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June 2009






# CHAIRMAN AND CEO'S REVIEW



**Angus Band**
**Chairman**

Every financial year brings new challenges and opportunities and this past year has been no exception but with an undoubted bias to challenge. The full extent of an unprecedented global financial crisis played out during the year and while South Africa was less affected than many parts of the world, a number of key sectors of our economy were materially impacted and this ultimately flowed through to the financial health of the country.

The domestic environment was equally turbulent with the major factors being:

- A general election albeit with a smooth transition to power of a substantially different community of leaders
- Volatile interest rates, currencies and rates of inflation as well as declining property prices
- A material increase in retrenchments
- A stock market that lost over 37% of its market value by November and by our financial year end was still 27% lower than in June 2008
- Major declines in hard commodity prices as well as the demand for these commodities with ongoing volatility in the prices of soft commodities
- A very significant and ongoing decline in both consumer confidence and spending.

In addition AVI was the recipient of an unsolicited expression of interest by Tiger Brands Limited which played out through the middle of the financial year with the concomitant cost and diversion of management attention such matters attract. This interest was never converted into a formal offer and Tiger unilaterally withdrew from the process in March 2009.

Despite these many challenges AVI's 2009 financial year has produced solid results with headline earnings per share, from continuing operations, rising by 10% to 174,7 cents. In addition the Group continued to make real progress across many operational areas which have strengthened the competiveness and relevance of our key brands to consumers.

Food pricing has been an understandably high profile issue during the year with many South Africans impacted by the consequences of higher commodity prices on staple foods. Whilst AVI is not a staple food producer it has strived to balance the needs of consumers with our shareholders' return requirements, with numerous activities to ensure that our brand proposition remains relevant in tougher times, including reducing selling prices on a number of key lines.

The drivers of food inflation are complex and the leads and lags seem not to be well understood by all stakeholders. This is particularly true when the economic environment creates material volatility in costs and currencies and companies are taking positions in both these input variables in an attempt to provide cost and selling price stability. During the year a number of our raw materials had been secured before the spot prices for some commodities dropped sharply, which resulted in prolonged pressure on margins in several key categories. The decline in the currency early in the financial year, followed by its strengthening in the second half, compounded the complexity around managing the effective cost of key raw materials. While the cost of our overall basket of inputs, at current exchange rates, is lower than a year ago certain key inputs such as black tea are still at historically high prices.

In general the Group's diverse and market leading brands demonstrated their traditional defensive nature in the face of lower levels of disposable income. Demand for food and beverage brands slowed progressively, with demand in the last quarter similar to levels a year ago. The personal care category, which has an established record of outperformance in recessionary times, aided by excellent innovation, continued to perform strongly with our brands gaining support from new consumers and taking share from competitors. Encouragingly our brand portfolio's franchise in Africa continued to show strong growth with turnover and operating profit of R393 million and R58 million respectively in the financial year.

**Simon Crutchley**
CEO

Spitz had a challenging year, with both lower retail densities and lower gross margins as a result of weaker exchange rates, impacting on operating profit. Encouragingly, demand for our owned brands like Carvela was sound, demonstrating the resilience and long-term potential of this important brand in our portfolio.

Efforts to disinvest from Alpesca, our Argentinian hake and shrimp operation, have been frustrated by reduced access to funding for prospective purchasers caused by the global liquidity crisis. The Board remains committed to disinvesting from this asset and believes that improving global liquidity will assist in achieving a disposal during the coming year. In addition, as part of the Group's annual impairment review it was concluded that Alpesca's shrimp assets should be impaired by USD3,9 million in light of the possibility that the disposal of these assets may not recover the full carrying value.

Overall the financial performance from continuing operations (excluding Alpesca) was satisfactory with revenue up by 12% to R7,5 billion and operating profit up by 14% to R909 million, with a decline in the gross margin offset by tight overhead cost management.

The Group has been able to maintain its twice-covered dividend policy with strong cash generation from operations supporting a conservative balance sheet. Net debt declined from R724 million at 30 June 2008 to R548 million. A final dividend of 52 cents per share has been declared (2008: 47 cents per share) bringing the total dividend for the year to 88 cents per share (2008: 80 cents per share).

Tougher times always support a heightened focus on efficiency and cost management. AVI's operations have responded well to this challenge which is evidenced by the below inflation increase in selling and administration costs. This was supported by a number of specific Group initiatives focused on getting maximum benefit from our media spend at a time when media rates have been declining, and a review of material supply contracts.

AVI's success continues to rest substantially on how effectively we manage our brand portfolio in both the short and medium term. During the year, despite the short-term pressure on margins, we remained committed to our strategy of sustaining the development and launch of new products which will underwrite our performance in coming years. In addition our commitment to long-term brand health was supported by both operating and capital expenditure. Advertising and promotional expenditure increased some 10% to R552 million, while capital expenditure for the year amounted to R258 million. Advertising was focused materially on the long-term health of our core brands, as well as supporting the many new products launched during the year. Much of the capital expenditure was to replace old equipment with expected ancillary benefits of better quality and incremental capacity. A fuller review of this activity is given in the operational review section of this report.

Progress was sound in many of the production facilities with yield and quality improvements at a number of sites. Despite this progress we remain committed to significantly improve our production efficiency in all business units over the next few years.

AVI has continued to evolve its operating model which strives to balance the opportunities of our central structures with the benefit of engaged business leaders in the business units. Last year's report alluded to our desire to gain better control over the shelf presence and spread of brands in the South African market. During this year the Company invested significantly in both management time and resources to support the August 2009 launch of the new AVI Field Marketing structure. This initiative sees the Group taking control over critical functions such as order taking and merchandising from a number of outsourced service providers, and will result in a number of very tangible benefits in coming years in both cost and retail shelf presence.

The changes made to operating structures over the past two years continue to mature and the anticipated benefits in both cost and focus are increasingly visible. We are confident that our Group structure is enabling a sharper focus on driving value from our key brands. At the beginning of the financial year we agreed that we needed materially more focus on internal training and development as well as a drive to seek talent with experience and ideas from outside the Group. This focus has resulted in a significant increase in the investment in training and development and has in addition seen a number of important roles being filled by talented people from outside the Group.

The year was quiet on the acquisition front with the Group taking a decision to focus internally during these difficult times and also as a result of vendor pricing expectations still being, in our opinion, unrealistically high.

With respect to the medium and long-term continuity of AVI, the Company has a well established governance framework that allows us to identify and actively manage those issues that may materially affect our sustainability, while safeguarding the prospects of future generations. Transformation remains a key focus within this framework and our ongoing efforts have resulted in further improvement to our rating in terms of the BBBEE Codes of Good Practice, which has now increased to a level 6. While we are pleased with this outcome we are cognisant that sustained and continued commitment to the whole framework is essential to ensure we succeed equally across all facets of the Codes of Good Practice in coming years.

A key pillar to AVI's commitment to sustainability is the Group's code of conduct and ethics policy. This policy was updated in the financial year and is actively communicated to all employees and in addition published on our website for wider stakeholder access.

AVI's primary exposure to scarce resources that could materially impact its business is the performance of its fishing resources in South Africa and Argentina. Both operations have long-term hake fishing rights and these resources are currently performing reasonably well in terms of catch effort. The South African deep sea and inshore trawl hake fisheries are currently being recertified in meeting the Marine Stewardship Council ("MSC") environmental standard for sustainable fishing. This certification gives assurance to buyers and consumers that their seafood comes from a well managed and sustainable resource and is increasingly relevant in I&J's export markets.

These important issues are comprehensively covered in the Corporate Governance and Sustainability sections of this report.

There have been several changes to the composition of the board of directors during the year. Kim Macilwaine was appointed as an independent non-executive director on 13 March 2009, bringing with him a wealth of experience in the fast moving consumer goods industry. Pat Goss, a non-executive director, retired on 30 June 2009 after many years of committed and valuable service to AVI. We are grateful for his material contribution to our Group over the past 13 years. Nomhle Canca resigned as a non-executive director with effect from 12 November 2008, due to a potential conflict of interests that had arisen at the time, and we thank her for her input over the past five years.

The Board has noted the passing of the new Companies Act as well as the finalisation of the King 3 code and will ensure that AVI complies in all material aspects by the effective dates. A preliminary assessment shows that we will however need to appoint additional non-executive directors to build capacity to enable AVI to meet the new requirements.

The Board as well as its sub-committees have reviewed their performance against the relevant charters and are satisfied that they have fulfilled their mandates.

We are indebted to AVI's people, whose diverse talents and passion for our brands and business, their initiative and commitment during a year of considerable change in the operating environment, not to mention the prolonged uncertainty arising from Tiger's announcement of a potential offer, has underpinned this financial year. We also thank all of our customers and consumers as well as other stakeholders for their continued support.

## Outlook

Despite lower interest rates we believe that it is likely that consumer demand will remain muted in the first half of the new financial year but would hope to see some improvement in the second half. In addition I&J, which is geared to export volumes, international prices and foreign exchange rates, may not deliver the same level of profitability in the year ahead if current exchange rates and export market demand persists.

However, AVI's diversified market-leading brand portfolio is well positioned to continue providing a strong value proposition to consumers in these tougher times. In addition lower input costs, our ongoing focus on yields and cost savings as well as improved innovation should enable AVI to compete effectively for market share and sustain our growth ambition in the current climate.

**Angus Band**
Chairman

**Simon Crutchley**
Chief Executive Officer

Revenue was 7,9% higher than in 2008 as a result of selling price increases in response to high input costs, particularly raw materials, partially offset by lower sales volumes. Strong competition in all categories saw volumes decline compared to last year, however, underlying consumer demand was sound, albeit with less growth than in the last few years. Gross profit margins were constrained in the first half but recovered as some raw material costs softened aided by the stronger Rand in the second half of the year. In addition, the disposal of a non-core subsidiary that packed private label teas and coffees resulted in lower volumes but an improved product mix with better profit margins. The gross profit margin for the year of 39,5% was slightly higher than the 39,4% achieved in 2008 with improved coffee margin largely offset by lower margin in the creamer category. Selling and administration costs were well contained overall and operating profit margin increased from 12,2% to 13,4%. Operating profit increased by 18,1%, from R189,1 million to R223,4 million.

Tea revenue grew by 10,0% with a 21,0% increase in average realised prices partially offset by lower volumes. The cost of black tea imported from African growers has remained high throughout the year due to reduced supply from this region. A strategy of allowing limited loss of market share while maintaining prices to protect profit margins has yielded good results for Entyce with gross profit margin for the year maintained at the same level as last year despite the significantly higher input costs. Key brands have been well supported with advertising and product development, helping to hold strong positions despite prolonged discounting by competitors in this category. These activities include the new, more distinctive packaging for Five Roses as well as the launch of the Five Roses African Blend variant. Other initiatives that will enhance our brands' proposition in this category are well advanced and will help us to compete strongly in the year ahead.

Coffee revenue grew 32,1% due mainly to price increases in response to high raw material costs, with purchased coffee beans costing on average 56% more than last year in Rand terms. Volumes were slightly lower but have been relatively stable at price points that support higher operating margins than last year. There has been good progress in building a stronger Frisco proposition with new Frisco packaging; a new "Frisco Strong" variant and new pack sizes that provide meaningful price point differentiation for consumers. Tougher times for consumers have led to down-buying into our affordable brewed coffee products which have high market shares and better profit margins.


| Entyce | 2009 Rm | 2008 Rm | 2007 Rm | 2006 Rm | 2005 Rm | Change 09 vs 08 % |
|---|---|---|---|---|---|---|
| Revenue | **1 670,5** | 1 547,5 | 1 339,1 | 1 228,2 | 1 153,8 | 7,9 |
| Operating profit | **223,4** | 189,1 | 160,6 | 147,2 | 137,5 | 18,1 |
| Operating margin (%) | **13,4** | 12,2 | 12,0 | 12,0 | 11,9 | 9,8 |
| Capital expenditure | **60,5** | 53,3 | 25,5 | 25,2 | 28,2 | 13,5 |


Creamer revenue was 0,9% higher than last year with higher realised prices largely offset by lower sales volumes. Creamer volumes were extremely soft in the second half with cheaper alternatives getting strong support. This was countered by discounting prices and increased promotional activity for Ellis Brown which started to show benefit towards the end of the year. Raw material costs for this category have softened over the year, giving some offset to the lower selling prices, however, the reverse leverage from lower sales volumes resulted in a decrease in profit margins. Work on pack sizes, packaging formats and different formulations that will enable Ellis Brown to continue competing successfully in this category is ongoing. Operating margins are expected to remain at acceptable levels with current raw material prices, but are unlikely to return to the levels achieved in the past two years. Expansion of our own production capacity, to replace more expensive contract manufacturing, continues to be evaluated.

Cold beverages revenue, consisting of the Real Juice and Quali Juice brands, was 29,2% lower than last year due mainly to lower volumes following the closure of the Gauteng, KwaZulu-Natal and Free State regions during the first half of the year. The operating loss of R16,6 million includes R5,5 million of non-recurring costs relating to the restructuring, and approximately R8 million operating loss attributable to the regions that have been discontinued.

The improved manufacturing and distribution efficiency of the new Cape-based operation was constrained by sustained high raw material prices, strong competitor activity and lower consumer demand, but should show more progress in the year ahead.

Capital expenditure of R60,5 million has been maintained at the higher level established in 2008 with the majority of the expenditure related to replacement of fully utilised assets as well as the enhancement of our packaging capabilities and capacity.

Revenue of R2,02 billion was 20,2% higher than 2008 due to the accumulated impact of price increases taken over the last two years to offset sustained high prices for many of the key raw materials we consume – particularly flour, butter and palm oil. Volumes for the year were flat overall, with a 7,2% increase in snack volumes due to strong promotional activity partially offset by lower biscuit volumes in the second half of the year. Higher input costs were not fully recovered resulting in pressure on profit margins that was compounded by consumers trading down to more affordable, lower margin, products and by reverse leverage from lower volumes in the biscuit category. Consequently operating profit of R184,6 million was 0,6% lower than last year. The operating profit margin decreased from 11,1% to 9,2%.

Biscuit revenue increased by 18,3% with selling price increases offset by lower volumes and a mix change to lower priced products. The average cost of key raw materials such as flour and butter was materially higher than last year. Some reduction in raw material costs through the second half was used to reduce prices for key products such as Eet-Sum-Mor, Tennis, Blue Label Marie, Lemon Creams and Pro-Vita where volumes were under pressure. Sustained high raw material costs, lower volumes and a mix change to less profitable products resulted in a decrease in profit margins and lower operating profit from this category. Increased new product development and promotional activity has yielded good results and AVI's market shares have improved despite an overall decline in demand compared to last year. A number of new products were launched to support the many consumer favourites under the Bakers, Pyotts and Baumanns brands. Service levels were maintained at the improved levels established during last year.

Revenue from snacks increased 25,4% due to a 7,2% increase in sales volumes and price increases in line with higher raw material costs – particularly palm oil. Volumes benefited from strong promotional activity and launches through the year. Profit margins were below the levels we ultimately want to achieve but improved on 2008. Snackworks has improved its position in the corn and extrude segments while the potato chip segment remains inherently constrained by strong competition.

There was much work in 2009 to fill the new product pipeline and improve our production capabilities. With the prospect of lower raw material prices and an ongoing drive to improve yields and efficiencies in our factories we should see some recovery of profit margins in the year ahead.


Capital expenditure of R44,8 million has reduced with the completion of the capacity project at the Isando biscuit factory, and included mostly replacement items.

| Snackworks | 2009 Rm | 2008 Rm | 2007 Rm | 2006 Rm | 2005 Rm | Change 09 vs 08 % |
|---|---|---|---|---|---|---|
| Revenue | **2 015,6** | 1 677,2 | 1 394,2 | 1 279,7 | 1 173,3 | 20,2 |
| Operating profit | **184,6** | 185,8 | 156,8 | 127,0 | 105,4 | (0,6) |
| Operating margin (%) | **9,2** | 11,1 | 11,2 | 9,9 | 9,0 | (17,1) |
| Capital expenditure | **44,8** | 58,3 | 47,3 | 59,2 | 41,6 | (23,2) |

# feel good food!

## Goodness is now tasty!

PROVITA has been making snack time easy, satisfying and full of goodness for years, with their tasty range of savoury biscuits. Now you can enjoy a sweet snack time with their scrumptious new non-savoury range: Provita Crunchyvites.

Although these scrumptious [illegible] are wonderfully wholesome, they taste [illegible] – you'll [illegible] know you're not eating a decadently [illegible] biscuit. Available in three tantalising flavours (lemon & honey, red cherry & almond and orange & sesame) with real fruit pieces! Provita Crunchyvites are real feel-good food – deliciously tasty and [illegible] convenient!

**SMS to WIN**

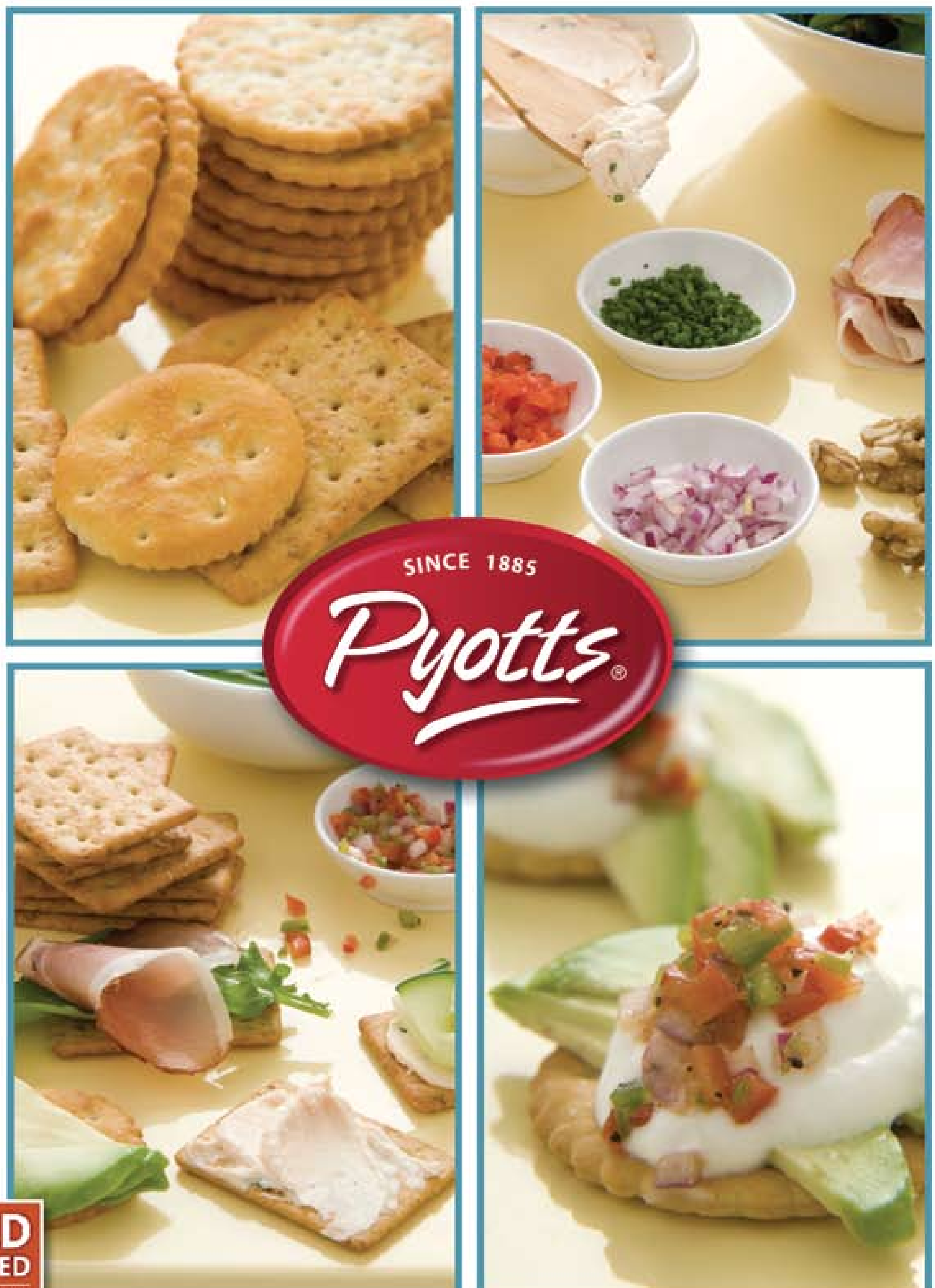

*Provita Crunchyvites – the best thing since Provita!*

promotion

How to...

# Snack-time treats

Tasty ideas to turn snack time into a gourmet feast




BAKED
NOT FRIED
TRANS FATTY
ACID FREE

ANYONE, ANYTIME, ANYTHING GOES WITH Pyotts

## Avocado, sour cream and salsa

**PREPARATION TIME: 10 MINUTES**
**SERVES 4**

**4 Pyotts Salticrax** biscuits
½ avocado, sliced
20 ml (4tsp) sour cream
¼ red onion, finely diced
¼ red pepper, finely diced
¼ green pepper, finely diced
½ small red chilli, deseeded and finely chopped
Handful coriander leaves, finely chopped
45ml (3tbsp) red wine vinegar
Maldon salt and freshly ground pepper

1 Place the **Pyotts Salticrax** biscuits on a plate.
2 Put 3 slices of avocado on each biscuit and top with a dollop of sour cream.
3 Mix the red onion, red and green pepper, chilli, coriander and vinegar together. Place the salsa on top of the sour cream. Sprinkle with the Maldon salt and pepper.

## Smoked salmon cream cheese, cucumber ribbons and wasabi

**PREPARATION TIME: 5 MINUTES**
**SERVES 4**

**4 Pyotts Wheatsworth** crackers
30ml (2tbsp) smoked salmon cream cheese
4 cucumber ribbons
20ml (4tsp) wasabi caviar

1 Place the **Pyotts Wheatsworth** crackers on a plate.
2 Spread the cream cheese on each biscuit and arrange the cucumber ribbons on top. Garnish with the wasabi caviar.

## Roasted pear, blue cheese and walnut

**PREPARATION TIME: 10 MINUTES**
**SERVES 4**

**4 Pyotts Bacon Kips** biscuits
½ pear, sliced
Olive oil for brushing
40g blue cheese, sliced
4 walnuts, toasted
4 Italian flat leaf parsley leaves


1 Place the **Pyotts Bacon Kips** biscuits on a plate.
2 Heat a griddle pan over high heat. Brush the pear slices with olive oil and grill on both sides. Place on the biscuits.
3 Put the blue cheese on the pears followed by the walnuts and garnish with the flat-leaf parsley leaves.

## Rocket, black forest ham, pesto and Parmesan

**PREPARATION TIME: 5 MINUTES**
**SERVES 4**

**4 Pyotts Wheatsworth** crackers
8 rocket leaves, stalks removed
4 slices black forest ham
20ml (4tsp) basil pesto
20g Parmesan cheese, finely grated

1 Place the **Pyotts Wheatsworth** crackers on a plate.
2 Place 2 rocket leaves on each cracker with rolled black forest ham and basil pesto. Garnish with the grated Parmesan.

* For any queries, please phone 0800 100 138 (calls charged at local rates). Email [illegible] or write to Pyotts, Private Bag 116, Rivonia, 2128




**Continuing operations (excluding Alpesca)**

Revenue for this category increased by 7,9% and operating profit increased by 33,9% from R194,9 million to R261,0 million with the operating profit margin improving from 11,0% to 13,6%. The main contributor was I&J's South African operations which realised higher export prices in the first half of the year as well as improved catch rates.

I&J's continuing operations increased revenue by 8,2% to R1,60 billion and operating profit by 48,3% to R237,8 million. Export revenues benefited materially from a weaker Rand while local operating cost efficiencies have improved due to improved catch rates with the hake catch rate improving by 24%.

Additional savings have been realised from improved processing efficiencies, lower distribution costs and restructuring of the export sales function. Performance in the second half weakened progressively due to 9% lower quota from January 2009, subdued European export markets and a stronger Rand. Key focus areas remain the effective management of the trawling and processing operations, where there is still opportunity to improve costs and efficiency.

I&J's "other" business comprises seafood trading operations and royalty income on product beneficiated in Australia through the Simplot joint venture. Revenue decreased due to lower volumes of low margin seafood trading.

A second-hand vessel was purchased for R42,8 million as part of the long-term replacement plan for the wet vessel fleet.

| **Chilled & frozen convenience brands** | **2009* Rm** | 2008* Rm | 2007 Rm | 2006 Rm | 2005 Rm | Change 09 vs 08 % |
|---|---|---|---|---|---|---|
| Revenue | **1 916,3** | 1 775,4 | 1 690,8 | 1 678,7 | 1 596,9 | 7,9 |
| Operating profit | **261,0** | 194,9 | 139,1 | 27,3 | 112,1 | 33,9 |
| Operating margin (%) | **13,6** | 11,0 | 8,2 | 1,6 | 7,0 | 23,6 |
| Capital expenditure | **74,4** | 40,4 | 63,3 | 80,7 | 84,0 | 84,6 |

**Note – excludes Alpesca, now classified as discontinued.*

**I&J total operations**

Revenue and operating profit derived by I&J from each fishing resource was as follows:

| | **Revenue** | | **Operating profit** | |
|---|---|---|---|---|
| **Fishing resource** | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| South Africa | **1 533,0** | 1 341,4 | **226,0** | 148,6 |
| Other | **64,6** | 135,4 | **11,8** | 11,7 |
| **Continuing** | **1 597,6** | 1 476,8 | **237,8** | 160,3 |
| Argentina | **428,8** | 445,5 | **4,6** | (10,2) |
| **Total** | **2 026,4** | 1 922,3 | **242,4** | 150,1 |

# Dinner never tasted this good!

Easy to cook and so delicious, I&J Deep Water Hake Fillets are tops for the best family fish supper

The working week is over, it's Friday night and you need to rustle up a quick, satisfying supper for your hungry family. A [illegible] challenge for all working [illegible] one that is quickly solved with I&J Deep Water Hake Fillets. What could be yummier than firm, succulent hake fillets, sautéed in a bubbling, mouth-watering lemony butter, served with crunchy chips and zesty lemon slices?

I&J Deep Water Hake Fillets are made from the best quality hake from the depths of the Atlantic Ocean, quick-frozen to lock in all the goodness of fish. Low in fat, cholesterol and sodium, these delicious fillets can be pan-fried, baked, grilled or steamed and can be combined with almost any flavour imaginable. Keep I&J Deep Water Hake Fillets in your freezer for Friday nights, the family will come to expect them!


Look out for the new I&J Deep Water Hake 800g pack with a free sachet of seasoning included.

**Discontinued operations – Alpesca**

Despite a lower hake quota, Alpesca showed an improvement in operating profit in the current period, from an operating loss of R10,2 million to a profit of R4,6 million. This improvement is attributable to Alpesca's hake operations which enjoyed strong selling prices in the first half and good catch rates in the second half, as well as some relief from export duties granted by the Argentinian government. Demand in the second half has slowed considerably reflecting in lower sales prices and volumes.

I&J's joint venture with Simplot (Australia) Pty Limited ("Simplot") yielded a profit of R15,8 million compared to R15,0 million last year. Improved profits from the retail operation were partially offset by lower seafood trading profits. Plant efficiencies were better and more stable than in 2008, although still not at targeted levels.

**Hake quota**

The South African hake total allowable catch ("TAC") was reduced by 3,3% for the 2008 calendar year, and a further 9,2% for the 2009 calendar year. I&J's quota allocation has remained constant at 28,0% resulting in a reduction from 36 531 tons to 33 199 tons.

The total hake quota for calendar years 2005 to 2009 is summarised in the table below:

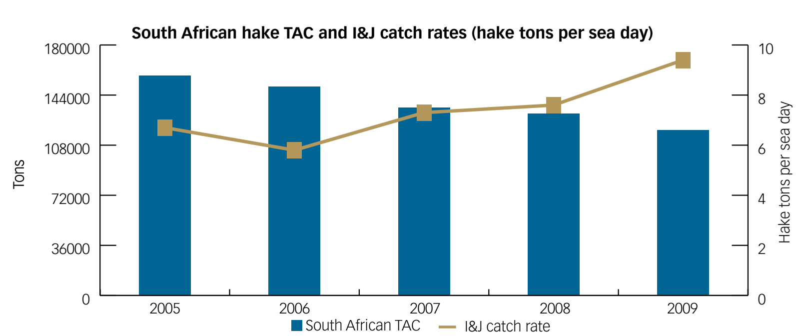
| Hake quota (tons) | 2009 Rm | 2008 Rm | 2007 Rm | 2006 Rm | 2005 Rm |
|---|---|---|---|---|---|
| South Africa | **118 578** | 130 532 | 135 000 | 150 000 | 158 000 |
| **I&J** | **33 199** | 36 530 | 37 755 | 41 950 | 46 830 |
| % | **28,0** | 28,0 | 28,0 | 28,0 | 29,6 |
| Argentina | **266 000** | 270 000 | 340 000 | 380 000 | 394 000 |
| **Alpesca** | **19 875** | 20 270 | 25 923 | 27 847 | 24 259 |
| % | **7,5** | 7,5 | 7,6 | 7,3 | 6,2 |

The Argentinian hake TAC was reduced slightly for 2009, with a 1,9% reduction in Alpesca's quota to 19 875 tons.

The Marine and Coastal Management (MCM) division of the Department of Environmental Affairs manages the hake resource on an appropriately conservative basis. However, since 2007 the South African hake resource has shown an encouraging increase in total bio-mass and material improvements in catch rates over the last few years are a further indicator of improving health of the resource. It is hoped that improved recording and monitoring procedures will provide a basis for MCM to increase the TAC from 2010.

**Denny**

Denny's revenue increased 6,7% with price increases and higher volumes of soups and sauces offset by lower fresh mushroom volumes. Fresh mushroom volumes were down because of low production at the Gauteng and KwaZulu-Natal farms with various production issues impacting negatively on yields. Lower volumes, pressure on selling prices in the out of home channel and higher input costs resulted in lower margins and profit from the fresh mushroom business. This was partially offset by good gains made with the value-added ranges of sauces and soups under the Denny brand. Operating profit decreased from R34,5 million to R23,1 million.

Combined revenue from the out of home coffee and juice businesses grew by 14,5% while operating profit increased 30,7% from R42,7 million to R55,8 million.

Revenue from the coffee-based business increased 12,4% as a result of price increases in response to higher input costs, particularly coffee beans, offset by lower volumes of non-core products. Core coffee and hot chocolate volumes were in line with last year, albeit with some fall-off through the second half with increasing pressure on the restaurant and hospitality channels. The corporate customer base has been well serviced and remained resilient despite the tough economic climate. Gross profit margins were down on last year but some claw-back in selling and administration costs resulted in operating profit margin only slightly lower than last year at 14,1%. Operating profit increased 11,7% from R43,5 million to R48,6 million.

Ciro continues to focus on strengthening its vending and dispensing solutions where its key Lavazza, Douwe Egberts and Ciro brands and unmatched training and national service capabilities provide strong competitive advantage.

Sir Juice had a strong second half and has established a stable profit base. The profitability of its product range was improved and good use is being made of opportunities in Gauteng retail channels following the closure of the Real Juice business in this region. Operating results have improved materially, from a loss of R0,8 million in 2008 to an operating profit of R7,2 million this year, although the operating profit margin of 6,8% can still be improved. The year ahead will see continuing focus on growing the base of core customers and leveraging new opportunities while critically evaluating unprofitable regions.

| **Out of Home** | **2009 Rm** | 2008 Rm | 2007 Rm | 2006 Rm | 2005 Rm | Change 09 vs 08 % |
|---|---|---|---|---|---|---|
| Revenue | **449,7** | 392,7 | 344,9 | 288,1 | 304,4 | 14,5 |
| Operating profit | **55,8** | 42,7 | 53,5 | 42,5 | 58,0 | 30,7 |
| Operating margin (%) | **12,4** | 10,9 | 15,5 | 14,8 | 19,1 | 13,8 |
| Capital expenditure | **22,7** | 25,3 | 21,0 | 14,3 | 27,3 | (10,3) |

| Fashion brands | **2009 Rm** | 2008 Rm | 2007 Rm | 2006 Rm | 2005 Rm | Change 09 vs 08 % |
|---|---|---|---|---|---|---|
| Revenue | **1 400,6** | 1 253,3 | 1 058,1 | 868,6 | 459,4 | 11,8 |
| Operating profit | **196,2** | 206,3 | 208,4 | 165,6 | 47,0 | (4,9) |
| Operating margin (%) | **14,0** | 16,5 | 19,7 | 19,1 | 10,2 | (15,2) |
| Capital expenditure | **49,4** | 89,3 | 55,0 | 26,4 | 14,8 | (44,7) |

Revenue increased 11,8% to R1,40 billion in FY09, with strong volume growth in personal care and price increases, mostly in the footwear and apparel business in response to the weaker Rand. Lower profitability in the footwear & apparel business due to weaker demand and margin pressure resulted in a decrease in operating profit from R206,3 million to R196,2 million.

Indigo's revenue increased by 17,1% to R730,2 million due mostly to volume growth. The key Yardley, Coty and Lentheric brands performed well and growth was achieved in all of the major product categories and customer channels. Deodorant sprays in particular have continued to make strong inroads with further gains in market share, while the fragrance and make-up product categories also performed well. Gross profit margins were lower due to delayed price increases in response to rising costs of imported items. However, operating profit benefited from volume leverage and increased 28,7% to R94,5 million with the operating profit margin improving from 11,8% to 12,9%. Price increases were implemented in the fourth quarter which will help maintain profitability in the year ahead.

| Personal care (Indigo Cosmetics) | **2009 Rm** | 2008 Rm | 2007 Rm | 2006 Rm | 2005 Rm | Change 09 vs 08 % |
|---|---|---|---|---|---|---|
| Revenue | **730,2** | 623,5 | 555,9 | 476,8 | 459,4 | 17,1 |
| Operating profit | **94,5** | 73,4 | 63,3 | 50,5 | 47,0 | 28,7 |
| Operating margin (%) | **12,9** | 11,8 | 11,4 | 10,6 | 10,2 | 9,3 |
| Capital expenditure | **26,8** | 24,9 | 17,3 | 16,9 | 14,8 | 7,6 |

Indigo continues to perform above expectations in an extremely competitive environment. Historically this business has thrived in harder economic times, benefiting from the increased appeal of affordable luxuries, which together with a full product development pipeline should help it maintain its strong positions in perfumed body sprays, colour cosmetics and mass fragrances while growing in segments where its brands are currently under-represented.

YARDLEY


| Spitz store information | 2009 Rm | 2008 Rm |
|---|---|---|
| Average store area ($m^2$) | **15 749** | 13 393 |
| Store area at year end ($m^2$) | **16 224** | 14 722 |
| Sales density (R000/ ($m^2$) | **40,0** | 44,9 |

| Footwear & apparel | 2009 Rm | 2008 Rm | 2007 Rm | 2006 Rm | 2005 Rm | Change 09 vs 08 % |
|---|---|---|---|---|---|---|
| Revenue | **670,4** | 629,8 | 502,2 | 391,8 | — | 6,4 |
| Operating profit | **101,7** | 132,9 | 145,1 | 115,1 | — | (23,5) |
| Operating margin | **15,2** | 21,1 | 28,9 | 29,4 | — | (28,0) |
| Capital expenditure | **22,6** | 64,4 | 37,7 | 9,5 | — | (64,9) |

Revenue in the footwear and apparel category increased by 6,4%, largely due to increased selling prices in Spitz following the substantial weakening of the Rand in the first half of the year and higher volumes in Gant and Nina Roche. Higher import costs, a higher fixed cost base, lower volumes in Spitz and start-up inefficiencies in Gant were the main reasons for the decrease in operating profit from R132,9 million to R101,7 million.

In Spitz, demand for Carvela grew while volumes for the Lacoste and Kurt Geiger brands were sound in the context of reduced consumer spending, but lower than last year. Price increases partially recovered the higher cost of imported items arising from the weaker Rand. Revenue increased 4,7% to R629,9 million. While the average trading space in the Spitz business increased by 18%, trading densities declined as a result of lower sales volumes and temporary supply chain delays in the first half arising from both delayed stock shipments and the implementation of SAP. Over the last few years Spitz has invested in new and refurbished stores as well as people and systems to underpin the long-term sustainability of the expanded business which has resulted in a higher fixed cost base and lower operating profit margin.

The fixed cost base is now stable at levels comparable to the end of last year and the focus going forward will be on leveraging growth off a stable base of stores to improve margins over time. The operating profit margin decreased from 23,1% to 18,1% and operating profit for the year was R114,2 million compared to R139,0 million last year.

The Nina Roche and Gant businesses have performed well from a consumer and brand point of view but, still being in a start-up phase, were beset by insufficient scale to leverage fixed costs. In addition Gant suffered from poor availability of the right mix of stock due to long lead times involved in this business. Both made operating losses in the year but are expected to at least break even in the year ahead with continued growth in revenue.

Capital expenditure reduced to R22,6 million and includes Spitz's SAP implementation and the cost of six new stores opened.

### CONTINUING OPERATIONS

Revenue rose by 12,0% from R6,7 billion to R7,5 billion. The consolidated gross profit margin declined from 41,3% of revenue to 39,9% as a result of cost pressures which were only partially offset by selling price increases. Selling and administration costs were well contained at a 6,1% increase and operating profit rose by 13,7%, from R798,7 million to R908,5 million with the operating profit margin up from 12,0% to 12,2%.

The Group's planned increase in gearing, combined with higher interest rates, resulted in a material increase in net finance charges from R64,0 million to R125,0 million.

Headline earnings increased by 6,9% from R486,7 million to R520,4 million. Headline earnings per share increased by 9,9% to 174,7 cents per share as the weighted average number of shares in issue decreased by 2,7% following the share buy-back which commenced after the annual general meeting in October 2007. No shares were re-purchased during the 12 months to June 2009.

The capital items of R17,1 million before tax largely comprise a R26,4 million profit on the sale of an I&J property and a R23,8 million profit on the disposal of a non-core subsidiary that packed private label teas and coffees, partially offset by impairments of intangible assets in the retail juice and Nina Roche footwear businesses.

Cash generated by operations increased by 67,1% to R1 116,6 million. Ongoing strong cash generation was augmented by a reduction in working capital which largely reflects an early build up of stock levels reported at the end of June 2008. Net working capital decreased from 19,7% of sales in 2008 to 16,8% of sales. Other material cash out-flows during the period were taxation of R392,9 million, capital expenditure of R257,8 million and dividends of R247,2 million. Net debt at the end of June 2009 was R547,7 million compared to R724,4 million at the end of June 2008.

Capital expenditure of R257,8 million included mainly replacement expenditure and R42,8 million for an additional vessel for I&J's wet fishing fleet as part of the long-term fleet replacement plan.

### Segmental review – continuing operations

| | Segmental revenue | | | Segmental operating profit | | |
|---|---|---|---|---|---|---|
| Year ended 30 June | **2009 Rm** | 2008 Rm | Change % | **2009 Rm** | 2008 Rm | Change % |
| **Food & beverage brands** | **6 052,1** | 5 392,8 | 12,2 | **724,8** | 612,5 | 18,3 |
| Entyce | **1 670,5** | 1 547,5 | 7,9 | **223,4** | 189,1 | 18,1 |
| Snackworks | **2 015,6** | 1 677,2 | 20,2 | **184,6** | 185,8 | (0,6) |
| Chilled & frozen convenience brands | **1 916,3** | 1 775,4 | 7,9 | **261,0** | 194,9 | 33,9 |
| Out of Home | **449,7** | 392,7 | 14,5 | **55,8** | 42,7 | 30,7 |
| **Fashion brands** | **1 400,6** | 1 253,3 | 11,8 | **196,2** | 206,3 | (4,9) |
| Personal care | **730,2** | 623,5 | 17,1 | **94,5** | 73,4 | 28,7 |
| Footwear & apparel | **670,4** | 629,8 | 6,4 | **101,7** | 132,9 | (23,5) |
| **Corporate** | **9,7** | 14,5 | | **(12,5)** | (20,1) | |
| **Group** | **7 462,4** | 6 660,6 | 12,0 | **908,5** | 798,7 | 13,7 |

## 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 is calculated taking account of the unexercised share options as disclosed in the directors' report on pages 57 to 60, 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

Headline earnings per share from continuing operations divided by the dividends declared to ordinary 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 from continuing operations, as a percentage of average capital employed. Capital employed is total equity plus net 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 incurred to maintain operations.
- 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
- Debt/equity ratio
  Net debt divided by total equity

### Key statistics for continuing operations

| | **2009*** | 2008* | 2007* | 2006 | 2005 |
|---|---|---|---|---|---|
| **Financial ratios (%)** | | | | | |
| – operating margin | **12,2** | 12,0 | 12,0 | 9,6 | 9,9 |
| – return on capital employed | **28,3** | 26,8 | 26,2 | 22,9 | 26,2 |
| – net working capital as a percentage of revenue | **16,8** | 19,7 | 17,3 | 14,7 | 14,7 |
| – EBITDA | **1 095,9** | 965,4 | 852,3 | 685,5 | 623,0 |
| **Liquidity** | | | | | |
| – free cash flow (Rm) | **391,9** | 204,1 | 231,4 | 297,0 | 353,7 |
| – free cash flow per ordinary share (cents) | **131,6** | 66,7 | 73,7 | 95,1 | 113,5 |
| – net debt/equity ratio (%) | **25,1** | 30,8 | 8,4 | 12,4 | (11,9) |
| – interest cover ratio | **8,8** | 15,1 | 36,7 | 20,5 | 33,3 |
| **Employees at 30 June** | **8 923** | 8 796 | 8 073 | 9 408 | 9 431 |
| **Revenue – continuing operations (Rm)** | **7 462,4** | 6 660,6 | 5 851,9 | 5 375,6 | 4 707,3 |
| **Revenue per employee (R'000)** | **836,3** | 757,2 | 724,9 | 571,4 | 499,1 |

* *Note – excludes Alpesca, now classified as discontinued.*

## Share statistics – five-year summary

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Number of ordinary shares in issue ('000) | **342 638** | 342 638 | 342 638 | 316 150 | 315 386 |
| Weighted average number of ordinary shares in issue ('000) | **297 806** | 306 082 | 313 775 | 312 373 | 311 590 |
| **Share performance – continuing operations (cents per share)** | | | | | |
| Earnings | **180,8** | 162,9 | 147,5 | 103,4 | 198,6 |
| Diluted earnings | **177,5** | 161,4 | 146,7 | 102,7 | 196,1 |
| Headline earnings | **174,7** | 159,0 | 138,4 | 107,2 | 108,2 |
| Diluted headline earnings | **171,5** | 157,6 | 137,6 | 106,6 | 106,9 |
| Dividends declared | **88,0** | 80,0 | 73,0 | 53,0 | 51,0[1] |
| Dividend cover | **2,0** | 2,0 | 2,0 | 2,0 | 2,1 |
| **Market price per share (cents)** | | | | | |
| – at year end | **1 700** | 1 295 | 1 971 | 1 380 | 1 320 |
| – highest | **2 200** | 2 254 | 2 354 | 1 810 | 1 551[3] |
| – lowest | **1 150** | 1 245 | 1 380 | 1 321 | 1 215[3] |
| – volume weighted average | **1 699** | 1 821 | 1 841 | 1562 | 1 352[3] |
| **Total market capitalisation at closing prices (Rm)** | **5 824,9** | 4 437,2 | 6 753,0 | 4 362,9 | 4 163,1 |
| Price earnings ratio[2] | **9,7** | 8,1 | 14,2 | 12,9 | 12,2 |
| Value of shares traded (Rm) | **4 362,4** | 4 764,2 | 3 608,0 | 3 469,9 | 1 909,7[3] |
| Value traded as a percentage of average capitalisation (%) | **78,7** | 80,6 | 60,0 | 70,3 | 45,7[3] |
| Number of shares traded (millions) | **256,8** | 261,6 | 196,0 | 222,1 | 141,3 |
| Liquidity – number traded as percentage of shares in issue at year end (%) | **75,0** | 76,3 | 57,2 | 70,3 | 92,7[3] |
| Average weekly Rand value traded (Rm) | **83,5** | 91,5 | 69,0 | 66,7 | 106,1[3] |

[1] *Includes 14 cents from the capital repayment of 64 cents paid in February 2005.*
[2] *Calculated based on the published headline earnings per share and the share price at year end.*
[3] *Based on period post unbundling of Consol Limited from 28 February to 30 June 2005.*

## Value added statement

| | 2009 Rm | 2009 % | 2008 Rm | 2008 % |
|---|---|---|---|---|
| **VALUE ADDED** | | | | |
| Revenue | **7 891,2** | | 7 106,1 | |
| Cost of materials and services | **5 080,8** | | 4 511,4 | |
| Value added by operations | **2 810,4** | **99** | 2 594,7 | 98 |
| Capital items (gross) | **(12,9)** | | 13,9 | 1 |
| | **2 797,5** | **99** | 2 608,6 | 99 |
| Investment and other income | **37,7** | **1** | 39,7 | 1 |
| | **2 835,2** | **100** | 2 648,3 | 100 |
| **VALUE DISTRIBUTED AND RETAINED** | | | | |
| **Employees** | | | | |
| Salaries, wages and other benefits | **1 498,0** | **53** | 1 463,3 | 55 |
| **Providers of capital** | **511,0** | **18** | 421,8 | 16 |
| Dividends paid to Group shareholders | **247,2** | **9** | 233,4 | 9 |
| Interest paid | **155,4** | **5** | 96,5 | 4 |
| Operating lease expenses | **108,4** | **4** | 91,9 | 3 |
| **Government** | **382,9** | **14** | 345,5 | 13 |
| Taxation | **382,9** | **14** | 345,5 | 13 |
| **Re-invested in the Group** | **443,3** | **16** | 417,7 | 16 |
| Depreciation | **182,3** | **7** | 182,4 | 7 |
| Future growth | **261,0** | **8** | 235,3 | 9 |
| | **2 835,2** | **100** | 2 648,3 | 100 |

## Group at a glance

| | 2009* Rm | 2008* Rm | 2007* Rm | 2006 Rm | 2005 Rm | Change 09 vs 08 % |
|---|---|---|---|---|---|---|
| **AVI** | | | | | | |
| Revenue | **7 462,4** | 6 660,6 | 5 851,9 | 5 375,6 | 4 707,3 | 12,0 |
| Operating profit | **908,5** | 798,7 | 702,3 | 517,3 | 469,1 | 13,7 |
| Operating margin (%) | **12,2** | 12,0 | 12,0 | 9,6 | 10,0 | 1,7 |
| Capital expenditure | **257,7** | 271,4 | 233,9 | 215,1 | 207,1 | (5,0) |
| **Entyce** | | | | | | |
| Revenue | **1 670,5** | 1 547,5 | 1 339,1 | 1 228,2 | 1 153,8 | 7,9 |
| Operating profit | **223,4** | 189,1 | 160,6 | 147,2 | 137,5 | 18,1 |
| Operating margin (%) | **13,4** | 12,2 | 12,0 | 12,0 | 11,9 | 9,8 |
| Capital expenditure | **60,5** | 53,3 | 25,5 | 25,2 | 28,2 | 13,5 |
| **Snackworks** | | | | | | |
| Revenue | **2 015,6** | 1 677,2 | 1 394,2 | 1 279,7 | 1 177,3 | 20,2 |
| Operating profit | **184,6** | 185,8 | 156,8 | 127,0 | 105,4 | (0,6) |
| Operating margin (%) | **9,2** | 11,1 | 11,2 | 9,9 | 9,0 | (17,1) |
| Capital expenditure | **44,8** | 58,3 | 47,3 | 59,2 | 41,6 | (23,2) |
| **Chilled & frozen convenience brands** | | | | | | |
| Revenue | **1 916,3** | 1 775,4 | 1 690,8 | 1 678,7 | 1 596,9 | 7,9 |
| Operating profit | **261,0** | 194,9 | 139,1 | 27,3 | 112,1 | 33,9 |
| Operating margin (%) | **13,6** | 11,0 | 8,2 | 1,6 | 7,0 | 23,6 |
| Capital expenditure | **74,4** | 40,4 | 63,3 | 80,7 | 84,0 | 84,6 |
| **Out of Home** | | | | | | |
| Revenue | **449,7** | 392,7 | 344,9 | 288,1 | 304,4 | 14,5 |
| Operating profit | **55,8** | 42,7 | 53,5 | 42,5 | 58,0 | 30,7 |
| Operating margin (%) | **12,4** | 10,9 | 15,5 | 14,8 | 19,1 | 13,8 |
| Capital expenditure | **22,7** | 25,3 | 21,0 | 14,3 | 27,3 | (10,4) |
| **Fashion brands** | | | | | | |
| Revenue | **1 400,6** | 1 253,3 | 1 058,1 | 868,6 | 459,4 | 11,8 |
| Operating profit | **196,2** | 206,3 | 208,4 | 165,6 | 47,0 | (4,9) |
| Operating margin (%) | **14,0** | 16,5 | 19,7 | 19,1 | 10,2 | (14,9) |
| Capital expenditure | **49,4** | 89,3 | 55,0 | 26,4 | 14,8 | (44,7) |
| **Personal care** | | | | | | |
| Revenue | **730,2** | 623,5 | 555,9 | 476,8 | 459,4 | 17,1 |
| Operating profit | **94,5** | 73,4 | 63,3 | 50,5 | 47,0 | 28,7 |
| Operating margin (%) | **12,9** | 11,8 | 11,4 | 10,6 | 10,2 | 9,3 |
| Capital expenditure | **26,8** | 24,9 | 17,3 | 16,9 | 14,8 | 7,7 |
| **Footwear & apparel** | | | | | | |
| Revenue | **670,4** | 629,8 | 502,2 | 391,8 | – | 6,4 |
| Operating profit | **101,7** | 132,9 | 145,1 | 115,1 | – | (23,5) |
| Operating margin (%) | **15,2** | 21,1 | 28,9 | 29,4 | – | (28,0) |
| Capital expenditure | **22,6** | 64,4 | 37,7 | 9,5 | – | (64,8) |

* *Note – excludes Alpesca, now classified as discontinued.*

## Group balance sheets – five-year summary

| | 2009 Rm | 2008 Rm | 2007 Rm | 2006 Rm | 2005 Rm |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | **1 205,1** | 1 164,8 | 1 241,7 | 1 182,4 | 1 143,2 |
| Intangible assets and goodwill | **925,4** | 986,2 | 1 052,1 | 1 041,7 | 420,8 |
| Investments | **276,8** | 312,8 | 245,9 | 263,0 | 252,6 |
| Deferred tax asset | **74,4** | 89,1 | 121,6 | 100,8 | 102,0 |
| | **2 481,7** | 2 552,9 | 2 661,3 | 2 587,9 | 1 918,6 |
| **Current assets** | | | | | |
| Inventories | **950,0** | 873,0 | 760,8 | 578,2 | 500,0 |
| Trade and other receivables | **1 170,1** | 1 178,7 | 1 058,6 | 883,2 | 786,8 |
| Cash and cash equivalents | **516,6** | 174,9 | 317,1 | 335,8 | 448,7 |
| Assets classified as held for sale | **398,7** | 493,0 | 30,5 | 26,3 | 24,5 |
| | **3 035,4** | 2 719,6 | 2 167,0 | 1 823,5 | 1 760,0 |
| Total assets | **5 517,1** | 5 272,5 | 4 828,3 | 4 411,4 | 3 678,6 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Attributable to equity holders of AVI | **2 675,9** | 2 518,8 | 2 680,4 | 2 339,9 | 2 166,4 |
| Minority interests | **(23,3)** | (17,5) | (18,4) | (8,5) | (2,9) |
| Total equity | **2 652,6** | 2 501,3 | 2 662,0 | 2 331,4 | 2 163,5 |
| **Non-current liabilities** | | | | | |
| Financial liabilities and borrowings | **544,1** | 409,7 | 196,6 | 212,8 | 112,4 |
| Employee benefits | **295,9** | 293,5 | 286,2 | 269,2 | 134,3 |
| Deferred taxation | **110,3** | 154,0 | 144,6 | 130,1 | 268,4 |
| | **950,3** | 857,2 | 627,4 | 612,1 | 515,1 |
| **Current liabilities** | | | | | |
| Current borrowings | **639,3** | 536,3 | 344,1 | 411,5 | 78,5 |
| Trade and other payables | **1 092,9** | 1 048,1 | 1 117,5 | 1 000,2 | 885,8 |
| Corporate taxation | **13,4** | 73,4 | 66,9 | 56,2 | 35,7 |
| Liabilities classified as held for sale | **168,6** | 256,2 | 10,4 | – | – |
| | **1 914,2** | 1 914,0 | 1 538,9 | 1 467,9 | 1 000,0 |
| Total equity and liabilities | **5 517,1** | 5 272,5 | 4 828,3 | 4 411,4 | 3 678,6 |

## Group income statements – five-year summary

| | 2009* Rm | 2008* Rm | 2007* Rm | 2006 Rm | 2005 Rm |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| Revenue | **7 462,4** | 6 660,6 | 5 851,9 | 5 375,6 | 4 707,3 |
| **Operating profit before capital items** | **908,5** | 798,7 | 702,3 | 517,3 | 469,1 |
| Income from investments | **22,4** | 22,5 | 25,3 | 16,5 | 30,9 |
| Finance costs | **(147,4)** | (86,5) | (48,5) | (49,7) | (39,6) |
| Equity accounted earnings of joint ventures | **15,3** | 17,2 | (21,4) | (12,3) | 1,2 |
| Capital items | **17,1** | 13,7 | 34,2 | (10,9) | (21,8) |
| **Profit/(loss) before taxation** | **815,9** | 765,6 | 691,9 | 460,9 | 439,8 |
| Taxation | **276,7** | 265,8 | 237,1 | 143,1 | 124,7 |
| **Profit/(loss) after taxation** | **539,2** | 499,8 | 454,8 | 317,8 | 315,1 |
| Minority interests (excluding capital items) | **0,7** | 1,4 | (8,1) | (5,1) | (3,4) |
| **Earnings attributable to ordinary shareholders** | **538,5** | 498,4 | 462,9 | 322,9 | 318,5 |
| Capital items after minorities and tax | **(18,1)** | (11,8) | (28,5) | 12,1 | 18,7 |
| **Headline earnings** | **520,4** | 486,7 | 434,4 | 335,0 | 337,2 |

**Note – excludes Alpesca, now classified as discontinued*

## Group cash flow statements – five-year summary

| | 2009* Rm | 2008* Rm | 2007* Rm | 2006 Rm | 2005 Rm |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| **Operating activities** | | | | | |
| Cash generated by operations before working capital changes | **1 086,6** | 1 022,8 | 864,6 | 660,2 | 631,6 |
| (Decrease)/increase in working capital | **30,0** | (354,7) | (165,4) | (36,5) | 16,3 |
| **Cash generated by operations** | **1 116,6** | 668,1 | 699,2 | 623,7 | 647,9 |
| Interest paid | **(140,5)** | (91,0) | (47,7) | (29,7) | (39,6) |
| Taxation paid | **(392,9)** | (247,4) | (255,2) | (186,4) | (170,0) |
| **Net cash available from operating activities** | **583,2** | 329,7 | 396,3 | 407,6 | 438,3 |
| **Investing activities** | | | | | |
| Cash flow from investments | **21,2** | 29,6 | 24,0 | 17,0 | 30,9 |
| Property, plant and equipment – net investment | **(189,6)** | (224,2) | (157,4) | (210,2) | (200,5) |
| Intangible assets purchased | | | | (19,2) | (0,1) |
| Investments – net (acquisitions)/disposals | **57,1** | (37,8) | (360,1) | (230,6) | (193,9) |
| **Net cash used in investing activities** | **(111,3)** | (232,4) | (493,5) | (443,0) | (363,6) |
| **Financing activities** | | | | | |
| Capital returned to shareholders | **–** | (549,7) | – | – | – |
| Net increase/(decrease) in shareholder funding | **9,0** | 4,7 | 7,1 | 10,1 | (213,5) |
| Long-term borrowings – net raised/(repaid) | **191,1** | 308,8 | (4,5) | 54,2 | (101,4) |
| Increase/(decrease) in short-term funding | **(14,1)** | 206,2 | 257,3 | (7,1) | 6,1 |
| Dividends paid | **(247,2)** | (233,4) | (199,5) | (179,2) | (167,9) |
| **Net cash from/(used) in financing activities** | **(61,2)** | (263,4) | 60,4 | (122,0) | (476,7) |
| **DISCONTINUED OPERATIONS** | **(65,3)** | 22,8 | 15,2 | 37,3 | 183,3 |
| **Increase/(decrease) in cash and cash equivalents** | **345,4** | (143,3) | (21,6) | (120,1) | (218,7) |
| Cash and cash equivalents at beginning of period | **204,8** | 317,1 | 335,8 | 448,7 | 674,5 |
| | **550,2** | 173,8 | 314,2 | 328,6 | 455,8 |
| **Translation of cash equivalents of foreign subsidiaries at beginning of year** | **(20,5)** | 31,0 | 2,9 | 7,2 | (7,1) |
| **Cash and cash equivalents at end of period** | **529,7** | 204,8 | 317,1 | 335,8 | 448,7 |
| Attributable to: | | | | | |
| Continuing operations | **516,6** | 174,9 | 317,1 | | |
| Discontinued operations | **13,1** | 29,9 | | | |

**Note – excludes Alpesca, now classified as discontinued*

## FRAMEWORK

AVI Limited ("the Company") is a public company incorporated in South Africa under the provisions of the Companies Act 61 of 1973, as amended, 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 responsible manner. The Company complies with the principles of the Code of Corporate Practices and Conduct as recommended in the King Report on Corporate Governance in South Africa 2002 ("King II"), as well as with the spirit and form of the obligations that exist in terms of the JSE Listings Requirements. The successor to King II was published in draft form during February 2009, as the Draft Report on Corporate Governance in South Africa (King III). The Company will take cognisance of the guidance provided by King III, and will incorporate improvements into the Group's governance and management systems to the extent that they are practical and relevant to the Group and its stakeholders. During the year ahead the Board will also prepare itself for the changes brought by the Companies Act 71 of 2008 (which will become effective on a date yet to be gazetted).

## BOARD GOVERNANCE STRUCTURE

The general powers of the Board and the directors are conferred in the Company's articles of association. Terms of reference for the Board are set out in the Company's board charter which is reviewed at appropriate times. The board charter is modelled on the charter principles recommended by King II, and covers the powers and authority of the Board. It provides a clear and concise overview of the responsibilities and accountability of the Board members, both collectively and individually. The board charter is available on request from the company secretary.

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 Mr Angus Band and Mr Simon Crutchley holding these positions, respectively.

### Directorate

The Board is comprised of three executive directors and nine non-executive directors. All of the non-executive directors are independent in terms of King II's standards. The non-executive directors have the required knowledge, skills and independence of thought to pass sound judgement on the various key issues relevant to the business of the Company, independent of the Company's management. Consideration is given to gender and racial diversity, as well as diversity in business, geographic and academic backgrounds, when appointing directors. Tailored induction programmes are run to familiarise newly appointed directors with the Group's operations. The particulars of the directors are set out on pages 46 to 47 of the annual report.

During the year under review Mrs Nomhle Canca resigned as a non-executive director with effect from 12 November 2008 due to a potential conflict of interests that had arisen at the time. Mr Pat Goss, a non-executive director, retired on 30 June 2009. Mr Kim Macilwaine was appointed as a non-executive director on 13 March 2009, which appointment will be considered by the shareholders at the Company's annual general meeting on 21 October 2009.

At least one-third of the Board's members retire each year at the annual general meeting in terms of the Company's articles of association. Retiring directors are eligible for re-election.

### Board and director assessment

Annually the chairman has the Board's performance assessed against its charter. The assessment process was reviewed and enhanced during the year under review, and the assessment was undertaken.

In addition to this annual review, the chairman actively manages the participation and contribution of Board members, and considers the development requirements of each director. In turn the Appointments and Remuneration Committee appraises the performance of the chairman and the chief executive officer and reports their findings to the Board. The chairman and the chief executive officer do not participate in discussions regarding their own performance.

The Board is satisfied that it and its sub-committees have complied in all material aspects with their mandates and requirements as contained in the relevant charters during the year.

### 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 and at the last meeting of the previous financial year is summarised in the table on the following page.

| Name | 12/06/08 | 03/09/08 | 25/11/08 | 06/03/09 | 11/06/09 |
|---|---|---|---|---|---|
| AWB Band | ✓ | ✓ | ✓ | ✓ | ✓ |
| MH Buthelezi | ✓ | ✓ | ✓ | ✓ | ✓ |
| NJM Canca | ✗ | ✓ | | | |
| SL Crutchley | ✓ | ✓ | ✓ | ✓ | ✓ |
| OP Cressey | ✓ | ✓ | ✓ | ✓ | ✓ |
| PM Goss | ✓ | ✓ | ✓ | ✗ | ✓ |
| JR Hersov | ✓ | ✓ | ✓ | ✓ | ✓ |
| SD Jagoe | ✓ | ✓ | ✓ | ✓ | ✓ |
| RS Katzen | ✓ | ✓ | ✓ | ✓ | ✓ |
| GR Tipper | ✓ | ✓ | ✓ | ✓ | ✓ |
| A Nühn | ✓ | ✓ | ✓ | ✓ | ✓ |
| NT Moholi | ✓ | ✗ | ✓ | ✓ | ✓ |
| KE Macilwaine | | | | | ✓ |

Key: ✓ = in attendance; ✗ = not in attendance;
= not yet in office = resigned

As a prelude to the Board meeting of 11 June 2009 the Board met with executive management of the Company's subsidiaries on 10 and 11 June 2009 and reviewed their performance of the past year and considered their objectives, strategies and budgeted performance for the year ahead.

In addition to the planned meetings referred to above, the Board may meet on an *ad hoc* basis to discuss matters of importance that cannot be held in abeyance until the next scheduled meeting. During the year under review the Board and a specifically formed sub-committee met on a number of occasions, to consider the unsolicited potential offer received from Tiger Brands Limited to purchase the Company's ordinary share capital.

### Company secretary

The company secretary for the period 1 July 2008 to 31 December 2008 was Mr Mande Ndema. Following Mr Ndema's resignation, Ms Vivien Crystal, a Group legal resource and company secretary of various subsidiaries, assumed the role in an acting capacity, pending a permanent replacement. At year end such a replacement was yet to be found.

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 the individual directors are to:

- guide them in the discharge of their duties and responsibilities;
- 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, including the JSE Listings Requirements.

## BOARD COMMITTEES

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

These committees act within formalised terms of reference which have been approved by the Board. 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 sub-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 avail themselves at the annual general meeting to respond to shareholders' queries.

### Audit Committee

During the year under review the Audit Committee comprised Mr Humphrey Buthelezi (the chairman) and Mr Gavin Tipper, both of whom are independent non-executive directors. 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, the Group's head of internal audit and the relevant financial and managing directors in attendance. Audit Committee members 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 three times during the year under review. The attendance of the members is reflected in detail in the table below:

| Name | 27/08/08 | 21/11/08 | 04/03/09 |
|---|---|---|---|
| MH Buthelezi | ✓ | ✓ | ✓ |
| GR Tipper | ✓ | ✓ | ✓ |

Key: ✓ = in attendance

The Audit Committee is responsible for the management 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 and determining the terms of engagement and approving fees for audit and non-audit work undertaken;
- monitoring the operation of effective systems of internal control, including information technology controls;
- overseeing the internal audit function, monitoring its effectiveness, and reviewing corrective action;
- overseeing the operation of an effective risk management process that incorporates insurance, health and safety, and environmental issues; and
- implementing sound corporate governance policies;
- considering and satisfying itself, on an annual basis, of the expertise and experience of the chief financial officer.

KPMG Incorporated were reappointed as the Company's external auditors by shareholders at the Company's annual general meeting on 15 October 2008. With specific reference to the non-audit services provided by the external auditor, 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.

With effect from 1 July 2008, in accordance with the requirements of the Corporate Laws Amendment Act, all non-audit specific service engagements with the external auditors were pre-approved by the Audit Committee. To improve the Company's internal auditing function during the year under review, the scope of the function was expanded and dedicated internal audit resources were obtained via a service provision arrangement with Ernst & Young Incorporated.

The Audit Committee discharged the functions ascribed to it in terms of the Companies Act and the JSE Listings Requirements as reported in the director's report on page 54.

## Appointments and Remuneration Committee ("Remcom")

During the year under review the members of Remcom were Mr Sean Jagoe (the chairman), Mr Angus Band, Mrs Nomhle Canca, Mr Pat Goss and Mr Gavin Tipper. The Company's chief executive officer and human resources executive attend relevant parts of Remcom's meetings by invitation.

When Mrs Nomhle Canca resigned from the Board on 12 November 2008 she simultaneously resigned from Remcom, as did Mr Pat Goss when he retired from the Board on 30 June 2009. On 11 June 2009 Mr Gavin Tipper was appointed as a member of Remcom.

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

| Name | 25/08/08 | 13/05/09 |
|---|---|---|
| SD Jagoe | ✓ | ✓ |
| AWB Band | ✓ | ✓ |
| NJM Canca | ✕ | ■ |
| PM Goss | ✕ | ✓ |
| GR Tipper | ▬ | ▬ |

Key: ✓ = in attendance ✕ = not in attendance
■ = resigned ▬ = not yet in office

Remcom assists the Board by overseeing the following activities:

- 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 therefore 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;
- 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

considers 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 shareholders.

**DEALINGS IN JSE SECURITIES**

The Company and its directors comply with the JSE Listings Requirements in respect of 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, until the release of the Group's interim and final results, respectively. The same arrangements apply for closed periods during other 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 to the JSE though the Stock Exchange News Services (SENS).

The company secretary regularly disseminates written notices to inform the directors, executives, and employees regarding the insider trading legislation, and advises them of closed periods.

**INVESTOR RELATIONS AND COMMUNICATION WITH STAKEHOLDERS**

The Company strives to be transparent, open and to have clear communications with all of its relevant stakeholders. In this regard, the Company seeks to continually improve upon its communication efforts though more detailed disclosure of relevant financial and other information. The Board appreciates the importance of dissemination of accurate information to all stakeholders, and is willing to have open and relevant dialogue with all parties with whom the Company does business. Reports, announcements and meetings with investment analysts and journalists, as well as the Company website, are useful conduits for information.

All Board members 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 are available on request.

**KEEPING ABREAST OF LEGISLATIVE REQUIREMENTS**

The Company's internal legal advisers and company secretary keep the Company abreast of generic and industry specific legislative and regulatory developments such as the Foodstuffs, Cosmetics and Disinfectants Act and the Health Act, as well as the food safety and labelling regulations published in terms of this legislation. In particular, during the year under review the Company has re-educated its senior staff on the requirements, both in substance and form, of the Competitions Act, 89 of 1998, and has commenced a Group-wide education programme on the Consumer Protection Act, 68 of 2008. The Company also remains apprised of developments regarding the Companies Act, 71 of 2008, and the Draft King III Report on Corporate Governance in South Africa, and during the year ahead the Company will prepare itself for the changes that these will bring about.

**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, through which the Company has recently become a signatory to the South African Marketing to Children Pledge. Care is taken to ensure that proceedings at these forums do not contravene competition regulations.

**REMUNERATION, SHORT AND LONG-TERM INCENTIVES AND RETIREMENT FUND BENEFITS**

Once the Board has approved the Company's remuneration and reward policy, Remcom is entrusted with its implementation.

Remuneration levels are set with reference to independent salary surveys on a regular basis, taking cognisance of specific skill requirements. At least once every two years Remcom appoints an independent remuneration consultant to review the remuneration paid to the Group's executive management as well as selected positions within the next levels of management. The salary curve for each band is also compared to published industry statistics. Where bargaining units exist within the operations, negotiations take place with recognised unions.

The Company endeavours to remunerate its employees that are regarded as established performers from the market median to the upper quartile, depending on their individual contributions to the Company. Employees that are clear out performers may be remunerated from the upper quartile to above; while employees that are regarded as under performers are paid below the median and are actively managed. This approach recognises both the market forces in play and the heightened requirement to attract and retain talented employees.

Annual or short-term incentives are based on both the financial achievement of the business unit to which an employee is accountable and on individual performance measured against the achievement of key performance indicators. Executive management recommends annual incentives to Remcom for approval. Remcom retains the absolute discretion to authorise incentives.

The annual incentives payable to executive management, for targeted levels of performance, range between 20% and 60% of the cost to company, as deemed appropriate by Remcom and determined with reference to market norms. The actual incentive payment for the year under review for executive management was 31,2% of the total cost to company of this group of employees, excluding the cost of the incentives.

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, rewarded adequately for their efforts, and that their interests are aligned with the interests of shareholders.

The share incentive schemes currently in operation at the Company were all approved by shareholders. There are currently four share incentive schemes in place – the AVI Limited Share Incentive Scheme, its successor the AVI Limited Executive Share Incentive Scheme, the AVI Limited Out-Performance Scheme and the Black Staff Empowerment Share Scheme. The participants are all approved by Remcom.

In addition to the Company's long-term incentive schemes, the Group's subsidiary companies operate so-called "phantom share schemes" which enables the Company to reward appropriate employees for the results that their efforts generate within the subsidiaries in which they are employed. Notional shares in the subsidiaries are granted to deserving employees that are either within the top three levels of management or that are regarded as key skills that require retention. The value of the shares is calculated based on the Group's price earnings ratio and the audited headline earnings of the relevant subsidiary Company, with constraints to ensure that the schemes do not reward undeserved outcomes. Remcom approves the allocations.

Specific approval was granted by shareholders for the shares made available for the Black Staff Empowerment Share Scheme and a maximum of 6% of the issued share capital of the Company may be allocated to the other share incentive schemes. In addition no individual may accumulate more than 2% of the issued share capital. The current allocations to share schemes, excluding the Black Staff Empowerment Share Scheme, represent 2,2% of the issued share capital of the Company. Details of share options issued are set out on pages 57 to 60.

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. Details of remuneration and fees of directors are disclosed on page 63.

Defined contribution pension and provident fund arrangements exist throughout the Group. Retirement funding contributions are charged against expenditure when incurred. The assets of such 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.

## 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 Company in the context of all stakeholders – shareholders, consumers, employees, customers, suppliers, government, and local communities.

AVI Limited ("AVI") has a well-run governance framework that enables it to identify and manage those material sustainability issues that exist, or that may come to exist. AVI also operates in a manner that ensures that the needs of the present generation of stakeholders are met, without compromising the ability of future generations to meet their needs. Depending on the matter at hand, it is monitored and managed, for example, by the appropriate diversity committee, health and safety committee, internal review committee or the audit committee. Executives within the Group, however, remain responsible for specific matters and are held accountable for their successful implementation and management.

Matters that are deemed to be of a material nature, or that require heightened focus, are elevated to AVI's Board of directors. AVI has also appointed a senior resource to co-ordinate the Group's efforts and to ensure that sufficient focus is given by the operations to those matters that are deemed to be of importance.

AVI 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 in the long term. Ethics are central to AVI's culture, the behaviour of its employees and assist in establishing a willingness to accept and embrace broader issues in our society, forming the basis of AVI's interactions with its stakeholders;
- Scarce resources – in order to ensure that future generations have access to the scarce resources on which AVI is reliant, and AVI's viability is not compromised in the long term, the Group is intent on carefully managing those scarce resources relevant to its operation. In addition to managing the very specific risk relating to its hake fishing resources, AVI is committed to the application of sustainable practices across its operations; and
- Transformation and good corporate citizenship – AVI recognises the 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. AVI also recognises the need to be, and to be seen as, a good corporate citizen that is desirable to do business with.

## ETHICS

AVI has a well-established Code of Ethics that applies to all directors and employees and provides clear guidance on what is considered to be acceptable conduct. This code requires all directors and employees to maintain the highest ethical standards and ensure that AVI's affairs are conducted in a manner which is beyond reproach. During the year this code was re-communicated across the Group.

In order to ensure compliance with the Code of Ethics, and to promote proper behaviour in general, AVI 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 AVI's Board of directors. This formal framework is supported by the Group's internal audit function, which is responsible to investigate identified areas of concern and to report their findings to the chief financial officer of the Group. The Group continues to subscribe to "Tip-offs Anonymous", an independent hotline service that facilitates confidential reporting on fraud and other unethical conduct.

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

## SCARCE RESOURCES

AVI's primary exposure to scarce resources that could materially impact its business is the performance of its fishing resources in South Africa and Argentina. Although the Argentinian operation is being held for sale, its value to prospective purchasers is materially underpinned by its access to hake quotas and the performance of the Argentinian hake resource. Both operations have secured long-term hake fishing rights at levels that can support economic returns provided that the resources are healthy.

In South Africa access to marine resources is managed by Marine and Coastal Management ("MCM"), a division of the Department of Environmental Affairs. MCM sets an industry-wide annual quota or "total allowable catch" ("TAC") for each species under management. MCM, in its response

to its concern over the viability of the South African hake resource has decreased the industry-wide TAC by 25% over the last four years, including a 9,2% reduction for 2009 which has resulted in I&J's hake quota for 2009 being reduced by this percentage to 33 199 tons. Since 2007 the South African hake resource has shown an encouraging increase in total bio-mass and continues to do so. Material improvements in catch rates over the last few years are a further indicator of improving health of the resource. While MCM's management of the resource is appropriately conservative it is hoped that improved recording and monitoring procedures will provide a basis for MCM to increase the TAC from 2010.

The South African deep sea and inshore trawl hake fisheries are currently being re-certified in meeting the Marine Stewardship Council ("MSC") environmental standard for sustainable fishing. This certification gives assurance to buyers and consumers that their seafood comes from a well managed and sustainable resource and is increasingly relevant in I&J's export markets.

I&J strives to lead the way with initiatives to manage fishing effort and protect breeding areas off the South African coast. Effort control measures introduced in 2008 are being monitored and I&J is committed to engaging with MCM to ensure compliance and enforcement thereof.

For many years I&J has had good working relations with WWF 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. More recently WWF and I&J, together with other major South African fishing companies, have 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 on which life and human benefits depend. The goals of the RFA include promoting

This product comes from a fishery which has been certified to the Marine Stewardship Council's environmental standard for a well-managed and sustainable fishery. www.msc.org

responsible fisheries practices, influencing policy on fishery governance, skills development to enable the implementation of an Ecosystem Approach and facilitating high quality ecological, socio-economic and governance related research to inform the implementation of an EAF.

The Argentinean hake resource is managed in a similar way to the South African resource, with the additional imposition of restricted fishing areas for part of the year. The Argentinian TAC was reduced slightly for the 2009 calendar year, resulting in a 1,9% reduction in Alpesca's quota to 19 875 tons.

## TRANSFORMATION AND GOOD CORPORATE CITIZENSHIP

### Transformation

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

AVI continues to progress its 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 against the generic BBBEE scorecard. A central senior manager actively co-ordinates the Group'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 various initiatives. During the year under review significant time and funds were invested in progressing the transformation plans that had been developed during the previous year. The progress of these plans was reviewed at half year and revised activities were agreed upon, where necessary. The Group's transformation efforts and achievements were kept top of mind through active engagement with the operations and improved communication.

EMPOWERLOGIC
Your Logical Empowerment Solution
Broad Based Black Economic Empowerment Verification Certificate
AVI Limited and Subsidiaries
Level 6 Contributor

Company Name: AVI Limited and Subsidiaries
Registration Number: 1944/017201/06
VAT Number: Refer page 2
Address: 2 Harries Road, Illovo, 2196, Johannesburg

BBBEE Status Level: Level 6
Issue Date: 21/08/09
Expiry Date: 20/08/10
Version: Final
Applicable Scorecard: Codes - Generic
Applicable BBBEE Codes: Generic Codes Gazetted on 9 February 2007

EmpowerLogic (Pty) Ltd
BBBEE Verification Agency
SANAS Accredited

As a result of the Group's collective efforts AVI's consolidated BBBEE rating has improved markedly from June 2008 to June 2009, from a level 7 (at 40.13 points) to level 6 (at 46.15 points). The most significant contributions to this improvement came from progress in the preferential procurement, skills development and employment equity areas. Preferential procurement was given heightened focus with the Group's procurement specialists operating together on key initiatives. Relevant skills development has accelerated under the stewardship of a Group learning and development manager.

### Ownership

The AVI Black Staff Empowerment Share Scheme ("the Scheme"), which was launched during January 2007, has placed 7,7% of AVI's total issued share capital or 26 million ordinary AVI shares in a trust for the benefit of its eligible black employees. They will benefit from growth in the share price over a seven-year period, with each tranche vesting after five years. To date approximately 6 300 employees have benefited as participants.

The immediate challenge for the Scheme, much as last year, is to ensure that it remains meaningful in light of the current economic environment that has resulted in AVI's share price declining in line with the rest of the South African equity market. In order to maintain the momentum of the Scheme, a dedicated Scheme Communicator was appointed during the year under review and the communication strategy to the Scheme's participants was revitalised.

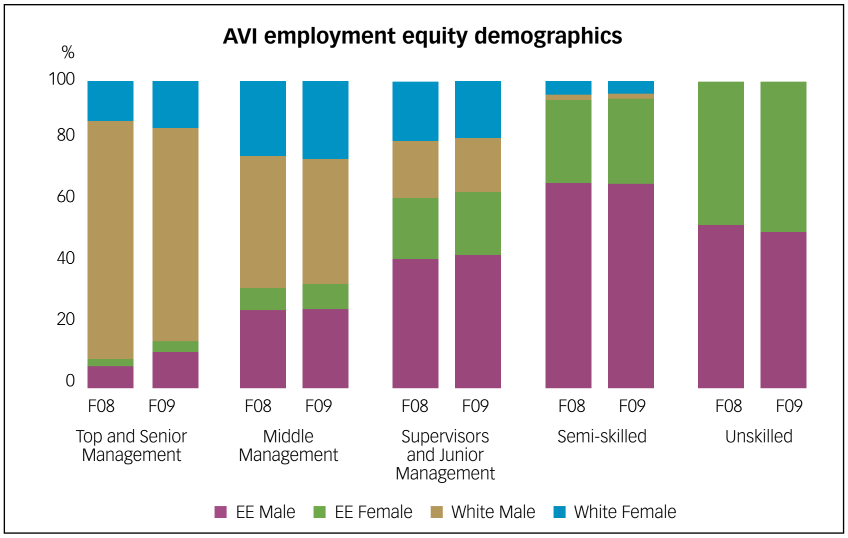
As previously reported, AVI unfortunately does not get recognition for the Scheme in its BBBEE scorecard calculation due to the manner in which the Scheme has been constructed. It is not deemed to be a share ownership scheme as it is share-option based and does therefore not give immediate ownership rights to the participants. The Scheme however promotes real broad-based black empowerment as each participant receives a material allocation of share options that is determined as a proportion of his or her annual cost of employment. Changes to the Scheme that could address this shortcoming are being evaluated.

### Management control and employment equity

During the year under review AVI has accelerated its efforts to appoint, develop and retain black employees, especially where under-represented in the management and executive bands. AVI's employment equity efforts, that are expected to show success in the medium term, remain behind training, developing and mentoring black employees with the objective of preparing them for more senior roles. While demographic compositions seem similar year-on-year, these have shown improvement with key senior roles being populated with talented black candidates. This remains an area of focus in the year ahead. The Group's employment equity demographics are set out below:

### Skills development

There has been a step change in skills development and learning during the year. AVI has appointed a senior learning and development manager to address the diverse learning and development needs across the Group. The initial focus has been in those areas of greatest need with an emphasis on adult basic education, supervisory and management skills training, general performance management and the development of appropriate learnerships. The focus is on bringing structure, standardisation and discipline to the Group's training efforts, to quality assure the different types of training adopted and to align AVI's training with its transformation objectives. During the year under review the Group spent an amount equivalent to 1,69% of its total payroll costs on skills development (in comparison with 0,8% in the previous year). I&J deserves special mention for its Best Practice Award for skills development interventions given to it by the Department of Labour.



*Skills training at I&J Trawlers*

## Preferential procurement

Preferential procurement was an area of particular focus during the year under review. A Group-wide preferential procurement forum was established, which is comprised of the specialist procurers in the Group. The forum was created to foster co-ordinated and standardized knowledge sharing and to establish better co-ordination of the Group's procurement efforts in respect of transformation. This collaboration has shown marked improvement in the Group's preferential procurement performance and continues to create opportunities for further improvements in the year ahead.

The process of creating a master list of all of the Group's suppliers (approximately 4 000 in number), with sufficient detail to contact them to ascertain their BBBEE rating and to understand the reliance on them by the Group, was materially progressed. Furthermore all supplier registrations had to be moved to the recently established Department of Trade and Industry IT portal, which will provide a single national catalogue of vendors and their BBBEE profiles. Where opportunities are readily available, suppliers with a higher BBBEE rating than their competitors continue to be favoured.

## Good corporate citizenship

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

AVI is concerned with consumer interests and has taken note of the provisions of the Consumer Protection Act, 68 of 2008 ("the Act"), which seeks to protect consumers in the act of buying goods or services. With the Act coming into effect on 29 October 2010, AVI will use the intervening time to ensure that all affected employees are given a sound working knowledge of the Act and to ensure that AVI's trading practices are compliant with the provisions of the Act. The AVI Board has been briefed on the principles and the framework of the Act and workshops with relevant employee groups have commenced. The Company is staying abreast of other impending legislation, such as the Foodstuffs, Cosmetics and Disinfectants Act and the Health Act which cover issues such as food safety and labeling regulations and will work pro-actively to comply with new requirements.

## Health, safety and wellness

AVI 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 to the food handling industry and ensures that consumers are protected and quality 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


*On-site safety reinforcement at Indigo Cosmetics*

when required, and if necessary they elevate matters to the internal review committees that they report to. If necessary, matters are referred to AVI's Board of directors. There are also various supplementary health and wellness initiatives that form part of AVI's employee engagement framework.

AVI's safety record is viewed against the industry standard disabling injury frequency rate ("DIFR"), which measures the percentage of employees that suffer a disabling injury for every 200 000 man hours worked. A disabling injury is an injury that causes an employee to miss a shift following the one on which they were injured. At a Group level AVI achieved a DIFR of 1.03 for the year, which is an improvement on the DIFR of the previous year of 1,20. Singular and material events cannot, however, be lost in statistics, and it is with regret that we report a work-related fatality on a Denny Mushrooms' farm during the year. The deceased was fatally injured when he operated equipment he was not trained on and was not authorised to operate. All efforts, including airlifting him to a private hospital, failed to save him. Those employees affected by this tragedy were given trauma counselling, and the standard operating procedures that would have averted this fatality were reinforced.

The high safety standards adopted by the operations are enhanced by accreditation with independent standard-regulating authorities. The material manufacturing and food handling sites have achieved and maintained Hazard Analysis and Critical Control Point Certification. AVI's tea, coffee, biscuit and cosmetics manufacturing sites are ISO 9001 certified (which relates to their quality management systems) with the Durban tea factory and the biscuit factories also ISO 14001 certified (which relates to their environmental management systems). In addition the Denny Farms have EUREPGAP certification for Good Agricultural Practices (a standard of the Global Partnership for Safe and Sustainable Agriculture), and the I&J Woodstock and Blockbusters sites have BRC (British Retail Consortium for Global Standards) and SABS 1841 (Control of Quantity – Trade Metrology Act) certification. All AVI sites are reviewed annually by Alexander Forbes Risk Management and continual improvement is driven through risk committees at each site.

AVI 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.

AVI continues to recognise the detrimental social and economic impact that HIV/AIDS is having in South Africa. Policies and practices have evolved over the years that included 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.

consumer goods council food safety initiative

*AVI is a Top 50 subscriber to the Food Safety Initiative*

Following the success of the group-wide HIV/AIDS voluntary counselling and testing ("VCT") programme that was introduced in 2007, AVI continues to offer this service to all sites on an annual basis and it will be re-run during 2010.

The programme achieved the objectives of raising awareness, increasing significantly the number of employees that know their HIV status and providing AVI with detailed information per site so that its efforts are appropriately focused.

Snackworks' Rosslyn site is particularly well managed from a wellness perspective and during the year AVI has used this site's approach to wellness and its health practitioners to materially enhance the approach to wellness at its other sites. A number of the Group's occupational health practitioners, human resource managers, and diversity work group members were trained to deal with wellness holistically instead of just focusing on HIV/AIDS. In order to foster a culture of wellness, much like at the Rosslyn site, champions of wellness have been nominated and trained at other sites and they are engaged with regularly at a Group level to equip them to provide support and assistance to employees on their sites.

AVI'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. These clinics play a material role in the day-to-day healthcare management of AVI's lower income earning employees.

In support of all the other wellness initiatives undertaken, during the third quarter of the year, AVI introduced a specific employee wellness programme. The programme gives employees and their immediate family members access to a free, full and diverse range of confidential personal support and information services, provided by an independent third-party provider. The services include telephone and face-to-face counselling for trauma and day-to-day issues; life management services including legal advice, financial management and family care services. Although in its infancy, the wellness programme has been very well received and the underlying services are being well used.

*Champions of Wellness training*

## Corporate social investment

AVI's corporate social investment ("CSI") programme is aimed at bringing about positive social and economic changes to historically disadvantaged communities to enhance the environment within which the company operates. On an annual basis an amount of 1% of the Group's pretax profits achieved in the previous year is set aside for this purpose. The areas of focus are education and skills development; sports, arts and culture; the environment and health and welfare. Grants are managed through various established structures within the Group but mostly through the AVI Community Investment Trust. The 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 review that they achieve what they set out to do.

During the year approximately R8,5 million was spent on the CSI programme. In addition, Snackworks continued to fund the successful Bakers Mini Cricket Sport development programme. Including this initiative, the total CSI contribution was in excess of R15,5 million during the year.

Some of the more noteworthy initiatives were:

- STAR Schools – 450 underprivileged grade 10, 11 and 12 learners from 27 schools were sponsored to attend the Star Schools programme, which provided them with extra schooling in Mathematics, Science and English.

The matriculants achieved a 96% pass rate in comparison to the national average of 62,5%. 71% of those Star Schools' scholars that passed achieved a university exemption, compared to a 20,2% national average;

- Tertiary Education Bursaries – bursaries for tertiary education at various universities, technikons and colleges were provided to 24 students from disadvantaged backgrounds, of which 11 had graduated from the Star Schools programme. This programme has grown from seven students in 2008. Students have been selected based on their financial means, academic results and preferred field of study. A student mentorship initiative is running parallel to the graduate programme. AVI employees have been trained as mentors and are appointed to mentor individual students.
- St Mary's Hospital's Home Based Care and Drop-In Centre – AVI has continued to support St Mary's Hospital's community outreach programme, which cares for impoverished rural communities in the surrounds of Snackworks' Westmead (Durban) operation. AVI's contribution is used to support homecare for the terminally ill and to purchase provisions for seven drop-off centres' where day care, food and basic education stimulation are provided to vulnerable children and orphans from the community;
- WARMTH (War Against Malnutrition Hunger and Tuberculosis) Kitchens – Warmth operates 37 community kitchens in disadvantaged areas in the Western Cape. Each kitchen, operated by local women in the community who generate their income from the sale of the meals, provides approximately 350 to 500 low cost nourishing meals per day to those in need. I&J's contribution assists towards the supplies needed and the operating costs of five kitchens;
- Rural Education Access Programme (REAP) – REAP assists carefully selected matriculants from poor rural communities to obtain tertiary education. Included in this assistance is a comprehensive support programme for the duration of their undergraduate studies. AVI's donation covered various overheads for REAP, which has now been supported by AVI for a number of years.
- Woman Development Bank – Micro Finance (WDB-MF) – The WDB-MF programme is based on and supported by the Grameen Bank of Bangladesh which gives micro loans to poor rural women to help them out of poverty. WDB-MF began its pilot programme in South Africa in the Acornhoek, Mpumalanga area and has identified the Eastern Cape province as its current area of focus. AVI has sponsored a branch for two years to assist with the economic development of this impoverished community.
- Heartworks – Heartworks is an organisation that rehabilitates prisoners with maximum sentences who are about to be released back into the community by offering life skills courses conducted by volunteers.
- David Rattray Foundation – AVI contributed materially towards the David Rattray Foundation to continue the work of the existing Rorke's Drift Education Fund and the Isandlwana Education Appeal Trust, the aim of which is to improve educational opportunities in impoverished areas and develops schools in need in the area.
- The New Venture Creation Learnership, implemented by I&J through a discretionary grant from the Transport, Education and Training Authority, teaches entrepreneurship and business skills to small, micro and medium-sized enterprises (SMMEs) – specifically black-owned businesses. It is anticipated that this will lead to the establishment of several new SMMEs, some of which may provide services to I&J.
- The AVI Employee Volunteer Week – Greater Good South Africa assisted AVI to arrange an opportunity for Gauteng-based corporate staff to participate in a one day volunteer programme aimed at having employees contribute to local communities. The programme ran from 3 to 7 November 2008 and was well received by the beneficiaries. 124 AVI employees took part in the initiative.


*Launch of Woman Development Bank's Flagstaff office*

*Participants in the Heartworks programme*

## Environmental practices

AVI pursues responsible environmental practices. This involves compliance with all applicable environmental legislation and the practice of responsible environmental management related to inputs (material, energy and water) and outputs (emissions, effluents and waste) affecting ecosystems and communities. An independent party conducts annual environmental audits at each manufacturing site. The audit measures the impact that the particular operation has on its environment and reviews compliance with legislation and Group policy.

During the year under review some of the Group's achievements were:

- Environmental controls – An effluent separation unit was installed at the Isando biscuit manufacturing site, which removes fat and organics from the effluent being discharged into the municipal system. The Durban tea factory has maintained its ISO 14001 certification and has continued making progress with projects such as the removal of all asbestos roof sheeting, and recycling the empty foil lined bags in which tea is delivered to the factory. The Rosslyn snacks' site has documented its ISO 14001 system and scheduled its external audit for August 2009;
- Energy conservation – Automation of the boiler at Rosslyn snacks' site has reduced air pollution through more effective combustion. The Rosslyn site has also installed an electricity usage system with a view to improving power utilisation and achieving costs savings;
- Fuel consumption – More efficient route planning and the review of the distribution networks remain a focus and fuel consumption, with the attendant reduction in emissions, across the Group continue to improve;
- Environmental management – Denny only uses imported peat to cultivate mushrooms, most of which is mined as a result of urban encroachment rather than as a deliberate process of utilisation of scarce resources and is managed in terms of guidelines published by the International Peat Society and the International Mire Conservation Group.

*AVI Employee Volunteer Week*

# BOARD OF DIRECTORS

*Back row (from left to right):*

**Gavin R Tipper** (44)
**Qualifications:** BCom, BAcc (Wits), MBA (UCT), CA(SA)
**Directorships:** AVI Limited, Interwaste Holdings Limited, Coronation Investments & Trading Limited and chairman of CIREF Ltd, an AIM London listed company.

Gavin completed his articles with KPMG in 1987. He went on to hold the position of technical partner at the firm, before joining Coronation Holdings Ltd in 2001 as chief operating officer. He is an executive director of its successor company CIT dealing in various financial instruments and long-term equity investments. Gavin was appointed to the AVI Board during March 2007 where he also serves as a member of the audit and remuneration committees.

**Owen P Cressey** (42)
Chief financial officer
**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 Board of AVI Limited as chief financial officer in May 2006.

**Nombulelo T Moholi** (49)
**Qualifications:** BSc Engineering (UCT), SEP (Stanford, USA), SMMP (Harvard, USA)
**Directorships:** AVI Limited, GOBA (Pty) Ltd.
Managing Director: Telkom South Africa.

Nombulelo has over 20 years experience in the ICT industry. After qualifying as an engineer she worked at GEC and Siemens. She joined Telkom SA as the head of the Payphone business in 1994, served as a group executive in Regulatory Affairs until 1999, and managing executive for International and Wholesale Business until 2003. She then assumed the position of chief sales and marketing officer and Exco member. During this period she was appointed by the South African Government in various non-executive roles such as the Council of Pretoria Technikon, the SABS and various telecommunications advisory forums. She was Director Group Strategy Marketing, and Corporate Affairs at Nedbank before joining Telkom in May 2009.

*Front row (from left to right):*

**Adriaan Nühn** (56)
**Qualifications:** BBusAdmin (Hogere Economische School, The Netherlands), MBA (Univ of Puget Sound, Washington)
**Directorships:** AVI Limited, Alpinvest Partners NV, Macintosh Retail Group NV, Leaf BV, Sligro Food Group BV and Heiploeg NV.

Adriaan started his career as a financial analyst with Xerox Corporation, after which he spent 10 years with Procter & Gamble in Belgium, South Africa, Sweden and Austria. He then spent 17 years at Sara Lee Corporation, the last five years of which he was CEO and chairman of the Board of Management of Sara Lee International.

**Simon L Crutchley** (46)
Chief executive officer
**Qualifications:** BBusSci (UCT)
**Directorships:** AVI Limited.

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

**Angus WB Band** (57)
Chairman
**Qualifications:** BA, BAcc (Wits), CA(SA)
**Directorships:** Chairman: AVI Limited. Director of the Consol Group, Liberty Group Limited and Aveng Limited.

Angus joined AVI as an executive director in 1997 and was appointed chief executive officer of National Brands Limited in 1998 and Group chief executive officer of AVI Limited in 1999. He is currently chairman of AVI Limited and Aveng Limited.

*Back row (from left to right):*

**James R Hersov** (44)
**Qualifications:** MA (Cantab)
**Directorships:** AVI Limited.

James was co-founder and joint managing director of Otterbea International (Pty) Limited from 1989 through 1994. He was appointed a director and member of the executive committee of Anglovaal Limited in 1994 and served as a Director and member of the Audit and Risk Committee until 2008. He was appointed to the Board of Aveng Limited in 1999. He has also served as a director of Control Instruments Group and Wesbank.

**Kim E Macilwaine** (52)
**Qualifications:** BA (Business Studies) (Hons) UK
**Directorships:** AVI Limited.

Kim joined Unilever (UK) in 1979 and spent the next 25 years working for the Unilever Group. He was Managing Director and the Chairman of the Unilever Food business in South Africa from 1996 to 2004. Kim was appointed to the AVI Board in March 2009.

**Robert S Katzen** (41)
Business development director
**Qualifications:** BAcc (Wits), CA(SA)
**Directorships:** AVI Limited.

After completing his articles at Coopers & Lybrand, Rob joined its corporate finance division in 1993. He was corporate finance manager for the Anglovaal Limited Group in 1995 and held this position until the final restructuring of the group in 1999, when he was appointed to the Board of AVI Limited as finance director and held this position until appointed business development director of AVI Limited on 1 May 2006.

*Front row (from left to right):*

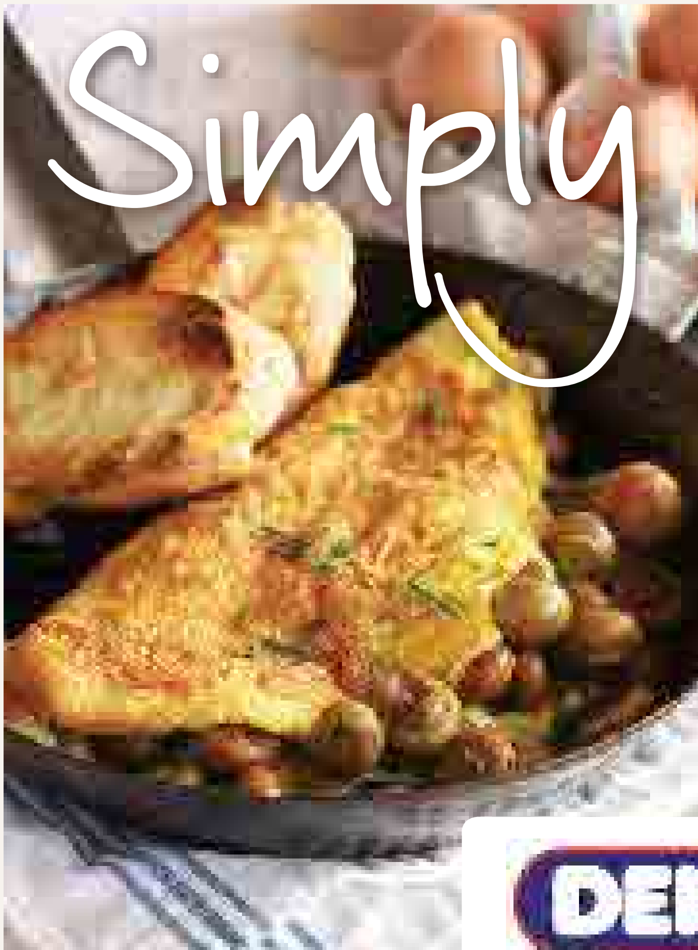
**Sean D Jagoe** (58)
**Qualifications:** BScEng (Wits), MBA (Trinity College, Dublin)
**Directorships:** AVI Limited, Ceramic Industries Limited and Reunert Limited.

After qualifying as an engineer, Sean worked in the mining equipment industry for five years. He obtained an MBA and has been involved in corporate finance and mergers and acquisitions for 26 years through senior positions held at, inter alia, Rand Merchant Bank and Morgan Stanley.

**M Humphrey Buthelezi** (45)
**Qualifications:** CA(SA)
**Directorships:** AVI Limited, subsidiaries of the Wozani Group.

Humphrey completed his articles with Deloitte in 1990 and qualified in 1991. He ran his own audit practice for a period of eight years and then served as an audit partner at Ernst & Young for three years. Humphrey is actively involved in the petroleum industry where he is executive chairman of Wozani Berg Gasoline (Pty) Limited.

# Simply delicious



ESS4721/06/09 Photographs Denny

With so many varieties to choose from, Denny Mushrooms are undeniably the cream of the crop!

# Breakfast

## FLUFFY MUSHROOM OMELETTES

**Serves 4, ready in 25 min**

### INGREDIENTS

- ☐ **4 tbsp olive oil**
- ☐ **4tbsp butter**
- ☐ **125g Denny White Button Mushrooms**
- ☐ **2 garlic cloves, crushed**
- ☐ **25g fresh chives, chopped**
- ☐ **8 eggs, separated**
- ☐ **100g Cheddar cheese, grated**

1. Heat the **oil** and the 2 tbsp **butter** in a frying pan over a high heat. Add the **mushrooms** to the pan and toss well in the juices until tender.

2. Add the **garlic** and cook for a further minute, then season. Remove from the pan.

3.Put the **egg whites** into a large bowl and whisk until soft peaks form. Gently beat the egg yolks in a separate bowl, then fold into the egg whites until completely mixed.

4.Heat half the remaining butter in the pan over medium heat and when melted, add half the eggs. Cook for 2-3 min, until the underside is just set and golden. Sprinkle 1 side with half the **cheese** and add the mushrooms. Flip over the other half of the omelette and remove from heat.

Repeat to make the second omelette.

5. Halve each omelette and divide between four. Serve with toasted **ciabatta** or **rye bread.**

# Lunch

## SANDWICH IDEAS WITH DENNY

**Denny Mushrooms, lightly fried in butter, make a wonderful topping for your favourite chunky bread or wholewheat toast. Add chopped onions, peppers, bacon, grated cheese, fresh chopped herbs whatever takes your fancy!**


DENNY

# Dinner

## NO-FUSS LAMB SHANKS

**Serves 6, ready in 2 hours**

### INGREDIENTS

- ☐ **6 lamb chanks**
- ☐ **1 onion, chopped finely**
- ☐ **2 carrots, chopped finely**
- ☐ **1 tbsp fresh rosemary, chopped**
- ☐ **1 tbsp fresh thyme, chopped**
- ☐ **1 bay leaf**
- ☐ **500ml (2cups) wine**
- ☐ **750ml (3 cups) beef stock**
- ☐ **6 Denny Brown Mushrooms**
- ☐ **salt & pepper, to taste**

### SAUCE

- ☐ **60g butter**
- ☐ **30ml plain flour**
- ☐ **250ml hot milk**
- ☐ **salt & pepper, to taste**
- ☐ **250ml parsley finely chopped**

1. Put the **lamb shanks** in a covered ovenproof dish with the **onions, carrots, rosemary, thyme** and a **bay leaf.**

2. Cover with **wine** and **stock** and put in a preheated 200°C oven for 30 min. Turn the heat down to 150°C and cook for another 1½ hrs to 2 hrs without covering.

3. Place the **Brown Mushrooms** around the lamb shanks, spooning some of the liquid over them. Cook for a further ½ hr without covering.

4. Take out the lamb shanks and strain the liquid. Put the liquid into a saucepan and bring to the boil to reduce by half.

5. **For the sauce:** Put the reduced liquid aside. Melt the **butter** in a saucepan, add the **flour** and cook for a minute. Gradually add the **milk** and **reduced cooking liquid,** stirring continuously. Season and add **parsley**.

5. Pour the sauce over the lamb shanks and mushrooms, then serve.

# CONTENTS

June 2009





# APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements and Group annual financial statements which appear on pages 54 to 122 were authorised for issue by the Board of directors on 4 September 2009 and are signed on their behalf.

**AWB Band**
Non-executive chairman

**SL Crutchley**
Chief executive officer

# CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 268G(d) of the Companies Act, 1973, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies for the financial year ended 30 June 2009, all such returns required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

**VA Crystal**
Company secretary
Illovo, Johannesburg
4 September 2009

## To the members of AVI Limited

We have audited the Group annual financial statements and the annual financial statements of AVI Limited, which comprise the balance sheets at 30 June 2009 and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 54 to 122.

## Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of AVI Limited at 30 June 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

**KPMG Inc.**
Registered Auditor

**Per MCA Hoffman**
Chartered Accountant (SA)
Registered Auditor
Director
4 September 2009

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

## Business of the Company and 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 currently comprises trading subsidiaries that manufacture, process, market and distribute branded consumer products in the food, beverage, footwear, apparel and cosmetics sectors.

## Directors' responsibilities relating to the annual financial statements

The Company's directors are responsible for the preparation and fair presentation of the Group annual financial statements and separate parent annual financial statements, comprising the balance sheets at 30 June 2009, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

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

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

## Audit Committee report in terms of section 270A(1)(f) of the Corporate Laws Amendment Act (the Act)

The AVI Audit Committee has discharged the functions delegated to it in terms of the AVI Audit Committee charter and ascribed to it in terms of the Act.

During the period under review, the AVI Audit Committee among others:

(a) met on three separate occasions to review *inter alia* the year end and interim results of the AVI Group, as well as to consider regulatory and accounting standard compliance in so far as the same pertained to the Audit Committee and the AVI Group respectively;
(b) considered and satisfied itself that the external auditors KPMG Inc are independent;
(c) approved the external auditors' budgeted fees for the 2009 financial year and nominated KPMG Inc for appointment as the Group auditors for 2010;
(d) determined the non-audit-related services which the external auditors are permitted to provide to AVI and reviewed the policy for the use of the external auditors for non-audit-related services. All non-audit-related service agreements between the AVI Group and the external auditors are pre-approved;
(e) resolved to co-source the internal audit function with Ernst & Young during the year;
(f) confirmed the internal audit charter and audit plan for the 2009 and 2010 financial years;
(g) reviewed the IT Governance structure for the AVI Group;
(h) confirmed adequate whistle blowing facilities were in place throughout the AVI Group and reviewed and considered action taken with regard to incidence reports;
(i) 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;
(j) conducted a self-evaluation exercise into the effectiveness of the Audit Committee and reviewed the Audit Committee charter; and
(k) ensured that the Audit Committee complied with the membership criteria specified in the Act.

Furthermore, in terms of paragraph 3.84(h) of the JSE Listings Requirements, the AVI Audit Committee evaluated and satisfied itself as to the appropriateness of the expertise and experience of the Company's financial director.

For further details regarding the AVI Audit Committee, shareholders are referred to the Corporate Governance Report on page 33.

## Financial

The results of operations for the year are set out in the income statement on page 79.

Revenue and operating profit before capital items were generated from the Group's defined segments as follows:

| | 2009 Rm | 2008 Rm |
|---|---|---|
| **REVENUE** | | |
| **Continuing operations** | | |
| Branded consumer products | **7 452,7** | 6 646,1 |
| Corporate | **9,7** | 14,5 |
| | **7 462,4** | 6 660,6 |
| **Discontinued operations** | | |
| Alpesca | **428,8** | 445,5 |
| **Total** | **7 891,2** | 7 106,1 |
| A decision was made to disinvest from Alpesca in June 2008 and consequently the results of this operation have been disclosed as discontinued in both years. | | |
| **OPERATING PROFIT/(LOSS) BEFORE CAPITAL ITEMS** | | |
| **Continuing operations** | | |
| Branded consumer products | **921,0** | 818,8 |
| Corporate | **(12,5)** | (20,1) |
| | **908,5** | 798,7 |
| **Discontinued operations** | | |
| Alpesca | **4,6** | (10,2) |
| **Total** | **913,1** | 788,5 |

Details of this analysis are provided on pages 64 and 65 in the segmental report, which follows the directors' report.

A five-year summary of Group balance sheets, income statements and cash flow statements is presented on pages 26 to 31.

## Corporate activity

Information regarding the Company's interest in subsidiaries and details regarding associated companies, joint ventures and other investments is given on pages 109 to 111.

The principal changes were as follows:

- Effective 12 December 2008, National Brands Limited disposed of a non-core subsidiary that packed private label teas and coffees for R35,2 million (net of cash disposed of).
- In June 2008 AVI's Board resolved to disinvest from the Argentinean hake and shrimp operations conducted by Alpesca s.a. ("Alpesca"), a wholly owned subsidiary of Irvin and Johnson Holding Company (Proprietary) Limited ("I&J").

There were no other significant changes to investments.

## Share capital

Details of the Company's authorised and issued share capital are given in Note 8 to the annual financial statements on page 91.

**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 8 to the financial statements on page 91.

**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 any 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 21 October 2009.

## Dividends

Dividends, paid and proposed, are disclosed in Note 31 to the annual financial statements on page 104.

## Directorate

There were the following changes to the Board in the year under review. Ms NJM Canca resigned on 12 November 2008 and Mr KE Macilwaine joined the Board on 13 March 2009. Mr PM Goss retired as a member of the Board on 30 June 2009.

In terms of the Company's Articles of Association, Messrs OP Cressey, MH Buthelezi and RS Katzen retire at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election. In addition the appointment of Mr KE Macilwaine during the year needs to be approved at the forthcoming annual general meeting.

## Interests of the directors

The interests of the directors in the issued listed securities of the Company as at 30 June 2009 and 30 June 2008, being ordinary shares of 5 cents each, are as follows:

| | Direct number | Beneficial Indirect number | % of total |
|---|---|---|---|
| **At 30 June 2009** | | | |
| AWB Band | **346 861** | **–** | **0,1** |
| SL Crutchley | **539 545** | **–** | **0,2** |
| RS Katzen | **551 293** | **–** | **0,2** |
| **Total** | **1 437 699** | **–** | **0,5** |
| **At 30 June 2008** | | | |
| AWB Band | 346 861 | – | 0,1 |
| SL Crutchley | 539 545 | – | 0,2 |
| PM Goss[1] | – | 231 000 | 0,1 |
| RS Katzen | 409 325 | – | 0,2 |
| **Total** | 1 295 731 | 231 000 | 0,6 |

[1]*The holdings of Mr PM Goss have been moved to the public domain following his retirement.*

## Share incentive schemes

The interests of the directors are given on page 62 in the directors' remuneration report.

A summary of the movements in share incentive instruments is set out in the tables below.

| Date of grant | Exercise price R | Instruments[1] outstanding at 30 June 2008 number | Exercised number | Relinquished number | **Instruments[1] outstanding at 30 June 2009 number** |
|---|---|---|---|---|---|
| **THE AVI SHARE INCENTIVE SCHEME** | | | | | |
| September 2001 | 6,21 | 43 297 | – | (7 248) | **36 049** |
| November 2001 | 6,67 | 1 846 | (1 846) | – | **–** |
| May 2002 | 7,82 | 15 923 | (15 923) | – | **–** |
| | | 61 066 | (17 769) | (7 248) | **36 049** |

[1]*Includes options, scheme shares and any vested but unexercised rights.*

The options and/or scheme shares are available to be exercised as follows: 25% on the second anniversary of the date of granting of rights, 25% on the third anniversary, 25% on the fourth anniversary and 25% on the fifth anniversary. Any options and/or scheme shares not exercised on the tenth anniversary of such date of granting of rights will lapse.

| Date of grant | Exercise price R | Instruments[1] outstanding at 30 June 2008 number | Granted number | Exercised number | Relinquished number | **Instruments[1] outstanding at 30 June 2009 number** |
|---|---|---|---|---|---|---|
| **THE AVI EXECUTIVE SHARE INCENTIVE SCHEME** | | | | | | |
| 10 January 2003 | 8,18 | 28 376 | – | (15 877) | – | **12 499** |
| 1 July 2003 | 8,53 | 36 065 | – | (6 033) | (11 482) | **18 550** |
| 1 January 2004 | 9,55 | 70 736 | – | (22 339) | (3 626) | **44 771** |
| 1 July 2004 | 10,02 | 222 384 | – | (34 865) | (25 337) | **162 182** |
| 31 May 2005 | 12,62 | 1 469 955 | – | (626 807) | (871) | **842 277** |
| 10 October 2005 | 15,19 | 124 137 | – | (15 670) | – | **108 467** |
| 1 April 2007 | 19,39 | 462 635 | – | (23 721) | (56 860) | **382 054** |
| 1 October 2007 | 21,12 | 421 983 | – | – | (8 286) | **413 697** |
| 1 April 2008 | 16,26 | 1 530 538 | – | – | (16 728) | **1 513 810** |
| 1 October 2008 | 15,80 | – | 403 444 | – | (12 003) | **391 441** |
| 1 April 2009 | 15,91 | – | 1 800 364 | – | – | **1 800 364** |
| | | 4 366 809 | 2 203 808 | (745 312) | (135 193) | **5 690 112** |

[1]*Includes options, immediate shares and any vested but unexercised rights.*

The options and/or immediate shares are available to be exercised in their entirety in all cases three years after the effective date of granting of rights. Any options and/or immediate shares not exercised on the tenth anniversary (options issued before 2007) or fourth anniversary (issued after 2006) 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 or resignation.

| Date of grant | Exercise price | Instruments outstanding at 30 June 2008 | Granted number | Exercised number | Relinquished number | **Instruments outstanding at 30 June 2009** |
|---|---|---|---|---|---|---|
| **THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN** | | | | | | |
| January 2001 | 8,21 | 11 924 | – | (11 924) | – | **–** |
| January 2002 | 6,23 | 23 537 | – | (23 537) | – | **–** |
| January 2003 | 8,21 | 30 458 | – | (20 007) | – | **10 451** |
| January 2004 | 9,79 | 48 223 | – | (20 499) | – | **27 724** |
| January 2005 | 12,62 | 153 945 | – | (37 029) | – | **116 916** |
| October 2005 | 13,21 | 161 989 | – | – | – | **161 989** |
| January 2006 | 16,32 | 74 123 | – | – | (12 139) | **61 984** |
| April 2006 | 16,32 | 628 729 | – | (39 881) | (12 255) | **576 593** |
| May 2006 | 16,85 | 69 332 | – | – | – | **69 332** |
| October 2006 | 15,91 | 177 516 | – | – | (14 411) | **163 105** |
| April 2007 | 19,39 | 604 371 | – | – | – | **604 371** |
| | | 1 984 147 | – | (152 877) | (38 805) | **1 792 465** |

The above scheme is a cash-settled scheme in a subsidiary that is accounted for in terms of *IFRS 2 – Share-Based Payments,* since the share appreciation rights are directly linked to the AVI Ltd share price. The rights are available to be exercised in their entirety in all cases three years after the grant date. Any rights not exercised on the tenth anniversary (issued before 2007) or on the fourth anniversary (issued after 2006) of such date will lapse.

## The AVI Out-Performance Scheme

At the general meeting held on Wednesday, 24 October 2007, shareholders approved the adoption of the AVI Out-Performance Scheme ("OPS") to replace the AVI Equity Participation Scheme.

The maximum number of instruments in aggregate, which may be allocated in terms of the scheme shall not exceed 3% of AVI's issued share capital from time to time unless otherwise agreed by the Board and sanctioned by shareholders in general meeting.

### Overview of scheme principles

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 scheme shares are made to designated employees 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;
- depending on the peer group decile within which AVI's TSR will be ranked, between 0 times and 3,6 times the number of the scheme shares allocated to the participant will vest. No shares vest if AVI's TSR is ranked below the 40th peer group decile.

The Trust will deliver to each participant that number of AVI shares which shall have vested in respect of that participant. The cost of acquiring such AVI shares may be funded by way of contributions from employer companies in respect of participants who are their employees. The participants will not be required to pay the Trust for the delivery of AVI shares.

As the allocation of scheme shares is a notional allocation, the scheme shares so allocated will not attract any dividends or voting rights in the hands of participants until vested. On vesting the shares will rank *pari passu* in all respects with AVI shares.

## Out-Performance Scheme

| Date of grant | Grant price | Instruments outstanding at 30 June 2008 | Granted number | Exercised number | Relinquished number | **Instruments outstanding at 30 June 2009** |
|---|---|---|---|---|---|---|
| 31 October 2007 | 21,35 | 556 486 | – | – | (135 067) | **421 419** |
| 25 June 2008[1] | 14,47 | 816 209 | – | – | (816 209) | **–** |
| 1 October 2008 | 15,65 | – | 1 617 913 | – | (229 226) | **1 388 687** |
| | | 1 372 695 | 1 617 913 | – | (1 180 502) | **1 810 106** |

[1]*This allocation was withdrawn and included in the October 2008 allocation.*

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

## AVI Black Staff Empowerment Scheme

| Date of grant | Grant price | Exercise price[1] | Instruments outstanding at 30 June 2008 | Granted number[2] | Relinquished number | **Instruments outstanding at 30 June 2009** |
|---|---|---|---|---|---|---|
| **THE AVI BLACK STAFF EMPOWERMENT SCHEME TRUST** | | | | | | |
| January 2007 | 15,51 | 17,05 | 17 497 172 | 78 222 | (2 275 446) | **15 299 948** |
| October 2007 | 19,58 | 21,42 | 1 521 449 | 228 595 | (419 798) | **1 330 246** |
| April 2008 | 16,49 | 17,91 | 1 265 334 | 125 521 | (176 911) | **1 213 944** |
| October 2008 | 15,68 | 16,24 | – | 1 115 530 | (85 510) | **1 030 020** |
| April 2009 | 16,16 | 16,23 | – | 2 006 822 | – | **2 006 822** |
| | | | 20 283 955 | 3 554 690 | (2 957 665) | **20 880 980** |

[1]*The exercise price is calculated at 30 June 2009 in terms of the Trust deed, which sets the purchase price as an amount equal to the sum of:*
- *the grant price, plus*
- *an amount equal to a portion of the interest on the Trust loan attributable to such shares calculated to the date of exercise of the right to purchase; less*
- *any dividends received by the Trust in respect of the shares up to the date of exercise of the right to purchase.*

[2]*During 2008 a number of potential participants chose not to accept rights allocations. During 2009 an extensive education programme was conducted, and 534 employees accepted allocations previously granted to them. In addition, a complete review of payroll records was conducted, and employees who were entitled to participate in the first three tranches but had not been advised of this were granted rights.*

Participants have been granted a Right to Purchase from the Trust ordinary AVI shares in three equal tranches after the fifth, sixth and seventh anniversary of acceptance of the offer by the participant. The right to purchase is subject to the express condition that the participant is still an employee at the relevant exercise date. Allocations will occur semi-annually in April and October each year, but not later than the end of 2011. The Scheme shall terminate by no later than 12 years from inception.

## Restrictions

Sufficient 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 may not exceed 6% (presently 20 558 308 ordinary shares) of the total issued ordinary share capital of the Company. Each participant may not acquire share instruments or options under the Schemes which would amount in aggregate to more than 2% (presently 6 852 769 ordinary shares) of the total issued ordinary share capital of the Company. The total number of share instruments and options outstanding as at 30 June 2009 is 7 536 266, which equates to 2,2% of the issued share capital. The AVI Black Staff Empowerment Scheme Trust is not subject to these restrictions.

## Material shareholders

The Company does not have a holding company.

**Ordinary shares**

The beneficial holders of 5% or more of the issued ordinary shares of the Company at 30 June 2009, according to the information available to the directors were:

| | Number of ordinary shares | % |
|---|---|---|
| Liberty Group | 42 456 942 | 12,39 |
| Public Investment Corporation | 33 315 788 | 9,72 |
| AVI Black Staff Empowerment Scheme Trust | 26 487 980 | 7,73 |
| Coronation Fund Managers | 26 293 373 | 7,67 |
| Investment Solutions | 22 152 956 | 6,47 |
| AVI Investment Services (Pty) Ltd | 17 234 152 | 5,03 |

## Special resolutions passed by the Company and registered by the Registrar of Companies

The following special resolution has been passed by the Company since the previous directors' report dated 3 September 2008 to the date of this report.

- To authorise 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-balance sheet events

No significant events, outside the ordinary course of business, have occurred since the balance sheet date.

## Share Incentive Scheme interests

| THE AVI LIMITED SHARE INCENTIVE SCHEMES<br>Name | Date of grant | Exercise price per share R | Instruments[1] outstanding at 30 June 2008 number | Granted number | Exercised number | **Instruments[1] outstanding at 30 June 2009 number** |
|---|---|---|---|---|---|---|
| SL Crutchley | 27 September 2001 | 6,21 | 21 406 | – | – | **21 406** |
| | 01 July 2004 | 10,02 | 114 285 | – | – | **114 285** |
| | 31 May 2005 | 12,62 | 211 953 | – | – | **211 953** |
| | 1 April 2008 | 16,26 | 508 155 | – | – | **508 155** |
| | 1 April 2009 | 15,91 | – | 590 823 | – | **590 823** |
| RS Katzen | 31 May 2005 | 12,62 | 141 968 | – | (141 968) | **–** |
| | 1 April 2008 | 16,26 | 153 911 | – | – | **153 911** |
| | 1 April 2009 | 15,91 | – | 209 555 | – | **209 555** |
| OP Cressey | 10 October 2005 | 15,19 | 47 508 | – | – | **47 508** |
| | 1 October 2007 | 21,12 | 114 168 | – | – | **114 168** |
| | 1 October 2008 | 15,80 | – | 231 661 | – | **231 661** |
| | | | 1 313 354 | 1 032 039 | (141 968) | **2 203 425** |

*[1]Includes options and unexercised scheme shares.*

- *Unless specifically noted, all options are vested or vest three years after grant date, and lapse on the tenth anniversary (issued before 2007) or on the fourth anniversary (issued after 2006) of the grant date.*
- *None of the non-executive directors has share incentive scheme interests.*
- *The shareholdings of the directors are given in the directors' report on page 57.*

| THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN<br>Name | Date of grant | Exercise price R | Instruments outstanding at 30 June 2008 number | Granted number | **Instruments outstanding at 30 June 2009** |
|---|---|---|---|---|---|
| SL Crutchley | 1 October 2005 | 13,21 | 161 989 | – | **161 989** |
| | 1 April 2006 | 16,32 | 209 099 | – | **209 099** |
| | 1 April 2007 | 19,39 | 314 595 | – | **314 595** |
| RS Katzen | 1 April 2006 | 16,32 | 120 634 | – | **120 634** |
| | 1 April 2007 | 19,39 | 129 738 | – | **129 738** |
| OP Cressey | 1 May 2006 | 16,85 | 69 332 | – | **69 332** |
| | 1 October 2006 | 15,91 | 123 743 | – | **123 743** |
| | | | 1 129 130 | – | **1 129 130** |

The above scheme is a cash-settled scheme in a subsidiary that is accounted for in terms of *IFRS 2 – Share-Based Payments,* since the share appreciation rights are directly linked to the AVI Ltd share price. The options are exercisable in their entirety three years after the grant date. Any rights not exercised on the tenth anniversary (issued before 2007) or on the fourth anniversary (issued after 2006) of such date will lapse.

| THE AVI OUT-PERFORMANCE SCHEME<br>Name | Date of grant | Grant price R | Instruments outstanding at 30 June 2008 | Granted number | Exercise number | Relinquished number | **Instruments outstanding at 30 June 2009** |
|---|---|---|---|---|---|---|---|
| SL Crutchley | 31 October 2007 | 21,35 | 98 810 | – | – | – | **98 810** |
| | 25 June 2008[1] | 14,47 | 97 194 | – | – | (97 194) | **–** |
| | 1 October 2008 | 15,65 | – | 250 549 | – | – | **250 549** |
| RS Katzen | 31 October 2007 | 21,35 | 43 414 | – | – | – | **43 414** |
| | 25 June 2008[1] | 14,47 | 25 622 | – | – | (25 622) | **–** |
| | 1 October 2008 | 15,65 | – | 90 218 | – | – | **90 218** |
| OP Cressey | 31 October 2007 | 21,35 | 45 175 | – | – | – | **45 175** |
| | 25 June 2008[1] | 14,47 | 53 324 | – | – | (53 324) | **–** |
| | 1 October 2008 | 15,65 | – | 124 197 | – | – | **124 197** |
| | | | 363 539 | 464 964 | – | (176 140) | **652 363** |

*[1] This allocation was withdrawn and included in the October 2008 allocation.*

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

## Emoluments

Paid to directors of the Company by the Company and its subsidiaries

| | 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Salary R'000 | Bonus and performance related payments R'000 | Pension fund contri-butions R'000 | Gains on exercise of share options R'000 | Other benefits and allowances R'000 | Total R'000 | 2008 R'000 |
| **EXECUTIVE DIRECTORS** | | | | | | | |
| SL Crutchley | **3 366** | **1 550** | **405** | **–** | **229** | **5 550** | 5 695 |
| RS Katzen | **1 706** | **607** | **198** | **721** | **116** | **3 348** | 3 585 |
| OP Cressey | **1 834** | **756** | **219** | **–** | **165** | **2 974** | 3 041 |
| | **6 906** | **2 913** | **822** | **721** | **510** | **11 872** | 12 321 |
| **NON-EXECUTIVE DIRECTORS' AND COMMITTEE FEES** | | | | | | | |
| AWB Band (chairman) | | | | | | **667** | 425 |
| MH Buthelezi | | | | | | **241** | 190 |
| NJM Canca[4] | | | | | | **64** | 140 |
| AR Evans[1] | | | | | | **–** | 49 |
| PM Goss[6] | | | | | | **136** | 140 |
| JR Hersov | | | | | | **186** | 110 |
| SD Jagoe | | | | | | **252** | 170 |
| KE Macilwaine[5] | | | | | | **47** | |
| NT Moholi[3] | | | | | | **116** | 64 |
| A Nühn[2] | | | | | | **367** | 233 |
| GR Tipper | | | | | | **236** | 155 |
| | | | | | | **2 312** | 1 676 |
| | | | | | | **14 184** | 13 997 |

[1]*Retired 24 October 2007*
[2]*Appointed 16 November 2007*
[3]*Appointed 1 December 2007*
[4]*Resigned 12 November 2008*
[5]*Appointed 13 March 2009*
[6]*Retired 30 June 2009*

Details relating to the Group's remuneration practices are set out in the Corporate Governance report on pages 33 to 37.

| | Continuing operations | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Entyce | | Snackworks | | Chilled & Frozen Convenience Brands | | Out of Home | |
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| **Revenue from customers** | **1 670,5** | 1 547,5 | **2 015,6** | 1 677,2 | **1 916,3** | 1 775,4 | **449,7** | 392,7 |
| Total segment revenue | **1 704,5** | 1 583,7 | **2 036,8** | 1 698,3 | **1 916,3** | 1 775,4 | **451,1** | 398,3 |
| Intersegment revenue | **(34,0)** | (36,2) | **(21,2)** | (21,1) | **–** | – | **(1,4)** | (5,6) |
| **SEGMENT RESULT** | | | | | | | | |
| Operating profit/(loss) before capital items | **223,4** | 189,1 | **184,6** | 185,8 | **261,0** | 194,9 | **55,8** | 42,7 |
| Share of equity accounted earnings of JVs | **–** | – | **–** | – | **15,3** | 17,2 | **–** | – |
| Operating profit from ordinary activities | **223,4** | 189,1 | **184,6** | 185,8 | **276,3** | 212,1 | **55,8** | 42,7 |
| Income from investments | **67,6** | 23,8 | **16,5** | 17,7 | **44,0** | 50,3 | **6,1** | 5,5 |
| Interest expense | **56,4** | 51,4 | **39,4** | 21,2 | **47,7** | 31,8 | **13,7** | 7,1 |
| Taxation | **80,2** | 59,8 | **46,1** | 52,2 | **95,1** | 72,7 | **13,6** | 11,7 |
| Segment profit/(loss) before capital items | **154,4** | 101,7 | **115,6** | 130,1 | **177,5** | 157,9 | **34,6** | 29,4 |
| Capital items (after minorities and tax) | | | | | | | | |
| Profit for the year | | | | | | | | |
| **SEGMENT ASSETS** | **829,8** | 802,4 | **984,0** | 906,6 | **1 892,5** | 1 862,0 | **330,4** | 367,9 |
| **SEGMENT LIABILITIES** | **928,3** | 805,2 | **601,0** | 480,4 | **1 011,4** | 905,8 | **185,0** | 170,4 |
| **CAPITAL** | | | | | | | | |
| Additions to property, plant and equipment | **60,5** | 53,3 | **44,8** | 58,3 | **74,4** | 40,4 | **22,7** | 25,3 |
| Depreciation and amortisation | **28,6** | 18,0 | **28,0** | 35,5 | **55,3** | 52,0 | **18,6** | 18,2 |
| Impairment losses/(reversals) | **16,8** | 4,3 | **–** | 2,9 | **2,5** | (0,1) | **3,8** | (2,0) |
| Number of employees at year end | **831** | 847 | **2 323** | 2 616 | **3 195** | 3 573 | **393** | 496 |

| Total operations | **2009 Rm** | **2009 %** | 2008 Rm | 2008 % |
|---|---|---|---|---|
| **Segmental revenue by market** | | | | |
| The Group's consolidated revenue by geographic market, regardless of where goods were produced, was as follows: | | | | |
| South Africa | **6 254,9** | **79,3** | 5 523,2 | 77,7 |
| International operations | **729,1** | **9,2** | 747,2 | 10,5 |
| Exports from South Africa | **907,2** | **11,5** | 835,7 | 11,8 |
| | **7 891,2** | **100,0** | 7 106,1 | 100,0 |
| **Analysis of non-current assets* by geographic area** | | | | |
| South Africa | **2 128,1** | **92,0** | 2 149,0 | 90,6 |
| Other African | **5,9** | **0,3** | 7,6 | 0,3 |
| Europe | **0,1** | **0,0** | 0,2 | 0,0 |
| Australia | **178,7** | **7,7** | 216,2 | 9,1 |
| | **2 312,8** | **100,0** | 2 373,0 | 100,0 |

* *Comprise non-current assets less financial instruments, deferred tax assets, and assets arising from post employment benefits and insurance contracts*

***Includes the newly constituted AVI Field Marketing Services*

| | | | | | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Personal care | | Footwear & apparel | | Corporate & consolidation | | **Total** | | Alpesca | | **Total** | |
| **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| **730,2** | 623,5 | **670,4** | 629,8 | **9,7** | 14,5 | **7 462,4** | 6 660,6 | **428,8** | 445,5 | **7 891,2** | 7 106,1 |
| **737,3** | 627,0 | **670,4** | 629,8 | **63,7** | 66,4 | **7 580,1** | 6 778,9 | **428,8** | 445,5 | **8 008,9** | 7 224,4 |
| **(7,1)** | (3,5) | **–** | – | **(54,0)** | (51,9) | **(117,7)** | (118,3) | **–** | – | **(117,7)** | (118,3) |
| | | | | | | | | | | | |
| **94,5** | 73,4 | **101,7** | 132,9 | **(12,5)** | (20,1) | **908,5** | 798,7 | **4,6** | (10,2) | **913,1** | 788,5 |
| **–** | – | **–** | – | **–** | – | **15,3** | 17,2 | **–** | – | **15,3** | 17,2 |
| **94,5** | 73,4 | **101,7** | 132,9 | **(12,5)** | (20,1) | **923,8** | 815,9 | **4,6** | (10,2) | **928,4** | 805,7 |
| **8,5** | 8,1 | **6,5** | 5,3 | **(126,8)** | (88,2) | **22,4** | 22,5 | **–** | – | **22,4** | 22,5 |
| **16,9** | 11,0 | **23,9** | 12,3 | **(50,6)** | (48,3) | **147,4** | 86,5 | **8,0** | 10,0 | **155,4** | 96,5 |
| **28,7** | 19,5 | **23,8** | 38,9 | **(9,8)** | 9,2 | **277,7** | 264,0 | **3,1** | (10,0) | **280,8** | 254,0 |
| **57,4** | 51,0 | **60,5** | 87,0 | **(78,9)** | (69,2) | **521,1** | 487,9 | **(6,5)** | (10,2) | **514,6** | 477,7 |
| | | | | | | | | | | **(6,2)** | 12,0 |
| | | | | | | | | | | **508,4** | 489,7 |
| **540,8** | 470,9 | **377,2** | 314,8 | **171,9** | 87,8 | **5 126,6** | 4 812,4 | **390,5** | 460,1 | **5 517,1** | 5 272,5 |
| **428,1** | 341,2 | **346,9** | 207,2 | **(803,5)** | (393,3) | **2 697,2** | 2 516,9 | **167,3** | 254,3 | **2 864,5** | 2 771,2 |
| | | | | | | | | | | | |
| **26,8** | 24,9 | **22,6** | 64,4 | **6,0** | 4,9 | **257,8** | 271,5 | **5,8** | 11,3 | **263,6** | 282,8 |
| **21,5** | 18,3 | **29,8** | 18,0 | **5,6** | 6,7 | **187,4** | 166,7 | **27,0** | 24,4 | **214,4** | 191,1 |
| **–** | – | **12,4** | – | **–** | – | **35,5** | 5,1 | **30,0** | – | **65,5** | 5,1 |
| **411** | 458 | **723** | 684 | **1 047**** | 122 | **8 923** | 8 796 | **1 244** | 1 532 | **10 167** | 10 328 |

## Basis of segment presentation

The segment information has been prepared in accordance with IFRS 8 – Operating Segments (IFRS 8) which defines requirements for the disclosure of financial information of an entity's operating segments.

IFRS 8 replaces IAS 14 – Segment Reporting. The standard requires segmentation based on the group's internal organisation and reporting of revenue and operating income based upon internal accounting presentation.

IFRS 8 was approved by the IASB in November 2006 and is effective for reporting periods beginning on or after 1 January 2009. The Group has early adopted the standard.

## Identification of reportable segments

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

The revenue and operating assets are further disclosed within the geographical areas in which the group operates. Segment information is prepared in conformity with the basis that is reported to the chief operating decision makers in assessing segment performance and allocating resources to segments. These values have been reconciled to the consolidated financial statements. The basis reported by the group is in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.
The operating segments of AVI Limited are the same as the previously reported business segments based on IAS 14.

Segment revenue excludes value added taxation and includes intersegment revenue. Net revenue 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 20.

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 of the different segments 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.

## Reportable segments

**Entyce**
Revenue in this segment is derived from the sale of tea, coffee, creamer, and chilled fruit juice, primarily in South Africa.

**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.

**Chilled & Frozen Convenience Brands**
I&J processes, markets and distributes premium quality value-added seafood in local and international markets (mainly Europe and Australia). Denny is South Africa's largest producer of fresh and processed mushrooms, with a growing range of convenience foods and sauces.

**Out of Home**
Ciro Beverage Solutions is the leading retail and food services supplier of premium ground coffee and beverage service solutions to the out-of-home consumption market including airports, hotels, caterers, restaurants and corporates. Sir Juice adds a premium short-life juice offering.

**Fashion brands**
Fashion brands provides personal care, footwear and apparel offerings. Indigo Cosmetics creates, manufactures and distributes leading cosmetic and toiletry products that range from mass market to bridge fragrances. Some product is exported. Spitz, Nina Roche and Gant retail a portfolio of owned and licensed footwear and apparel brands in South Africa.

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

## Geographical segments

The group's operations are principally located in South Africa. The South American assets comprise a disposal group held for sale, previously included in the Chilled & Frozen Convenience Brands segment

## Major customers

The Group's most significant customers, being two South African retailers, individually contribute to more than 10% of the Group's revenue in the Entyce, Snackworks and Chilled & Frozen Convenience Brands segments.

AVI Limited (the "Company") is a South African registered company. The consolidated financial statements of the Company for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

## Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations adopted by the International Accounting Standards Board ("IASB") and in the manner required by the South African Companies Act.

## Basis of preparation

The annual financial statements are prepared in millions of South African Rand ("Rm") on the historical cost basis, except for the following assets and liabilities which are stated at their fair value:

- derivative financial instruments and biological assets
- non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of 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.

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

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

Note 1 – useful lives and residual values of property, plant and equipment
Note 2 – useful lives and impairment tests on intangible assets
Note 3 – utilisation of tax losses
Note 7 – estimated fair value less cost to sell of disposal groups
Note 11 – measurement of defined benefit obligations
Note 32 – contingencies
Note 33 – measurement of share-based payments

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by all Group entities.

## Basis of consolidation

**Subsidiaries**

The Group 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.

Subsidiaries are those entities over whose financial and operating policies the Group has the power to exercise control, so as to obtain benefits from their activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

**Associated companies and joint ventures**

An associated company is an enterprise over whose financial and operating policies the Group has the ability to exercise significant influence, but not control. A joint venture is an enterprise over whose financial and operating policy decisions the Group has the ability to exercise joint control in terms of a contractual arrangement.

The Group's share of post-acquisition recognised gains and losses of associated companies is equity accounted from the date that significant influence commences to the date that significant influence ceases. The Group's attributable share of post-acquisition reserves of joint ventures is equity accounted from the date that joint control commences to the date that joint control ceases.

Where the Group's share of losses of an associated company or joint venture exceeds the carrying amount, the investment is carried at nil. Additional losses are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of associates or joint ventures.

**Eliminations on consolidation**
Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associated companies and joint ventures are eliminated to the extent of the Group's interest against the investment in these enterprises. Unrealised losses on transactions with associated companies and 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 "purchase method". Goodwill represents amounts arising on the acquisition of subsidiaries, businesses and joint ventures.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement as a capital item.

**Premiums and discounts arising on subsequent purchase from or sales to minority interests in subsidiaries**
Following the presentation of minority 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 minority interests are recognised directly in the equity of the parent shareholder.

**Business combinations involving entities under common control**
Business combinations involving entities or businesses under common control comprise business combinations where both entities remain under the ultimate control of the Group before and after the combination, and that control is not transitory. The assets and liabilities in common control transactions within the Group are transferred at existing carrying value.

**Black economic empowerment (BEE) transactions**
BEE transactions involving the disposal or issue of equity interests in subsidiaries are only recognised when the accounting recognition criteria have been met.

Although economic and legal ownership of such instruments may have transferred to the BEE partner, the derecognition of such equity interests sold or recognition of equity instruments issued in the underlying subsidiary by the parent shareholder is postponed until the accounting recognition criteria have been satisfied.

A dilution in the earnings attributable to the parent shareholders (in the interim period until accounting recognition criteria have been met) is adjusted for in the diluted earnings per share calculation by an appropriate adjustment to the earnings used in such calculation.

## 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.

## 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.

## Discontinued operations
A discontinued operation is a clearly distinguishable component of the Group's business that is abandoned or disposed of pursuant to a single plan and which represents a separate major line of business or geographical area of operation that can be distinguished physically, operationally and for financial reporting purposes.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation the comparative income statement is restated as if the operation had been discontinued from the start of the previous period.

## Dividends payable
Dividends payable and any Secondary Tax on Companies pertaining thereto 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 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 balance sheet date. The accruals have been calculated at undiscounted amounts based on current salary levels at the balance sheet 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 the income statement in the year to which they relate.

**Defined benefit obligations**
The Group's obligation to provide post-retirement medical aid benefits are defined benefit obligations. The projected unit credit method is used to determine the present value of the defined benefit obligations, the related current service cost and, where applicable, the past service cost.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately.

Actuarial gains and losses in respect of defined benefit obligations are recognised as income or an expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous financial year exceeded the greater of:
- 10% of the present value of the defined benefit obligation at that date before deducting plan assets; and
- 10% of the fair value of any plan assets at that date.

The amount recognised is the excess determined above, divided by the expected average remaining working lives of the employees participating in that plan.

**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.

**Share-based payment transactions**

**Group share-based payment transactions**

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity settled in the financial statements of the subsidiary, provided the share-based payment is classified as equity settled in the consolidated financial statements of the parent.

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

**Equity settled**

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

**Cash settled**

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employee becomes unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised in profit or loss.

**Black economic empowerment 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 of acquiring shares issued in accordance with certain share schemes granted by the holding company shall be 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 and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a recharge asset 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 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. The amount of the recharge in excess of the capital contribution recognised as an increase in the investment in subsidiary is deferred and recognised as dividend income by the parent when settled by the subsidiary.

## Financial instruments

**Measurement**

Financial instruments are recognised initially at fair value plus, for instruments net of fair value through profit or loss, any directly attributable transaction costs when the Group becomes a party to the contractual arrangements. Subsequent to initial recognition these instruments are measured as detailed below.

**Financial assets**

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

**Investments**

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

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

**Trade and other receivables**
Trade and other receivables are stated at amortised cost less impairment losses.

**Cash and cash equivalents**
Cash and cash equivalents initially are measured at fair value. Fair value adjustments are recognised in the income statement. Due to their short-term nature, the amortised cost approximates its fair value.

**Financial liabilities**
Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities other than derivative instruments are measured at amortised cost.

**Interest-bearing borrowings**
Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

**Trade and other payables**
Trade and other payables are stated at amortised cost.

**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.

Derivative instruments are measured at fair value. Fair value is determined by comparing the contracted rate to the current rate of an equivalent instrument with the same maturity date.

**Gains and losses on subsequent measurement**
Gains and losses arising from a change in the fair value of derivative financial instruments that are not part of a hedging relationship are recognised in the income statement in the year in which the change arises.

**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 equity.

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.

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 the income statement when the underlying transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement 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 the income statement.

**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 and presentation currency of the Group, at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the financial year are translated to South African Rand at the rates ruling at that date. Gains or losses on translation are recognised in the income statement.

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 balance sheet date. The revenues and expenses of foreign operations are translated to Rand at approximate foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity – foreign currency translation reserve. The foreign currency translation reserve applicable to a foreign operation is released to the income statement upon disposal of that foreign operation.

## Impairment of non-financial assets

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

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

The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement 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 cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the 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, or when the indication of impairment no longer exists.

## Impairment of financial assets

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

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

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

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

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

## Intangible assets

Intangible assets, excluding goodwill, acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement 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 the income statement 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 point-of-sale costs 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 point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

## Investments in subsidiary companies

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

## Lease payments

### Operating lease payments

Payments made under operating leases with fixed escalation clauses are recognised in the income statement on a straight-line basis over the term of the lease.

### Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is allocated to each period during the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## Assets held-for-sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Impairment losses on initial classification as held-for-sale and gains and losses on subsequent remeasurement are included in the income statement as capital items.

## Property, plant and equipment

**Owned assets**

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

**Vessels**

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

**Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Other leases, which do not transfer substantially all the risks and rewards of ownership, are treated as operating leases with lease payments charged against operating profit.

**Subsequent costs**

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that additional future economic benefits embodied within the item will flow to the Group and the cost of such item can be measured reliably. All other costs are recognised in the income statement as an expense when incurred.

**Depreciation**

Land is not depreciated. Freehold buildings, plant and equipment are depreciated on a straight-line basis over their expected useful lives to an estimated residual value. The current estimated useful lives are as follows:

| | | |
|---|---|---|
| • Buildings | | 40 – 50 years |
| • Plant and machinery | | 3 – 20 years |
| • Motor vehicles | – trucks | 3 – 8 years |
| | – other | 3 – 5 years |
| • Furniture and equipment | | 3 – 10 years |
| • Vessels | – hull | 20 years |
| | – other components | 5 – 10 years |

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Residual values, depreciation methods and useful lives of all assets are reassessed annually. In addition, depreciation of an item of property, plant and equipment is to begin 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.

## Provisions

A provision is recognised in the balance sheet when the Group has a 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. 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.

#### Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

#### Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and has either started to implement the plan or announced its main features to those affected by it.

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

#### Goods and services
Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from services, including the distribution of third party products, is recognised over the period that the services are rendered.

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

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

### Share capital
#### 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 or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

#### Repurchase of share capital
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity. Consideration received when own shares held by the Group are re-issued is presented as a change in equity and no gain or loss is recorded.

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

### Taxation
Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in 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 balance sheet date, and any adjustment of tax payable for previous years.

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

Deferred taxation is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, in which case it is recognised in 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 the income statement, except to the extent that it relates to items previously charged or credited directly to 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.

**Secondary taxation on companies**
Secondary taxation on companies is recognised in the year dividends are declared, net of dividends received. A deferred taxation asset is recognised on unutilised STC credits when it is probable that such unused STC credits will be utilised in the future.

## 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 during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible redeemable preference shares, share options and equivalent equity instruments granted to employees and BEE transactions that have not yet met the accounting recognition criteria.

## New standards and interpretations in issue not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2009. These include the following standards and interpretations that are applicable to the business of the Group, and have not been applied in preparing these consolidated financial statements:

- *IAS 1: Presentation of Financial Statements*
  IAS 1 will be adopted by AVI Limited for the first time for its financial reporting period ending 30 June 2010 and supersedes the 2003 version of IAS 1. The Group will present all non-owner changes in equity in a single statement of comprehensive income and owner changes in equity in the statement of changes in equity.

  The standard will not impact the Group's previously reported results and is not expected to have a significant impact on the Company. Presentation matters will be addressed when the financial statements for the year ending 30 June 2010 are prepared.

- *IAS 23 – Borrowing Costs revised*
  IAS 23 eliminates the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group's current policy is to capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset and as such this revision is not anticipated to have any effect on the Group's previously reported consolidated financial statements. The revised statement will become effective for the Group's 2010 financial statements.

- *IAS 27 amendments: Consolidated and Separate Financial Statements*
  The IAS 27 amendments will be adopted by AVI Limited for the first time for its financial reporting period ending 30 June 2010 and will require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the income statement.

  The amendments to IAS 27 also require that losses (including negative "other comprehensive income" as detailed in the revised IAS 1) have to be allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position. The Group will in future change its accounting policies on the allocation of losses to non-controlling interests. In the past, losses were allocated only until the non-controlling interests had a zero balance or to a deficit position only to the extent that the non-controlling interest incurred legal or constructive obligations to or on behalf of the subsidiary.

- *IFRS 1 and IAS 27: Amendment to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
  IFRS 1 and IAS 27 will be adopted by AVI Limited for the first time in the financial reporting period ending 30 June 2010 and will be applied prospectively. In future dividends received from subsidiaries and jointly controlled entities will be recognised as dividend income in the separate financial statements of AVI Limited, regardless if the dividends were declared from accumulated profits arising before or after acquisition.

- *IFRS 2 amendments: IFRS 2 Share-based Payment: Vesting Conditions and Cancellations*
  These IFRS 2 amendments will be adopted by AVI Limited for the first time for its financial reporting period ending 30 June 2010 and applied retrospectively. This amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. These changes will have no impact on the Group's financial statements as the treatment of "non-vesting" conditions is consistent with the Group's current accounting policies.

- *IFRS 3: Business Combinations (revised)*
  The revised IFRS 3 will be adopted by AVI Limited for the first time for its financial reporting period ending 30 June 2010. IFRS 3 applies to all new business combinations that occur after 1 July 2009. In future all transaction costs will be expensed and any contingent purchase consideration will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit and loss.

*Amendments to various standards resulting from the annual improvements to IFRS*
The annual improvements project is the IASB's process for dealing with non-urgent but necessary amendments to IFRS. The Improvements to IFRS 2008 and 2009 contains amendments that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments that the IASB expects to have either no or only minimal effects on accounting.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the previously reported financial statements of the Company.

# BALANCE SHEET

| As at 30 June 2009 | Note | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Property, plant and equipment | 1 | **1 205,1** | 1 164,8 | **–** | – |
| Intangible assets and goodwill | 2 | **925,4** | 986,2 | **–** | – |
| Investments in subsidiaries | 36,37 | **–** | – | **1 462,3** | 1 554,8 |
| Investments in joint ventures | 38 | **182,3** | 222,0 | **–** | – |
| Other investments | 39 | **94,5** | 90,8 | **203,6** | 201,2 |
| Deferred taxation | 3 | **74,4** | 89,1 | **0,4** | 6,6 |
| | | **2 481,7** | 2 552,9 | **1 666,3** | 1 762,6 |
| **Current assets** | | | | | |
| Inventories | 4 | **900,8** | 828,4 | **–** | – |
| Biological assets | 5 | **49,2** | 44,6 | **–** | – |
| Derivatives | | **17,4** | 22,0 | **–** | – |
| Current tax assets | | **71,4** | 5,3 | **–** | – |
| Trade and other receivables | 6 | **1 081,3** | 1 151,4 | **595,1** | 10,7 |
| Cash and cash equivalents | | **516,6** | 174,9 | **1,5** | 38,9 |
| Assets classified as held for sale | 7 | **398,7** | 493,0 | **–** | – |
| | | **3 035,4** | 2 719,6 | **596,6** | 49,6 |
| **Total assets** | | **5 517,1** | 5 272,5 | **2 262,9** | 1 812,2 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 8 | **17,1** | 17,1 | **17,1** | 17,1 |
| Share premium | 8 | **153,9** | 153,9 | **153,9** | 153,9 |
| Treasury shares | 8 | **(710,5)** | (719,8) | **–** | – |
| Treasury share loan to subsidiary | 36,37 | **–** | – | **(291,7)** | (306,0) |
| Premium on minority equity transactions | | **(2,7)** | (2,7) | **–** | – |
| Reserves | 9 | **37,8** | 150,5 | **56,6** | 35,7 |
| Retained earnings | | **3 180,3** | 2 919,8 | **2 213,6** | 1 783,9 |
| Minority interests | | **(23,3)** | (17,5) | **–** | – |
| **Total equity** | | **2 652,6** | 2 501,3 | **2 149,5** | 1 684,6 |
| **Non-current liabilities** | | | | | |
| Financial liabilities and borrowings | 10 | **532,2** | 388,5 | **–** | – |
| Employee benefits | 11 | **295,9** | 293,5 | **–** | – |
| Operating lease straight-line liability | 12 | **11,9** | 21,2 | **–** | – |
| Deferred taxation | 3 | **110,3** | 154,0 | **–** | – |
| | | **950,3** | 857,2 | **–** | – |
| **Current liabilities** | | | | | |
| Current borrowings | 13 | **532,1** | 510,8 | **–** | 120,2 |
| Other financial liabilities including derivatives | 14 | **107,2** | 25,5 | **101,0** | – |
| Trade and other payables | 15 | **1 092,9** | 1 048,1 | **12,4** | 7,4 |
| Corporate taxation | | **13,4** | 73,4 | **–** | – |
| Liabilities classified as held for sale | 7 | **168,6** | 256,2 | **–** | – |
| | | **1 914,2** | 1 914,0 | **113,4** | 127,6 |
| **Total equity and liabilities** | | **5 517,1** | 5 272,5 | **2 262,9** | 1 812,2 |

| Year ended 30 June 2009 | Note | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| **Revenue** | 16 | **7 462,4** | 6 660,6 | **–** | – |
| Cost of sales | | **4 485,5** | 3 912,3 | **–** | – |
| Gross profit | | **2 976,9** | 2 748,3 | **–** | – |
| Selling and administrative expenses | | **2 068,4** | 1 949,6 | **9,9** | (1,1) |
| **Operating profit/(loss) before capital items** | 17 | **908,5** | 798,7 | **(9,9)** | 1,1 |
| Income from investments | 18 | **22,4** | 22,5 | **846,4** | 690,5 |
| Finance costs | 19 | **147,4** | 86,5 | **0,9** | 0,3 |
| Share of equity accounted profit of joint ventures | 20 | **15,3** | 17,2 | **–** | – |
| Capital items | 21 | **17,1** | 13,7 | **(115,2)** | – |
| Profit before taxation | | **815,9** | 765,6 | **720,4** | 691,3 |
| Taxation | 22 | **276,7** | 265,8 | **6,2** | 10,7 |
| **Profit from continuing operations** | | **539,2** | 499,8 | **714,2** | 680,6 |
| **DISCONTINUED OPERATIONS** | 7 | | | | |
| **Revenue** | 16 | **428,8** | 445,5 | **–** | – |
| **Operating profit/(loss) before capital items** | | **4,6** | (10,2) | **–** | – |
| Finance costs | 19 | **8,0** | 10,0 | **–** | – |
| Capital items | 21 | **(30,0)** | 0,2 | **–** | – |
| Loss before taxation | | **(33,4)** | (20,0) | **–** | – |
| Taxation | 22 | **(2,6)** | (9,9) | **–** | – |
| **Loss from discontinued operations** | | **(30,8)** | (10,1) | **–** | – |
| **Profit for the year** | | **508,4** | 489,7 | **714,2** | 680,6 |
| **Attributable to:** | | | | | |
| Equity holders of AVI | | **507,7** | 488,3 | | |
| Minority interests | | **0,7** | 1,4 | | |
| | | **508,4** | 489,7 | | |
| Basic earnings per share from continuing operations (cents) | 30 | **180,8** | 162,9 | | |
| Diluted earnings per share from continuing operations (cents) | 30 | **177,5** | 161,4 | | |
| Basic earnings per share from total operations (cents) | 30 | **170,5** | 159,6 | | |
| Diluted earnings per share from total operations (cents) | 30 | **167,3** | 158,1 | | |

*Details of the headline earnings and dividend declared per ordinary share are given in Notes 30 and 31 to the financial statements on pages 102 and 104.*

| Year ended 30 June 2009 | Note | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| **Cash flows from/(utilised by) operating activities** | | | | | |
| Cash generated by/(utilised in) operations | 23 | **1 086,6** | 1 022,8 | **(9,9)** | (3,9) |
| Decrease/(increase) in working capital | 24 | **30,0** | (354,7) | **(579,4)** | 10,3 |
| **Cash generated by operating activities** | | **1 116,6** | 668,1 | **(589,3)** | 6,4 |
| Interest paid | | **(140,5)** | (91,0) | **(0,9)** | (0,3) |
| Taxation paid | 25 | **(392,9)** | (247,4) | **–** | – |
| **Net cash available from operating activities** | | **583,2** | 329,7 | **(590,2)** | 6,1 |
| **Investing activities** | | | | | |
| Cash flow from investments | | **21,2** | 29,6 | **846,4** | 689,7 |
| – interest received | | **21,2** | 26,0 | **0,1** | 0,1 |
| – dividends received | | **–** | 3,6 | **846,3** | 689,6 |
| Acquisition of property, plant and equipment | | **(257,8)** | (271,6) | **–** | – |
| Proceeds from disposals of property, plant and equipment | | **68,2** | 47,4 | **–** | – |
| Investments – net disposals/(acquisitions) | | **57,1** | (37,8) | **(23,4)** | (20,7) |
| – subsidiaries and businesses (net of cash acquired) | 27 | **35,2** | (34,6) | **(21,0)** | (20,7) |
| – associated companies, joint ventures and other investments | 28 | **21,9** | (3,2) | **(2,4)** | – |
| **Net cash (used in)/from investing activities** | | **(111,3)** | (232,4) | **823,0** | 669,0 |
| **Financing activities** | | | | | |
| Capital repayment and repurchase of own shares | | **–** | (549,7) | **14,3** | (563,0) |
| Increase in shareholder funding | 29 | **9,0** | 4,7 | **–** | – |
| Long-term borrowings | | **191,1** | 308,8 | **–** | – |
| – raised | | **200,0** | 311,0 | **–** | – |
| – (repaid) | | **(8,9)** | (2,2) | **–** | – |
| (Decrease)/increase in short-term funding | | **(14,1)** | 206,2 | **–** | – |
| Dividends paid | 26 | **(247,2)** | (233,4) | **(284,5)** | (260,4) |
| **Net cash used in financing activities** | | **(61,2)** | (263,4) | **(270,2)** | (823,4) |
| **DISCONTINUED OPERATIONS** | | | | | |
| Cash flows from operating activities | | **3,6** | 31,7 | **–** | – |
| Cash flows used in investing activities | | **(4,3)** | (11,0) | **–** | – |
| Cash flows (used in)/from financing activities | | **(64,6)** | 2,1 | **–** | – |
| | | **(65,3)** | 22,8 | **–** | – |
| **Increase/(decrease) in cash and cash equivalents** | | **345,4** | (143,3) | **(37,4)** | (148,3) |
| **Cash equivalents at beginning of period** | | **204,8** | 317,1 | **38,9** | 187,2 |
| **Net (decrease)/increase as a result of the translation of the cash equivalents of foreign subsidiaries** | | **(20,5)** | 31,0 | **–** | – |
| **Cash and cash equivalents at end of period** | | **529,7** | 204,8 | **1,5** | 38,9 |
| Continuing operations* | | **516,6** | 174,9 | | |
| Discontinued operations* | | **13,1** | 29,9 | | |

**Cash flows between continuing and discontinued operations are eliminated on consolidation. These amounted to R48,5 million net cash flow from continuing operations in discontinued operations in 2009.*

| Year ended 30 June 2009 | Share capital and premium Rm | Treasury shares Rm | Reserves Rm | Retained earnings Rm | Premium on minority equity trans-actions Rm | Total Rm | Minority interests Rm | Total equity Rm |
|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | |
| **Balance at beginning of year** | **171,0** | **(719,8)** | **150,5** | **2 919,8** | **(2,7)** | **2 518,8** | **(17,5)** | **2 501,3** |
| **Recognised income and expense** | | | | | | | | |
| Profit for the year | **–** | **–** | **–** | **507,7** | **–** | **507,7** | **0,7** | **508,4** |
| Foreign currency translation differences | **–** | **–** | **(79,4)** | **–** | **–** | **(79,4)** | **–** | **(79,4)** |
| Cash flow hedging reserve | **–** | **–** | **(54,2)** | **–** | **–** | **(54,2)** | **–** | **(54,2)** |
| **Transactions with shareholders** | | | | | | | | |
| Share-based payments | **–** | **–** | **20,9** | **–** | **–** | **20,9** | **–** | **20,9** |
| Dividends paid | **–** | **–** | **–** | **(247,2)** | **–** | **(247,2)** | **–** | **(247,2)** |
| Disposal of subsidiary | **–** | **–** | **–** | **–** | **–** | **–** | **(6,5)** | **(6,5)** |
| Own ordinary shares sold by Company's Share Trusts | **–** | **9,3** | **–** | **–** | **–** | **9,3** | **–** | **9,3** |
| **Balance at end of year** | **171,0** | **(710,5)** | **37,8** | **3 180,3** | **(2,7)** | **2 675,9** | **(23,3)** | **2 652,6** |

| | Share capital and premium | Treasury* share loan | Reserves | Retained earnings | Total |
|---|---|---|---|---|---|
| **COMPANY** | **171,0** | **(306,0)** | **35,7** | **1 783,9** | **1 684,6** |
| **Balance at beginning of year** | | | | | |
| **Recognised income and expense** | | | | | |
| Profit for the year | **–** | **–** | **–** | **714,2** | **714,2** |
| **Transactions with shareholders** | | | | | |
| Share-based payments | **–** | **–** | **20,9** | **–** | **20,9** |
| Dividends paid | **–** | **–** | **–** | **(284,5)** | **(284,5)** |
| Amounts repaid by subsidiary from dividends received | **–** | **14,3** | **–** | **–** | **14,3** |
| **Balance at end of year** | **171,0** | **(291,7)** | **56,6** | **2 213,6** | **2 149,5** |

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

| Year ended 30 June 2008 | Share capital and premium Rm | Treasury shares Rm | Reserves Rm | Retained earnings Rm | Premium on minority equity trans-actions Rm | Total Rm | Minority interests Rm | Total equity Rm |
|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | |
| **Balance at beginning of year** | 428,2 | (435,7) | 23,2 | 2 667,4 | (2,7) | 2 680,4 | (18,4) | 2 662,0 |
| **Recognised income and expense** | | | | | | | | |
| Profit for the year | – | – | – | 488,3 | – | 488,3 | 1,4 | 489,7 |
| Foreign currency translation differences | – | – | 111,5 | – | – | 111,5 | – | 111,5 |
| Cash flow hedging reserve | – | – | (0,4) | – | – | (0,4) | – | (0,4) |
| **Transactions with shareholders** | | | | | | | | |
| Share-based payments | – | – | 16,2 | – | – | 16,2 | – | 16,2 |
| Dividends paid | – | – | – | (232,9) | – | (232,9) | (0,5) | (233,4) |
| Capital repayment | (257,0) | 26,4 | – | – | – | (230,6) | – | (230,6) |
| Own ordinary shares sold by Company's Share Trusts (net) | – | 8,6 | – | (3,0) | – | 5,6 | – | 5,6 |
| Own ordinary shares purchased by subsidiary | – | (319,1) | – | – | – | (319,1) | – | (319,1) |
| Redemption of convertible redeemable preference shares | (0,2) | – | – | – | – | (0,2) | – | (0,2) |
| **Balance at end of year** | 171,0 | (719,8) | 150,5 | 2 919,8 | (2,7) | 2 518,8 | (17,5) | 2 501,3 |

| Year ended 30 June 2008 | Share capital and premium Rm | Treasury shares Rm | Reserves Rm | Retained earnings Rm | Total Rm |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| **Balance at beginning of year** | 428,2 | – | 19,5 | 1 363,7 | 1 811,4 |
| **Recognised income and expense** | | | | | |
| Profit for the year | – | – | – | 680,6 | 680,6 |
| **Transactions with shareholders** | | | | | |
| Share-based payments | – | – | 16,2 | – | 16,2 |
| Dividends paid | – | – | – | (260,4) | (260,4) |
| Capital repayment | (257,0) | – | – | – | (257,0) |
| Amount advanced to subsidiary for repurchase of own shares* | – | (319,1) | – | – | (319,1) |
| Amounts repaid by subsidiary from dividends and disposal of shares | – | 13,1 | – | – | 13,1 |
| Redemption of convertible redeemable preference shares | (0,2) | – | – | – | (0,2) |
| **Balance at end of year** | 171,0 | (306,0) | 35,7 | 1 783,9 | 1 684,6 |

## 1. Property, plant and equipment

| | Group 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land Rm | Buildings Rm | Plant and machinery Rm | Motor vehicles, furniture and equipment Rm | Vessels Rm | Equip-ment subject to finance leases Rm | Total Rm |
| **Cost** | | | | | | | |
| At beginning of year | 38,0 | 291,2 | 1 099,5 | 569,3 | 392,9 | 6,5 | 2 397,4 |
| Additions | – | 11,0 | 105,8 | 82,8 | 58,2 | – | 257,8 |
| Disposals | (1,1) | (2,5) | (18,0) | (37,1) | (7,5) | (2,8) | (69,0) |
| Applicable to subsidiaries sold | (1,3) | (7,2) | (16,6) | (2,0) | – | – | (27,1) |
| Realignment of currencies | – | – | (0,2) | (0,4) | – | – | (0,6) |
| Reclassification of assets | – | 0,2 | (0,4) | 0,2 | (1,6) | 1,6 | – |
| Transfer to assets held-for-sale | – | (0,1) | (10,9) | (0,1) | – | – | (11,1) |
| **At end of year** | 35,6 | 292,6 | 1 159,2 | 612,7 | 442,0 | 5,3 | 2 547,4 |
| **Accumulated depreciation and impairment charges** | | | | | | | |
| At beginning of year | – | 54,4 | 656,5 | 314,1 | 201,7 | 5,9 | 1 232,6 |
| Disposals | – | (0,5) | (18,0) | (33,1) | (7,0) | (0,8) | (59,4) |
| Applicable to subsidiaries sold | – | (0,8) | (8,3) | (1,6) | – | – | (10,7) |
| Realignment of currencies | – | – | (0,6) | (0,3) | – | – | (0,9) |
| Transfer to assets held-for-sale | – | – | (6,8) | – | – | – | (6,8) |
| Depreciation charge for the year | – | 7,1 | 70,5 | 79,0 | 25,6 | 0,1 | 182,3 |
| Impairment charge for the year | – | – | 1,4 | 2,5 | 1,3 | – | 5,2 |
| **At end of year** | – | 60,2 | 694,7 | 360,6 | 221,6 | 5,2 | 1 342,3 |
| **Net carrying value** | | | | | | | |
| At beginning of previous year | 45,1 | 269,6 | 460,5 | 196,7 | 269,8 | – | 1 241,7 |
| **At end of previous year** | 38,0 | 236,8 | 443,0 | 255,2 | 191,2 | 0,6 | 1 164,8 |
| **At end of current year** | 35,6 | 232,4 | 464,5 | 252,1 | 220,4 | 0,1 | 1 205,1 |

## 1. Property, plant and equipment continued

| | Group 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land Rm | Buildings Rm | Plant and machinery Rm | Motor vehicles, furniture and equipment Rm | Vessels Rm | Equip-ment subject to finance leases Rm | Total Rm |
| **Cost** | | | | | | | |
| At beginning of year | 45,1 | 322,5 | 1 084,3 | 474,1 | 520,3 | 4,5 | 2 450,8 |
| Additions | 4,7 | 13,0 | 101,8 | 135,5 | 24,3 | 3,5 | 282,8 |
| Disposals | (0,4) | (0,7) | (19,5) | (32,5) | (7,0) | – | (60,1) |
| Applicable to subsidiaries acquired | – | – | 2,1 | 0,1 | – | – | 2,2 |
| Realignment of currencies | – | 10,4 | 7,7 | 1,6 | 15,6 | 0,2 | 35,5 |
| Reclassification of assets | 1,0 | (1,0) | 0,5 | (0,5) | – | – | – |
| Transfer to assets held-for-sale | (12,4) | (53,0) | (77,4) | (9,0) | (160,3) | (1,7) | (313,8) |
| **At end of year** | 38,0 | 291,2 | 1 099,5 | 569,3 | 392,9 | 6,5 | 2 397,4 |
| **Accumulated depreciation and impairment charges** | | | | | | | |
| At beginning of year | – | 52,9 | 623,8 | 277,4 | 250,5 | 4,5 | 1 209,1 |
| Disposals | – | (0,2) | (15,6) | (28,4) | (4,7) | – | (48,9) |
| Realignment of currencies | – | 0,8 | 2,9 | 1,1 | 7,9 | 0,1 | 12,8 |
| Reclassification of assets | – | – | (0,4) | 0,4 | – | – | – |
| Transfer to assets held-for-sale | – | (5,9) | (31,5) | (6,1) | (83,5) | (0,9) | (127,9) |
| Depreciation charge for the year | – | 6,8 | 76,4 | 65,9 | 31,5 | 1,8 | 182,4 |
| Impairment charge for the year | – | – | 0,9 | 3,8 | – | 0,4 | 5,1 |
| **At end of year** | – | 54,4 | 656,5 | 314,1 | 201,7 | 5,9 | 1 232,6 |
| **Net carrying value** | | | | | | | |
| At beginning of previous year | 43,6 | 251,1 | 438,3 | 153,1 | 294,3 | 2,0 | 1 182,4 |
| **At end of previous year** | 45,1 | 269,6 | 460,5 | 196,7 | 269,8 | – | 1 241,7 |
| **At end of current year** | 38,0 | 236,8 | 443,0 | 255,2 | 191,2 | 0,6 | 1 164,8 |

| | Group 2009 Rm | Group 2008 Rm |
|---|---|---|
| **1. Property, plant and equipment** continued | | |
| Land comprises: | | |
| Freehold | **35,6** | 38,0 |
| Long leasehold | **–** | – |
| | **35,6** | 38,0 |

- The current estimated useful lives of property, plant and equipment are reflected under accounting policies on page 74.
- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2009 was R57,9 million (2008: R92,9 million).
- The original cost of fully depreciated plant and equipment that was still in use at 30 June 2009 was R593,0 million (2008: R507,5 million).
- Property, plant and equipment, with a carrying value of R26,1 million (2008: R27,2 million) has been ceded as security for interest-bearing borrowings.
- Impairment losses during the year arose due to identified obsolescence on and damage to items of plant, equipment, vehicles and vessels.
- 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.

| | Group 2009 | | | | |
|---|---|---|---|---|---|
| | **Goodwill Rm** | **Fishing rights Rm** | **Trade-marks and licence agreements Rm** | **Customer relationships and contracts Rm** | **Total Rm** |
| **2. Intangible assets and goodwill** | | | | | |
| **Cost** | | | | | |
| At beginning of year | **588,7** | **4,7** | **404,2** | **16,0** | **1 013,6** |
| Goodwill adjustment on contingent purchase consideration | **(6,2)** | **–** | **–** | **–** | **(6,2)** |
| Other adjustments* | **47,6** | **–** | **(67,1)** | **–** | **(19,5)** |
| **At end of year** | **630,1** | **4,7** | **337,1** | **16,0** | **987,9** |
| **Accumulated amortisation and impairment charges** | | | | | |
| At beginning of year | **18,5** | **0,5** | **5,3** | **3,1** | **27,4** |
| Amortisation for the year | **–** | **0,3** | **2,8** | **2,0** | **5,1** |
| Impairment loss | **17,9** | **–** | **11,5** | **0,6** | **30,0** |
| **At end of year** | **36,4** | **0,8** | **19,6** | **5,7** | **62,5** |
| **Net carrying value** | | | | | |
| At beginning of previous year | **569,3** | **104,7** | **376,7** | **1,4** | **1 052,1** |
| **At end of previous year** | **570,2** | **4,2** | **398,9** | **12,9** | **986,2** |
| **At end of current year** | **593,7** | **3,9** | **317,5** | **10,3** | **925,4** |

**Other adjustments comprise the rectification of an inconsistency in the basis of determination of the fair value of intangible assets acquired through business combinations. The corrected valuation resulted in a net movement between intangible assets and goodwill and deferred tax liabilities of R19,5 million. The reclassification had no income statement effect.*

**Useful lives**

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

Trademarks comprise well-established growing brands. With the exception of trademarks with a carrying value of R2,3 million that are being amortised over a period of 25 years, the remainder of the portfolio of brands are considered to have indefinite useful lives and are not amortised. Customer relationships are amortised over a period of two years. Licence agreements and customer contracts are amortised over a period of 10 years.

- Trademarks with a carrying value of R30,0 million (2008: R30,0 million) have been ceded as security for interest-bearing borrowings.

## 2. Intangible assets and goodwill
continued

| | Group 2008 | | | | |
|---|---|---|---|---|---|
| | Goodwill Rm | Fishing rights Rm | Trade-marks and licence agreements Rm | Customer relationships and contracts Rm | Total Rm |
| **Cost** | | | | | |
| At beginning of year | 587,8 | 141,1 | 380,0 | 2,0 | 1 110,9 |
| Arising on acquisition of subsidiaries | – | – | 24,2 | 14,0 | 38,2 |
| Goodwill adjustment on contingent purchase consideration | 0,9 | – | – | – | 0,9 |
| Transfer to assets held-for-sale | – | (151,4) | – | – | (151,4) |
| Realignment of currencies | – | 15,0 | – | – | 15,0 |
| **At end of year** | 588,7 | 4,7 | 404,2 | 16,0 | 1 013,6 |
| **Accumulated amortisation and impairment charges** | | | | | |
| At beginning of year | 18,5 | 36,4 | 3,3 | 0,6 | 58,8 |
| Amortisation for the year | – | 4,2 | 2,0 | 2,5 | 8,7 |
| Transfer to assets held-for-sale | – | (44,4) | – | – | (44,4) |
| Realignment of currencies | – | 4,3 | – | – | 4,3 |
| **At end of year** | 18,5 | 0,5 | 5,3 | 3,1 | 27,4 |
| **Net carrying value** | | | | | |
| At beginning of previous year | 555,3 | 110,5 | 375,9 | – | 1 041,7 |
| **At end of previous year** | 569,3 | 104,7 | 376,7 | 1,4 | 1 052,1 |
| **At end of current year** | 570,2 | 4,2 | 398,9 | 12,9 | 986,2 |

## 2. Intangible assets and goodwill continued

**Cash generating units containing goodwill**

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

| | Group | |
|---|---|---|
| | **2009 Rm** | 2008 Rm |
| A&D Spitz | **449,2** | 449,2 |
| Denny Mushrooms | **101,6** | 54,0 |
| House Of Coffees | **15,3** | 15,3 |
| Baker Street Snacks | **12,5** | 12,5 |
| | **578,6** | 531,0 |
| Multiple units without significant goodwill | **15,1** | 39,2 |
| | **593,7** | 570,2 |

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

**Impairment tests**
The carrying amounts of goodwill and trademarks with an indefinite useful life are reviewed at least annually on the basis of forecast profits of the cash-generating units and forecast sales of branded products. Management forecasts typically cover a three-year period and thereafter a reasonable rate of growth is applied based on market conditions. Goodwill impairment tests are performed using a discounted cash flow model and trademarks on a relief from royalty method. 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 ranged between 13% and 19% depending on the business' risk profile. Perpetuity growth rates were set at 5%. Royalty rates used are determined with reference to industry benchmarks and profitability of products.

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

**Impairment losses**
The carrying values of the Real Beverage retail juice and Nina Roche retail business units were determined to be higher than their recoverable amounts on the fair value less cost to sell basis. Impairment losses of R15,6 million and R10,6 million respectively were recognised, which were first allocated to goodwill and thereafter trademarks. The remaining impairments related to underperforming brands.

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| **3. Deferred taxation** | | | | |
| Balance at beginning of year, being a net liability/(asset) | **30,2** | 23,0 | **(6,6)** | (17,3) |
| Charge to income statement: | **8,3** | 1,6 | **6,2** | 10,7 |
| – change in tax rate | **–** | (0,8) | **–** | 0,2 |
| – current year – temporary differences | **5,8** | (4,7) | **–** | – |
| – deferred taxation on STC credits | **4,7** | 10,7 | **6,2** | 10,5 |
| – prior year over provision | **(2,2)** | (3,6) | **–** | – |
| Subsidiaries disposed/acquired | **(1,3)** | 10,7 | **–** | – |
| Realignment of currencies recognised directly in equity | **4,0** | (5,5) | **–** | – |
| Reserve movements in respect of cash flow hedging recognised directly in equity | **(22,0)** | 0,4 | **–** | – |
| Reclassification of fair value of intangible assets (see note 2) | **(19,5)** | – | **–** | – |
| Movement in foreign taxes | **(8,8)** | – | **–** | – |
| **Balance at end of year, being a net (asset)/liability** | **(9,1)** | 30,2 | **(0,4)** | (6,6) |
| – Continuing operations | **35,9** | 64,9 | | |
| – Discontinued operations | **(45,0)** | (34,7) | | |
| Balance at end of year comprises: | | | | |
| Accelerated capital allowances | **138,9** | 110,4 | **–** | – |
| Intangible assets temporary differences | **82,6** | 106,7 | **–** | – |
| Provisions and other temporary differences: | **(120,8)** | (92,6) | **–** | – |
| – post-retirement medical aid | **(83,5)** | (81,4) | **–** | – |
| – leave pay and bonus accruals | **(33,9)** | (38,3) | **–** | – |
| – other taxable temporary differences | **(3,4)** | 27,1 | **–** | – |
| Cashflow hedging reserve | **(22,4)** | (0,4) | **–** | – |
| Unused tax losses | **(39,9)** | (52,6) | **–** | – |
| Unused credits in respect of STC | **(2,5)** | (6,6) | **(0,4)** | (6,6) |
| | **35,9** | 64,9 | **(0,4)** | (6,6) |
| Deferred taxation is recognised at the following rates: | | | | |
| South Africa operations – 28% (2008: 28%) | **37,5** | 88,4 | **–** | – |
| Foreign operations at average rate – 30,4% (2008: 33,4%) | **0,9** | (16,9) | **–** | – |
| Secondary taxation on companies – 10,0% (2008: 10,0%) | **(2,5)** | (6,6) | **(0,4)** | (6,6) |
| | **35,9** | 64,9 | **(0,4)** | (6,6) |
| Reflected as: | | | | |
| Deferred taxation asset | **74,4** | 89,1 | **0,4** | 6,6 |
| Deferred taxation liability | **110,3** | 154,0 | **–** | – |

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 was based on budgeted and forecast results of subsidiary companies within five years. The tax losses do not expire under current tax legislation.

| | | |
|---|---|---|
| The estimated losses which are available for the reduction of future taxable income are | **292,0** | 276,8 |
| of which has been taken into account in calculating deferred taxation. | **142,4** | 187,8 |
| The shareholders' interest in the estimated tax losses not yet recognised is therefore | **149,6** | 89,0 |

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.

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **4. Inventories** | | | | |
| Raw materials | **256,4** | 238,7 | **–** | – |
| Consumable stores | **53,6** | 50,9 | **–** | – |
| Work in progress | **19,9** | 10,2 | **–** | – |
| Manufactured finished goods | **306,7** | 357,4 | **–** | – |
| Merchandise – finished goods purchased for resale | **264,2** | 171,2 | **–** | – |
| | **900,8** | 828,4 | **–** | – |

| | Mushrooms Rm | Abalone Rm | Total Rm |
|---|---|---|---|
| **5. Biological assets** | | | |
| **Balance at 1 July 2007** | 11,3 | 28,9 | 40,2 |
| Increase due to purchases | 1,8 | 14,0 | 15,8 |
| Transferred for processing and sold | (55,5) | (31,2) | (86,7) |
| Harvested items moved to inventory | (1,1) | – | (1,1) |
| Gain arising from change in fair value due to physical change | 57,2 | 14,6 | 71,8 |
| Gain arising from change in fair value less estimated point of sale costs attributable to price changes | – | 2,3 | 2,3 |
| Effect of movements in exchange rates | – | 2,3 | 2,3 |
| **Balance at 30 June 2008** | 13,7 | 30,9 | 44,6 |
| **Balance at 1 July 2008** | 13,7 | 30,9 | 44,6 |
| Increase due to purchases | 0,4 | 19,4 | 19,8 |
| Transferred for processing and sold | (43,3) | (37,6) | (80,9) |
| Harvested items moved to inventory | (0,8) | – | (0,8) |
| Gain arising from change in fair value due to physical change | 44,4 | 20,0 | 64,4 |
| Gain arising from change in fair value less estimated point of sale costs attributable to price changes | – | 2,3 | 2,3 |
| Effect of movements in exchange rates | – | (0,2) | (0,2) |
| **Balance at 30 June 2009** | **14,4** | **34,8** | **49,2** |

| | Kilogrammes | Animals |
|---|---|---|
| Standing volume | 176 827 | 5 444 273 |
| Volume harvested/sold in current year | 8 932 065 | 3 636 117 |

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **6. Trade and other receivables** | | | | |
| Trade accounts | **997,4** | 1 081,9 | **–** | – |
| Other receivables | **93,5** | 70,4 | **595,1** | 10,7 |
| Prepayments | **25,8** | 26,3 | **–** | – |
| Pension fund surplus apportionment accrued | **–** | 0,9 | **–** | – |
| | **1 116,7** | 1 179,5 | **595,1** | 10,7 |
| Provision for credit notes and discounts | **27,1** | 19,8 | **–** | – |
| Impairment losses allowance | **8,3** | 8,3 | **–** | – |
| | **1 081,3** | 1 151,4 | **595,1** | 10,7 |

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **7. Assets and liabilities classified as held-for-sale** | | | | |
| **Assets** | **398,7** | 493,0 | **–** | – |
| – continuing operations | **8,2** | 32,9 | **–** | – |
| – discontinued operations | **390,5** | 460,1 | **–** | – |
| **Liabilities** | **(168,6)** | (256,2) | **–** | – |
| – continuing operations | **(1,3)** | (1,9) | **–** | – |
| – discontinued operations | **(167,3)** | (254,3) | **–** | – |
| **7.1 Continuing operations** | | | | |
| **Assets** | | | | |
| Property, plant and equipment | **8,2** | 32,9 | **–** | – |
| | **8,2** | 32,9 | **–** | – |
| **Liabilities** | | | | |
| Trade and other payables | **(1,3)** | (1,9) | **–** | – |
| | **(1,3)** | (1,9) | **–** | – |

Assets held-for-sale comprise property, plant and equipment surplus to requirements of continuing operations to be realised principally through sale.

**7.2 Assets and liabilities of discontinued operation classified as held for sale**

The discontinued operation represents the Argentinian hake and shrimp operations conducted by Alpesca s.a., a wholly owned subsidiary of Irvin & Johnson Holding Company (Pty) Ltd. Efforts to sell the subsidiary commenced during 2008.

The board remains committed to the disposal of Alpesca and believes that improving global liquidity will assist in achieving a disposal during the next financial year. The carrying value of the shrimp operating assets was considered to be partially impaired following poor performance of this operation during the year.

An impairment loss of USD3,9 million on the remeasurement of the shrimp operating assets to the lower of their carrying amounts and fair values less cost to sell has been recognised as a capital item.

| | Alpesca 2009 Rm | Alpesca 2008 Rm |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | **134,9** | 157,5 |
| Intangible assets | **58,9** | 107,0 |
| Deferred tax | **45,0** | 34,7 |
| Inventories | **42,3** | 54,3 |
| Trade and other receivables | **76,3** | 74,3 |
| Cash and cash equivalents | **13,1** | 29,9 |
| Non-current asset held-for-sale | **20,0** | 2,4 |
| **Total assets** | **390,5** | 460,1 |
| **Liabilities** | | |
| Non-current borrowings | **(24,4)** | (57,9) |
| Provisions | **(28,1)** | (11,3) |
| Short-term borrowings | **(69,7)** | (93,6) |
| Trade and other payables | **(45,1)** | (91,5) |
| **Total liabilities** | **(167,3)** | (254,3) |

|  | Group and Company |  |
|---|---|---|
|  | **2009 Rm** | 2008 Rm |
| **8. Share capital and premium** |  |  |
| **Share capital** |  |  |
| **Authorised** |  |  |
| **Ordinary share capital** |  |  |
| 960 000 000 (2008: 960 000 000) ordinary shares of 5 cents each | **48,0** | 48,0 |
| **Preference share capital** |  |  |
| 10 000 000 (2008: 10 000 000) convertible redeemable preference shares of 20 cents each | **2,0** | 2,0 |
| **Total authorised share capital** | **50,0** | 50,0 |
| **Issued** |  |  |
| 342 638 463 (2008: 342 638 463) ordinary shares of 5 cents each | **17,1** | 17,1 |
| **Total issued share capital** | **17,1** | 17,1 |
| **Share premium** |  |  |
| Balance at beginning of year | **153,9** | 411,0 |
| Capital repayment | **–** | (257,0) |
| Redemption of convertible redeemable preference shares | **–** | (0,1) |
| Balance at end of year | **153,9** | 153,9 |
| **Total issued share capital and premium** | **171,0** | 171,0 |

|  | Group |  |
|---|---|---|
|  | **2009 Rm** | 2008 Rm |
| **Treasury shares** |  |  |
| Balance at beginning of year | **(719,8)** | (435,7) |
| Net own ordinary shares sold/(purchased) by the Company's Share Trusts and subsidiary during the year | **9,3** | (310,5) |
| Value of capital repayment received by Treasury shares | **–** | 26,4 |
| **Balance at end of year** | **(710,5)** | (719,8) |

|  | Group and Company |  |
|---|---|---|
|  | **2009 Number** | 2008 Number |
| The number of ordinary shares in issue is summarised as follows: |  |  |
| **At beginning of year** | **342 638 463** | 342 638 463 |
| Less: Shares held by the Company's Share Trusts and subsidiary | **44 370 401** | 45 117 569 |
| **At end of year** | **298 268 062** | 297 520 894 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| **9. Reserves** | | | | |
| The balance at the end of the year comprises: | | | | |
| Capital redemption reserve fund | **3,5** | 3,5 | 3,5 | 3,5 |
| Cash flow hedging reserve | **(56,7)** | (2,5) | – | – |
| Foreign currency translation reserve | **37,9** | 117,3 | – | – |
| Share-based payments reserve | **53,1** | 32,2 | 53,1 | 32,2 |
| | **37,8** | 150,5 | 56,6 | 35,7 |

- **Capital redemption reserve fund**
  Represents the fund that is required in terms of the South African Companies Act to maintain the capital base of the Company. This is effected by a transfer from retained earnings following the redemption of any preference shares at their par value.

- **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.

- **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. The fair value of the instrument is measured at grant date using generally accepted valuation techniques after taking into account the terms and conditions upon which the instruments were granted.

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| **10. Financial liabilities and borrowings** | | | | |
| Loans secured by agreements over property, plant and equipment | **–** | 0,3 | **–** | – |
| Loan secured by cession of rights under an international trademark licensing agreement | **15,8** | 17,9 | **–** | – |
| Finance lease liabilities | **21,1** | 27,2 | **–** | – |
| Total secured loans | **36,9** | 45,4 | **–** | – |
| Deferred purchase consideration | **–** | 7,2 | **–** | – |
| Unsecured loans | **542,2** | 357,4 | **–** | – |
| Total borrowings | **579,1** | 410,0 | **–** | – |
| Amount repayable within one year included in current borrowings (Note 13) | **46,9** | 21,5 | **–** | – |
| | **532,2** | 388,5 | **–** | – |

## 10. Financial liabilities and borrowings continued

**Interest rates and years of repayments**

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Repayable during the year ending 30 June 2009 | | | | | | |
| | Rate of interest % | **Total borrowings 2009 Rm** | 2010 Rm | 2011 Rm | 2012 Rm | 2013 Rm | 2014 onwards Rm |
| Secured loans | 12 – 13 | **15,8** | 2,4 | 2,7 | 3,2 | 3,5 | 4,0 |
| Finance lease liabilities | 8 – 13 | **21,1** | 4,7 | 5,4 | 6,6 | 4,4 | – |
| Unsecured loans | | **542,2** | 39,8 | 502,4 | – | – | – |
| | 0 – 5 | **19,5** | 19,5 | – | – | – | – |
| | 9 – 10 | **502,4** | – | 502,4 | – | – | – |
| | 13 | **20,3** | 20,3 | – | – | – | – |
| | | **579,1** | 46,9 | 510,5 | 9,8 | 7,9 | 4,0 |

| | Repayable during the year ending 30 June 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Rate of interest % | Total borrowings 2008 Rm | 2009 Rm | 2010 Rm | 2011 Rm | 2012 Rm | 2013 onwards Rm |
| Secured loans | 12 – 13 | 18,2 | 2,5 | 2,4 | 2,7 | 3,1 | 7,5 |
| Finance lease liabilities | 8 – 13 | 27,2 | 4,0 | 5,0 | 5,6 | 7,0 | 5,6 |
| Unsecured loans | | 364,6 | 15,0 | 42,4 | 307,2 | – | – |
| | 0 | 7,1 | – | 7,1 | – | – | – |
| | 8 – 9 | 37,2 | 15,0 | 15,0 | 7,2 | – | – |
| | 13 | 320,3 | – | 20,3 | 300,0 | – | – |
| | | 410,0 | 21,5 | 49,8 | 315,5 | 10,1 | 13,1 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| The borrowings are in the following currencies: | | | | |
| South African Rand | **566,6** | 380,0 | **–** | – |
| Australian Dollars | **12,5** | 30,0 | **–** | – |
| | **579,1** | 410,0 | **–** | – |

| | Group 2009 Rm | Group 2008 Rm |
|---|---|---|
| **11. Employee benefits** | | |
| **Post-retirement medical aid** | | |
| The Group has an obligation to provide certain post-retirement medical aid benefits to certain eligible employees and pensioners. The entitlement to these benefits for current employees is dependent upon the employee remaining in service until retirement age. | | |
| The actuarial valuation of the post-retirement medical aid contributions liability was performed at 31 December 2008 and projected to 30 June 2009. | | |
| The principal actuarial assumptions used were: | | |
| Discount rate 7,25% (2008: 8,50%) | | |
| Medical inflation 5,75% (2008: 7,0%) | | |
| Actuarially determined present value of unfunded obligations | **345,6** | 327,4 |
| Unrecognised actuarial loss | **(41,9)** | (30,5) |
| **Net liability in balance sheet** | **303,7** | 296,9 |
| Balance at beginning of year | **296,9** | 287,0 |
| Transfer from income statement – operating profit | **27,7** | 29,9 |
| – Current service cost | **2,2** | 2,3 |
| – Interest cost | **26,6** | 24,7 |
| – Actuarial (gain)/loss recognised | **(1,1)** | 2,9 |
| Contributions paid | **(20,9)** | (20,0) |
| **Balance at end of year** | **303,7** | 296,9 |
| Amounts payable within one year included under trade and other payables (Note 15) | **(22,1)** | (20,6) |
| | **281,6** | 276,3 |
| **Share-based payment obligations** | | |
| – cash settled | **11,5** | 7,9 |
| – earnings-linked performance bonuses | **2,8** | 9,3 |
| | **14,3** | 17,2 |
| | **295,9** | 293,5 |

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 Rm | One percentage point decrease Rm |
|---|---|---|
| Effect on present value of the actuarially determined defined benefit obligation: | 42,5 | (35,6) |
| Effect on the aggregate service and interest cost | 3,5 | (2,9) |

| **Historical information** | **2009 Rm** | 2008 Rm | 2007 Rm | 2006 Rm | 2005 Rm |
|---|---|---|---|---|---|
| Present value of the defined benefit obligation | **345,6** | 327,4 | 312,2 | 293,2 | 297,1 |
| Actuarial (gain)/loss recognised | **(1,1)** | 2,9 | 0,7 | 0,6 | 3,4 |

It is estimated that contributions for the following year will approximate those paid in the current year.

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **12. Operating lease straight-line liability** | | | | |
| Balance at beginning of year | **21,2** | 20,2 | **–** | – |
| Recognised in income statement | **(9,3)** | 1,0 | **–** | – |
| **Balance at end of year** | **11,9** | 21,2 | **–** | – |
| **13. Current borrowings** | | | | |
| Overdrafts and other current borrowings | **485,2** | 489,3 | **–** | 120,2 |
| Current portion of interest-bearing borrowings (Note 10) | **46,9** | 21,5 | **–** | – |
| | **532,1** | 510,8 | **–** | 120,2 |

**Company**

The Company's current borrowings of R120,2 million in the prior year were from subsidiary companies (Note 36).

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **14. Other financial liabilities including derivatives** | | | | |
| FEC cash flow hedge liability | **100,2** | 25,5 | **–** | – |
| Interest rate swap cash flow hedge liability | **7,0** | – | **–** | – |
| Liability for impairment loss in subsidiary for recapitalisation | **–** | – | **101,0** | – |
| | **107,2** | 25,5 | **101,0** | – |
| **15. Trade and other payables** | | | | |
| Trade accounts | **612,1** | 570,7 | **–** | – |
| Earnings linked performance bonuses | **13,7** | 20,1 | **–** | – |
| Other payables and accrued expenses | **445,0** | 436,7 | **12,4** | 7,4 |
| Post-retirement liabilities falling due within one year (Note 11) | **22,1** | 20,6 | **–** | – |
| | **1 092,9** | 1 048,1 | **12,4** | 7,4 |

| | Group 2009 Rm | Group 2008 Rm |
|---|---|---|
| **16. Revenue** | | |
| Group revenue comprises the following excluding value added tax: | | |
| Sale of goods | **7 851,9** | 7 062,4 |
| Services, fees and royalties | **39,3** | 43,7 |
| | **7 891,2** | 7 106,1 |

A segmental and geographical analysis of Group revenue is given on pages 64 to 66 in the segmental report.

| | Group 2009 Rm | Group 2008 Rm |
|---|---|---|
| **17. Operating profit/(loss) before capital items – continuing operations** | | |
| In arriving at the operating profit/(loss) before capital items, the following have been taken into account: | | |
| Amortisation | **5,1** | 4,8 |
| – fishing rights | **0,3** | 0,3 |
| – trademarks | **2,8** | 2,0 |
| – customer relationships | **2,0** | 2,5 |
| Auditors' remuneration | | |
| – fees for audit | **12,7** | 8,3 |
| – fees for other services | **0,7** | 1,5 |
| – taxation services and consultations | **0,4** | 1,1 |
| – other | **0,3** | 0,4 |
| Depreciation of property, plant and equipment | **182,3** | 161,9 |
| – buildings | **7,1** | 6,5 |
| – plant, equipment and vehicles | **149,5** | 134,4 |
| – vessels | **25,6** | 19,6 |
| – equipment subject to finance lease | **0,1** | 1,4 |
| Employment costs (see note 33) | **1 281,5** | 1 257,5 |
| Foreign exchange losses | **17,0** | 19,9 |
| Operating lease expenses | **108,4** | 91,9 |
| – property | **95,7** | 82,3 |
| – plant, equipment and vehicles | **12,7** | 9,6 |
| Write downs of inventory to net realisable value | **7,6** | 3,6 |
| Remuneration for services | **39,9** | 31,7 |
| – administrative, financial, managerial and secretarial fees | **28,7** | 17,1 |
| – technical fees | **11,2** | 14,6 |
| Research and development costs | **37,3** | 31,2 |

| | Company 2009 Rm | Company 2008 Rm |
|---|---|---|
| **17. Operating profit/(loss) before capital items** continued | | |
| Auditors' remuneration | | |
| – fees for audit | **0,1** | 0,1 |
| Administrative, financial, managerial and secretarial fees | **0,2** | 0,2 |

***Note***
*Details of the directors' remuneration is given in the directors' remuneration report on page 63.*

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **18. Income from investments** | | | | |
| Dividends – unlisted companies | **–** | 3,4 | **846,3** | 690,4 |
| Interest | **22,4** | 19,1 | **0,1** | 0,1 |
| | **22,4** | 22,5 | **846,4** | 690,5 |
| Dividends were received from | | | | |
| – subsidiary companies | **–** | – | **812,4** | 660,3 |
| – other investments | **–** | 3,4 | **34,0** | 30,1 |
| | **–** | 3,4 | **846,4** | 690,4 |
| **19. Finance costs** | | | | |
| Borrowings | **(155,4)** | (95,9) | **(0,9)** | (0,3) |
| Imputed interest on deferred purchase consideration | **–** | (0,6) | **–** | – |
| | **(155,4)** | (96,5) | **(0,9)** | (0,3) |
| Continuing operations | **(147,4)** | (86,5) | | |
| Discontinued operations | **(8,0)** | (10,0) | | |
| **20. Share of equity accounted profit of joint ventures** | | | | |
| Equity accounted profit of principal joint venture | **15,8** | 15,0 | | |
| Equity accounted (loss)/profit of non-principal joint venture | **(0,5)** | 2,2 | | |
| | **15,3** | 17,2 | | |

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| **21. Capital items** | | | | |
| Net surplus on disposal of investments and property, plant and equipment (Note 30) | **52,6** | 19,0 | **–** | – |
| Impairment of investments in subsidiaries | **–** | – | **(115,2)** | – |
| Impairment of assets (Note 30) | **(65,5)** | (5,1) | **–** | – |
| | **(12,9)** | 13,9 | **(115,2)** | – |
| – Continuing operations | **17,1** | 13,7 | **(115,2)** | – |
| – Discontinued operations | **(30,0)** | 0,2 | **–** | – |
| Attributable taxation (Note 22) | **6,7** | (1,9) | **–** | – |
| | **(6,2)** | 12,0 | **(115,2)** | – |
| **22. Taxation** | | | | |
| South African normal taxation | **222,9** | 221,7 | **–** | – |
| Deferred taxation | **5,8** | (5,5) | **–** | – |
| Foreign taxation | **9,7** | 12,1 | **–** | – |
| Capital gains taxation | **1,0** | 1,0 | **–** | – |
| Secondary Tax on Companies – current | **22,5** | 19,5 | **–** | – |
| – deferred | **4,7** | 10,7 | **6,2** | 10,7 |
| Prior year under/(over) provisions – current | **9,7** | – | **–** | – |
| – deferred | **(2,2)** | (3,6) | **–** | – |
| | **274,1** | 255,9 | **6,2** | 10,7 |
| Dealt with as follows: | | | | |
| In respect of profit before capital items | **280,8** | 254,0 | **6,2** | 10,7 |
| In respect of capital items (Note 21) | **(6,7)** | 1,9 | **–** | – |
| | **274,1** | 255,9 | **6,2** | 10,7 |
| – Continuing operations | **276,7** | 265,8 | | |
| – Discontinued operations | **(2,6)** | (9,9) | | |
| | **274,1** | 255,9 | | |

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **%** | % | **%** | % |

## 22. Taxation continued

| | | | | |
|---|---|---|---|---|
| **Reconciliation of rate of taxation (continuing operations)** | | | | |
| Standard rate of company taxation | **28,0** | 28,0 | **28,0** | 28,0 |
| Increase/(reduction) in effective rate as a result of: | | | | |
| Change in tax rate | **–** | (0,2) | **–** | – |
| Capital gains tax | **0,1** | 0,1 | **–** | – |
| Disallowable expenditure | **5,1** | 3,4 | **4,9** | 0,2 |
| Effect of foreign taxes | **0,1** | (0,5) | **–** | – |
| Exempt income | **(2,7)** | (2,7) | **(32,9)** | (28,2) |
| Secondary Tax on Companies | **3,3** | 3,9 | **0,9** | 1,6 |
| Tax losses incurred but not capitalised | **1,7** | 1,7 | **–** | – |
| Taxable unrealised forex losses | **(1,3)** | – | **–** | – |
| Prior year under/(over) provisions | **0,9** | (0,5) | **–** | – |
| Other | **(1,3)** | 1,5 | **–** | – |
| **Effective rate of taxation for the year (continuing operations)** | **33,9** | 34,7 | **0,9** | 1,6 |
| **Reconciliation of rate of taxation (discontinued operations)** | | | | |
| Standard rate of company taxation | **28,0** | 28,0 | **–** | – |
| Disallowable expenditure | **(48,1)** | (34,1) | **–** | – |
| Effect of foreign taxes | **40,9** | 40,1 | **–** | – |
| Exempt income | **3,3** | 15,5 | **–** | – |
| Impairment of assessed losses | **(16,3)** | – | **–** | – |
| **Effective rate of taxation for the year (discontinued operations)** | **7,8** | 49,5 | **–** | – |

| | **2009** | 2008 | **2009** | 2008 |
|---|---|---|---|---|
| | **Rm** | Rm | **Rm** | Rm |

## 23. Cash generated by/(utilised in) operations

| | | | | |
|---|---|---|---|---|
| Operating profit/(loss) before capital items | **908,5** | 798,7 | **(9,9)** | 1,1 |
| Adjustment for: | | | | |
| – non-cash items: | **178,1** | 224,1 | **–** | (5,0) |
| – depreciation of property, plant and equipment | **182,3** | 161,9 | **–** | – |
| – amortisation of intangible assets | **5,1** | 4,8 | **–** | – |
| – foreign currency translations | **(1,7)** | 3,7 | **–** | – |
| – movements in provisions and other | **(7,6)** | 53,7 | **–** | (5,0) |
| Continuing operations | **1 086,6** | 1 022,8 | **(9,9)** | (3,9) |

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **24. Decrease/(increase) in working capital** | | | | |
| Increase in inventories and biological assets | **(83,6)** | (129,0) | **–** | – |
| Decrease/(increase) in trade and other receivables | **30,4** | (145,6) | **(584,4)** | 7,1 |
| Increase/(decrease) in trade and other payables | **83,2** | (80,1) | **5,0** | 3,2 |
| Continuing operations | **30,0** | (354,7) | **(579,4)** | 10,3 |

The net movement on working capital has been adjusted to take account of the foreign exchange differences and other known non-cash items. Subsidiaries have been included from the effective dates of the respective acquisitions or excluded from the effective dates of the respective disposals.

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **25. Taxation paid** | | | | |
| Amount owing at beginning of year | **73,4** | 66,9 | **–** | – |
| Amount overpaid at beginning of year | **(25,5)** | (22,8) | **–** | – |
| Net amount owing at beginning of year | **47,9** | 44,1 | **–** | – |
| Charge per income statement | **274,1** | 255,9 | **6,2** | 10,7 |
| Other direct movements | **5,9** | (2,8) | **–** | – |
| Deferred taxation included therein (Note 3 to the financial statements) | **(8,3)** | (1,6) | **(6,2)** | (10,7) |
| | **271,7** | 251,5 | **–** | – |
| Disposal of subsidiary | **(1,8)** | – | **–** | – |
| Realignment of currencies | **1,9** | (0,3) | **–** | – |
| Amount owing at end of year | **(13,4)** | (73,4) | **–** | – |
| Amount pre-paid at end of year – discontinued operations | **15,2** | 20,2 | **–** | – |
| Amount pre-paid at end of year | **71,4** | 5,3 | **–** | – |
| Net amount prepaid/(owing) at end of year | **73,2** | (47,9) | **–** | – |
| **Amount paid during year** | **392,9** | 247,4 | **–** | – |
| **26. Dividends paid** | | | | |
| Per statement of changes in equity | **247,2** | 233,4 | **284,5** | 260,4 |

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **27. Disposal/acquisition of subsidiaries and businesses** | | | | |
| Acquisition of subsidiary | | | **–** | (20,7) |
| Disposal of subsidiary | | | **(21,0)** | – |
| | | | **(21,0)** | (20,7) |
| **Net assets of subsidiaries and businesses disposed/(acquired):** | | | | |
| Property, plant and equipment | **16,4** | (2,2) | | |
| Minority interest | **(6,5)** | – | | |
| Intangible asset – trademarks and licence agreements | **–** | (24,2) | | |
| Intangible asset – customer relationships and contracts | **–** | (14,0) | | |
| Working capital | **10,2** | (4,9) | | |
| Cash and cash equivalents/(net short-term borrowings) | **14,9** | (1,3) | | |
| Taxation – deferred and corporate | **(3,2)** | 10,7 | | |
| Long-term borrowings | **(5,5)** | – | | |
| Profit on disposal | **23,8** | – | | |
| | **50,1** | (35,9) | | |
| Net cash and cash equivalents included in acquisitions | **(14,9)** | 1,3 | | |
| Total disposal/purchase consideration net of cash acquired | **35,2** | (34,6) | | |
| Deferred purchase consideration at beginning of year | **(7,2)** | (5,5) | | |
| Imputed interest and goodwill adjustment | **7,2** | (1,7) | | |
| Deferred purchase consideration at end of year | **–** | 7,2 | | |
| **Cash flow on disposals/(acquisitions)** | **35,2** | (34,6) | **(21,0)** | (20,7) |

- Effective 12 December 2008, National Brands Limited disposed of a non-core subsidiary that packed private label teas and coffees for R35,2 million (net of cash disposed of).

There were no acquisitions during the year.

The acquisitions in the prior year comprised:
- Hampton Sportswear (Pty) Ltd – acquired by the Company.
- Operating assets in the Out of Home coffee market – acquired by a subsidiary of National Brands Ltd.

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **28. Investments in joint ventures and other investments** | | | | |
| Cost of acquisitions and loans advanced | – | (11,2) | (2,4) | – |
| Loans repaid | 21,9 | 8,0 | – | – |
| | 21,9 | (3,2) | (2,4) | – |
| **29. Increase in shareholder funding** | | | | |
| Net sale of own ordinary shares by the Company's Share Trusts | 9,0 | 4,7 | – | – |
| | 9,0 | 4,7 | – | – |

## 30. Earnings and headline earnings

The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 297 806 357 (2008: 306 081 992) ordinary shares in issue.

The diluted earnings and headline earnings per share are calculated on 303 400 679 (2008: 308 840 457) ordinary shares.

| | Group 2009 Gross Rm | Group 2009 Net of tax and minorities Rm | Group 2008 Gross Rm | Group 2008 Net of tax and minorities Rm |
|---|---|---|---|---|
| **Determination of headline earnings** | | | | |
| **Earnings** | | 507,7 | | 488,3 |
| Attributable to: | | | | |
| Continuing operations | | 538,5 | | 498,4 |
| Discontinued operations | | (30,8) | | (10,1) |
| **Adjustment for capital items** | (12,9) | (6,2) | 13,9 | 12,0 |
| Net surplus on disposal of investments, properties, vessels and plant and equipment | 28,8 | 28,6 | 19,0 | 16,5 |
| Net surplus on disposal of subsidiaries | 23,8 | 22,7 | – | – |
| Impairment of plant, equipment and vessels | (5,2) | (3,8) | (5,1) | (4,5) |
| Impairment of intangible assets and goodwill | (30,0) | (29,1) | – | – |
| Impairment of assets classified as held-for-sale | (0,3) | (0,3) | – | – |
| Impairment of disposal group held-for-sale | (30,0) | (24,3) | – | – |
| **Headline earnings** | | 513,9 | | 476,3 |
| Attributable to: | | | | |
| Continuing operations | | 520,4 | | 486,7 |
| Discontinued operations | | (6,5) | | (10,4) |
| | | 513,9 | | 476,3 |

| | 2009 Number | 2008 Number |
|---|---|---|

## 30. Earnings and headline earnings continued

| | 2009 Number | 2008 Number |
|---|---|---|
| **Reconciliation of weighted average number of ordinary shares** | | |
| Issued shares at beginning of year | **342 638 463** | 342 638 463 |
| Effect of own shares held by trusts and subsidiary | **(45 117 569)** | (28 342 540) |
| Effect of shares acquired directly in the market | **–** | (8 503 646) |
| Effect of treasury shares sold in July – September | **–** | 145 560 |
| Effect of treasury shares sold in October – December | **204 315** | 103 682 |
| Effect of treasury shares sold in January – March | **51 999** | 15 444 |
| Effect of treasury shares sold in April – June | **29 149** | 25 029 |
| **Weighted average number of ordinary shares** | **297 806 357** | 306 081 992 |
| Effect of share options outstanding during the year in Incentive Scheme Trusts | **479 154** | 789 970 |
| Effect of share options outstanding during the year in the Black Staff Empowerment Scheme Trust[1] | **–** | 2 406 |
| Effect of Out Performance Scheme instruments outstanding during the year | **5 115 168** | 1 373 993 |
| Effect of convertible redeemable preference shares outstanding during the year | **–** | 592 096 |
| **Weighted average diluted number of ordinary shares** | **303 400 679** | 308 840 457 |

[1]*For determining the dilutive effect of these options, the IFRS 2 Share-based Payment charge not yet expensed is added to the exercise price. This notional strike price is greater than the AVI volume weighted average price for the 2009 financial year of R16,99 and the tranches are therefore anti-dilutive.*

| | Group | |
|---|---|---|
| | **2009 cents** | 2008 cents |
| **Headline earnings per ordinary share** | **172,6** | 155,6 |
| Attributable to: | | |
| Continuing operations | **174,7** | 159,0 |
| Discontinued operations | **(2,1)** | (3,4) |
| **Diluted headline earnings per ordinary share** | **169,4** | 154,2 |
| Attributable to: | | |
| Continuing operations | **171,5** | 157,6 |
| Discontinued operations | **(2,1)** | (3,4) |
| **Earnings per ordinary share** | **170,5** | 159,6 |
| Attributable to: | | |
| Continuing operations | **180,8** | 162,9 |
| Discontinued operations | **(10,3)** | (3,3) |
| **Diluted earnings per ordinary share** | **167,3** | 158,1 |
| Attributable to: | | |
| Continuing operations | **177,5** | 161,4 |
| Discontinued operations | **(10,2)** | (3,3) |

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| **31. Dividends paid** | | | | |
| **Ordinary shares** | | | | |
| No. 66 of 43 cents, paid 8 October 2007 | | 134,0 | | 147,3 |
| No. 67 of 33 cents, paid 7 April 2008 | | 98,8 | | 113,1 |
| No. 68 of 47 cents, paid 6 October 2008 | **139,8** | | **161,1** | |
| No. 69 of 36 cents, paid 6 April 2009 | **107,4** | | **123,4** | |
| | **247,2** | 232,8 | **284,5** | 260,4 |
| Dividend No. 70 of 52 cents in respect of the year ended 30 June 2009 was declared on 4 September 2009 and is payable on 5 October 2009. 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. | **155,1** | | **178,2** | |

| | Group | |
|---|---|---|
| | **2009 Rm** | 2008 Rm |
| **32. Commitments and contingent liabilities** | | |
| **Commitments** | | |
| **Capital commitments** | | |
| Capital expenditure authorised by the directors | | |
| **Property, plant and equipment** | | |
| – contracted for | **52,2** | 79,3 |
| – not contracted for | **36,5** | 48,4 |
| | **88,7** | 127,7 |
| 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. | | |
| **Operating leases** | | |
| Non-cancellable operating lease rentals are payable as follows: | | |
| Within one year | **74,8** | 70,9 |
| Between two and five years | **177,9** | 185,6 |
| After five years | **44,2** | 51,0 |
| | **296,9** | 307,5 |

## 32. Commitments and contingent liabilities continued

**Contingent liabilities**

**Group**

As previously reported, a foreign subsidiary of the Group has since 2004 been involved in a dispute with the South African Revenue Service ("SARS"). The matters under dispute were complex and it was anticipated at that time that the legal process embarked on would take an extended period to complete.

On 30 March 2009 the foreign subsidiary and SARS reached agreement in terms of which an amount of R34 million was paid to SARS in full and final settlement of the dispute. After taking account of existing provisions related to this dispute, the settlement did not have any material effect on profit for the year ended 30 June 2009.

**Company**

The Company has signed a deed of suretyship with Rand Merchant Bank in respect of the performance of the obligations of a subsidiary company, Indigo Cosmetics (Pty) Limited, with regard to the repayment of the secured loan of R15,8 million (2008: R17,9 million) referred to in Note 10. The Company has signed limited guarantees with certain major banks in respect of funding advanced by the banks to some of the Company's subsidiaries.

## 33. Employee benefits

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| Employment costs | **1 498,0** | 1 463,3 | **–** | – |
| Short-term employment benefits | **1 343,9** | 1 279,9 | **–** | – |
| Termination benefits | **6,3** | 35,5 | **–** | – |
| Share-based payments | | | | |
| – equity settled | **20,9** | 16,0 | **–** | – |
| – cash settled | **3,4** | (1,2) | **–** | – |
| – earnings linked performance bonuses | **(1,3)** | 19,4 | **–** | – |
| Post retirement medical aid costs | **27,7** | 29,9 | **–** | – |
| Retirement benefits | **97,1** | 83,8 | **–** | – |
| Continuing operations | **1 281,5** | 1 257,5 | | |
| Discontinued operations | **216,5** | 205,8 | | |

**Retirement benefits**

The Group provides retirement benefits for its eligible employees. Of the Group's 10 167 employees, 6 179 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 country concerned. The contributions paid by the Group companies for retirement benefits are charged to the income statement as they are incurred, and amounted to R97,1 million (2008: R83,8 million).

**Share-based payments**

Details of equity instruments granted to employees are set out on pages 57 to 60 of the directors' report. Senior management in the subsidiaries participate in company specific earnings linked performance bonus schemes which are accounted for in terms of IAS 19 – Employee Benefits. Management and staff of AVI Financial Services participate in a cash-settled share-based payment plan linked to the share price of AVI Ltd, which is accounted for in terms of IFRS 2 – Share-Based Payments. Equity instruments that were granted after 7 November 2002 and not yet vested by 1 January 2005 have been measured and recognised in accordance with the principles contained in IFRS 2 – Share-Based Payments. The fair value of the equity instruments were measured using the Black-Scholes model. 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 the 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 vested equity instruments is expensed in the period of vesting. The fair value of share appreciation rights is determined using the Black-Scholes model at grant date and is re-measured at each reporting date and settlement date.

## 33. Employee benefits continued

| | 2009 | 2008 |
|---|---|---|
| **FAIR VALUE OF EQUITY INSTRUMENTS AND ASSUMPTIONS** | | |
| **INSTRUMENTS ISSUED BY THE SHARE INCENTIVE TRUSTS** | | |
| Fair value at grant date | **R3,53 – R3,03** | R4,51 – R3,81 |
| Share price | **R15,80 – R15,91** | R21,12 – R16,26 |
| Exercise price | **R15,80 – R15,91** | R21,12 – R16,26 |
| Expected volatility[1] | **33,4% – 25,2%** | 25,5% – 32,8% |
| Option life | **3,5 years** | 3,5 years |
| Dividend yield | **4,74% – 4,91%** | 3,5% – 4,27% |
| Risk free interest rate[2] | **8,84% – 8,18%** | 8,27% – 9,17% |
| **INSTRUMENTS ISSUED BY THE BLACK STAFF EMPOWERMENT SCHEME TRUST** | | |
| Weighted average fair value at grant date | **R1,41 – R2,26** | R2,12 – R1,70 |
| Share price at grant date | **R15,68 – R16,16** | R19,58 – R16,49 |
| Weighted average exercise price | **R19,94 – R20,92** | R28,38 – R25,68 |
| Expected volatility (weighted average volatility)[1] | **30,46% – 31,64%** | 22,21% – 23,54% |
| Option life (expected weighted average life) | **6,0 years** | 6,0 years |
| Dividend yield | **4,74% – 4,91%** | 3,55% – 4,76% |
| Risk free interest rate[2] | **8,84% – 8,18%** | 8,26% – 9,23% |
| **INSTRUMENTS ISSUED BY THE OUT PERFORMANCE SCHEME TRUST** | | |
| Fair value at grant date | **R12,79** | R14,26 – R7,67 |
| Share price at grant date | **R15,65** | R21,35 – R14,47 |
| Option life | **3 years** | 3 years |
| Dividend yield | **5,5%** | 3,2% – 5,2% |
| Risk free interest rate[2] | **9,29%** | 8,49% – 10,13% |
| Expected mean TSR performance | **17%** | 42% – 42% |
| **RIGHTS ISSUED BY THE AVI FINANCIAL SERVICES CASH-SETTLED SHARE APPRECIATION RIGHTS PLAN** | | |
| Fair value at measurement date (year end) | **R1,79** | R0,53 |
| Share price | **R17,48** | R13,69 |
| Exercise price | **R17,65** | R19,39 |
| Expected volatility (weighted average volatility)[1] | **24,2%** | 29,5% |
| Option life (expected weighted average life) | **3,5 years** | 3,5 years |
| Dividend yield | **5,0%** | 4,55% |
| Risk-free interest rate[2] | **8,47%** | 10,72% |

[1] *The expected volatility is based on the average volatility over a period of six months prior to grant date or measurement date.*
[2] *The R157 bond rate was used to determine a risk-free interest rate at grant date or measurement date.*

| | 2009 Rm | 2008 Rm |
|---|---|---|
| **33. Employee benefits** continued | | |
| **EMPLOYEE EXPENSES** | | |
| **Equity settled** | | |
| Options granted | **3,3** | 3,2 |
| Instruments granted under the Out Performance Scheme | **5,8** | 1,8 |
| Equity instruments granted to all black employees | **11,8** | 11,0 |
| | **20,9** | 16,0 |
| **Cash settled** | | |
| Share appreciation rights – AVI Financial Services | **3,4** | (1,2) |

## 34. Black Economic Empowerment ("BEE") transactions

**Irvin & Johnson Holding Company (Pty) Limited ("I&J")**

The Company sold 20% of its shareholding in I&J to Main Street 198 (Pty) Limited ("Main Street") in November 2004. Main Street is jointly owned by Mast Fishing Investment Holdings (Pty) Limited and Tresso Trading 946 (Pty) Limited, two broad-based black empowered companies with strong commitment 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 convertible preference shares in Main Street.

AVI further increased the BEE shareholding in I&J by donating 1% and selling 4% of its shareholding in I&J to a company owned by the South African black employees of I&J and its subsidiaries, Richtrau No 53 (Pty) Limited ("Richtrau"), on 1 May 2005. The proceeds on disposal amounted to R18,0 million and the consideration was funded by the Company subscribing for a cumulative redeemable preference share in Richtrau. The value generated by this shareholding will vest to those employee shareholders remaining in the employ of I&J and its subsidiaries after 30 April 2010.

Post the implementation of these transactions the effective direct BEE shareholding in I&J is 25%.

**Accounting recognition of the disposal of shares**

Notwithstanding that the BEE transactions have been completed and that the BEE shareholders have beneficial ownership and voting control over their 25% shareholdings, the accounting recognition in the Group's consolidated financial statements of the disposal of shares to the BEE companies requires deferral until the redemption of the preference shares subscribed for to finance the purchase of such shares, as the shares in I&J serve as security for the cumulative liability on the preference shares.

The preference share liability of each company, including arrear preference dividends, was as follows:

| | Company | |
|---|---|---|
| | **2009 Rm** | 2008 Rm |
| Main Street 198 (Pty) Ltd | **212,9** | 209,8 |
| Richtrau 53 (Pty) Ltd | **18,0** | 18,0 |

The recognition of the preference dividend income in AVI Ltd is capped at the earnings attributable to the minority shareholders (refer note 38).

**Application of IFRS 2 – Share-based payments, IAS 19 – Employee benefits and IAS 39 – Financial Instruments**

The Group has adopted the recommendations of IFRIC 8 – Scope of IFRS 2 and the interpretation issued by SAICA AC 503 – Accounting for BEE transactions on the following bases, consistent with the prior year:

- 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 Main Street 198 shareholders' agreement provides for the payment of ordinary dividends equal to 5% of dividends received from I&J on an annual basis. Furthermore the shareholder's agreement provides for put and call options determined by a fixed formula. The put option is classified as a derivative financial instrument and is accounted for at fair value (currently Rnil (2008: Rnil).
- The Richtrau shareholders' agreement provides for the payment of ordinary dividends equal to 10% of dividends received from I&J on an annual basis. Furthermore, upon employee vesting conditions being met, Richtrau 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 of Richtrau. AVI Limited has undertaken to provide funding for the repurchase commitments of Richtrau if required. Accordingly the arrangement has been accounted as an employee benefit under the requirements of IAS 19 with an expense of R4,1 million recognised in the current year (2008: R3,8 million).

| | Group 2009 Rm | Group 2008 Rm | Company 2009 Rm | Company 2008 Rm |
|---|---|---|---|---|
| **35. Related party transactions** | | | | |
| **Transactions with group entities** | | | | |
| Administration fees paid to a subsidiary | **–** | – | **0,2** | 0,2 |
| Dividends received from subsidiaries (see Note 18) | **–** | – | **812,4** | 660,3 |
| Loans to/from subsidiary companies (see Note 36) | **–** | – | **420,2** | 328,5 |
| Liability for impairment loss in subsidiary for recapitalisation | **–** | – | **(101,0)** | – |
| Treasury share loan to subsidiary classified as equity instrument | **–** | – | **291,7** | 306,0 |
| Call account maintained with treasury division of subsidiary | **–** | – | **594,6** | 38,8 |
| Other receivables from subsidiaries | **–** | – | **0,4** | 10,7 |
| Other payables to subsidiaries | **–** | – | **10,6** | 6,7 |
| Director's fees payable | **–** | – | **0,5** | – |
| Loans to joint ventures (see Note 38) | **58,8** | 90,7 | **–** | – |
| Trade receivables from joint ventures | **12,1** | 17,2 | **–** | – |
| Royalties received from joint ventures | **11,9** | 11,2 | **–** | – |
| Sales to joint ventures | **113,6** | 121,7 | **–** | – |

Details of the principal subsidiaries, joint ventures and other investments are given on pages 109 to 111.

**Transactions with key management personnel**

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

The key management personnel costs are as follows:

| | Group 2009 Rm | Group 2008 Rm |
|---|---|---|
| Short-term employee benefits | **95,3** | 106,1 |
| Post-employment benefits | **3,8** | 3,9 |
| Termination benefits | **5,9** | 4,3 |
| Equity compensation benefits | **17,9** | 26,1 |
| | **122,9** | 140,4 |

Executives also participate in the Company's share option schemes, details of which are given in the directors' report on pages 57 and 59.

| | Company 2009 Rm | Company 2008 Rm |
|---|---|---|
| **36. Subsidiaries** | | |
| **Company's aggregate interest in the profits and losses after taxation of subsidiaries** | | |
| Profits after minority interests at subsidiary company level | **642,0** | 630,2 |
| Losses after minority interests at subsidiary company level | **(53,8)** | (67,8) |
| **Investment in subsidiaries** | | |
| Unlisted – shares in owned subsidiaries | **1 288,7** | 1 388,1 |
| Borrowings by subsidiary companies | **455,5** | 469,7 |
| | **1 744,2** | 1 857,8 |
| Share-based payments capitalised | **53,1** | 32,2 |
| Impairment allowance | **(43,3)** | (29,2) |
| Treasury share loan to subsidiary classified as equity | **(291,7)** | (306,0) |
| Total investment in subsidiaries | **1 462,3** | 1 554,8 |
| Short-term borrowings from subsidiary companies | **–** | (120,2) |
| **Total interest in subsidiaries** | **1 462,3** | 1 434,6 |

## 37. Principal subsidiary companies

| Name of company and nature of business | Class | Issued permanent capital 2009 Rm | Issued permanent capital 2008 Rm | Group effective percentage holding 2009 % | Group effective percentage holding 2008 % | Book value of Company's interest – Shares 2009 Rm | Book value of Company's interest – Shares 2008 Rm | Book value of Company's interest – Indebtedness to/(by) the Company 2009 Rm | Book value of Company's interest – Indebtedness to/(by) the Company 2008 Rm |
|---|---|---|---|---|---|---|---|---|---|
| **A&D Spitz (Pty) Limited** – retailer of branded shoes and fashion accessories | Ord. | **–** | – | **100** | 100 | **576,6** | 576,6 | **–** | – |
| **AVI Investment Services (Pty) Limited** | | **–** | | | | | | | |
| – investment company | Ord. | **–** | – | **100** | 100 | **–** | – | **291,7** | 306,0 |
| **AVI Financial Services (Pty) Limited** – financial and management company | Ord. | **–** | – | **100** | 100 | **–** | – | **–** | – |
| **Denny Mushrooms (Pty) Limited** – producer and marketer of mushrooms | Ord. | **–** | – | **100** | 100 | **137,1** | 137,1 | **4,5** | 4,5 |
| **Dyambu Investment Nominees (Pty) Limited** – investment company | Ord. | **–** | – | **–** | 100 | **–** | 1,5 | **–** | – |
| | Cum. redeemable prefs. | **–** | – | **–** | 100 | **–** | 48,2 | **–** | (60,1) |
| **Hampton Sportswear (Pty) Limited** – retailer of branded apparel | Ord. | **–** | – | **100** | 100 | **20,7** | 20,7 | **–** | – |
| **Irvin & Johnson Holding Company (Pty) Limited** – international integrated fishing, processing and marketing of branded value-added fish and seafood products | Ord. | **–** | – | **75** | 75 | **319,1** | 319,1 | **–** | – |
| **Indigo Cosmetics (Pty) Limited** – manufacturers, marketers and distributors of cosmetics, fragrances and toiletries | Ord. | **–** | – | **100** | 100 | **–** | – | **124,0** | 124,0 |
| **National Brands Limited** – manufacturers and marketers of branded food and beverage products | Ord. | **3,5** | 3,5 | **100** | 100 | **227,1** | 227,1 | **–** | – |
| **Nina Roche Shoe Collection (Pty) Limited** – retailer of branded shoes and fashion accessories | Ord. | **–** | – | **100** | 100 | **–** | – | **14,2** | 14,2 |
| **Ntshonalanga Consortium Investment Nominees (Pty) Limited** – investment company | Ord. | **–** | – | **–** | 100 | **–** | 1,5 | **–** | – |
| | Cum redeemable prefs. | **–** | – | **–** | 100 | **–** | 48,2 | **–** | (60,1) |
| **The Real Juice Co Holdings (Pty) Limited** – manufacturers and distributors of ready-to-drink beverages | Ord. | **–** | – | **75** | 75 | **8,1** | 8,1 | **21,1** | 21,1 |
| | | | | | | **1 288,7** | 1 388,1 | **455,5** | 349,6 |
| Impairment allowance | | | | | | | | | |
| – Real Juice Co | | | | | | **(8,1)** | (8,1) | **(21,1)** | (21,1) |
| – Nina Roche | | | | | | **–** | – | **(14,2)** | – |
| Share-based payments capitalised | | | | | | **53,1** | 32,2 | **–** | – |
| | | | | | | **1 333,7** | 1 412,2 | **420,2** | 328,5 |

Apart from Real Juice Co and Nina Roche, the directors' valuation of each of the investments in subsidiary companies, all of which are unlisted, is not less than their respective carrying values. All companies are incorporated in South Africa.

## 38. Joint ventures

| | Number of shares held Group 2009 | 2008 | Group effective percentage holding 2009 % | 2008 % |
|---|---|---|---|---|
| **PRINCIPAL JOINT VENTURE** | | | | |
| **Name of company and nature of business** | | | | |
| **Joint venture** | | | | |
| – equity accounted, financial year end 31 August | | | | |
| **Simplot Seafood, Snacks and Meals division** | | | | |
| *(unincorporated and operates in Australia, managed by Simplot Australia (Pty) Ltd)* | | | | |
| – food processing, trading and distribution | **–** | – | **40** | 40 |

| | | Group 2009 Rm | 2008 Rm |
|---|---|---|---|
| **GROUP CARRYING VALUE OF JOINT VENTURES** | | | |
| Shares at cost | | **25,2** | 25,2 |
| Capital loans | | **58,8** | 90,7 |
| | | **84,0** | 115,9 |
| Share of post-acquisition reserves | | **98,3** | 106,1 |
| **Total carrying value** | | **182,3** | 222,0 |
| **I&J's proportionate share of assets and liabilities of Simplot Seafood, Snacks and Meals division** | | | |
| Property, plant and equipment | | **48,4** | 66,0 |
| Current assets | | **198,8** | 239,2 |
| Non-current liabilities – non-interest-bearing | – Group companies | **(23,5)** | (35,6) |
| | – Other | **(34,1)** | (51,9) |
| Current liabilities | – Group companies | **(4,8)** | (8,8) |
| | – Other | **(63,1)** | (79,2) |
| **Share of net assets** | | **121,7** | 129,7 |
| **Summarised financial information in respect of the principal joint venture** | | | |
| **I&J's proportionate share of revenue and expenditure was:** | | | |
| Revenue | | **618,7** | 583,6 |
| Expenditure | | **602,9** | 568,6 |
| Profit before taxation | | **15,8** | 15,0 |
| Taxation | | **–** | – |
| **Profit after taxation, reflected as share of equity accounted earnings of joint venture** | | **15,8** | 15,0 |
| **I&J's proportionate share of the cash flow generated was:** | | | |
| Cash generated by operating activities | | **22,9** | 3,3 |
| Cash utilised in investing activities | | **(0,9)** | (2,3) |
| Cash effects of financing activities | | **(16,0)** | – |
| **Net increase in cash and cash equivalents** | | **6,0** | 1,0 |
| **Capital commitments** | | | |
| – contracted for | | **–** | 0,3 |
| – not contracted for | | **5,8** | 0,9 |
| | | **5,8** | 1,2 |

## 39. Other investments

| | Number of shares held | | | | Group effective percentage holding | |
|---|---|---|---|---|---|---|
| | Group | | Company | | | |
| | **2009** | 2008 | **2009** | 2008 | **2009 %** | 2008 % |
| **PRINCIPAL OTHER INVESTMENTS** | | | | | | |
| **Name of company and nature of business** | | | | | | |
| **Other investments** | | | | | | |
| Main Street 198 (Pty) Limited | | | | | | |
| – cumulative redeemable convertible "A" preference shares [1] | **800** | 800 | **800** | 800 | **100** | 100 |
| Richtrau No 53 (Pty) Limited | | | | | | |
| – cumulative redeemable preference share [1] | **1** | 1 | **1** | 1 | **100** | 100 |
| | **Rm** | Rm | **Rm** | Rm | | |
| **Other investments comprise:** | | | | | | |
| Preference share investments in the empowerment consortia, including dividends accrued[(1)] | **–** | – | **197,7** | 195,3 | | |
| Insurance cell captive fund – net bank deposits and investments [2] | **93,1** | 83,3 | **5,9** | 5,9 | | |
| Loan receivable | **1,4** | 7,5 | **–** | – | | |
| | **94,5** | 90,8 | **203,6** | 201,2 | | |

***Notes***

[1] *The 25% black empowerment shareholding in I&J is held by two investment nominee companies. AVI has subscribed for preference shares in Main Street 198 (Pty) Limited and Richtrau No 53 (Pty) Limited, the investment nominee companies owned by these empowerment investors, to fund the acquisition of the I&J shares. The net preference share investment represents the original subscription price plus arrear preference dividends, less a capping provision to limit the recognition of preference dividend income to the equivalent attributable earnings of I&J (refer Note 34).*

[2] *Insurance cell captive fund*
*The Group consolidates its attributable share of an insurance cell captive managed on behalf of the Group by Guardrisk Insurance Company Limited. The net assets reserved within the cell captive are to be utilised against insurance claims arising within the Group not covered by third party insurances.*

[3] *None of the investments is listed on a stock exchange.*

[4] *The directors' valuation of each of the unlisted investments is not less than their respective carrying values.*

[5] *A register disclosing full details of all companies in which the Group has investments is available for inspection by members or their duly authorised agents during business hours at the registered office of the Company.*

## 40. Financial risk management

### 40.1 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 consolidated financial statements.

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

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

### 40.2 Capital management

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

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 is to achieve a return on average capital employed at 120% of the weighted average cost of capital, which was estimated at 12,5% (2008: 11,5%). In 2009 the return was 28,3% (2008: 26,8%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 13,15% (2008: 11,7%).

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 part of a programme to return capital to shareholders, but some may be used for issuing shares under the Group's share option programmes. Buying decisions are made under specific mandates from the executive directors.

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

The Company and some of its subsidiaries are subject to and comply with the following capital reporting covenants required by some of the Group's bankers:

- consolidated net debt to EBITDA less than 3,0
- consolidated EBITDA to net finance costs greater than 2,5.

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

## 40. Financial risk management continued

### 40.3 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, 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 represents 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 legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's retailer 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 within limits.

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

#### Cash and cash equivalents, loan receivables and other investments

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

#### Guarantees

The Group's policy is to provide limited financial guarantees in respect of banking facilities for wholly owned subsidiaries. At 30 June 2009 guarantees were in place for AVI Financial Services (Pty) Limited and National Brands Limited (2008: AVI Financial Services (Pty) Limited and National Brands Limited).

## 40. Financial risk management continued

### 40.3 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:

| | Group Carrying amount | | Company Carrying amount | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| Other investments | **94,5** | 90,8 | **203,6** | 201,2 |
| Other financial assets including derivatives | **17,4** | 22,0 | **–** | – |
| Trade and other receivables* | **1 055,5** | 1 124,2 | **595,1** | 10,7 |
| Cash and cash equivalents | **516,6** | 174,9 | **1,5** | 38,9 |
| Total | **1 684,0** | 1 411,9 | **800,2** | 250,8 |

*Excludes prepayments and pension fund surplus apportionment accrual.*

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

| | Group carrying amount | |
|---|---|---|
| | **2009 Rm** | 2008 Rm |
| South Africa | **784,4** | 788,0 |
| Europe | **135,3** | 189,5 |
| Australasia | **8,0** | 17,2 |
| Rest of Africa | **42,6** | 67,4 |
| Total | **970,3** | 1 062,1 |

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

| | Group carrying amount | |
|---|---|---|
| | **2009 Rm** | 2008 Rm |
| Wholesale customers | **282,0** | 374,6 |
| Retailer customers | **651,9** | 597,6 |
| Manufacturers and processors | **0,1** | 16,4 |
| End-user customers and direct sales | **36,3** | 73,5 |
| Total | **970,3** | 1 062,1 |

The Group's most significant customers, being two South African retailers, accounted for 30,3% of the trade receivables carrying amount at 30 June 2009 (2008: 24,8%).

## 40. Financial risk management continued

**40.3 Credit risk** continued

**Impairment losses**

The ageing of trade receivables at the reporting date was:

| | Gross 2009 Rm | Impairment 2009 Rm | Gross 2008 Rm | Impairment 2008 Rm |
|---|---|---|---|---|
| Not past due | **880,8** | **(0,9)** | 967,4 | (0,1) |
| Past due 0 – 30 days | **54,8** | **(3,7)** | 54,4 | (0,1) |
| Past due 31 – 120 days | **25,7** | **(0,2)** | 29,5 | (1,9) |
| Past due more than 120 days < 1 year | **8,4** | **(2,9)** | 9,2 | (4,6) |
| Past due more than 1 year | **0,6** | **(0,6)** | 1,6 | (1,6) |
| Total | **970,3** | **(8,3)** | 1 062,1 | (8,3) |

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

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

| | 2009 Rm | 2008 Rm |
|---|---|---|
| Balance as at 1 July | **(8,3)** | (9,5) |
| Impairment loss recognised in the income statement | **(4,3)** | (6,7) |
| Impairment loss allowance on discontinued operation | **0,2** | 4,7 |
| Impairment loss no longer required and released to income | **3,8** | 1,3 |
| Impairment loss allowance utilised | **0,3** | 1,9 |
| Balance as at 30 June | **(8,3)** | (8,3) |

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

## 40. Financial risk management continued

### 40.4 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 cash on demand 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 the following lines of credit:

- R1 100 million treasury facilities that can be drawn down to meet short-term financing needs. These facilities are overnight call borrowings. Interest is payable at the quoted overnight borrowing rate applicable on the date of advance.
- R500 million three year term debt that has been negotiated at a subsidiary level, which if required is renewable for another two years. Interest is payable at the one month JIBAR borrowing rate reset monthly plus a negotiated margin.
- R333 million overdraft facilities available to the subsidiaries that are unsecured. Interest is payable at the prime lending rate if the facilities are used.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

| Group | Carrying amount Rm | Contractual cash flows Rm | 6 months or less Rm | 6 – 12 months Rm | 1 – 2 years Rm | 2 – 5 years Rm | More than 5 years Rm |
|---|---|---|---|---|---|---|---|
| **30 June 2009** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Secured bank loans | **15,8** | **21,7** | **2,2** | **2,2** | **4,3** | **13,0** | **–** |
| Finance leases | **21,1** | **28,1** | **3,7** | **3,7** | **7,5** | **13,2** | **–** |
| Unsecured loans | **542,2** | **625,0** | **56,3** | **30,1** | **538,6** | **–** | **–** |
| Trade and other payables* | **1 057,1** | **1 057,1** | **1 057,1** | **–** | **–** | **–** | **–** |
| Overdrafts and current borrowings | **485,2** | **485,2** | **475,1** | **10,1** | **–** | **–** | **–** |
| Total | **2 121,4** | **2 217,1** | **1 594,4** | **46,1** | **550,4** | **26,2** | **–** |
| **30 June 2008** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Secured bank loans | 18,2 | 22,1 | 2,2 | 2,2 | 4,4 | 13,3 | – |
| Finance leases | 27,2 | 37,8 | 3,7 | 3,7 | 8,2 | 21,6 | 0,6 |
| Unsecured loans | 364,6 | 490,5 | 29,9 | 29,2 | 57,8 | 341,6 | 32,0 |
| Trade and other payables* | 1 007,4 | 1 007,4 | 1 007,4 | – | – | – | – |
| Overdrafts and current borrowings | 489,3 | 489,3 | 489,3 | – | – | – | – |
| Total | 1 906,7 | 2 047,1 | 1 532,5 | 35,1 | 70,4 | 376,5 | 32,6 |
| **Company** | | | | | | | |
| **30 June 2009** | | | | | | | |
| Trade and other payables | **12,4** | **12,4** | **12,4** | **–** | **–** | **–** | **–** |
| Liability for impairment loss in subsidiary for recapitalisation | **101,0** | **101,0** | **101,0** | **–** | **–** | **–** | **–** |
| | **113,4** | **113,4** | **113,4** | **–** | **–** | **–** | **–** |
| **30 June 2008** | | | | | | | |
| Trade and other payables | 7,4 | 7,4 | 7,4 | – | – | – | – |
| Current borrowings | 120,2 | 120,2 | 120,2 | – | – | – | – |
| | 127,6 | 127,6 | 127,6 | – | – | – | – |

**Excludes performance bonuses and post retirement liabilities.*

## 40. Financial risk management continued

**40.4 Liquidity risk** continued

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur. They are expected to impact profit or loss in the same periods.

| | Carrying amount Rm | Contractual cash flows Rm | 6 months or less Rm | 6 – 12 months Rm | 1 – 2 years Rm | 2 – 5 years Rm | More than 5 years Rm |
|---|---|---|---|---|---|---|---|
| **30 June 2009** | | | | | | | |
| Interest rate swaps used for hedging | **(7,0)** | **(7,9)** | **(2,9)** | **(2,7)** | **(2,3)** | **–** | **–** |
| FECs used for hedging | | | | | | | |
| – imports | **(90,3)** | **(549,9)** | **(402,4)** | **(147,5)** | **–** | **–** | **–** |
| – exports | **14,3** | **71,2** | **71,2** | **–** | **–** | **–** | **–** |
| Total | **(83,0)** | **(486,6)** | **(334,1)** | **(150,2)** | **(2,3)** | **–** | **–** |
| **30 June 2008** | | | | | | | |
| FECs used for hedging | | | | | | | |
| – imports | 10,5 | (436,8) | (316,0) | (120,8) | – | – | – |
| – exports | (12,2) | 200,1 | 145,7 | 54,4 | – | – | – |
| Total | (1,7) | (236,7) | (170,3) | (66,4) | – | – | – |

**40.5 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 the return.

The Group buys foreign currency derivatives in order to manage market 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 does not enter into commodity contracts other than to meet the Group's expected usage requirements; such contracts are not settled net.

### 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 United States dollar and Australian dollar.

At any point in time 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 investment in its Argentinian subsidiary is partially hedged by US dollar denominated secured bank loans, which mitigates the currency risk arising from the subsidiary's net assets. The Group's investments in other foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

## 40. Financial risk management continued

### 40.5 Market risk continued

**Exposure to currency risk**

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

| | Trade receivables FCm | Cash and cash equivalents FCm | Trade payables FCm | Borrowings FCm | Balance sheet exposure FCm | Estimated forecast sales* FCm | Estimated forecast purchases* FCm | FECs on sales/ receivables FCm | FECs on purchases/ payables FCm | Net forecast FC exposure FCm |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net exposure as at 30 June 2009** | | | | | | | | | | |
| Australian dollars | **1,3** | **2,5** | **(0,1)** | **(2,0)** | **1,7** | **6,1** | **–** | **(1,5)** | **–** | **6,3** |
| Botswana pula | **17,6** | **12,8** | **(5,6)** | **–** | **24,8** | **–** | **–** | **–** | **–** | **24,8** |
| Euro | **11,2** | **15,8** | **(5,3)** | **–** | **21,7** | **32,9** | **(23,8)** | **(5,7)** | **17,4** | **42,5** |
| US dollars | **4,5** | **9,4** | **(6,2)** | **–** | **7,7** | **–** | **(60,8)** | **–** | **43,6** | **(9,5)** |
| Zambian kwacha | **4 680,0** | **4 036,9** | **(2 523,0)** | **–** | **6 193,9** | **–** | **–** | **–** | **–** | **6 193,9** |
| **Net exposure as at 30 June 2008** | | | | | | | | | | |
| Australian dollars | 2,5 | 0,9 | (0,1) | (4,0) | (0,7) | 15,3 | (0,9) | (4,9) | 0,9 | 9,7 |
| Botswana pula | 17,6 | 14,6 | (7,8) | – | 24,4 | – | – | – | – | 24,4 |
| Euro | 14,5 | 10,3 | (4,9) | – | 19,9 | 54,7 | (27,2) | (17,5) | 16,7 | 46,6 |
| US dollars | 1,4 | 3,6 | (8,2) | – | (3,2) | – | (67,4) | – | 41,9 | (28,7) |
| Zambian kwacha | 2 094,1 | 2 897,0 | (670,3) | – | 4 320,8 | – | – | – | – | 4 320,8 |

**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 2009** | | 30 June 2008 | |
| **1FC = x ZAR** | **Closing rate** | **Average for the year** | Closing rate | Average for the year |
| Australian dollars | **6,2344** | **6,6669** | 7,5188 | 6,5739 |
| Botswana pula | **1,1779** | **1,2661** | 1,1714 | 1,1989 |
| Euro | **10,8448** | **12,3032** | 12,3354 | 10,7205 |
| US dollars | **7,7378** | **8,9964** | 7,8288 | 7,2675 |
| Zambian kwacha | **0,0016** | **0,0021** | 0,0039 | 0,0020 |

## 40. Financial risk management continued

**40.5 Market risk** continued

### Sensitivity analysis

A 10% 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 for 2008.

| | Group Profit/(loss) | |
|---|---|---|
| | **2009 Rm** | 2008 Rm |
| Australian dollars | **3,9** | 7,3 |
| Botswana pula | **2,9** | 2,9 |
| Euro | **46,1** | 57,5 |
| US dollars | **(7,4)** | (22,5) |
| Zambian kwacha | **1,0** | 1,7 |
| Net effect | **46,5** | 46,9 |

A 10% strengthening of the rand against the above currencies at 30 June would have had the 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 have been 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:

| | Group Carrying amount | | Company Carrying amount | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| **Fixed rate instruments** | | | | |
| – financial liabilities | **(22,8)** | (25,0) | **–** | – |
| Total | **(22,8)** | (25,0) | **–** | – |
| **Variable rate instruments** | | | | |
| – financial assets | **618,9** | 275,7 | **197,7** | 195,3 |
| – financial liabilities | **(1 041,5)** | (874,3) | **–** | – |
| Interest rate swap – fixed rate | **200,0** | – | **–** | – |
| Total | **(222,6)** | (598,6) | **197,7** | 195,3 |

### Fair value sensitivity analysis for fixed rate instruments and interest rate swaps

The Group accounts for fixed rate instruments on an amortised cost basis and interest rate swaps are accounted for as cash flow hedges and therefore a change in interest rates at the reporting date would not affect profit or loss.

## 40. Financial risk management continued

**40.5 Market risk** continued

**Cash flow sensitivity analysis for variable rate instruments**

A change 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. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

| | Group Profit/(loss) | | Company Profit/(loss) | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| Variable rate instruments | | | | |
| – financial assets | **6,2** | 2,7 | **2,0** | 1,9 |
| – financial liabilities | **(10,4)** | (8,7) | **–** | – |
| – Interest rate swap | **2,0** | – | **–** | – |
| Net cash flow sensitivity | **(2,2)** | (6,0) | **2,0** | 1,9 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 Rm** | 2008 Rm | **2009 Rm** | 2008 Rm |
| **41. Finance income and expense** | | | | |
| **Recognised in profit or loss** | | | | |
| **Finance income** | | | | |
| Interest income on cash and cash equivalents, loans and receivables and other investments at amortised cost | **22,4** | 19,1 | **0,1** | 0,1 |
| Dividend income | **–** | 3,4 | **33,9** | 30,1 |
| Total | **22,4** | 22,5 | **34,0** | 30,2 |
| **Finance costs** | | | | |
| Interest expense on borrowings | **155,4** | 95,9 | **0,9** | 0,3 |
| Imputed interest expense on liability held at amortised cost | **–** | 0,6 | **–** | – |
| Total | **155,4** | 96,5 | **0,9** | 0,3 |
| **Recognised directly in equity** | | | | |
| Foreign currency translation differences for foreign operations | **(79,4)** | 111,5 | | |
| Change in fair value of cash flow hedges | **(68,8)** | (3,6) | | |
| Income tax on income and expense recognised directly in equity | **14,6** | 3,2 | | |
| Total | **(133,6)** | 111,1 | | |
| *Recognised in* | | | | |
| Hedging reserve | **(54,2)** | (0,4) | | |
| Translation reserve | **(79,4)** | 111,5 | | |
| Total | **(133,6)** | 111,1 | | |

## 42. 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, and their fair values

| | **Carrying amounts as at 30 June 2009** | | | | Carrying amounts as at 30 June 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Total carrying amount Rm** | **Derivatives at fair value Rm** | **Loans and receivables at amortised cost Rm** | **Total fair value Rm** | Total carrying amount Rm | Derivatives at fair value Rm | Loans and receivables at amortised cost Rm | Total fair value Rm |
| **Assets** | | | | | | | | |
| **Other investments** | | | | | | | | |
| – Bank deposits | **93,1** | **–** | **93,1** | **93,1** | 83,3 | – | 83,3 | 83,3 |
| – Loan receivables | **1,4** | **–** | **1,4** | **1,4** | 7,5 | – | 7,5 | 7,5 |
| **Other financial assets** | | | | | | | | |
| – Forward exchange contracts | **17,4** | **17,4** | **–** | **17,4** | 22,0 | 22,0 | – | 22,0 |
| **Trade and other receivables** | | | | | | | | |
| Trade accounts | **962,0** | **–** | **962,0** | **962,0** | 1 053,8 | – | 1 053,8 | 1 053,8 |
| Other receivables | **93,5** | **–** | **93,5** | **93,5** | 70,4 | – | 70,4 | 70,4 |
| **Cash and cash equivalents** | **516,6** | **–** | **516,6** | **516,6** | 174,9 | | 174,9 | 174,9 |
| Total | **1 684,0** | **17,4** | **1 666,6** | **1 684,0** | 1 411,9 | 22,0 | 1 389,9 | 1 411,9 |

| | **Carrying amounts as at 30 June 2009** | | | | Carrying amounts as at 30 June 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Total carrying amount Rm** | **Derivatives at fair value Rm** | **Amortised cost Rm** | **Total fair value Rm** | Total carrying amount Rm | Derivatives at fair value Rm | Amortised cost Rm | Total fair value Rm |
| **Liabilities** | | | | | | | | |
| **Financial liabilities and borrowings** | | | | | | | | |
| Secured loans | **15,8** | **–** | **15,8** | **15,8** | 18,2 | – | 18,2 | 18,2 |
| Finance leases | **21,1** | **–** | **21,1** | **21,1** | 27,2 | | 27,2 | 27,2 |
| Unsecured loans | **542,2** | **–** | **542,2** | **542,2** | 364,6 | – | 364,6 | 364,6 |
| **Short-term borrowings** | | | | | | | | |
| Bank overdrafts | **485,2** | **–** | **485,2** | **485,2** | 489,3 | – | 489,3 | 489,3 |
| **Other financial liabilities** | | | | | | | | |
| – Forward exchange contracts | **100,2** | **100,2** | **–** | **100,2** | 25,5 | 25,5 | – | 25,5 |
| – Interest rate swaps | **7,0** | **7,0** | **–** | **7,0** | – | – | – | – |
| **Trade and other payables** | | | | | | | | |
| Trade payables | **612,1** | **–** | **612,1** | **612,1** | 570,7 | – | 570,7 | 570,7 |
| Other payables and accrued expenses | **445,0** | **–** | **445,0** | **445,0** | 436,7 | – | 436,7 | 436,7 |
| Total | **2 228,6** | **107,2** | **2 121,4** | **2 228,6** | 1 932,2 | 25,5 | 1 906,7 | 1 932,2 |

## 42. Financial assets and liabilities continued

### Accounting classifications and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values

| | **Carrying amounts as at 30 June 2009** | | | Carrying amounts as at 30 June 2008 | | |
|---|---|---|---|---|---|---|
| | **Total carrying amount Rm** | **Loans and receivables at amortised cost Rm** | **Total fair value Rm** | Total carrying amount Rm | Loans and receivables at amortised cost Rm | Total fair value Rm |
| **Assets** | | | | | | |
| **Other investments** | | | | | | |
| – Bank deposits | **5,9** | **5,9** | **5,9** | 5,9 | 5,9 | 5,9 |
| – Preference shares | **197,7** | **197,7** | **197,7** | 195,3 | 195,3 | 195,3 |
| **Trade and other receivables** | | | | | | |
| Other receivables | **595,1** | **595,1** | **595,1** | 10,7 | 10,7 | 10,7 |
| **Cash and cash equivalents** | **1,5** | **1,5** | **1,5** | 38,9 | 38,9 | 38,9 |
| Total | **800,2** | **800,2** | **800,2** | 250,8 | 250,8 | 250,8 |

| | **Carrying amounts as at 30 June 2009** | | | Carrying amounts as at 30 June 2008 | | |
|---|---|---|---|---|---|---|
| | **Total carrying amount Rm** | **Amortised cost Rm** | **Total fair value Rm** | Total carrying amount Rm | Amortised cost Rm | Total fair value Rm |
| **Liabilities** | | | | | | |
| **Short-term borrowings** | | | | | | |
| – From subsidiaries | **–** | **–** | **–** | 120,2 | 120,2 | 120,2 |
| Liability for impairment loss in subsidiary for recapitalisation | **101,0** | **101,0** | **101,0** | – | – | – |
| **Trade and other payables** | | | | | | |
| Other payables and accrued expenses | **12,4** | **12,4** | **12,4** | 7,4 | 7,4 | 7,4 |
| Total | **113,4** | **113,4** | **113,4** | 127,6 | 127,6 | 127,6 |

### Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

### Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### Derivatives

The fair value of forward exchange contracts is 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.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

### Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

## Shareholder spread

| | Number of shareholders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| 1 – 1 000 shares | 1,476 | 40,4 | 735 675 | 0,21 |
| 1 001 – 10 000 shares | 1,422 | 38,9 | 5 050 788 | 1,47 |
| 10 001 – 100 000 shares | 470 | 12,9 | 16 417 588 | 4,79 |
| 100 001 – 1 000 000 shares | 230 | 6,3 | 78 690 540 | 22,97 |
| 1 000 001 shares and over | 57 | 1,5 | 241 743 872 | 70,56 |
| **Total** | **3 655** | **100** | **342 638 463** | **100** |

## Distribution of shareholders

| | Number of shareholders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| Unit trusts/Mutual funds | 117 | 3,2 | 76 942 795 | 22,8 |
| Pension and provident funds | 239 | 6,5 | 62 382 688 | 18,2 |
| Assurance companies | 44 | 1,2 | 61 795 637 | 18,0 |
| Organs of State | 4 | 0,1 | 33 315 788 | 9,7 |
| Black Economic Empowerment Scheme | 1 | 0,0 | 26 487 980 | 7,7 |
| Multi managers | 36 | 1,0 | 25 381 217 | 7,4 |
| Treasury shares | 1 | 0,0 | 17 234 152 | 5,0 |
| Custodians | 43 | 1,2 | 10 410 092 | 3,0 |
| Retail shareholders | 2 473 | 67,7 | 9 472 375 | 2,8 |
| Scrip lending | 11 | 0,3 | 5 123 404 | 1,5 |
| Trust | 415 | 11,4 | 3 838 659 | 1,1 |
| Foundations and charitable funds | 34 | 0,9 | 2 189 380 | 0,6 |
| Stockbrokers | 10 | 0,3 | 1 747 227 | 0,5 |
| Medical aid funds | 12 | 0,3 | 1 611 312 | 0,5 |
| Private companies | 86 | 2,4 | 1 290 238 | 0,4 |
| Insurance companies | 14 | 0,4 | 1 177 872 | 0,3 |
| Other share schemes | 2 | 0,1 | 653 542 | 0,2 |
| Public companies | 13 | 0,4 | 495 621 | 0,1 |
| Managed funds | 4 | 0,1 | 413,743 | 0,1 |
| Hedge funds | 2 | 0,1 | 269 800 | 0,1 |
| Investment partnerships | 19 | 0,5 | 158 177 | 0,0 |
| Close corporations | 30 | 0,8 | 142 914 | 0,0 |
| Nominees | 25 | 0,7 | 75 133 | 0,0 |
| Unclaimed shares | 20 | 0,4 | 28 717 | 0,0 |
| **Total** | **3 655** | **100** | **342 638 463** | **100** |

## Shareholder type

| | Number of shareholders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| **Non-public shareholders** | 7 | 0,19 | 45 813 373 | 13,37 |
| Directors and associates | 3 | 0,07 | 1 437 699 | 0,42 |
| AVI Black Staff Empowerment Scheme Trust | 1 | 0,03 | 26 487 980 | 7,73 |
| AVI Investment Services (Pty) Ltd | 1 | 0,03 | 17 234 152 | 5,03 |
| AVI Limited Executive Share Incentive Scheme Trust | 1 | 0,03 | 594 322 | 0,17 |
| AVI Limited Share Incentive Scheme Trust | 1 | 0,03 | 59 220 | 0,02 |
| **Public shareholders** | 3 648 | 99,81 | 296 825 090 | 86,63 |
| **Total** | **3 655** | **100** | **342 638 463** | **100** |

## Beneficial shareholders with a holding greater than 3% of the issued shares

| | Total shareholding | % of issued capital |
|---|---|---|
| Liberty Group | 42 456 942 | 12,39 |
| Public Investment Corporation | 33 315 788 | 9,72 |
| AVI Black Staff Empowerment Scheme Trust | 26 487 980 | 7,73 |
| Coronation Fund Managers | 26 293 373 | 7,67 |
| Investment Solutions | 22 152 956 | 6,47 |
| AVI Investment Services (Pty) Ltd | 17 234 152 | 5,04 |
| Investec | 15 258 476 | 4,45 |
| **Total** | **183 199 667** | **53,47** |

| **Reports and profit statements** | **2009** |
|---|---|
| Half-year interim report announcement in press | Monday, 9 March |
| Results announcement in press | Tuesday, 8 September |
| Annual financial statements posted | Tuesday, 22 September |

## Final dividend on ordinary shares

| | |
|---|---|
| Dividend declared | Friday, 4 September |
| Details of dividend announcement on SENS | Monday, 7 September |
| Details of dividend announcement in press | Tuesday, 8 September |
| Last day to trade cum dividend on the JSE Limited ("JSE") | Friday, 25 September |
| First trading day ex dividend on the JSE | Monday, 28 September |
| Record date | Friday, 2 October |
| Payment date | Monday, 5 October |

In accordance with the requirements of STRATE, no share certificates may be dematerialised or rematerialised between Monday, 28 September 2009 and Friday, 2 October 2009, both days inclusive.

Dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant ("CSDP") or broker credited on Monday, 5 October 2009.

| **Annual general meeting** | Wednesday, 21 October |
|---|---|

AND 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 sixty-fifth annual general meeting of members of the Company will be held at 2 Harries Road, Illovo on Wednesday, 21 October 2009 at 11:00 for the following purposes:

1. To consider the annual financial statements for the year ended 30 June 2009, together with the reports of the directors and auditors.
2. To re-appoint KPMG Inc. as the external auditors of the Company.
3. To elect a director in place of Mr MH Buthelezi who will retire by rotation in accordance with the Company's Articles of Association. Mr Buthelezi is available for re-election.*
4. To elect a director in place of Mr OP Cressey who will retire by rotation in accordance with the Company's Articles of Association. Mr Cressey is available for re-election.*
5. To elect a director in place of Mr RS Katzen who will retire by rotation in accordance with the Company's Articles of Association. Mr Katzen is available for re-election.*
6. To elect a director in place of Mr KE Macilwaine who will retire in accordance with the Company's Articles of Association. Mr Macilwaine is available for re-election.
7. To consider and, if deemed fit, to pass without modification, the following special resolution.

*Brief CVs of the directors appear on pages 46 to 47 of the annual report.

## Special resolution

"Resolved as a special resolution that the Company or any of its subsidiaries be and are hereby authorised, by way of a general approval, to acquire ordinary shares issued by the Company, in terms of sections 85(2) and (3) and section 89, respectively, of the Companies Act No. 61 of 1973, as amended, ("the Companies Act") and in terms of the Listings Requirements ("Listings Requirements") of the JSE Limited ("the JSE"), namely that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- any such acquisition of ordinary shares is authorised by the Company's Articles of Association;
- 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;
- acquisitions of shares in aggregate in any one financial year may not exceed 10% of the Company's issued ordinary share capital as at the date of passing of this special resolution;
- 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's sponsor must confirm the adequacy of the Company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE before entering the market to proceed with the repurchase;
- the Company must remain in compliance with the minimum shareholder spread requirements of the Listings Requirements;
- the Company and/or its subsidiaries may not repurchase any 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 full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- shares held by the AVI incentive share trusts will not have their votes at general meetings taken account of for Listings Requirements resolution approval purposes."

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, consider that for a period of 12 (twelve) months after the date of the notice of this annual general meeting:

- the Company and the Group will be able, in the ordinary course of business, to pays its 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;
- the Company and the Group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The directors consider that such a general authority should be put in place in order to repurchase 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.

The following additional information, some of which may appear elsewhere in the annual report is provided in terms of the Listings Requirements for purposes of the general authority:

- directors and management – pages 46 to 47
- major beneficial shareholders – pages 61 and 123
- directors' interests in ordinary shares – page 57; and
- share capital of the Company page 91.

The reason for and effect of the special resolution if passed and becoming effective, is to grant the directors of the Company a general authority in terms of the Companies Act and the Listings Requirements for the repurchase by the Company, or a subsidiary of the Company, of the Company's ordinary shares.

**8.** To consider and, if deemed fit, to pass without modification, the following ordinary resolution:

## Ordinary resolution

"Resolved as an ordinary resolution that with effect from 1 July 2009:

- the fees payable to the current non-executive directors, excluding the chairman and the foreign non-executive director, Mr Adriaan Nühn, be increased from R132 000 per year to R175 000 per year;
- the fees payable to the members of the Appointments and Remuneration Committee, excluding the chairman of this committee, be increased from R33 000 per year to R40 000 per year;
- the fees payable to the members of the Audit Committee, excluding the chairman of this committee, be increased from R49 500 per year to R60 000 per year;
- the fees payable to the chairman of the Appointments and Remuneration Committee be increased from R66 000 per year to R75 000 per year;
- the fees payable to the chairman of the Audit Committee be increased from R88 000 per year to R140 000 per year;
- the fees payable to the foreign non-executive director be increased from €30 000 per year to €33 000 per year;
- Non-executive directors' fees are paid as a combination of a fixed retainer and for attendance at those meetings formally convened.

The increases in directors' fees proposed in terms of the resolution above are based on a detailed review and comparison of non-executive directors' fees with market-related benchmarks.

**9.** To transact such other business as may be transacted at an annual general meeting.

## Litigation statement

In terms of section 11.26 of the Listings Requirements the directors, whose names appear on pages 8 to 11 of the annual report are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group's financial position.

## Directors' responsibility statement

The directors, whose names appear on pages 46 to 47 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution 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.

## Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the annual report and up to the date of this notice of annual general meeting.

## Voting and proxies

On a show of hands, every shareholder of the Company who (being an individual) is present in person or by proxy at the annual general meeting or which (being a company or body corporate) is represented thereat by a representative appointed pursuant to section 188 of the Companies Act 61 of 1973, as amended, shall have one vote, and on poll, every shareholder of the Company who (being an individual) is present in person or by proxy at the annual general meeting or which (being a company or body corporate) is represented by proxy at the annual general meeting, shall have one vote for every ordinary share in the Company of which it is a holder.

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

Shareholders entitled to attend and vote at the annual general meeting may appoint one or more persons as such shareholder's proxy to attend, speak and vote in its 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. In order to be valid, duly completed forms of proxy must be received by the transfer secretaries of the Company, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) by not later than 11:00 on Tuesday, 14 October 2008.

By order of the Board

**Vivien Crystal**
Company secretary
2 Harries Road, Illovo
25 September 2009

AVI

(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 Participants ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own-name registration at the annual general meeting of the Company, to be held at 2 Harries Road, Illovo, 2196 at 11:00 on Wednesday, 21 October 2009 ("annual general meeting").

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

Holders of dematerialised shares, other than those with "own name" registration wishing 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.

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):

| | Number of votes (one vote per share) | | |
|---|---|---|---|
| | In favour of | Against | Abstain |
| To consider the financial statements for the year ended 30 June 2008 | | | |
| To reappoint KPMG Inc. as auditors | | | |
| To re-elect Mr MH Buthelezi as a director | | | |
| To re-elect Mr OP Cressey as a director | | | |
| To re-elect Mr RS Katzen as a director | | | |
| To elect Mr KE Macilwaine as a director | | | |
| Special resolution (authority to buy back shares) | | | |
| Ordinary resolution (increase in directors' fees) | | | |

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 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 ______________________________ 2009

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.**

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. Duly completed forms of proxy must be received at the office of the transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 to be received by not later than 11:00 on Tuesday, 20 October 2009.

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.

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

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

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

8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes if he is satisfied as to the manner in which the shareholder wishes to vote.

## ADMINISTRATION

**Company registration**
AVI Limited ("AVI")
Reg no: 1944/017201/06
Share code: AVI
ISIN: ZAE000049433

**Company secretary**
Vivien Crystal

**Group financial manager**
John von Gottberg

**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**
KPMG Inc.

**Sponsor**
Standard Bank

**Principal bankers**
Standard Bank
FirstRand Bank

**Transfer secretaries**
Computershare Investor
Services 2004 (Pty) Limited
Business address
70 Marshall Street
Marshalltown
Johannesburg 2001
South Africa

*Postal address*
PO Box 61051
Marshalltown 2107
South Africa
Telephone: +27 (0)11 370 5000
Telefax: +27 (0)11 370 5271

## PRINCIPAL SUBSIDIARIES

### Food and beverage brands

### National Brands Limited

Reg no: 1948/029389/06
(incorporating Entyce, Snackworks
and Out of Home)

30 Sloane Street
Bryanston 2021

PO Box 5159
Rivonia 2128
Telefax: +27 (0)11 707 7799

**Managing directors**
Donnee MacDougall (Entyce)
Telephone: +27 (0)11 707 7100

David Hood (Snackworks)
Telephone: +27 (0)11 707 7200

Rob Katzen (Out of Home)
Telephone: +27 (0)11 807 3915

### The Real Juice Co Holdings (Pty) Limited

Reg no: 2001/001413/07

2 Harries Road
Illovo 2196

PO Box 1897
Saxonwold 2132

**Managing director**
Donnee MacDougall
Telephone: +27 (0)11 707 7100
Telefax: +27 (0)11 707 7808

### Chilled and frozen convenience brands

Irvin & Johnson Holding
Company (Pty) Limited
Reg no: 2004/013127/07

1 Davidson Street
Woodstock
Cape Town 8001

PO Box 1628
Cape Town 8000

**Managing director**
Simon Crutchley
Telephone: +27 (0)21 402 9200
Telefax: +27 (0)21 402 9282

### Denny Mushrooms (Pty) Limited

Reg no: 1998/003042/07

29 Eaton Avenue
Bryanston  2021

PO Box 787166
Sandton City 2146

**Managing director**
Roger Coppin
Telephone: +27 (0)11 707 7500
Telefax: +27 11 (0)11 707 7762

### Fashion brands

### Indigo Cosmetics (Pty) Limited

Reg no: 2003/009934/07

16-20 Evans Avenue
Epping 1 7460

PO Box 3460
Cape Town 8000

**Managing director**
Susan O'Keeffe
Telephone: +27 (0)21 507 8500
Telefax: +27 (0)21 507 8501

### A&D Spitz (Pty) Limited

Reg no: 1999/025520/07

29 Eaton Avenue
Bryanston  2021

PO Box 782916
Sandton 2145

**Managing director**
Robert Lunt
Telephone: +27 (0)11 707 7300
Telefax: +27 (0)11 707 7763

BASTION GRAPHICS