO Export Regulations (Namibia), Sodium Reduction Regulations, Microbiological Regulations, the Healthy Food Options initiative and the Regulations for Marketing of Food to Children – both driven by the Department of Health and the Consumer Goods Council of South Africa ("CGCSA"), the Food Waste Management Programme driven by the Department of Trade and Industry and the CGCSA, the appointment of assignees for the inspection of agricultural products in terms of the Agricultural Products Standards Act, Export Standards and Regulations, the issuing of bio-trade permits for the Rooibos industry, draft Tea and Coffee Regulations, SANS 289 legal metrology standards for Loose Leaf Tea, Extended Producer Responsibility programme for the paper and packaging industry, Raw Processed Meat Regulations, Import Regulations, various compulsory specifications for Seafood products, EU Food Products Regulations, CODEX, Australian and New Zealand Food Safety Standards, Animal Protection Bill (relating to cosmetic animal testing), International Fragrance Association 48th Amendment, SANS standards for the identification, classification and packaging of hazardous materials in terms of the National Road Traffic Act, and the classification and labelling of dangerous substances in terms of the Occupational Health and Safety Act.

In addition the Company monitored progress on the Protection of Personal Information Act, amendments to employment and labour related legislation, and amendments to the Competition Act.

The Company works closely with relevant industry and government bodies, such as the Consumer Goods Council, Business Unity South Africa, the Department of Health, the Department of Trade and Industry, and DEFF, to develop sensible and sustainable criteria for, inter alia, food safety, nutrient profiles, advertising, marketing, and product claims.

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

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

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

Major risks

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

Key risks	Comments
COVID-19	• The loss of life and physical and emotional stress caused by the lockdowns, forced isolation and quarantine, illness, medical expenses, and the potential loss of employment and income will have long-lasting implications for the general well-being of all South Africans and other residents of the country • Restructuring and retrenchments cannot be ruled out in an economy that was already under strain from social, financial and political uncertainty • Business interruption arising from infectious diseases and quarantine protocols and regulations • Domestic and international restrictions on movements of persons and goods • Delays in clearing of imported products, raw materials, parts and other supplies through customs • Additional governance and compliance structures and costs
Failure to stay in touch with and react quickly to changing consumer perspectives and needs, resulting in lost growth opportunities or erosion of market share	• Product formats and price points are managed flexibly in different parts of the consumer cycle, in line with consumer needs • Each business unit gives priority to understanding the risks and opportunities that South Africa's growing black consumer base presents, and responding in a manner appropriate to each category • The characteristics of our African export geographies are studied carefully so that we can enhance the relevance of our offering in each geography • New product development is aligned with the points above and actively pursued • Brand investment is material and consistent, with ongoing efforts to improve the efficiency and effectiveness of this spend. Under or over-spend of marketing money without an economic imperative could lead to unsustainable or diminishing brand equity
Availability of experienced and commercially minded business leaders to seek improvement and grow profits	• This is an ongoing challenge, particularly given the diversity of AVI's operations. Considerable resources are expended in identifying people and, where appropriate, attracting them • The Group has a flexible operating model which provides high transparency to the centre and facilitates effective interaction on key matters when needed • Remuneration and reward systems provide meaningful wealth generation opportunities for managers who excel but a low level of value in share option schemes in periods of low share price growth means a risk of loss of senior employees to more attractive opportunities, lower morale for senior employees in general, and an environment in which it is harder to attract the best people. This has been mitigated to some extent by the implementation (with shareholder approval) of new share option schemes in FY17 • Various formal and informal internal learning and development initiatives are provided but developing in-house talent is becoming increasingly more important • Inadequate progress on transformation would make it difficult to attract top equity candidates and reduce credibility with stakeholders and business partners • The difficulty in recruiting scare skills creates, inter alia, poor management depth and limited succession planning with a risk of reduced business credibility and business effectiveness

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

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

Key risks	Comments
Environmental	• The impact of climate change on natural resources through changing weather patterns and increased global temperatures could affect natural and agricultural resources on which the Company is dependent • Climate change will attract regulatory costs which will increase operating costs • Government commitments to emission-reduction targets could have a significant impact on the operating and distribution practices of the Company • Deteriorating water quality through pollution, including tainted groundwater from mining operations

Going forward

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

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

Index of material issues (referencing the 2016 GRI Standards)

Aspect	Core indicator		Page/not reported
Organisational profile	102-1	Name of the organisation	Inside back cover
	102-2	Activities, brands, products and services	1
	102-3	Location of headquarters	Inside back cover
	102-4	Location of operations	101
	102-5	Ownership and legal form	Inside back cover; 87; 89; and 127
	102-6	Markets served	1; 98 to 101
	102-7	Scale of the organisation	Consolidated annual financial statements from 85
	102-8	Information on employees and other workers	43
	102-9	Supply chain	32 to 57
	102-10	Significant changes to the organisation and supply chain	Inside front cover
	102-11	Precautionary principle or approach	32 to 57
	102-12	External initiatives	32 to 57
	102-13	Membership of associations	32 to 57
Strategy	102-14	Statement from senior decision maker	6 to 9
	102-15	Key impacts, risks, and opportunities	6 to 9; 54 to 57
Ethics and integrity	102-16	Values, principles, standards and norms of behaviour	32 to 34
	102-17	Mechanisms for advice and concerns about ethics	32 to 34

Aspect	Core indicator		Page/not reported
Governance	102-18	Governance structure	62 to 73
	102-19	Delegating authority	64 to 73
	102-20	Executive-level responsibility for economic, environmental, and social topics	64 to 73
	102-21	Consulting stakeholders on economic, environmental, and social topics	34 and 35
	102-22	Composition of the highest governance body and its committees	64 to 73
	102-23	Chair of the highest governance body	64 to 73
	102-24	Nominating and selecting the highest governance body	64 to 73
	102-25	Conflicts of interest	64 to 73
	102-26	Role of highest governance body in setting purpose, values, and strategy	64 to 73
	102-27	Collective knowledge of highest governance body	64 to 73
	102-28	Evaluating the highest governance body's performance	64 to 73
	102-29	Identifying and managing economic, environmental, and social impacts	49 to 53; 64 to 73
	102-30	Effectiveness of risk management processes	64 to 73
	102-31	Review of economic, environmental, and social processes	64 to 73
	102-32	Highest governance body's role in sustainability reporting	64 to 73
	102-33	Communicating critical concerns	64 to 73
	102-34	Nature and total number of critical concerns	64 to 73
	102-35	Remuneration policies	74 to 84
	102-36	Process for determining remuneration	74 to 84
	102-37	Stakeholders' involvement in remuneration	74 to 84
	102-38	Annual total compensation ratio	74 to 84
	102-39	Percentage increase in annual total compensation ratio	74 to 84
Stakeholder engagement	102-40	List of stakeholder groups	34 and 35
	102-41	Collective bargaining agreements	44
	102-42	Identifying and selecting stakeholders	34
	102-43	Approach to stakeholder engagement	34 and 35
	102-44	Key topics and concerns raised	34 and 35
Reporting practice	102-45	Entities included in the consolidated financial statements	Inside back cover
	102-46	Defining report content and topic boundaries	Inside front cover
	102-47	List of material topics	Inside front cover
	102-48	Restatements of information	Entire Integrated Annual Report, where applicable
	102-49	Changes in reporting	Inside front cover; 103
	102-50	Reporting period	Inside front cover
	102-51	Date of most recent report	Inside front cover
	102-52	Reporting cycle	Inside front cover
	102-53	Contact point for questions regarding the report	Inside front cover
	102-54	Claims of reporting in accordance with the GRI standards	33 and 34
	102-55	GRI content index	57 to 61

Aspect	Core indicator		Page/not reported
Management approach	103-1	Explanation of the material topic and its Boundary	Entire Integrated Annual Report, where applicable
	103-2	The management approach and its components	Entire Integrated Annual Report, where applicable
	103-3	Evaluation of the management approach	Entire Integrated Annual Report, where applicable
Economic performance	201-1	Direct economic value generated and distributed	27
	201-2	Financial implications and other risks and opportunities due to climate change	49 to 53
	201-3	Defined benefit plan obligations and other retirement plans	104 and 105; 129; 138 to 142
	201-4	Financial assistance received from government	108
Market presence	201-1	Ratios of standard entry wage by gender compared to local minimum wage	Not reported
	201-2	Proportion of senior management hired from the local community	Not reported
Indirect economic impacts	203-1	Infrastructure investments and services supported	Not reported
	203-2	Significant indirect economic impacts	Not reported
Procurement practices	204-1	Proportion of spending on local suppliers	Not reported
Anti-corruption	205-1	Operations assessed for risk related to corruption	32
	205-2	Communication and training about anti-corruption policies and procedures	32
	205-3	Confirmed incidents of corruption and actions taken	Not reported
Anti-competitive behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None
Materials	301-1	Materials used by weight or volume	50
	301-2	Recycled input materials used	49 to 53
	301-3	Reclaimed products and their packaging materials	49 to 53
Energy	302-1	Energy consumption within the organisation	50
	302-2	Energy consumption outside of the organisation	Not reported
	302-3	Energy intensity	50
	302-4	Reduction of energy consumption	50
	302-5	Reductions in energy requirements of products and services	50
Water	303-1	Water withdrawal by source	50
	303-2	Water sources significantly affected by withdrawal of water	38 and 50
	303-3	Water recycled and reused	49 to 53
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	36 to 39
	304-2	Significant impacts of activities, products, and services on biodiversity	36 to 39
	304-3	Habitats protected or restored	36 to 39
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	36 to 39

Aspect	Core indicator		Page/not reported
Emissions	305-1	Direct (Scope 1) GHG emissions	50
	305-2	Energy indirect (Scope 2) GHG emissions	Not reported
	305-3	Other indirect (Scope 3) GHG emissions	Not reported
	305-4	GHG emissions intensity	50
	305-5	Reduction of GHG emissions	50
	305-6	Emissions of ozone-depleting substances (ODS)	Not reported
	305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Not reported
Effluents and waste	306-1	Water discharge by quality and destination	51 and 52
	306-2	Waste by type and disposal method	51 and 52
	306-3	Significant spills	53
	306-4	Transport of hazardous waste	Not applicable
	306-5	Water bodies affected by water discharges and/or runoff	Not reported
Environmental compliance	307-1	Non-compliance with environmental laws and regulations	53
Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	Not reported
	308-2	Negative environmental impacts in the supply chain and actions taken	53
Employment	401-1	New employee hires and employee turnover	43
	401-2	Benefits provided to full time employees that are not provided to temporary or part-time employees	Not reported*
	401-3	Parental leave	Not reported*
Labour/ management relations	402-1	Minimum notice periods regarding operational changes	Not reported*
Occupational health and safety	403-1	Workers representation in formal joint management-worker health and safety committees	Not reported*
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	44 to 46
	403-3	Health and safety topics covered in formal agreements with trade unions	Not reported*
Training and education	404-1	Average hours of training per year per employee	41 and 42
	404-2	Programs for upgrading employee skills and transition assistance programmes	41 and 42
	404-3	Percentage of employees receiving regular performance and career development reviews	41 and 42
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	41; 62 to 73
	405-2	Ratio of basic salary and remuneration of women to men	Not reported*
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	Not reported*

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

Aspect	Core indicator		Page/not reported
Freedom of association and collective bargaining	407-1	Operations and suppliers in whom freedom of association and collective bargaining may be at risk	Not reported*
Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	Not reported*
Forced or compulsory labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Not reported*
Security practices	410-1	Security personnel trained in human rights policies or procedures	Not reported
Rights of indigenous people	411-1	Incidents of violations involving rights of indigenous people	Not reported*
Human rights assessments	412-1	Operations that have been subject to human rights reviews or impact assessments	Not reported*
	412-2	Employee training on human rights policies or procedures	Not reported*
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not reported
Local communities	413-1	Operations with local community engagement, impact assessments, and development programmes	32 to 57
	413-2	Operations with significant actual and potential negative impacts on local communities	32 to 57
Supplier social assessment	414-1	New suppliers that were screened using social criteria	Not reported
	414-2	Negative social impacts in the supply chain and actions taken	Not reported
Public policy	415-1	Political contributions	None
Customer health and safety	416-1	Assessment of the health and safety impacts of products and service categories	53
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	53
Marketing and labelling	417-1	Requirements for product and service information and labelling	53
	417-2	Incidents of non-compliance concerning product and service information and labelling	53
	417-3	Incidents of non-compliance concerning marketing communications	53
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	None
Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic areas	None

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

board of directors

Simon L Crutchley (56)
Chief Executive Officer and executive director

Qualifications: BBusSci (UCT)

Directorships: AVI Limited

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

Gavin R Tipper (55)
Independent non-executive Chairman

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

Directorships: AVI Limited, Hyprop Investments Limited, RDI Reit Plc

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

Alexandra Muller (44)
Independent non-executive director

Qualifications: BAcc, BAcc (Honours) (UNISA), CA(SA)

Directorships: AVI Limited, Infiniti Insurance Limited

Alex completed her articles at PwC in 2003. She joined the PwC partnership in 2010 until February 2019. Since 2014, Alex was responsible for heading up the Governance, Risk and Internal Audit practice in the Financial Services Assurance division at PwC. Alex was appointed to the AVI Board on 1 July 2019.

Adriaan Nühn (67)
Independent non-executive director

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

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

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

Abe M Thebyane (60)
Independent non-executive director

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

Directorships: AVI Limited, Reagile IHS Proprietary Limited

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

Michael Koursaris (43)
Business Development Director and executive director

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

Directorships: AVI Limited

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

James R Hersov (56)
Independent non-executive director

Qualifications: MA (Cantab)

Directorships: AVI Limited

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

Michael J Bosman (59)
Independent non-executive director

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

Directorships: AVI Limited, MTN South Africa Proprietary Limited, Spur Corporation Limited, Vinimark Trading Proprietary Limited, EOH Holdings Limited

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

Owen P Cressey (53)
Chief Financial Officer and executive director

Qualifications: DipAcc (Natal), CA(SA)

Directorships: AVI Limited

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

corporate governance report

Framework

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

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

Board governance structure

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

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

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

Directorate

During the year under review the Board comprised three executive directors and six non-executive directors. All of the non-executive directors are independent as defined by King IV and have the required knowledge, skills and independence of thought to pass sound judgement on the key issues relevant to the business of the Company, independently of the Company's management. As recommended by King IV, the Chairman assessed the independence of James Hersov and Adriaan Nühn, who each have served on the Board for more than nine years, and concluded that they have fulfilled the requirements of King IV and are considered to be independent. Mr Nühn has indicated his intention to step down from the Board in November 2020. Tailored induction programmes are run to familiarise newly appointed directors with the Group's operations. The particulars of the directors are set out in the Board of directors' section of this Integrated Annual Report. Alex Muller was appointed as a non-executive director on 1 July 2019.

As required by paragraph 3.84(i) of the JSE Listings Requirements, the Board has adopted a formalised policy on the promotion of broader diversity at Board level. The Nomination Committee considers the policy when nominating and recommending the appointment of directors to the Board, and is conducting a search for women non-executive directors.

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

Board and director assessment

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

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

Board meetings

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

Name	06/09/2019	29/11/2019	06/03/2020	10/06/2020
GR Tipper	√	√	√	√
MJ Bosman	√	√	√	√
SL Crutchley	√	√	√	√
OP Cressey	√	√	√	√
JR Hersov	√	√	√	√
M Koursaris	√	√	√	√
A Muller	√	√	√	√
A Nühn	X	√	√	√
AM Thebyane	√	√	√	√

√ in attendance; X not in attendance

Company Secretary

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

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

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

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

As required by the JSE Listings Requirements, the Board assessed and satisfied itself at the Board meeting of 4 September 2020, as to the competence, qualifications and experience of the Company Secretary, and that she has maintained an arm's length relationship with the Board and the directors.

Board committees

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

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

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

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

Audit and Risk Committee ("Audit Committee")

During the year under review the Audit Committee comprised Mike Bosman (the Chairman), James Hersov, Alex Muller and Adriaan Nühn, all of whom are independent non-executive directors. James Hersov resigned as a member of the Audit Committee with effect from 7 November 2019 and Adriaan Nühn was appointed a member with effect from 21 January 2020. In compliance with the Companies Act, shareholders will be asked at the Annual General Meeting on 5 November 2020 to elect the members of the Audit Committee. Mr Nühn has indicated his intention to step down from the Board and accordingly will not be available for re-election. Mr Bosman and Mrs Muller will be available for re-election.

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

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

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

Name	04/09/2019	04/03/2020
MJ Bosman	√	√
JR Hersov	√	
A Muller	√	√
A Nühn		√

√ in attendance; X not in attendance; ■ *resigned;*
■ *not a member*

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

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

Shareholders will be requested to approve the reappointment of Ernst & Young Inc. as the Company's external auditors at the Company's Annual General Meeting on 5 November 2020. With specific reference to the non-audit services provided by the external auditor, and at the recommendation of the Audit Committee, the Board has resolved that the auditors shall not:

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

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

During the year under review dedicated internal audit resources were provided via a service provision arrangement with BDO Inc.

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

Remuneration, Nomination and Appointments Committee ("Remcom")

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

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

Name	06/08/2019	05/09/2019	28/11/2019	09/06/2020
AM Thebyane	√	√	√	√
A Nühn	√	√	√	√
GR Tipper	√	√	√	√

√ in attendance; X not in attendance

Remcom assists the Board by overseeing the following matters:

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

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

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

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

Social and Ethics Committee

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

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

Name	05/09/2019	05/03/2020
A Muller	√	√
C Makin	√	√
W Visser	√	√

√ in attendance; X not in attendance

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

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

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

Dealings in JSE securities

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

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

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

Investor relations and communication with stakeholders

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

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

Keeping abreast of legislative requirements

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

Participation in industry forums

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

King IV application register

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

Leadership, ethics and corporate citizenship

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

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

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

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

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

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

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

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

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

The Company maintains high standards of corporate governance and reporting.

Strategy, performance and reporting

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

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

Strategy, performance and reporting (continued)

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

All corporate governance disclosures, integrated annual reports, annual financial statements and other reports, including press releases and SENS announcements, are published on the website and other platforms as required by legislation.

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

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

Governing structures and delegation

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

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

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

The Remuneration, Nomination and Appointments Committee strives to maintain the optimal mix of knowledge, skills, experience, diversity and independence on the Board and its sub-committees. The Board has adopted a broader diversity policy, which the Nomination Committee considers when nominating and recommending the appointment of directors to the Board.

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

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

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

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

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

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

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

Governing structures and delegation (continued)

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

The Board, committees and directors are evaluated annually and the results of the evaluations of executive directors are considered in determining their remuneration and benefits.

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

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

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

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

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

Governance functional areas

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

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

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

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

Technology and information governance

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

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

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

Management continues to prioritise the mitigation of cyber security risks.

Compliance governance

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

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

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

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

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

Remuneration governance

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

The Remuneration Report sets out the Company's remuneration and reward philosophy, policy and practices for non-executive directors, executive directors, executives and senior managers. The Remuneration Report, including the implementation report and the remuneration policy, are set out on pages 74 to 84 of this Integrated Annual Report.

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

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

In the event that 25% or more of the voting rights exercised at the Annual General Meeting are cast against the remuneration policy or the implementation report, or both, the Board will invite dissenting shareholders to engage with the Company on their concerns, in line with the provisions of the JSE Listings Requirements.

Assurance

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

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

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

Stakeholder relationships

Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders with the best interests of the organisation over time.

Stakeholder engagement is an important aspect of the Company's responsibilities and it formally identifies and recognises material stakeholders with legitimate interests with whom it engages on relevant issues.

Management has the responsibility for proactively dealing with stakeholder relationships and engagements.

All holders of the same class of shares, including minorities, are treated equitably in accordance with the preferences, rights, limitations and other terms applicable to such shares and any other relevant provisions of the Companies Act and the JSE Listings Requirements.

Disputes with stakeholders would be addressed in the appropriate forum and steps taken to ensure that such disputes are resolved as effectively, efficiently and expeditiously as possible.

The Company communicates with stakeholders in a variety of forms as more fully set out in this Integrated Annual Report on pages 34 and 35.

remuneration report

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

PART 1: BACKGROUND STATEMENT

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

With an ever-increasing focus on executive remuneration and many different views on what is acceptable or not, it is impossible to fully meet every shareholder or stakeholder's expectations within a single framework, sometimes leading to a lack of support for the remuneration policy because of relatively small differences. The remuneration and reward policy and philosophy are reviewed annually by the Remuneration Committee and changes are made as appropriate. No changes were made during the year under review and the Remuneration Committee is satisfied that the policy is well formulated to achieve its stated objectives.

Historically, shareholders have strongly supported the Company's remuneration policy. At the Annual General Meeting held on 7 November 2019 and in accordance with the recommendations of the King Code, shareholders were presented with a non-binding advisory resolution to endorse the Company's remuneration policy and implementation report. A total of 90,91% of votes received were in favour of the remuneration policy and 94,7% in favour of the implementation report.

This report sets out the Company's remuneration and reward philosophy, policies and practices for non-executive directors, executive directors, executives, and senior managers. It also provides details of the remuneration paid to and share options acquired by non-executive directors and executive management, being the executive directors and prescribed officers as defined in the Companies Act, during the financial year ended 30 June 2020.

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

PART 2: OVERVIEW OF THE REMUNERATION POLICY

Remuneration and reward philosophy

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

The reward framework is designed to:

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

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

Composition of remuneration and rewards

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

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

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

Guaranteed remuneration

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

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

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

Short-term incentive schemes

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

The annual incentives payable to executive and other management, for targeted levels of performance, range between 15% and 80% of an employee's guaranteed remuneration package, depending on roles, responsibilities and individual contributions, determined with reference to market norms and as deemed appropriate by Remcom. The actual incentive payment for the year under review for executive and other management was R79,6 million which was 14,61% of the total remuneration cost to the Company of this group of employees, excluding the cost of the incentives. The payment for the prior year was R66,2 million or 12,73% of the total remuneration cost to the Company.

Earning potentials

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

Category of employee	On-target bonus (TCTC) %	Bonus range (TCTC) %	Company performance portion of bonus %	Individual performance portion of bonus %
CEO	80	0 – 180	75	25
Executive directors	55	0 – 124	75	25
Prescribed officers	50	0 – 112,5	50 – 75	25 – 50

Weighting of short-term incentive measures

The measures and weightings used for the Chief Executive Officer, executive directors and prescribed officers for the year ended 30 June 2020 were:

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

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

Executive directors

Range	Value R'000
Minimum financial performance	3 121
Targeted financial performance	14 136
Maximum financial performance	25 151

Other executive management (prescribed officers)

Range	Value R'000
Minimum financial performance	4 493
Targeted financial performance	12 951
Maximum financial performance	21 408

Long-term incentive schemes

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

The share incentive schemes currently in operation at the Company were all approved by shareholders.

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

The nature and key characteristics of the various schemes are summarised in the following table:

	Title and nature	Participants	Allocation method	Performance conditions	Vesting period	Exercise period
1.	**The AVI Limited Executive Share Incentive Scheme** (A share option scheme that delivers value against share price appreciation)	Executive and senior management of the Company and shared services	Annual, percentage of remuneration (between 35% and 235%) determined by Remcom, based on seniority and contribution	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance targets aligned to the annual short-term incentive measures • The share price on exercise must be greater than the allocation price	Three years from grant date	Within two years from vesting date
	The AVI Limited Executive Share Incentive Scheme was replaced by the Revised AVI Limited Executive Share Incentive Scheme (see 2 below) in November 2016. The last allocation on the AVI Limited Executive Share Incentive Scheme was made in April 2016 and vested in April 2019.					

Long-term incentive schemes (continued)

	Title and nature	Participants	Allocation method	Performance conditions	Vesting period	Exercise period
2.	**The Revised AVI Limited Executive Share Incentive Scheme** (A share appreciation rights scheme that delivers value against share appreciation whilst limiting the dilution impact of share issuances) First allocation made in November 2016	Executive and senior management of the Company and shared services	Annual, percentage of remuneration (between 35% and 235%) determined by Remcom, based on seniority and contribution	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance targets aligned to the annual short-term incentive measures • The share price on exercise must be greater than the allocation price • Average return on capital employed over the vesting period ahead of the weighted average cost of capital	Three years from grant date	Within two years from vesting date
3.	**Various Phantom Share Schemes** (Notional share option schemes that deliver value against the subsidiaries' performance and the Company's price earnings ratio)	Executive and senior management of the subsidiaries	Annual, percentage of remuneration (between 35% and 165%) determined by Remcom, based on seniority and contribution	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance targets aligned to the annual short-term incentive measures • The share price on exercise must be greater than the allocation price	Three years from grant date	Within two years from vesting date
4.	**The AVI Limited Deferred Bonus Share Plan** (Awards shares based on historical performance)	Executive and senior management of the Company, and high impact employees, at the Remuneration Committee's discretion	Annual, a percentage of remuneration (between 0% and 112,5%) based on an allocation multiple in relation to the individual's EVA bonus multiple achieved during the relevant financial year	• Linked to performance entry criteria for the short-term incentive scheme during the relevant financial year • The employee must remain employed by the Group throughout the vesting period	Three years from grant date	On the vesting date

Long-term incentive schemes (continued)

	Title and nature	Participants	Allocation method	Performance conditions	Vesting period	Exercise period
5.	**The AVI Limited Out-Performance Scheme** (A share grant scheme that delivers value dependent upon the Company's performance relative to its peers)	Directors of the Company and select executives of the Company and subsidiaries	Annual, percentage of remuneration (between 50% and 60%) determined by Remcom, based on seniority and contribution, subject to sacrifice of incentive plan instruments under the Executive or Phantom Share Incentive Schemes	• The employee must remain employed by the Group throughout the vesting period • The employee must maintain agreed individual performance hurdles aligned to the annual short-term incentive measures • The Company must meet Total Shareholder Return performance thresholds relative to its peers • Zero vesting below median TSR performance	Three years from grant date	On the vesting date
6.	**The AVI Black Staff Empowerment Share Scheme** (A share rights scheme that delivers value against share price appreciation)	Black employees (as defined in terms of the Broad Based Black Economic Empowerment Act of 2003) of the Group	On appointment and on promotion over the period 1 January 2007 to 31 December 2011, between 70% and 200% of remuneration, based on seniority	• The employee must remain employed by the Group throughout the vesting period	In equal portions on five, six and seven years from grant date	Up to year seven from grant date
	The first tranche of shares in the AVI Black Staff Empowerment Scheme, being one-third of the total allocation made on 1 January 2007, vested on 1 January 2012, and the final tranche of shares vested on 31 December 2018. Over the life of the Scheme to date, approximately 18 300 participants benefited from the Scheme with a total gross benefit of R841 million, including 1 597 participants who left the Company's employ in a manner that classified them as "good leavers" and which good leavers received a total gross benefit of R106,6 million.					
7.	**The I&J Black Staff Scheme** (An I&J share rights scheme that delivers value against I&J share price appreciation and is an integral part of I&J's compliance for the allocation of long-term fishing rights)	Black employees (as defined in terms of the Broad Based Black Economic Empowerment Act of 2003) of I&J	All existing black employees from inception of the scheme in 2005 and annually thereafter for all new employees up to 30 June 2015	• The employee must remain employed by I&J up to the redemption date	The shares will be redeemed on a date to be determined by I&J on or after 1 July 2021	None
	The total amount paid to participants of the I&J Black Staff Scheme since commencement of the Scheme amounts to R41,5 million.					

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

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

Scheme name	Authorised number	% of total issued share capital*	Remaining authorised but not issued number
AVI Limited Executive Share Incentive Scheme	–	0,0	–
Revised AVI Limited Executive Share Incentive Scheme (share appreciation rights plan)	5 213 369	1,5	5 209 627
AVI Limited Deferred Bonus Share Plan	5 213 369	1,5	4 338 134
AVI Limited Out-Performance Scheme	6 915 158	2,0	5 210 495
Total	17 341 896	5,0	14 758 256
The Black Staff Empowerment Share Scheme	26 487 980	7,7	–

** As at date authority was granted.*

Malus and clawback

In order to align with stakeholder expectations and best practice, in 2019 the Remuneration Committee adopted a malus and clawback policy for variable executive remuneration, including both long and short-term incentives, which policy applies prospectively to all participants.

Malus provisions allow for an ex ante adjustment of variable pay on the occurrence of specific trigger events; and clawback provisions create an ex post obligation for participants to repay amounts to the Company on the occurrence of specific trigger events.

This policy was communicated to all participants on the affected schemes and acceptance of the policy is a condition of all future participation in the incentives.

Benefits

Retirement fund contributions

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

Medical aid contributions

The Anglovaal Group Medical Scheme, a restricted membership scheme, offers medical benefits for the employees of participating employers in the Group. The scheme is managed by a board of trustees elected by members (including pensioners) and employer companies and is administered by Discovery Health.

The board of trustees is assisted by an audit and investment committee and a committee of management. As with the Group's retirement funds, the assets of the scheme are managed separately from those of the Group. The board of trustees ensures compliance with all relevant legislation and, in particular, manages the relationship with the Council of Medical Schemes. Executive and management employees are remunerated on a total cost to company basis and therefore all funding requirements for this scheme are borne by employees.

Fair and responsible remuneration

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

Non-executive directors' emoluments

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

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

PART 3: IMPLEMENTATION REPORT

Executive management remuneration

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

Executive directors

	2020						
Executive directors	Salary R'000	Bonus and performance-related payments R'000	Pension fund contributions R'000	Gains on exercise of share instruments R'000	Other benefits and allowances R'000	Total 2020 R'000	Total 2019 R'000
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

The expense for the year in respect of share options granted to executive directors, determined in accordance with IFRS 2 – *Share-Based Payments*, was R18,83 million (2019: R18,77 million).

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

Other executive management

	2020							
Other executive management (prescribed officers)	Salary R'000	Bonus and performance-related payments R'000	Pension fund contributions R'000	Gains on exercise of share instruments R'000	Other benefits and allowances R'000	Termination benefits R'000	Gains on early exercise of share options owing to termination R'000	Total 2020 R'000
Prescribed officer 1	5 186	1 104	397	3 071	1	–	–	9 758
Prescribed officer 2	3 983	1 500	281	5 264	81	–	–	11 109
Prescribed officer 3	3 514	692	346	–	72	–	–	4 624
Prescribed officer 4	2 399	504	185	–	–	–	–	3 088
Prescribed officer 5	4 929	2 310	478	3 065	288	–	–	11 070
Prescribed officer 6	2 150	596	169	267	62	–	–	3 244
Prescribed officer 7	2 476	483	244	329	62	–	–	3 594

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

Executive directors

Executive management	Percentage of FY19 salary %	Financial measures – percentage of total bonus paid %	Individual KPI – percentage of total bonus paid %	Financial factor achieved %	Individual KPI rating achieved %
SL Crutchley	46,8	42,3	57,7	33	90
OP Cressey	32,2	42,3	57,7	33	90
M Koursaris	32,2	42,3	57,7	33	90

Other executive management (prescribed officers)

Executive management	Percentage of FY19 salary %	Financial measures – percentage of total bonus paid %	Individual KPI – percentage of total bonus paid %	Financial factor achieved %	Individual KPI rating achieved %
Prescribed officer 1	24,0	19,1	80,9	67	85
Prescribed officer 2	36,9	54,7	45,3	54	89
Prescribed officer 3	18,8	20,0	80,0	10	80
Prescribed officer 4	17,6	36,2	63,8	17	90
Prescribed officer 5	45,3	5,5	94,5	13	95
Prescribed officer 6	26,8	9,4	90,6	13	81
Prescribed officer 7	18,6	9,5	90,5	13	80

Key management emoluments

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

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

	2020 R'000	2019 R'000
Salary and other benefits and allowances	107 866	109 802
Bonuses and performance-related payments	25 079	48 039
Pension fund contributions	8 577	8 592
Gains on exercise of share instruments	45 091	89 993
Sub-total	**186 613**	256 426
Termination benefits*	575	3 313
Gains on early exercise of share instruments owing to termination*	825	2 295
Total	**188 013**	262 033

** In FY19 the termination benefits and gains on early exercise of share options arose largely from an early retirement at I&J and restructuring at Green Cross. The Green Cross employees were entitled to statutory severance packages and, in terms of the rules of the incentive schemes, the I&J and Green Cross employees were categorised as "good leavers" and thus entitled to pro-rata early vesting of share options (excluding the AVI Out-Performance Scheme).*

Unexercised options, share appreciation rights and bonus shares

The following table reflects the status of unexercised options, share appreciation rights and bonus shares held by executive management as at 30 June 2020:

Executive directors

Executive management	Scheme	Options granted	Grant date	Vesting date	Issue price (R)	Allocation value (R)	Price at 30 June 2020 (R)	Fair value at 30 June 2020 (R)
SL Crutchley	AVI ESIS	149 693	01 April 2016	01 April 2019	83,06	12 433 501	70,54	–
	Revised AVI ESIS	127 258	01 April 2017	01 April 2020	101,79	12 953 592	70,54	–
	Revised AVI ESIS	48 058	01 April 2018	01 April 2021	108,73	5 225 346	70,54	–
	Revised AVI ESIS	261 227	01 April 2019	01 April 2022	89,27	23 319 734	70,54	–
	Revised AVI ESIS	361 080	01 April 2020	01 April 2023	69,75	25 185 330	70,54	285 253
	AVI OPP	50 336	01 October 2017	01 October 2020	98,57	4 961 620	70,54	3 550 701
	AVI OPP	53 872	01 October 2018	01 October 2021	110,52	5 953 933	70,54	3 800 131
	AVI OPP	76 798	01 October 2019	01 October 2022	83,73	6 430 297	70,54	5 417 331
	AVI DBSP	27 185	01 October 2017	01 October 2020	97,55	2 651 897	70,54	1 917 630
	AVI DBSP	73 898	01 October 2018	01 October 2021	106,84	7 895 262	70,54	5 212 765
	AVI DBSP	37 340	01 October 2019	01 October 2022	83,91	3 133 199	70,54	2 633 964
						110 143 711		**22 817 775**
OP Cressey	Revised AVI ESIS	74 489	01 October 2016	01 October 2019	94,07	7 007 180	70,54	–
	Revised AVI ESIS	78 122	01 October 2017	01 October 2020	97,77	7 637 988	70,54	–
	Revised AVI ESIS	44 327	01 October 2018	01 October 2021	106,84	4 735 897	70,54	–
	Revised AVI ESIS	150 210	01 October 2019	01 October 2022	83,91	12 604 121	70,54	–
	AVI OPP	26 645	01 October 2017	01 October 2020	98,57	2 626 398	70,54	1 879 538
	AVI OPP	27 329	01 October 2018	01 October 2021	110,52	3 020 401	70,54	1 927 788
	AVI OPP	38 598	01 October 2019	01 October 2022	83,73	3 231 811	70,54	2 722 703
	AVI DBSP	12 229	01 October 2017	01 October 2020	97,55	1 192 939	70,54	862 634
	AVI DBSP	31 490	01 October 2018	01 October 2021	106,84	3 364 392	70,54	2 221 305
	AVI DBSP	15 764	01 October 2019	01 October 2022	83,91	1 322 757	70,54	1 111 993
						46 743 884		**10 725 961**
M Koursaris	Revised AVI ESIS	48 198	01 April 2017	01 April 2020	101,79	4 906 074	70,54	–
	Revised AVI ESIS	20 355	01 April 2018	01 April 2021	108,73	2 213 199	70,54	–
	Revised AVI ESIS	94 975	01 April 2019	01 April 2022	89,27	8 478 418	70,54	–
	Revised AVI ESIS	130 064	01 April 2020	01 April 2023	69,75	9 071 964	70,54	102 751
	AVI OPP	19 178	01 October 2017	01 October 2020	98,57	1 890 375	70,54	1 352 816
	AVI OPP	19 670	01 October 2018	01 October 2021	110,52	2 173 928	70,54	1 387 522
	AVI OPP	27 781	01 October 2019	01 October 2022	83,73	2 326 103	70,54	1 959 672
	AVI DBSP	8 904	01 October 2017	01 October 2020	97,55	868 585	70,54	628 088
	AVI DBSP	22 505	01 October 2018	01 October 2021	106,84	2 404 434	70,54	1 587 503
	AVI DBSP	11 346	01 October 2019	01 October 2022	83,91	952 043	70,54	800 347
						35 285 123		**7 818 699**

Other executive management (prescribed officers)

Executive management	Scheme	Options granted	Grant date	Vesting date	Issue price (R)	Allocation value (R)	Price at 30 June 2020 (R)	Fair value at 30 June 2020 (R)
Prescribed officer 1	AVI OPP	23 334	01 October 2017	01 October 2020	98,57	2 300 032	70,54	1 645 980
	AVI OPP	23 604	01 October 2018	01 October 2021	110,52	2 608 714	70,54	1 665 026
	AVI OPP	33 181	01 October 2019	01 October 2022	83,73	2 778 245	70,54	2 340 588
	AVI DBSP	6 673	01 October 2017	01 October 2020	97,55	650 951	70,54	470 713
	AVI DBSP	4 391	01 October 2018	01 October 2021	106,84	469 134	70,54	309 741
	AVI DBSP	4 205	01 October 2019	01 October 2022	83,91	352 842	70,54	296 621
	Phantom	683	01 April 2017	01 April 2020	3 865,45	2 640 102	3 041,95	–
	Phantom	47	01 April 2018	01 April 2021	4 378,12	205 772	3 041,95	–
	Phantom	1 221	01 April 2019	01 April 2022	3 525,97	4 305 209	3 041,95	–
	Phantom	1 507	01 April 2020	01 April 2023	3 041,95	4 584 219	3 041,95	–
	Phantom	742	01 April 2017	01 April 2020	3 574,23	2 652 079	2 637,13	–
	Phantom	635	01 April 2018	01 April 2021	3 982,88	2 529 129	2 637,13	–
	Phantom	1 366	01 April 2019	01 April 2022	3 151,99	4 305 618	2 637,13	–
	Phantom	1 738	01 April 2020	01 April 2023	2 637,13	4 583 332	2 637,13	–
						34 965 378		**6 728 669**
Prescribed officer 2	AVI OPP	18 141	01 October 2017	01 October 2020	98,57	1 788 158	70,54	1 279 666
	AVI OPP	18 377	01 October 2018	01 October 2021	110,52	2 031 026	70,54	1 296 314
	AVI OPP	25 833	01 October 2019	01 October 2022	83,73	2 162 997	70,54	1 822 260
	AVI DBSP	6 527	01 October 2017	01 October 2020	97,55	636 709	70,54	460 415
	AVI DBSP	7 972	01 October 2018	01 October 2021	106,84	851 728	70,54	562 345
	AVI DBSP	5 702	01 October 2019	01 October 2022	83,91	478 455	70,54	402 219
	Phantom	215 555	01 April 2017	01 April 2020	15,36	3 310 925	12,98	–
	Phantom	89 452	01 April 2018	01 April 2021	19,87	1 777 411	12,98	–
	Phantom	343 357	01 April 2019	01 April 2022	17,07	5 861 104	12,98	–
	Phantom	538 716	01 April 2020	01 April 2023	13,25	7 137 987	13,25	–
						26 036 500		**5 823 219**
Prescribed officer 3	AVI OPP	17 754	01 October 2017	01 October 2020	98,57	1 750 012	70,54	1 252 367
	AVI OPP	16 705	01 October 2018	01 October 2021	110,52	1 846 237	70,54	1 178 371
	AVI DBSP	28	01 October 2017	01 October 2020	97,55	2 731	70,54	1 975
	AVI DBSP	3 782	01 October 2018	01 October 2021	106,84	404 069	70,54	266 782
	AVI DBSP	2 636	01 October 2019	01 October 2022	83,91	221 187	70,54	185 943
	Phantom	1 199	01 October 2017	01 October 2020	3 359,92	4 028 544	2 317,60	–
	Phantom	1 010	01 October 2018	01 October 2021	4 204,15	4 246 192	2 664,21	–
	Phantom	1 999	01 October 2019	01 October 2022	3 245,89	6 488 534	2 664,21	–
						18 987 506		**2 885 438**
Prescribed officer 4	Revised AVI ESIS	13 548	01 April 2019	01 April 2022	89,27	1 209 430	70,54	–
	Revised AVI ESIS	44 444	01 April 2020	01 April 2023	69,75	3 099 969	70,54	35 111
	AVI OPP	18 512	01 October 2019	01 October 2022	83,73	1 550 010	70,54	1 305 836
	AVI DBSP	1 803	01 October 2019	01 October 2022	83,91	151 290	70,54	127 184
						6 010 699		**1 468 131**
Prescribed officer 5	AVI ESIS	57 388	01 April 2016	01 April 2019	83,06	4 766 647	70,54	–
	Revised AVI ESIS	49 891	01 April 2017	01 April 2020	101,79	5 078 405	70,54	–
	Revised AVI ESIS	17 522	01 April 2018	01 April 2021	108,73	1 905 167	70,54	–
	Revised AVI ESIS	94 348	01 April 2019	01 April 2022	89,27	8 422 446	70,54	–
	Revised AVI ESIS	128 601	01 April 2020	01 April 2023	69,75	8 969 920	70,54	101 595
	AVI OPP	22 723	01 October 2017	01 October 2020	98,57	2 239 806	70,54	1 602 880
	AVI OPP	23 093	01 October 2018	01 October 2021	110,52	2 552 238	70,54	1 628 980
	AVI OPP	32 463	01 October 2019	01 October 2022	83,73	2 718 127	70,54	2 289 940
	AVI DBSP	8 725	01 October 2017	01 October 2020	97,55	851 124	70,54	615 462
	AVI DBSP	7 467	01 October 2018	01 October 2021	106,84	797 774	70,54	526 722
	AVI DBSP	8 796	01 October 2019	01 October 2022	83,91	738 072	70,54	620 470
						39 039 726		**7 386 049**

Other executive management (prescribed officers) (continued)

Executive management	Scheme	Options granted	Grant date	Vesting date	Issue price (R)	Allocation value (R)	Price at 30 June 2020 (R)	Fair value at 30 June 2020 (R)
Prescribed officer 6	Revised AVI ESIS	9 052	01 April 2017	01 April 2020	101,79	921 403	70,54	–
	Revised AVI ESIS	8 870	01 April 2018	01 April 2021	108,73	964 435	70,54	–
	Revised AVI ESIS	10 760	01 April 2019	01 April 2022	89,27	960 545	70,54	–
	Revised AVI ESIS	33 929	01 April 2020	01 April 2023	69,75	2 366 548	70,54	26 804
	AVI OPP	9 664	01 October 2017	01 October 2020	98,57	952 580	70,54	681 699
	AVI OPP	10 053	01 October 2018	01 October 2021	110,52	1 111 058	70,54	709 139
	AVI OPP	14 132	01 October 2019	01 October 2022	83,73	1 183 272	70,54	996 871
	AVI DBSP	2 769	01 October 2017	01 October 2020	97,55	270 116	70,54	195 325
	AVI DBSP	2 230	01 October 2018	01 October 2021	106,84	238 253	70,54	157 304
	AVI DBSP	2 268	01 October 2019	01 October 2022	83,91	190 308	70,54	159 985
						9 158 518		**2 927 127**
Prescribed officer 7	AVI ESIS	25 283	01 April 2016	01 April 2019	83,06	2 100 006	70,54	–
	Revised AVI ESIS	5 028	01 April 2017	01 April 2020	101,79	511 800	70,54	–
	Revised AVI ESIS	29 153	01 April 2019	01 April 2022	89,27	2 602 488	70,54	–
	Revised AVI ESIS	39 737	01 April 2020	01 April 2023	69,75	2 771 656	70,54	31 392
	AVI OPP	11 558	01 October 2017	01 October 2020	98,57	1 139 272	70,54	815 301
	AVI OPP	11 774	01 October 2018	01 October 2021	110,52	1 301 262	70,54	830 538
	AVI OPP	16 551	01 October 2019	01 October 2022	83,73	1 385 815	70,54	1 167 508
	AVI DBSP	3 274	01 October 2017	01 October 2020	97,55	319 379	70,54	230 948
	AVI DBSP	2 612	01 October 2018	01 October 2021	106,84	279 066	70,54	184 250
	AVI DBSP	2 627	01 October 2019	01 October 2022	83,91	220 432	70,54	185 309
						12 631 176		**3 445 246**

Key

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

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

No events were identified that triggered the application of malus and clawback provisions on short or long-term incentives.

Non-executive directors' emoluments

At the Annual General Meeting held on 7 November 2019 shareholders approved the fees payable to the chairman and non-executive directors for their services to the Board and other Board committees for the 2020 financial year as follows:

Chairman of the Board	R1 278 000
Resident non-executive directors	R343 106
Non-resident non-executive director	€47 110
Chairman of the Audit Committee	R276 572
Members of the Audit Committee	R129 050
Non-resident member of the Remuneration, Nomination and Appointments Committee	€7 010
Members of the Remuneration, Nomination and Appointments Committee	R117 413
Chairman of the Social and Ethics Committee	R129 050
Members of the Social and Ethics Committee	R86 494

Non-binding advisory resolutions

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

contents

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

86 Directors’ responsibility statement
86 Approval of annual financial statements
86 Certificate of the Company Secretary
87 Directors’ Report
90 Directors’ Remuneration Report
93 Audit Committee Report
94 Independent Auditors’ Report
98 Segment reporting
102 Accounting policies
114 Balance sheet
115 Statement of comprehensive income
116 Statement of cash flows
117 Statement of changes in equity
118 Notes to the annual financial statements
156 Annexure A – Interests in other entities
157 Annexure B – Analysis of ordinary shareholders

SHAREHOLDER INFORMATION

158 Shareholders’ diary
159 Notice of Annual General Meeting
163 Form of proxy

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 on the AVI website www.avi.co.za.

directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of AVI Limited, comprising the balance sheet at 30 June 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 87 to 93 and 98 to 158, 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 115.

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.

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

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 127.

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.

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 127.

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 137.

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 ("MoI"), 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 138 of the financial statements.

Directors' interests

The interests of the directors in the issued listed securities of the Company, being ordinary shares of 5 cents each, as at 30 June 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.

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.

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.

Emoluments

	2020						
	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	2019 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.

Details relating to the Group's remuneration practices are set out in the Remuneration Report on pages 74 to 84.

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.

For further details regarding the Audit Committee, shareholders are referred to the Corporate Governance Report on page 64.

On behalf of the Audit Committee

MJ BOSMAN
Audit Committee Chairman
4 September 2020

independent auditors' 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 90 to 92 and 98 to 155, 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.

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Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and trademarks	

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.
 	
Refer to note 3 – Intangible Assets and Goodwill.
 	
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:
• revenue and profit growth;
• discount rates; and
• growth rate used to extrapolate cash flows beyond the budget period.
 	
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.
 	
A significant portion of the Group's goodwill and trademarks' value relates to its retail businesses.
 	
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.
	Our audit procedures included, amongst others:
	• 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:
	    • 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:
	  • 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 164 page document titled "AVI Limited Integrated Annual Report 30 June 2020", 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 Integrated Annual Report, which is 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.

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.

		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

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.

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.

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.

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.

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:

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.

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.

Hedging continued

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

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

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

Derecognition

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

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

Foreign currencies

Foreign currency transactions

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

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

Foreign operations

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to South African Rand at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to 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.

Impairment of non-financial assets continued

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.

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.

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.

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 laybye 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.

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 136 and 137.

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

For the year ended 30 June 2020	Notes	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	I&J BBBEE shareholders R'm	Total equity R'm
Balance at beginning of year		**280,3**	**(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	Notes	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	I&J BBBEE shareholders R'm	Total equity R'm
Balance at beginning of year		280,3	(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.*

1. Property, plant and equipment

2020	Land R'm	Buildings R'm	Plant and machinery R'm	Vehicles, furniture and equipment R'm	Vessels R'm	Total R'm
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	Land R'm	Buildings R'm	Plant and machinery R'm	Vehicles, furniture and equipment R'm	Vessels R'm	Total R'm
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 R'm	2019 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 111.
- 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.

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.

3. Intangible assets and goodwill

2020	Goodwill R'm	Fishing rights R'm	Trademarks R'm	Customer relationships and contracts R'm	Computer software R'm	Total R'm
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	Goodwill R'm	Fishing rights R'm	Trademarks R'm	Customer relationships and contracts R'm	Computer software R'm	Total R'm
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.

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.

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.

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

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.

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

	2020 R'm	2019 R'm
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.

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.

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

	2020 R'm	2019 R'm
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.

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.

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)**

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 laybye sales and gift card purchases within the Group's retail businesses.

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:

	2020					
Geographical market	**Entyce Beverages R'm**	**Snackworks R'm**	**I&J R'm**	**Personal Care R'm**	**Footwear & apparel R'm**	**Total 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

	2019					
Geographical market	Entyce Beverages R'm	Snackworks R'm	I&J R'm	Personal Care R'm	Footwear & apparel R'm	Total 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 compromises income arising from service agreements, rental agreements and trademark licence agreements.

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

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

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

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

	2020 R'm	2019 R'm
Sale of own ordinary shares by the Company's share trusts	**8,0**	28,0

28. Dividends paid

	2020 R'm	2019 R'm
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

			Non-cash changes				
	Balance at 1 July 2019 R'm	**Cash flows R'm**	**Effect of movement in exchange rates R'm**	**New leases R'm**	**Impact of lease modifications and remeasure-ments R'm**	**COVID–19 rental concessions[1] R'm**	**Balance at 30 June 2020 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**

			Non-cash changes				
	Balance at 1 July 2018 R'm	Cash flows R'm	Effect of movement in exchange rates R'm	New leases R'm	Impact of lease modifications and remeasure-ments R'm	Impact of changes in accounting policies R'm	Balance at 30 June 2019 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.*

30. Earnings and headline earnings

	2020 Gross R'm	2020 Net of tax and non-controlling interests R'm	2019 Gross R'm	2019 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

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.

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 90 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.

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 AVIs 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.

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	**41 172**

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.

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

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.

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.

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 122 and 158.

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 92.

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.

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.

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.

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%).

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.

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**	**19,59**		
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		

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	
1FC = X ZAR	**Closing rate**	**Average for the year**	Closing rate	Average for the year
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

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)

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)			

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		
	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 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)			

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* 2020 R'm	Issued permanent capital* 2019 R'm	Group effective percentage holding 2020 %	Group effective percentage holding 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					
– integrated fishing, processing and marketing of branded value added fish and seafood products	Ord	–	–	75	75
Indigo Brands Proprietary Limited					
– manufacturers and distributors of leading body spray, fragrance, cosmetics and body lotion products	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

shareholders' diary

Reports and profit statements

Interim results announcement in press	Tuesday, 10 March
Annual financial statements posted	Tuesday, 6 October

Final dividend

Dividends declared	Friday, 4 September
Details of dividends announcement on SENS	Monday, 7 September
Last day to trade cum dividend on the JSE Limited ("JSE")	Tuesday, 13 October
First day trading ex dividend on the JSE	Wednesday, 14 October
Record date	Friday, 16 October
Payment date	Monday, 19 October

notice of annual general meeting

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

NOTICE OF ANNUAL GENERAL MEETING

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

Notice is hereby given that the seventy-sixth Annual General Meeting of members of the Company will be held at 2 Harries Road, Illovo, Johannesburg, on Thursday, 5 November 2020 at 11:00 for the following purposes:

To consider and if deemed fit, to pass with or without modification, ordinary resolutions 1 to 7. In terms of the Companies Act 71 of 2008, as amended ("the Companies Act"), for an ordinary resolution to be adopted, it must be supported by more than 50% of the total number of votes exercised on the resolution by the shareholders present or represented by proxy at this meeting and entitled to vote thereon.

1. "That the annual financial statements for the year ended 30 June 2020, together with the reports of the directors, the independent auditors, and the Audit and Risk Committee, be and are hereby adopted."
2. "That Ernst & Young Inc. be and are hereby re-appointed as the external auditors of the Company."
3. "That Mr GR Tipper, who will retire by rotation in accordance with the Company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."*
4. "That Mr MJ Bosman, who will retire by rotation in accordance with the Company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."*
5. "That Mr OP Cressey, who will retire by rotation in accordance with the Company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."*
6. "That Mr MJ Bosman, subject to his re-election as a director in terms of ordinary resolution 4 above, be and is hereby elected as a member and the Chairman of the Audit and Risk Committee."*
7. "That Mrs A Muller, be and is hereby elected as a member of the Audit and Risk Committee."*

** Brief CVs of the directors appear on pages 62 and 63 of the Integrated Annual Report.*

To consider and if deemed fit, to pass with or without modification, special resolutions 8 to 18. In terms of the Companies Act for a special resolution to be adopted, it must be supported by at least 75% of the total number of votes exercised on the resolution by shareholders present or represented by proxy at this meeting and entitled to vote thereon.

8. "That with effect from 1 July 2020 the fees payable to the current non-executive directors, excluding the Chairman of the Board and the foreign non-executive director, Mr A Nühn, be increased from R343 106 per year to R361 977 per year."
9. "That with effect from 1 July 2020 the fees payable to the Chairman of the Board be increased from R1 278 000 per year to R1 348 290 per year."
10. "That with effect from 1 July 2020 the fees payable to the foreign non-executive director, Mr A Nühn, be increased from Euro 47 110 per year to Euro 47 440 per year."
11. "That with effect from 1 July 2020 the fees payable to the members of the Remuneration, Nomination and Appointments Committee, excluding the Chairman of this committee, be increased from R117 413 per year to R123 871 per year. If the foreign non-executive director, Mr A Nühn, is a member of the Remuneration, Nomination and Appointments Committee, the fee will be increased from Euro 7 010 per year to Euro 7 059 per year with effect from 1 July 2020."
12. "That with effect from 1 July 2020 the fees payable to the members of the Audit and Risk Committee, excluding the Chairman of this committee, be increased from R129 050 per year to R136 148 per year. If the foreign non-executive director, Mr A Nühn, is a member of the Audit and Risk Committee, the fee will be Euro 6 800 per year with effect from 1 July 2020."
13. "That with effect from 1 July 2020 the fees payable to the members of the Social and Ethics Committee, excluding the Chairman of this committee, be increased from R86 494 per year to R91 251 per year."

14. "That with effect from 1 July 2020 the fees payable to the Chairman of the Remuneration, Nomination and Appointments Committee be increased from R255 699 per year to R269 762 per year."
15. "That with effect from 1 July 2020 the fees payable to the Chairman of the Audit and Risk Committee be increased from R276 572 per year to R291 783 per year."
16. "That with effect from 1 July 2020 the fees payable to the Chairman of the Social and Ethics Committee be increased from R129 050 per year to R136 148 per year."

    The increases in non-executive directors' fees proposed in terms of special resolutions 8 to 16 above are based on a detailed review and comparison of non-executive directors' fees to market-related benchmarks. Non-executive directors' fees are paid as a combination of a fixed retainer and for attendance at formally convened meetings. Where applicable, directors' fees are exclusive of VAT.

17. "That the Company and/or any of its subsidiaries be and are hereby authorised, by way of a general approval in terms of the Listings Requirements of the JSE Limited ("the JSE"), to acquire ordinary shares issued by the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide, provided that:
    - any such acquisition shall only be made in compliance with the provisions of sections 4 and 48 read with section 46 of the Companies Act;
    - any such acquisition of ordinary shares shall be effected on the open market through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades being prohibited);
    - any such acquisition of ordinary shares is authorised by the Company's Memorandum of Incorporation;
    - this general authority shall be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
    - the Company, may not, in any one financial year, acquire in excess of 10% of the Company's issued ordinary share capital as at the date of passing of this special resolution;
    - the Company's subsidiaries shall not be entitled to acquire, in aggregate in any one financial year, in excess of 10% of the Company's issued ordinary share capital as at the date of passing this special resolution;
    - the Board of directors has passed a resolution authorising the repurchase and confirming that the Company and its subsidiary/ies have passed the solvency and liquidity tests and that, since the tests were performed, there have been no material changes to the financial position of the Group;
    - in determining the price at which ordinary shares issued by the Company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by the Company or any of its subsidiaries;
    - at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
    - the Company and/or its subsidiaries may not repurchase any ordinary shares during a prohibited period as defined by the Listings Requirements unless they have in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the relevant period are fixed and which has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
    - shares held within the AVI Group (so called treasury shares) will not have their votes at general meetings taken account of for Listings Requirements resolution approval purposes."

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

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

18. "That the Company be and is hereby authorised, in terms of section 45 of the Companies Act, to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company, for any purpose or in connection with any matter, including but not limited to, the subscription for any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company."

The directors consider that such a general authority should be put in place in order to assist the Company, inter alia, to make inter-company loans to subsidiaries as well as to grant letters of support and guarantees in appropriate circumstances. The existence of a general authority would avoid the need to refer each instance to shareholders for approval. This general authority would be valid up to and including the 2022 Annual General Meeting of the Company.

To consider the non-binding ordinary resolution 19.

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

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

To consider the non-binding ordinary resolution 20.

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

The JSE Listings Requirements and King IV, dealing with boards and directors, requires companies to table their implementation report every year to shareholders by way of a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the implementation report.

To consider any other business.

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

Directors' statement

The directors, having considered the effects of special resolutions 17 and 18 above, consider that for a period of 12 (twelve) months after the date of this notice:

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

General information

The following additional information, some of which may appear elsewhere in the Integrated Annual Report of which this notice forms part, is provided in terms of the Listings Requirements of the JSE for purposes of the general authority to repurchase shares (resolution 17):

- major beneficial shareholders – pages 145 and 157 to 158; and
- share capital of the Company page 127.

Directors' responsibility statement

The directors, whose names appear on pages 62 to 63 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to resolution 17 above and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the Listings Requirements of the JSE.

Material changes

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

Record date

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

- the record date for the purposes of receiving notice of the Annual General Meeting shall be the close of business on Friday, 25 September 2020; and
- the record date for the purposes of the Annual General Meeting (being the date on which a shareholder must be registered in the Company's share register in order to participate in and vote at the Annual General Meeting) shall be the close of business on Friday, 30 October 2020. Accordingly, the last day to trade to participate in and vote at the AGM is Tuesday, 27 October 2020.

Identification

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

Voting and proxies

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

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

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

A form of proxy is attached for the convenience of certificated shareholders and "own name" dematerialised shareholders only, who are unable to attend the Annual General Meeting, but who wish to be represented thereat. For administrative purposes, duly completed forms of proxy should be received by the transfer secretaries of the Company, Computershare Investor Services 2004 (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private bag X9000, Saxonwold, 2132) by not later than 11:00 on Tuesday, 3 November 2020. Any forms of proxy not lodged by this time may be lodged at the Annual General Meeting prior to its commencement.

By order of the Board

SUREYA SCHEEPERS
Company Secretary
2 Harries Road, Illovo
6 October 2020

form of proxy

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

For use only by shareholders holding certificated shares, nominee companies of a Central Securities Depository Participant ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own-name registration at the seventy-sixth Annual General Meeting of the Company, to be held at 2 Harries Road, Illovo, Johannesburg, 2196 at 11:00 on Thursday, 5 November 2020 ("Annual General Meeting").

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

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

I/We ____________________

of (address) ____________________

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

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

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

Resolution number		Number of votes (one vote per share)		
		In favour of	Against	Abstain
1.	Adoption of the financial statements for the year ended 30 June 2020			
2.	Re-appointment of Ernst & Young Inc. as the external auditors of the Company			
3.	Re-election of Mr GR Tipper as a director			
4.	Re-election of Mr MJ Bosman as a director			
5.	Re-election of Mr OP Cressey as a director			
6.	Appointment of Mr MJ Bosman as a member and Chairman of the Audit and Risk Committee			
7.	Appointment of Mrs A Muller as a member of the Audit and Risk Committee			
8.	Special resolution (increase in fees payable to non-executive directors, excluding the Chairman of the Board and the foreign non-executive director)			
9.	Special resolution (increase in fees payable to the Chairman of the Board)			
10.	Special resolution (increase in fees payable to the foreign non-executive director)			
11.	Special resolution (increase in fees payable to members of the Remuneration, Nomination and Appointments Committee)			
12.	Special resolution (increase in fees payable to members of the Audit and Risk Committee)			
13.	Special resolution (increase in fees payable to members of the Social and Ethics Committee)			
14.	Special resolution (increase in fees payable to Chairman of the Remuneration, Nomination and Appointments Committee)			
15.	Special resolution (increase in fees payable to Chairman of the Audit and Risk Committee)			
16.	Special resolution (increase in fees payable to Chairman of the Social and Ethics Committee)			
17.	Special resolution (general authority to buy-back shares)			
18.	Special resolution (financial assistance to group entities)			
19.	Ordinary resolution to endorse the remuneration policy (non-binding advisory vote)			
20.	Ordinary resolution to endorse the implementation report (non-binding advisory vote)			

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

Signed at __________ on __________ 2020

Signature ____________________

Assisted by me (where applicable) ____________________

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

Please read the notes on the reverse side hereof.

notes to the form of proxy

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

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

3. For administrative purposes, duly completed forms of proxy should be received at the office of the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or posted to Private bag X9000, Saxonwold, 2132 to be received by not later than 11:00 on Tuesday, 3 November 2020. Any forms of proxy not lodged by this time may be lodged at the Annual General Meeting prior to its commencement.

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

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

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

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

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

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

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

administration and principal subsidiaries

Administration

Company registration

AVI Limited ("AVI")

Reg no: 1944/017201/06
Share code: AVI
ISIN: ZAE000049433

Company Secretary
Sureya Scheepers

Business address and registered office
2 Harries Road
Illovo
Johannesburg 2196
South Africa

Postal address
PO Box 1897
Saxonwold 2132
South Africa

Telephone: +27 (0)11 502 1300
Telefax: +27 (0)11 502 1301
E-mail: info@avi.co.za
Website: www.avi.co.za

Auditors

Ernst & Young Inc.

Sponsor

The Standard Bank of South Africa Limited

Commercial bankers

Standard Bank
Nedbank

Transfer secretaries

Computershare Investor Services Proprietary Limited

Business address
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196

Postal address
Private bag X9000
Saxonwold 2132
South Africa
Telephone: +27 (0)11 370 5000
Telefax: +27 (0)11 370 5271

Principal subsidiaries

Food & Beverage brands

National Brands Limited

Reg no: 1948/029389/06
(incorporating Entyce Beverages and Snackworks)

30 Sloane Street
Bryanston 2021

PO Box 5159
Rivonia 2128

Managing director
Gaynor Poretti
Telephone: +27 (0)11 707 7200
Telefax: +27 (0)11 707 7799

I&J

Irvin & Johnson Holding Company Proprietary Limited
Reg no: 2004/013127/07

1 Davidson Street
Woodstock
Cape Town 7925

PO Box 1628
Cape Town 8000

Managing director
Jonty Jankovich
Telephone: +27 (0)21 440 7800
Telefax: +27 (0)21 440 7270

Fashion brands

Personal Care

Indigo Brands Proprietary Limited

Reg no: 2003/009934/07

16 – 20 Evans Avenue
Epping 1 7460

PO Box 3460
Cape Town 8000

Managing director
Roger Coppin
Telephone: +27 (0)21 507 8500
Telefax: +27 (0)21 507 8501

Footwear & Apparel

A&D Spitz Proprietary Limited

Reg no: 1999/025520/07

Green Cross Manufacturers Proprietary Limited

Reg no: 1994/008549/07

29 Eaton Avenue
Bryanston
2021

PO Box 782916
Sandton
2145

Acting managing director
Simon Crutchley
Telephone: +27 (0)21 707 7300
Telefax: +27 (0)11 707 7763

Directors

Executive

Simon Crutchley
(Chief Executive Officer)

Owen Cressey
(Chief Financial Officer)

Michael Koursaris
(Business Development Director)

Independent non-executive

Gavin Tipper[1] (Chairman)
James Hersov[5]
Adriaan Nühn[1, 2, 4, 7]
Mike Bosman[2]
Abe Thebyane[1]
Alexandra Muller[2, 3, 6]

[1] Member of the Remuneration, Nomination and Appointments Committee.
[2] Member of the Audit and Risk Committee.
[3] Member of the Social and Ethics Committee.
[4] Dutch.
[5] Resigned from the Audit and Risk Committee on 7 November 2019.
[6] Appointed to the Board and Audit and Risk Committee on 1 July 2019. Appointed to the Social and Ethics Committee on 1 August 2019.
[7] Appointed to the Audit and Risk Committee on 21 January 2020.

AVI

GROWING GREAT BRANDS

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