GROWING GREAT BRANDS

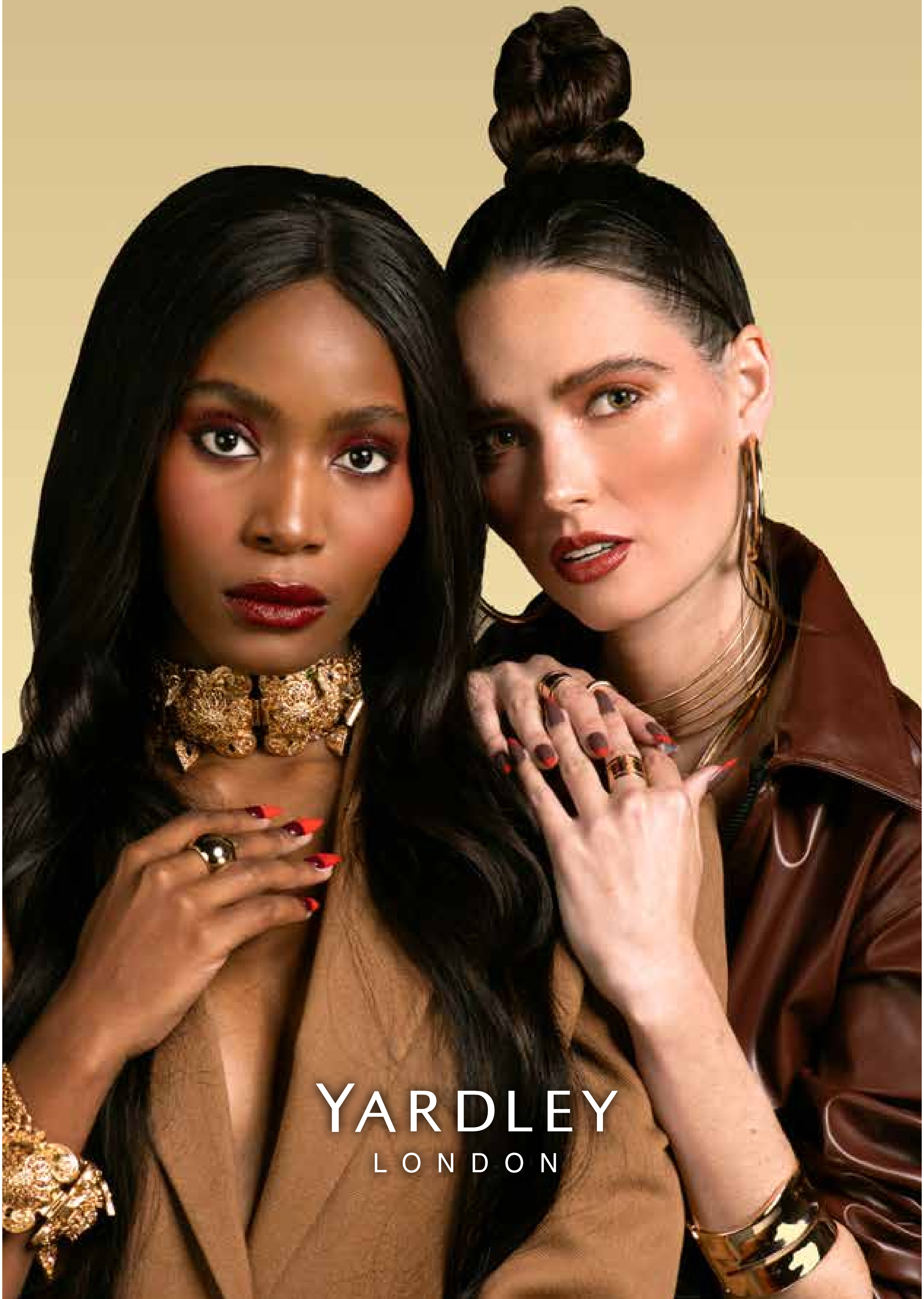
AVI

2023 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

AVI LIMITED

ISIN: ZAE000049433 Share Code: AVI
Registration Number: 1944/017201/06
("AVI" or "the Group" or "the Company")

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



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

These consolidated annual financial statements were published on Monday, 4 September 2023.

The annual financial statements of the Company are presented separately from the consolidated annual financial statements and were approved by the directors on 1 September 2023, the same date as these consolidated annual financial statements. The separate annual financial statements are available on the Company's website www.avi.co.za and at the Company's registered office.

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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of AVI Limited, comprising the balance sheet at 30 June 2023 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, the accounting policies and the notes to the financial statements, which include explanatory notes in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa, and the Directors' Report.

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

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

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

ceo and financial director responsibility statement

Each of the directors, whose names are stated below, hereby confirm that–

(a) the annual financial statements set out on pages 4 to 74, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

(e) where we are not satisfied, we have disclosed to the audit committee and the auditors deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and

(f) we are not aware of any fraud involving directors.

SL CRUTCHLEY
Chief Executive Officer

JC O'MEARA
Chief Financial Officer
Designated Financial Director

1 September 2023

Extract from JSE guidance letter on directors' responsibility on financial controls dated 17 July 2020 to note for information purposes:

Materiality

In terms of the JSE Listings Requirements ("the Requirements") financial information must be prepared in accordance with IFRS. The application of materiality is an important concept dealt with by IFRS. The reference to materiality in paragraph (a) of the CEO and FD signoff must be interpreted in the context of IFRS.

The second obligation under the CEO and FD sign off rule (as detailed in (b)) must be read in the context of paragraph (a). The term 'no' does not mean a one hundred percent factual correctness but rather that after due, careful and proper consideration the directors agree that no facts have been omitted or untrue statements made that would make the Annual Financial Statements ("AFS") materially false or materially misleading in terms of IFRS.

approval of annual financial statements

The consolidated annual financial statements of AVI Limited, which appear on pages 4 to 11 and 16 to 74, were authorised for issue by the Board of directors on 1 September 2023 and are signed on their behalf.

MJ WATTERS
Non-executive Chairman
Authorised director

SL CRUTCHLEY
Chief Executive Officer
Authorised director

certificate of the company secretary

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, for the financial year ended 30 June 2023, all such returns required of a public company in terms of the Companies Act No. 71 of 2008, as amended, and that all such returns are true, correct and up to date.

S SCHEEPERS
Company Secretary
Illovo, Johannesburg
1 September 2023

directors' report

Business of the Group

AVI Limited ("the Company"), which is registered and incorporated in the Republic of South Africa with a primary listing on the JSE Limited ("JSE") and a secondary listing on A2X, is a branded consumer products company. The Company registration number is 1944/017201/06. The Group comprises trading subsidiaries that manufacture, process, market and distribute branded consumer products in the food, beverage, footwear, apparel and cosmetics sectors.

Financial

The results of operations for the year are set out in the statement of comprehensive income on page 33.

Revenue and operating profit before capital items were as follows:

	2023 R'm	2022 R'm
Revenue	**14 919,6**	13 845,3
Operating profit before capital items	**2 714,8**	2 540,1

Further details are provided in the segmental report, which follows the Independent Auditor's Report.

Impact of load-shedding, COVID-19 and July 2021 civil unrest

The financial environment remained difficult with high levels of load-shedding negatively affecting our manufacturing, distribution and retail operations. The impact was mitigated through back-up power solutions but nonetheless added R58,5 million to direct operating costs for the financial year. The Company has invested in back-up power options for a number of years and continues to do so.

COVID-19 has had a limited impact to our business both in the current and prior years. All business units have been able to operate throughout the year.

Included in the prior year results, are the effects of the civil unrest, which primarily impacted KwaZulu-Natal and Gauteng in July 2021, and disrupted trading with all of AVI's facilities and retail stores closed for several days to safeguard our staff. While operations were able to return to normal this was at lower demand levels due to extensive damage to many malls, lower consumer footfall and compromised logistics networks. The Group suffered physical damage and loss to its inventories, fixed assets and cash on hand at stores. The Group had adequate South African Special Risk Insurance ("SASRIA") and general insurance cover for material damage to assets, inventory and business interruption. The effects of the asset losses as well as the proceeds on the insurance claims have been recognised in these results, with all claims paid by SASRIA.

The table below summarises the Group impact of direct costs incurred and insurance proceeds recognised in respect of the civil unrest for the year ended 30 June 2022:

	2023 R'm	2022 R'm
Cost of sales – stock written off	–	(31,6)
Gross profit	–	(31,6)
Selling and administrative expenses, including other income		
– SASRIA insurance proceeds	–	66,7
– Store restoration and other costs	–	(4,6)
Operating profit before capital items	–	30,5
Capital items	–	1,1
– Disposal of capital items	–	(1,9)
– SASRIA insurance proceeds	–	3,0
Profit before taxation	–	31,6
Taxation	–	(8,9)
Net impact on profit for the period	–	22,7

The Group remains cash generative, with sufficient borrowing facilities to manage disruptions to operational cash flows and to continue to support its business units.

Going concern

The Group earned a net profit for the year ended 30 June 2023 of R1 836,9 million (2022: R1 751,2 million) and as of that date, its total assets exceeded its total liabilities by R5 116,9 million (2022: R4 793,7 million).

The trading environment remains particularly challenging given the volatility around currency, significant inflation, rising interest rates, the impact of load-shedding as well as the financial state of South Africa's consumers. Through this, the Group is focused on driving recovery and growth in its underlying businesses. We have seen improvements in most key performance indicators.

As part of preparing the financial results, the Group has performed a detailed going concern assessment. This assessment has relied on the Group's 2024 budget and has considered the profitability and solvency projections over the budget period. The budget for the year ahead was presented in the context of a challenging local economic environment, with the impacts thereof continuing to affect our customers through 2023 and 2024. Even under these conditions, the budget delivered shareholder value creation while maintaining stable capital and solvency positions throughout the cycle. As part of the budget process, a downside scenario was considered that examined a protracted inflation scenario in the midst of continuing infrastructure failures which will fuel inflation and reduce economic activity. The assessment shows that the Group remains sufficiently capitalised with appropriate levels of liquidity and no material uncertainty in relation to the going concern has been identified in the base budget as well as the downside scenario.

Based on the above, no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next 12 months. The directors therefore consider it appropriate for the going concern basis to be adopted in preparing the consolidated annual financial statements.

Share capital

Details of the Company's authorised and issued share capital are given in Note 11 to the financial statements, on page 44.

Corporate activity

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

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 11 to the financial statements, on page 44.

General authority for the Company to acquire its own shares

The directors consider that it will be advantageous for the Company to have a general authority to acquire its own shares. Such authority will be utilised if the directors consider that it is in the best interests of the Company and shareholders to effect such acquisitions having regard to prevailing circumstances and the cash resources of the Company at the appropriate time. Accordingly, shareholders will be asked to approve such general authority at the Annual General Meeting on 8 November 2023.

Dividends

Dividends, paid and proposed, are disclosed in Note 30 to the financial statements on page 53.

Directorate

Mr GR Tipper resigned as Chairman and non-executive director with effect from 30 June 2023. Mr MJ Watters was appointed to the Board as an independent non-executive director with effect from 1 June 2023, and as Chairman of the Board effective 1 July 2023.

Mr MJ Bosman, Ms BP Silwanyana and Mr JR Hersov resigned as non-executive directors with effect from 30 January 2023, 27 June 2023 and 4 July 2023 respectively. Mr SG Robinson was appointed to the Board as an independent non-executive director and as Chairman of the Audit and Risk Committee with effect from 1 March 2023.

Ms MR Mouyeme was appointed to the Board as an independent non-executive director and as a member of the Audit and Risk Committee with effect from 1 August 2023.

There were no other changes to the Board for the year under review.

In terms of the Company's Memorandum of Incorporation, Mr M Koursaris and Mrs A Muller retire at the forthcoming Annual General Meeting. All of the retiring directors, being eligible, offer themselves for re-election.

In terms of the Companies Act, the appointments of Mr SG Robinson (Chairman), Mrs A Muller and Ms MR Mouyeme to the Audit and Risk Committee need to be approved at the forthcoming Annual General Meeting.

Directors' service contracts

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

Share schemes

Particulars of the Group's various share incentive schemes are set out in Note 32, on page 55 of the financial statements.

Directors' interests

The interests of the directors in the issued listed securities of the Company, being ordinary shares of 5 cents each, as at 30 June 2023 and 30 June 2022, are as follows:

	Direct number	Beneficial indirect number	% of total
At 30 June 2023			
SL Crutchley	**840 201**	**–**	**0,25**
JC O'Meara[1]	**1 454**	**–**	**0,00**
M Koursaris	**57 500**	**–**	**0,02**
GR Tipper[2]	**11 000**	**–**	**0,00**
Total	**910 155**	**–**	**0,27**
At 30 June 2022			
SL Crutchley	840 201	–	0,25
OP Cressey[3]	40 000	–	0,01
JC O'Meara[1]	–	–	–
M Koursaris	57 500	–	0,02
GR Tipper[2]	11 000	–	0,00
Total	948 701	–	0,28

There has been no change to the directors' interests reflected above since the reporting date. Mr MJ Watters was appointed as Chairman of the Board on 1 July 2023, following Mr GR Tipper's resignation. Mr MJ Watters holds no securities of the Company.

[1] *Appointed 1 January 2022.*
[2] *Resigned 30 June 2023.*
[3] *Resigned 31 December 2021.*

Material shareholders

The Company does not have a holding company.

Ordinary shares

The beneficial holders of 3% or more of the issued ordinary shares of the Company at 30 June 2023, according to the information available to the directors, were:

	Number of ordinary shares	%
Government Employees Pension Fund	**70 158 403**	**20,7**
Allan Gray	**20 999 204**	**6,2**
Vanguard Investment Management	**12 515 465**	**3,7**

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

The following special resolutions have been passed by the Company since the previous Directors' Report dated 2 September 2022 to the date of this report:

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

Post-reporting date events

The shareholder arrangement with Main Street 198 (Pty) Ltd ("Main Street"), the minority shareholder at I&J Holding Company (Pty) Ltd (''I&J HoldCo"), matured on 1 July 2023. The 19-year relationship between Main Street and the Group generated significant value, including over R202,0 million in net cash to Main Street. In terms of the agreements, and on the maturity date, AVI Limited exercised its call option over the shares held by Main Street in I&J HoldCo and the preference shares held by AVI Limited in Main Street were redeemed.

In line with our commitment to sustainable transformation, a broad-based sharing of Broad-based Black Economic Empowerment ("BBBEE") economic value and the codes, the Company and I&J implemented a new BBBEE transaction with effect from 1 July 2023 in terms of which Twincitiesworld (Pty) Ltd ("Twincitiesworld"), a 100% black-owned company, acquired an 18,75% interest in I&J Limited. I&J's employees own 6,25% of I&J Limited resulting in 25% of the issued share capital of I&J Limited being held by previously disadvantaged shareholders.

The mechanics of the replacement structure align closely with the terms of the expiring relationship with Main Street and is financed through a preference share investment at the I&J HoldCo level. The preference share funding will be settled through dividend flows with 90% of normal dividends received applied against the funding with 10% available as a trickle-through. Furthermore, a put and call option is in place between I&J Holdco and Twincitiesworld, the exercise price of which is determined by a fixed formula based on I&J Limited's earnings. The exercise date of the put and call option is December 2036.

The replacement scheme will be recognised as a liability in the Group's financial statements, with a concomitant day 1 income statement impact on 1 July 2023.

Other than the transaction noted above, no material events that meet the requirements of IAS 10 have occurred since the reporting date.

directors' remuneration report

Share incentive scheme interests

The Revised AVI Executive Share Incentive Scheme

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2022 number	Awarded number	Exercised/ lapsed number	Relinquished[1] number	**Instruments outstanding at 30 June 2023 number**
SL Crutchley	1 April 2019	89,27	234 790	–	–	(118 861)	**115 929**
	1 April 2020	69,75	361 080	–	–	–	**361 080**
	1 April 2021	73,85	392 674	–	–	–	**392 674**
	1 April 2022	69,23	450 295	–	–	–	**450 295**
	1 April 2023	66,48	–	511 125	–	–	**511 125**
JC O'Meara	1 October 2022	73,43	–	123 020	–	–	**123 020**
M Koursaris	1 April 2019	89,27	94 975	–	–	(39 308)	**55 667**
	1 April 2020	69,75	130 064	–	–	–	**130 064**
	1 April 2021	73,85	130 520	–	–	–	**130 520**
	1 April 2022	69,23	148 281	–	–	–	**148 281**
	1 April 2023	66,48	–	214 125	–	–	**214 125**
			1 942 679	848 270	–	(158 169)	**2 632 780**

[1] *The number of relinquished instruments represents instruments sacrificed in favour of AVI Out-Performance Scheme options in terms of the rules of the AVI Out-Performance Scheme.*

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

The AVI Out-Performance Scheme

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2022 number	Awarded number	Exercised/ lapsed number	Forfeited number	**Instruments outstanding at 30 June 2023 number**
SL Crutchley	1 October 2019	83,73	76 798	–	(76 798)	–	**–**
	1 October 2020	72,42	102 237	–	–	–	**102 237**
	1 October 2021	79,98	99 516	–	–	–	**99 516**
	1 October 2022	72,99	–	118 861	–	–	**118 861**
JC O'Meara	1 October 2020	72,42	12 000	–	–	–	**12 000**
	1 October 2022	72,99	–	31 734	–	–	**31 734**
M Koursaris	1 October 2019	83,73	27 781	–	(27 781)	–	**–**
	1 October 2020	72,42	34 128	–	–	–	**34 128**
	1 October 2021	79,98	32 910	–	–	–	**32 910**
	1 October 2022	72,99	–	39 308	–	–	**39 308**
			385 370	189 903	(104 579)	–	**470 694**

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

The AVI Deferred Bonus Share Plan

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2022 number	Awarded number	Exercised/ lapsed number	Forfeited number	**Instruments outstanding at 30 June 2023 number**
SL Crutchley	1 October 2019	83,91	37 340	–	(37 340)	–	**–**
	1 October 2020	74,52	29 496	–	–	–	**29 496**
	1 October 2021	86,04	85 280	–	–	–	**85 280**
	1 October 2022	73,43	–	219 682	–	–	**219 682**
	1 June 2023	63,58	–	159 194	–	–	**159 194**
JC O'Meara	1 October 2019	83,91	1 454	–	(1 454)	–	**–**
	1 October 2020	74,52	4 726	–	–	–	**4 726**
	1 October 2021	86,04	1 922	–	–	–	**1 922**
	1 October 2022	73,43	–	28 433	–	–	**28 433**
	1 June 2023	63,58	–	51 003	–	–	**51 003**
M Koursaris	1 October 2019	83,91	11 346	–	(11 346)	–	**–**
	1 October 2020	74,52	8 010	–	–	–	**8 010**
	1 October 2021	86,04	23 288	–	–	–	**23 288**
	1 October 2022	73,43	–	60 718	–	–	**60 718**
	1 June 2023	63,58	–	80 371	–	–	**80 371**
			202 862	599 401	(50 140)	–	**752 123**

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

Earnings-linked performance bonus liabilities

Name	Date of award	Award price per instrument R	Instruments outstanding at 30 June 2022 number	Awarded number	Exercised/ lapsed number	Relinquished[1] number	**Instruments outstanding at 30 June 2023 number**
JC O'Meara	1 October 2017	3 844,54	100	–	–	(100)	**–**
	1 October 2018	3 845,62	200	–	–	(200)	**–**
	1 October 2019	3 212,90	461	–	–	–	**461**
	1 October 2019	3 706,10	400	–	–	–	**400**
	1 October 2020	3 824,15	411	–	–	–	**411**
	1 October 2020	3 532,75	445	–	–	–	**445**
	1 October 2021	3 637,51	463	–	–	(151)	**312**
	1 October 2021	3 870,30	435	–	–	(151)	**284**
			2 915	–	–	(602)	**2 313**

Senior management are eligible to participate in an earnings-linked performance share option scheme which is accounted for in terms of IAS 19 – *Employee Benefits* as the benefit payment is based on the Company's headline earnings. All instruments vest three years after award date. These share options can be exercised after a three year vesting period, at which point participants receive the benefit in cash determined as the difference between the notional share price calculated on vesting date and the award date share price. Upon vesting, the options become unrestricted in the hands of participants and lapse two years and 91 days after vesting date. Refer to Note 14 for details on the total liability at year end.

[1] *The number of relinquished instruments represents instruments sacrificed in favour of AVI Out-Performance Scheme options in terms of the rules of the AVI Out-Performance Scheme.*

Emoluments

	2023						
	Salary R'000	Bonus and performance-related payments* R'000	Pension fund contributions R'000	Gains on exercise of share incentive instruments** R'000	Other benefits and allowances R'000	Total R'000	2022 R'000
Executive directors							
SL Crutchley	**13 102**	**36 944**	**1 034**	**2 699**	**613**	**54 392**	33 496
OP Cressey[1]	**–**	**–**	**–**	**–**	**–**	**–**	13 145
JC O'Meara[2]	**4 084**	**6 670**	**382**	**105**	**166**	**11 407**	2 124
M Koursaris	**6 104**	**11 692**	**760**	**820**	**46**	**19 422**	11 190
	23 290	**55 306**	**2 176**	**3 624**	**825**	**85 221**	59 955

* *Includes special retention bonuses paid to identified Group executive management by approval of the Remuneration Committee, as follows:*
SL Crutchley – R13,3 million
JC O'Meara – R3,5 million
M Koursaris – R5,3 million

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

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

	2023 R'000	2022 R'000
Non-executive directors' and committee fees		
GR Tipper (Chairman)[3]	**2 082**	2 385
JR Hersov[4]	**450**	412
MJ Bosman[5]	**442**	832
SG Robinson[6]	**346**	–
A Muller	**851**	728
AM Thebyane	**737**	744
B Silwanyana[7]	**684**	641
MJ Watters[8,9]	**285**	–
	5 877	5 742
	91 098	65 697

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

	2023 R'000	2022 R'000
SL Crutchley	**15 194**	11 482
OP Cressey[1]	**–**	(4 876)
JC O'Meara[2]	**1 711**	435
M Koursaris	**4 765**	3 769
	21 670	10 810

[1] *Resigned 31 December 2021.*
[2] *Appointed 1 January 2022.*
[3] *Resigned 30 June 2023.*
[4] *Resigned 4 July 2023.*
[5] *Resigned 30 January 2023.*
[6] *Appointed 1 March 2023.*
[7] *Resigned 27 June 2023.*
[8] *Paid in Pounds.*
[9] *Appointed 1 June 2023.*

audit committee report

The Audit Committee is pleased to present its report for the financial year ended 30 June 2023 in terms of section 94(7)(f) of the Companies Act No. 71 of 2008, as amended ("the Companies Act").

The Audit Committee has adopted formal terms of reference, delegated to it by the Board of directors, as its charter. The charter is in line with the Companies Act, the King IV Report on Corporate Governance for South Africa 2016 ("King IV") and the JSE Listings Requirements. The committee has discharged the functions delegated to it in terms of its charter. The Audit Committee's process is supported by the operating subsidiary companies which have internal review committees that monitor risk management and compliance activities. There is a formal reporting line from the various internal review committees into the Audit Committee via the Group's Chief Financial Officer.

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

1. Reviewed and recommended for adoption by the Board such financial information as is publicly disclosed which for the year included:
   – The interim results for the six months ended 31 December 2022; and
   – The annual financial statements for the year ended 30 June 2023.
2. Considered and satisfied itself that the external auditors Ernst & Young Inc. are independent.
3. Approved the external auditor's budgeted fees and terms of engagement for the 2023 financial year.
4. Determined the non-audit related services which the external auditors were permitted to provide to AVI and reviewed the policy for the use of the external auditors for non-audit related services. All non-audit related service agreements between the AVI Group and the external auditors were pre-approved.
5. Satisfied itself that the necessary documentation and confirmations in terms of the JSE Listings Requirements were obtained from the external auditors.
6. Resolved that KPMG Inc. would continue to perform the internal audit function during the financial year.
7. Reviewed the Audit Committee charter in line with King lV recommendations.
8. Reviewed the internal audit charter in line with King lV recommendations.
9. Confirmed the internal audit plan for the 2023 financial year.
10. Ensured that appropriate financial reporting procedures exist and that they are working.
11. Confirmed that adequate whistle-blowing facilities were in place throughout the AVI Group and reviewed and considered actions taken with regard to incident reports.
12. Held separate meetings with management, the external and internal auditors to discuss any problems and reservations arising from the year end audit and other matters that they wished to discuss.
13. Noted that it had not received any complaints, either from within or outside the Company, relating either to the accounting practices, the internal audits, the content or auditing of the financial statements, the internal financial controls or any other related matter.
14. Conducted a self-evaluation exercise into its effectiveness.
15. Reviewed the suitability of Ernst & Young Inc., for re-appointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.
16. Recommended to the Board the re-appointment of Ernst & Young Inc. as the external auditors and appointment of Mr A Carshagen as the registered auditor responsible for the audit for the year ending 30 June 2024, which will be considered at the forthcoming Annual General Meeting.
17. Evaluated and satisfied itself as to the appropriateness of the expertise and experience of the Company's financial director.
18. Satisfied itself as to the expertise, resources and experience of the Company's finance function.
19. Evaluated the underlying assessment performed by the CEO and financial director to support their declaration required in terms of section 3.84(k) of the JSE Listings Requirements and are satisfied that it supports the declaration made.

On behalf of the Audit Committee

SG ROBINSON
Audit Committee Chairman

1 September 2023

independent auditor's report

To the shareholders of AVI Limited

Report on the audit of the consolidated annual financial statements

Opinion

We have audited the consolidated annual financial statements of AVI Limited and its subsidiaries ("the Group") set out on pages 8 to 10 and 16 to 71, which comprise the consolidated balance sheet as at 30 June 2023, the Directors' Remuneration Report, the segment reporting, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated annual financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How the matter was addressed in the audit
Impairment assessment of intangible assets and goodwill Management performs an impairment test on the recoverability of the intangibles as well as the goodwill as required by International Financial Reporting Standards which is subjective in nature due to the estimates having to be made of future performance. A significant portion of the Group's goodwill and trademarks' value relates to its footwear and apparel businesses. Refer to Note 3 – Intangible assets and goodwill. As disclosed in Note 3 to the consolidated annual financial statements (Intangible assets and goodwill), the Group uses a discounted cash flow model to determine the value in use for each cash-generating unit. During the financial year, certain macro-economic factors have had a negative impact on the spending patterns of consumers which continues to evolve between various products and regions. As a result, this has created uncertainties around the revenue and growth rate assumptions of the footwear and apparel businesses. These factors have led to continued uncertainty around the timing and amount of future cash flows, when they are already inherently uncertain. Given the above, impairment testing, particularly in the retail businesses, required significant auditor attention in the current year and the involvement of our valuation specialists.	Our audit procedures included, among others: • We involved the internal valuation specialists in our team to assist in evaluating management's impairment methodology and key assumptions used in the impairment calculations; • Together with the internal valuation specialists we performed the following: – Assessed management's impairment methodology by comparing it to best practises and the requirements of IAS 36; and – Calculated independent weighted average cost of capitals ("WACCs") to compare to management's WACCs. Our independent WACC recalculation was based on publicly available market data for comparable companies for each of the material cash-generating units ("CGUs"); • For assumptions based on historical results, we compared the cash flow forecasts to past performance (particularly as it relates to historical working capital levels and gross profit margins); • For assumptions based on future trends and where the risk of a weakened economy was present: – We vouched CPI assumptions to current market information, which we obtained externally; – We stress tested the footwear and apparel businesses' revenue cash flows by determining the impact of delayed economic growth, by pushing the cash flow forecasts out by one year; and – We have considered the actual trading results of the footwear and apparel businesses post year end in our assessment of the reasonability of the revenue cash flow projections. • We have performed sensitivity analyses around all the key assumptions used in the impairment model. We did this by increasing and decreasing the following assumptions in the model to determine the impact on the headroom between the value of the recorded assets of the CGU and the value in use as calculated by the impairment calculation model: – The WACC used to discount the cash flows; – Revenue, overhead and terminal value growth rates; – Gross profit margins; and – Working capital requirements. • We also performed extended sensitivity testing and stress tests of the impairment model with different economic recovery scenarios to determine whether there was a significant impact on the value in use calculated in the model; • We assessed the historical reliability of cash flow forecasts prepared by management through a review of actual past performance compared to previous forecasts to understand management's ability to accurately estimate future cash flows; • We assessed historical forecasts obtained and compared these to forecasts obtained in the current year to determine management's ability to forecast accurately taking into consideration circumstances and events which arose during the financial year which were not known or present in prior years; and • We assessed the disclosures relating to goodwill and trademarks in terms of IAS 36.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 74-page document titled "AVI 2023 Consolidated Annual Financial Statements", which includes the Directors' Report, the Audit Committee's Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated annual financial statements and our auditor's reports thereon.

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

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

Responsibilities of the directors for the consolidated annual financial statements

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

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

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

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

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

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

independent auditor’s report continued

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

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

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

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

Ernst & Young Inc.

ERNST & YOUNG INC.
DIRECTOR – ALLISTER CARSHAGEN
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road
Sandton

1 September 2023

segment reporting

	Food & beverage brands					
	National Brands					
	Entyce Beverages		Snackworks		Total	
	2023 R'm	2022 R'm	**2023 R'm**	2022 R'm	**2023 R'm**	2022 R'm
Revenue	**4 251,6**	3 981,6	**5 261,2**	4 702,4	**9 512,8**	8 684,0
Total segment revenue	**4 251,6**	3 981,6	**5 261,2**	4 702,4	**9 512,8**	8 684,0
Intersegment revenue	**–**	–	**–**	–	**–**	–
Revenue from contracts with customers	**4 251,6**	3 981,6	**5 261,2**	4 702,4	**9 512,8**	8 684,0
Segment operating profit/(loss) before capital items	**920,2**	880,6	**1 038,4**	881,4	**1 958,6**	1 762,0
Share of equity-accounted earnings/(losses) of joint ventures	**–**	–	**–**	–	**–**	–
Income from investments					**5,8**	3,6
Finance cost					**(173,9)**	(113,9)
Taxation					**(501,9)**	(464,2)
Segment profit/(loss) before capital items					**1 288,6**	1 187,5
Capital items (after tax)						
Profit for the year						
Segment assets					**4 292,0**	4 058,1
Segment liabilities					**3 060,1**	2 927,1
Additions to property, plant and equipment					**244,6**	90,0
Depreciation and amortisation					**243,1**	231,6
Depreciation on property, plant and equipment					**213,7**	208,3
Depreciation on right-of-use assets					**17,0**	13,7
Amortisation					**12,4**	9,6
Impairment losses					**2,2**	–
Number of employees at year end					**2 520**	2 517

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

			Fashion brands							
	I&J		Personal Care		Footwear & Apparel		Corporate & consolidation		Total	
	2023 R'm	2022 R'm	**2023 R'm**	2022 R'm	**2023 R'm**	2022 R'm	**2023 R'm**	2022 R'm	**2023 R'm**	2022 R'm
	2 486,6	2 473,8	**1 223,3**	1 176,5	**1 696,9**	1 511,0	**–**	–	**14 919,6**	13 845,3
	2 486,6	2 473,8	**1 223,3**	1 176,5	**1 696,9**	1 511,0	**165,2**	128,7	**15 084,8**	13 974,0
	–	–	**–**	–	**–**	–	**(165,2)**	(128,7)	**(165,2)**	(128,7)
	2 486,6	2 473,8	**1 223,3**	1 176,5	**1 696,9**	1 511,0	**–**	–	**14 919,6**	13 845,3
	196,8	306,2	**233,1**	193,4	**354,8**	302,5	**(28,5)**	(24,0)	**2 714,8**	2 540,1
	2,1	(0,8)	**–**	–	**–**	–	**–**	–	**2,1**	(0,8)
	1,7	0,3	**–**	–	**0,4**	–	**0,1**	0,7	**8,0**	4,6
	(13,0)	(5,4)	**(0,2)**	(0,1)	**(21,8)**	(18,7)	**10,0**	22,6	**(198,9)**	(115,5)
	(52,9)	(79,3)	**(43,6)**	(41,3)	**(74,1)**	(72,6)	**(23,3)**	(18,2)	**(695,8)**	(675,6)
	134,7	221,0	**189,3**	152,0	**259,3**	211,2	**(41,7)**	(18,9)	**1 830,2**	1 752,8
									6,7	(1,6)
									1 836,9	1 751,2
	3 119,3	2 972,4	**964,1**	931,3	**2 021,3**	1 816,5	**(194,9)**	(433,8)	**10 201,8**	9 344,5
	1 203,7	1 075,0	**623,0**	655,8	**1 375,4**	1 126,0	**(1 177,3)**	(1 233,1)	**5 084,9**	4 550,8
	139,2	87,8	**16,8**	9,6	**75,0**	47,2	**6,6**	6,2	**482,2**	240,8
	136,5	122,1	**19,5**	23,0	**161,6**	157,4	**6,6**	19,9	**567,3**	554,0
	115,4	111,8	**17,6**	21,1	**37,8**	32,0	**5,3**	15,1	**389,8**	388,3
	19,7	9,3	**0,3**	0,3	**123,2**	124,3	**–**	–	**160,2**	147,6
	1,4	1,0	**1,6**	1,6	**0,6**	1,1	**1,3**	4,8	**17,3**	18,1
	–	–	**–**	–	**–**	–	**–**	–	**2,2**	–
	1 990	2 051	**322**	345	**946**	931	**3 442***	3 471*	**9 220**	9 315

Basis of segment presentation

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

Identification of reportable segments

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

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

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

Segment operating profit before capital items represents segment revenue less segment operating expenses, excluding capital items included in Note 23.

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

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

The number of employees per segment represents the total number of permanent and full time equivalents at year end.

Reportable segments

National Brands

Entyce Beverages

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

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

Snackworks

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

I&J

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

Fashion brands

Fashion brands provide personal care and footwear and apparel offerings.

Personal Care

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

Footwear and Apparel

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

Reportable segments continued

Corporate

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

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

Geographical information

The Group's operations are principally located in South Africa.

Major customers

The Group's most significant customers, being two South African retailers, individually contribute more than 10% of the Group's revenue (R3 938,5 million in the current year and R3 558,6 million in the previous year) in the National Brands, I&J and Personal Care segments.

	2023		2022	
Segmental revenue by market	**R'm**	**%**	R'm	%
The Group's consolidated revenue by geographic market, regardless of where goods were produced, was as follows:				
South Africa	**11 944,5**	**80,1**	11 106,7	80,2
Other African countries	**1 338,0**	**9,0**	1 234,5	8,9
Europe**	**1 136,1**	**7,6**	1 001,7	7,2
Rest of the world	**501,0**	**3,3**	502,4	3,7
Total segmental revenue	**14 919,6**	**100,0**	13 845,3	100,0
Analysis of non–current assets* by geographic area				
South Africa	**4 560,1**	**98,9**	4 458,6	99,5
Other African countries	**45,8**	**1,0**	16,3	0,4
Europe**	**3,2**	**0,1**	3,9	0,1
Rest of the world	**–**	**–**	–	–
	4 609,1	**100,0**	4 478,8	100,0

* *Comprises non-current assets less deferred tax assets and other long-term assets.*
** *The disclosure of revenue by geographical market was enhanced in the current year by further disaggregating Europe as a geographical market. Europe was included in the "Rest of the world" segment in previous reports.*

accounting policies

AVI Limited ("the Company") is a South African registered company. The consolidated annual financial statements of the Company for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as "the Group" or "AVI") and the Group's interest in joint ventures.

Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. The consolidated annual financial statements were approved for issue by the Board of directors on 1 September 2023.

Basis of preparation

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

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

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

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

In particular, information about areas of estimation that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:
Note 1 – useful lives and residual values of property, plant and equipment;
Note 3 – useful lives and impairment tests on intangible assets;
Note 6 – utilisation of tax losses;
Note 8 – valuation of biological assets;
Note 13 – lease terms applied in calculating lease liabilities;
Note 14 – measurement of defined benefit obligations; and
Note 33 – measurement of cash-settled share-based payment liabilities relating to BBBEE transactions.

The accounting policies set out below have been applied consistently in the periods presented in these consolidated annual financial statements. There are no new, revised or amended accounting standards, effective 1 July 2022, applicable to the Group.

New standards and interpretations in issue not yet effective

Standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the Group. Management has concluded that they are either not applicable, or do not have a material impact to the business of the Group, and will therefore have no impact on future financial statements.

Basis of consolidation

Subsidiaries

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

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

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

Joint arrangements

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

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

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

Eliminations on consolidation

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

Goodwill

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

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

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

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

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

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

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

Basis of consolidation continued

Broad-Based Black Economic Empowerment (“BBBEE”) transactions

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

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

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

Borrowing costs

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

Cash and cash equivalents

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

Capital items

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

Capital items relate to separately identifiable remeasurements (not adjusted for related taxation and related non-controlling interests) other than remeasurements specifically included in headline earnings as defined in Circular 01/2023 – *Headline earnings.*

Dividends payable

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

Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

Defined benefit obligations

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

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

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

Employee benefits continued

Other long-term employee benefits

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

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

Termination benefits

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

Share-based payment transactions

Group share-based payment transactions

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

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

Equity-settled

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

BBBEE transactions

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Note 8 – Biological assets
- Note 36 – Financial assets and liabilities

Financial instruments

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

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

Financial asset classification and measurement

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

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

Financial instruments continued

Debt instruments, derivatives and equity instruments at fair value through profit or loss ("FVTPL")

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

A financial asset is classified as held for trading if:

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

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

Debt instruments at amortised cost

Debt instruments at amortised cost (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial liability classification and measurement

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

Financial liabilities at fair value through profit or loss ("FVTPL")

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

A financial liability is classified as held for trading if:

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

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

Other financial liabilities

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

Offset

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

Financial instruments continued

Derivative instruments

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

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

Hedging

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

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

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

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

Derecognition

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

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

Foreign currencies

Foreign currency transactions

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

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

Foreign operations

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

Government grants

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

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

Government grants continued

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

Impairment of non-financial assets

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

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

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

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

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

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

Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

Intangible assets

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

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

Intangible assets continued

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

Inventories

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

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

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

Biological assets

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

Leases

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

Lessee

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

Right-of-use assets

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

Lease liabilities

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

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

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

Lease liabilities continued

Variable lease payments

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

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

Short-term leases and leases of low-value assets

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

Lessor

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

The Group currently does not have any finance leases.

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

Property, plant and equipment

Recognition and measurement

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

Subsequent costs

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

Vessels

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

Depreciation

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

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

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

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

Property, plant and equipment continued

Derecognition

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

Provisions

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

Revenue recognition

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

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

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

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

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

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

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. Discounts, rebates, cooperative advertising and other allowances are treated as variable consideration. The variable consideration is estimated at contract inception based on the most likely amount and adjusted for in the transaction price accordingly. Variable consideration is mostly applicable to contracts for the sale of goods which include a right of return or volume rebate allowance. The variable consideration is calculated based on historical data and on trading terms contained in signed agreements with customers, along with the value of sales which have taken place over the relevant period.

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

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

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

When another party is involved in providing goods or services to customers, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and records revenue at the net amount that it retains for its agency services. In the majority of contracts with customers, the Group is the principal and records revenue on a gross basis.

Recognition of income from investments

Interest

Interest is recognised on a time proportion basis at an effective interest rate that takes into account the yield on the asset.

Share capital

Ordinary shares

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

Preference share capital

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

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

Repurchase of share capital

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

Taxation

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

Current taxation

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

Deferred taxation

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

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

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

Dividend withholding tax

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

Uncertainty over income tax treatments

Where there is uncertainty regarding the tax treatment of an item, the Group discloses the judgements made in determining the respective tax position as well as information regarding any assumptions and estimates made. The Group recognises liabilities for anticipated uncertain positions based on the best estimate of whether additional income taxes will be due.

Earnings per share

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

balance sheet

As at 30 June 2023	Notes	2023 R'm	2022 R'm
ASSETS			
Non-current assets			
Property, plant and equipment	1	**3 184,2**	3 105,0
Right-of-use assets	2	**483,2**	424,9
Intangible assets and goodwill	3	**927,7**	937,0
Investments in joint ventures	4	**14,0**	11,9
Other long-term assets	5	**20,5**	17,2
Deferred taxation	6	**35,6**	37,8
		4 665,2	4 533,8
Current assets			
Inventories	7	**2 704,4**	2 514,6
Biological assets	8	**348,2**	306,1
Other financial assets including derivatives	16	**44,4**	72,2
Current tax assets	26	**3,6**	11,4
Trade and other receivables	9	**1 941,1**	1 715,0
Cash and cash equivalents	10	**494,9**	191,4
		5 536,6	4 810,7
Total assets		**10 201,8**	9 344,5
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**16,3**	16,3
Share premium	11	**263,1**	263,1
Treasury shares	11	**(75,8)**	(75,8)
I&J BBBEE shareholders	33	**(106,6)**	(106,6)
Reserves	12	**234,1**	209,1
Retained earnings		**4 785,8**	4 487,6
Total equity		**5 116,9**	4 793,7
Non-current liabilities			
Lease liabilities	13	**412,8**	354,1
Employee benefit liabilities	14	**286,7**	282,3
Deferred taxation	6	**405,6**	441,9
		1 105,1	1 078,3
Current liabilities			
Cash-settled share-based payment liability	33	**–***	34,8
Current borrowings including short-term portion of lease liabilities	15	**1 831,9**	1 513,7
Other financial liabilities including derivatives	16	**92,3**	11,0
Trade and other payables	17	**1 974,3**	1 842,5
Current tax liabilities	26	**81,3**	70,5
		3 979,8	3 472,5
Total equity and liabilities		**10 201,8**	9 344,5

** Rand amount is less than R1 million.*

statement of comprehensive income

For the year ended 30 June 2023	Notes	2023 R'm	2022 R'm
Revenue	18	**14 919,6**	13 845,3
Cost of sales		**(9 095,1)**	(8 506,7)
Gross profit		**5 824,5**	5 338,6
Selling and administrative expenses, including other income		**(3 109,7)**	(2 798,5)
Operating profit before capital items	19	**2 714,8**	2 540,1
Interest received	20	**8,0**	4,6
Finance costs	21	**(198,9)**	(115,5)
Share of equity-accounted earnings/(losses) of joint ventures	22	**2,1**	(0,8)
Capital items	23	**9,1**	(2,2)
Profit before taxation		**2 535,1**	2 426,2
Taxation	24	**(698,2)**	(675,0)
Profit for the year		**1 836,9**	1 751,2
Other comprehensive (loss)/income, net of tax		**(32,8)**	75,7
Items that are or may subsequently be reclassified to profit or loss			
Foreign currency translation differences	12	**13,1**	17,2
Cash flow hedging reserve	12	**(72,7)**	33,4
Taxation on items that are or may subsequently be reclassified to profit or loss		**19,7**	(9,0)
Items that will never be reclassified to profit or loss			
Actuarial gain recognised	12	**9,7**	46,6
Taxation on items that will never be reclassified to profit or loss		**(2,6)**	(12,5)
Total comprehensive income for the year		**1 804,1**	1 826,9
Profit attributable to:			
Owners of AVI		**1 836,9**	1 751,2
		1 836,9	1 751,2
Total comprehensive income attributable to:			
Owners of AVI		**1 804,1**	1 826,9
		1 804,1	1 826,9
Basic earnings per share (cents)	29	**555,6**	530,1
Diluted earnings per share (cents)	29	**553,8**	528,8

Details of the headline earnings and dividends declared per ordinary share are provided in Notes 29 and 30 to the financial statements, on pages 52 and 53.

statement of cash flows

For the year ended 30 June 2023	Notes	2023 R'm	2022 R'm
Cash flows from operating activities			
Cash generated by operations	25	**3 079,7**	2 999,4
Interest paid	21	**(198,9)**	(115,5)
Taxation paid	26	**(697,4)**	(648,4)
Net cash available from operating activities		**2 183,4**	2 235,5
Cash flows from investing activities			
Interest received	20	**8,0**	4,6
Acquisition of property, plant and equipment	1	**(482,2)**	(240,8)
Acquisition of intangible assets	3	**(8,0)**	(165,3)
Insurance proceeds on property, plant and equipment – civil unrest		**–**	3,0
Proceeds from disposals of property, plant and equipment		**14,0**	9,1
Other cash flows from investments	27	**(2,9)**	1,2
Net cash utilised in investing activities		**(471,1)**	(388,2)
Cash flows from financing activities			
Short-term funding raised/(repaid)	28	**305,4**	(213,4)
Lease liabilities repaid	28	**(147,2)**	(158,1)
Payment to I&J BBBEE shareholders		**(34,8)**	(11,0)
Ordinary dividends paid	30	**(1 538,7)**	(1 473,2)
Net cash utilised in financing activities		**(1 415,3)**	(1 855,7)
Increase/(decrease) in cash and cash equivalents		**297,0**	(8,4)
Cash and cash equivalents at beginning of year		**191,4**	194,1
Net increase as a result of the translation of the cash equivalents of foreign subsidiaries		**6,5**	5,7
Cash and cash equivalents at end of year	10	**494,9**	191,4

statement of changes in equity

For the year ended 30 June 2023	Notes	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	I&J BBBEE shareholders R'm	Total equity R'm
Balance at beginning of year		**279,4**	**(75,8)**	**209,1**	**4 487,6**	**(106,6)**	**4 793,7**
Total comprehensive income for the year							
Profit for the year		–	–	–	1 836,9	–	1 836,9
Other comprehensive loss							
Foreign currency translation differences		–	–	13,1	–	–	13,1
Actuarial gains recognised, net of tax		–	–	7,1	–	–	7,1
Cash flow hedging reserve, net of tax		–	–	(53,0)	–	–	(53,0)
Total other comprehensive loss for the year		–	–	(32,8)	–	–	(32,8)
Total comprehensive income for the year		–	–	(32,8)	1 836,9	–	1 804,1
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Share-based payments	32.3	–	–	58,0	–	–	58,0
Group share scheme recharge		–	–	(0,2)	–	–	(0,2)
Dividends paid	30	–	–	–	(1 538,7)	–	(1 538,7)
Total contributions by and distributions to owners		–	–	57,8	(1 538,7)	–	(1 480,9)
Balance at end of year		**279,4**	**(75,8)**	**234,1**	**4 785,8**	**(106,6)**	**5 116,9**

For the year ended 30 June 2022	Notes	Share capital and premium R'm	Treasury shares R'm	Reserves R'm	Retained earnings R'm	I&J BBBEE shareholders R'm	Total equity R'm
Balance at beginning of year		279,4	(150,9)	170,4	4 209,6	(106,6)	4 401,9
Total comprehensive income for the year							
Profit for the year		–	–	–	1 751,2	–	1 751,2
Other comprehensive income							
Foreign currency translation differences		–	–	17,2	–	–	17,2
Actuarial gains recognised, net of tax		–	–	34,1	–	–	34,1
Cash flow hedging reserve, net of tax		–	–	24,4	–	–	24,4
Total other comprehensive income for the year		–	–	75,7	–	–	75,7
Total comprehensive income for the year		–	–	75,7	1 751,2	–	1 826,9
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Share-based payments	32.3	–	–	37,2	–	–	37,2
Group share scheme recharge		–	–	0,9	–	–	0,9
Dividends paid	30	–	–	–	(1 473,2)	–	(1 473,2)
Delisting and cancellation of treasury shares	11	–	75,1	(75,1)	–	–	–
Total contributions by and distributions to owners		–	75,1	(37,0)	(1 473,2)	–	(1 435,1)
Balance at end of year		279,4	(75,8)	209,1	4 487,6	(106,6)	4 793,7

1. Property, plant and equipment

2023	Land R'm	Buildings R'm	Plant and machinery R'm	Vehicles, furniture and equipment R'm	Vessels R'm	Total R'm
Cost						
At beginning of year	86,6	886,8	3 244,4	1 196,1	1 158,7	6 572,6
Additions	–	11,4	251,6	155,8	63,4	482,2
Disposals	–	(2,7)	(20,9)	(98,8)	(51,9)	(174,3)
Effect of movement in exchange rates	–	0,2	0,7	1,9	–	2,8
At end of year	86,6	895,7	3 475,8	1 255,0	1 170,2	6 883,3
Accumulated depreciation and impairment losses						
At beginning of year	–	247,9	1 783,2	845,7	590,8	3 467,6
Disposals	–	(1,7)	(19,9)	(91,2)	(49,5)	(162,3)
Effect of movement in exchange rates	–	0,1	0,5	1,2	–	1,8
Depreciation	–	19,3	198,2	99,3	73,0	389,8
Impairment loss	–	–	2,2	–	–	2,2
At end of year	–	265,6	1 964,2	855,0	614,3	3 699,1
Net carrying value						
At beginning of previous year	86,6	638,0	1 562,2	364,1	614,9	3 265,8
At end of previous year	86,6	638,9	1 461,2	350,4	567,9	3 105,0
At end of current year	86,6	630,1	1 511,6	400,0	555,9	3 184,2

2022	Land R'm	Buildings R'm	Plant and machinery R'm	Vehicles, furniture and equipment R'm	Vessels R'm	Total R'm
Cost						
At beginning of year	86,6	868,9	3 197,7	1 204,4	1 158,3	6 515,9
Additions	–	20,0	98,5	95,9	26,4	240,8
Disposals	–	(2,1)	(52,8)	(105,9)	(26,0)	(186,8)
Effect of movement in exchange rates	–	–	1,0	1,7	–	2,7
At end of year	86,6	886,8	3 244,4	1 196,1	1 158,7	6 572,6
Accumulated depreciation and impairment losses						
At beginning of year	–	230,9	1 635,5	840,3	543,4	3 250,1
Disposals	–	(1,6)	(50,8)	(95,4)	(24,9)	(172,7)
Effect of movement in exchange rates	–	–	0,7	1,2	–	1,9
Depreciation	–	18,6	197,8	99,6	72,3	388,3
At end of year	–	247,9	1 783,2	845,7	590,8	3 467,6
Net carrying value						
At beginning of previous year	86,6	641,4	1 617,9	400,9	614,9	3 361,7
At end of previous year	86,6	638,0	1 562,2	364,1	614,9	3 265,8
At end of current year	86,6	638,9	1 461,2	350,4	567,9	3 105,0

	2023 R'm	2022 R'm
Land comprises:		
Freehold	86,6	86,6

- The current estimated useful lives of property, plant and equipment are reflected under accounting policies on page 29.
- The estimated useful lives and residual values are reviewed annually, taking cognisance of forecast commercial and economic realities, historical usage of similar assets and input from original equipment manufacturers on plant and machinery.
- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2023 was R187,6 million (2022: R87,7 million).
- R1,9 million of disposals in the prior year was directly related to the July 2021 civil unrest, the total cost of which has been recovered from insurers (Note 23).
- Impairment losses of R2,2 million arose due to identified obsolescence of, damage to and underperformance of items of plant and machinery. No impairment losses arose in the prior year.
- A register containing details of properties is available for inspection by shareholders or their duly authorised agents during business hours at the registered office of the Company.

2. Right-of-use assets

2023	Retail stores and storerooms R'm	Other commercial and industrial sites R'm	Total R'm
Carrying value at 1 July 2022	**220,0**	**204,9**	**424,9**
Effect of movement in exchange rates	**–**	**1,8**	**1,8**
Additions for new leases and lease renewals	**157,9**	**58,8**	**216,7**
Depreciation	**(119,4)**	**(40,8)**	**(160,2)**
Carrying value at 30 June 2023	**258,5**	**224,7**	**483,2**

2022	Retail stores and storerooms R'm	Other commercial and industrial sites R'm	Total R'm
Carrying value at 1 July 2021	194,3	57,4	251,7
Additions for new leases and lease renewals	144,7	2,3	147,0
Impact of lease modifications and remeasurements[1]	1,5	172,3	173,8
Depreciation	(120,5)	(27,1)	(147,6)
Carrying value at 30 June 2022	220,0	204,9	424,9

[1] *The remeasurement in the prior year relates to the reassessment of the extension option of a lease in which I&J is the lessee.*

Right-of-use assets mostly relate to retail stores which are leased by the Group's retail businesses. The Group also leases a number of other commercial and industrial sites. Right-of-use assets are effectively ceded as security for concomitant lease liabilities (Note 13) as the rights to the leased assets revert to the lessor in the event of default.

3. Intangible assets and goodwill

2023	Goodwill R'm	Fishing rights R'm	Trademarks R'm	Customer relationships and contracts R'm	Computer software R'm	Total R'm
Cost						
At beginning of year	489,2	7,4	863,8	1,1	226,8	1 588,3
Additions*	–	0,6	4,4	–	3,0	8,0
Disposals	–	–	–	–	(2,8)	(2,8)
Effect of movement in exchange rates	–	–	–	–	0,2	0,2
At end of year	489,2	8,0	868,2	1,1	227,2	1 593,7
Accumulated amortisation and impairment losses						
At beginning of year	12,2	0,4	441,6	1,1	196,0	651,3
Disposals	–	–	–	–	(2,8)	(2,8)
Effect of movement in exchange rates	–	–	–	–	0,2	0,2
Amortisation	–	0,5	2,4	–	14,4	17,3
At end of year	12,2	0,9	444,0	1,1	207,8	666,0
Net carrying value						
At beginning of previous year	477,0	4,1	271,3	–	37,4	789,8
At end of previous year	477,0	7,0	422,2	–	30,8	937,0
At end of current year	477,0	7,1	424,2	–	19,4	927,7

2022	Goodwill R'm	Fishing rights R'm	Trademarks R'm	Customer relationships and contracts R'm	Computer software R'm	Total R'm
Cost						
At beginning of year	489,2	8,5	710,8	1,1	228,8	1 438,4
Additions*	–	3,2	153,0	–	9,1	165,3
Disposals	–	(4,3)	–	–	(11,4)	(15,7)
Effect of movement in exchange rates	–	–	–	–	0,3	0,3
At end of year	489,2	7,4	863,8	1,1	226,8	1 588,3
Accumulated amortisation and impairment losses						
At beginning of year	12,2	4,4	439,5	1,1	191,4	648,6
Disposals	–	(4,3)	–	–	(11,4)	(15,7)
Effect of movement in exchange rates	–	–	–	–	0,3	0,3
Amortisation	–	0,3	2,1	–	15,7	18,1
At end of year	12,2	0,4	441,6	1,1	196,0	651,3
Net carrying value						
At beginning of previous year	477,0	2,6	271,5	–	48,2	799,3
At end of previous year	477,0	4,1	271,3	–	37,4	789,8
At end of current year	477,0	7,0	422,2	–	30,8	937,0

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

Useful lives
The fishing rights are amortised over a period of 15 years.

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

The majority of trademarks are deemed to have indefinite useful lives, with the exception of trademark registrations, with a net book value of R10,4 million (2022: R10,3 million), which are amortised over their respective useful lives of between 5 and 10 years.

3. Intangible assets and goodwill continued

Cash-generating units containing goodwill and trademarks

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

	Goodwill		Trademarks		Total	
	2023 R'm	2022 R'm	**2023 R'm**	2022 R'm	**2023 R'm**	2022 R'm
Spitz	**449,2**	449,2	**69,5**	69,5	**518,7**	518,7
Carvela	**–**	–	**71,3**	71,3	**71,3**	71,3
Kurt Geiger	**–**	–	**15,3**	15,3	**15,3**	15,3
Yardley	**–**	–	**29,0**	29,0	**29,0**	29,0
Lentheric	**–**	–	**43,0**	41,4	**43,0**	41,4
Exclamation*	**–**	–	**120,7**	120,3	**120,7**	120,3
House of Coffees	**15,3**	15,3	**33,6**	33,6	**48,9**	48,9
Baker Street Snacks	**12,5**	12,5	**–**	–	**12,5**	12,5
Multiple units without significant balances*	**–**	–	**41,8**	41,8	**41,8**	41,8
	477,0	477,0	**424,2**	422,2	**901,2**	899,2

** In the prior year, the Group concluded the purchase of Exclamation and Gravity from Coty International B.V.*

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

Impairment tests

The carrying amounts of goodwill and trademarks with indefinite useful lives are reviewed at least annually for impairment. The recoverable amount of goodwill and trademarks is their value in use which is calculated using the discounted cash flow model, taking into account the forecast profits of the cash-generating units they form part of. Management forecasts typically cover a five-year period and thereafter a reasonable rate of growth is applied based on market conditions. Revenue and profit growth assumptions are based on budgets, business plans and historical performance, taking into account the economic and political environment. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital of similar businesses in the same sector and of similar size and range between 13,2% and 17,4% (2022: 12,4% and 16,9%) depending on the business' risk profile. Perpetuity growth rates were set between 5,5% and 6,0% (2022: 5,5%). No impairment losses arose in the current year or in the prior year.

4. Investments in joint ventures

	2023 R'm	2022 R'm
Group carrying value of joint venture		
Share of post-acquisition reserves	**14,0**	11,9
Carrying value	**14,0**	11,9

The above investment relates to Irvin & Johnson Limited's squid fishing joint venture incorporated in Umsobomvu Fishing Proprietary Limited.

5. Other long-term assets

	2023 R'm	2022 R'm
Contributions to Enterprise and Supplier Development initiatives	**19,9**	17,0
Operating lease straight-line assets	**0,6**	0,4
Total other long-term assets	**20,5**	17,4
Less amounts receivable within one year transferred to other receivables (current portion)	**–**	(0,2)
Total non-current other long-term assets	**20,5**	17,2

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

6. Deferred taxation

	2023 R'm	2022 R'm
Balance at beginning of year, being a net liability	**404,1**	383,5
Charge to profit or loss	**(17,2)**	0,1
– current year temporary differences	**(18,8)**	15,0
– change in tax rate*	**–**	(15,3)
– prior year under provision	**1,6**	0,4
Effect of movement in exchange rates/other	**–**	(0,1)
Reserve movements in respect of actuarial gains recognised directly in other comprehensive income	**2,6**	12,5
Reserve movements in respect of cash flow hedging recognised directly in other comprehensive income	**(19,7)**	9,0
Reserve movements in respect of Group share scheme recharge arrangements	**0,2**	(0,9)
Balance at end of year, being a net liability	**370,0**	404,1
Balance at end of year comprises:		
Accelerated capital allowances	**477,9**	492,3
Temporary differences on trademarks	**58,3**	59,4
Provisions and other temporary differences:	**(113,1)**	(118,9)
– post-retirement medical aid	**(81,2)**	(82,4)
– leave pay and bonus accruals	**(93,6)**	(83,3)
– other deductible temporary differences	**61,7**	46,8
Cash flow hedge reserve	**(7,2)**	12,6
Group share scheme recharge	**(5,7)**	(5,8)
Right-of-use assets and related lease liabilities	**(16,3)**	(12,7)
Unused tax losses	**(23,9)**	(22,8)
	370,0	404,1
Reflected as:		
Deferred taxation asset	**35,6**	37,8
Deferred taxation liability	**405,6**	441,9

** On 23 February 2022, the Minister of Finance announced a reduction of the corporate tax rate from 28% to 27% for companies with years of assessment ending on/after 31 March 2023. As a result, the tax rate applied to temporary differences in the prior year was 27% as this was viewed to be substantively enacted. The rate is applicable to the current year and therefore both the current and deferred tax rate is 27%.*

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

	2023 R'm	2022 R'm
The estimated losses which are available for the reduction of future taxable income	**140,5**	145,5
Less: Estimated losses taken into account in calculating deferred taxation	**88,6**	84,5
Shareholders' interest in the estimated tax losses not yet recognised	**51,9**	61,0

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.

7. Inventories

	2023 R'm	2022 R'm
Raw materials	**698,9**	749,9
Consumable stores	**371,8**	352,1
Work in progress	**42,6**	65,1
Manufactured finished goods	**672,0**	621,9
Merchandise – finished goods purchased for resale	**919,1**	725,6
	2 704,4	2 514,6

There were no material inventory write-offs in the current year. In the prior year, R31,6 million of inventory was stolen and destroyed during the July 2021 civil unrest. This was recognised in cost of sales in the prior year. The total cost was recovered from insurers (Note 19). The inventory stolen related to the following businesses within the Group:

	2023 R'm	2022 R'm
Footwear & Apparel	**–**	19,5
Snackworks	**–**	11,7
Personal Care	**–**	0,4
	–	31,6

8. Biological assets

	2023 R'm	2022 R'm
Balance at beginning of year	**306,1**	243,0
Increase due to farming costs	**116,2**	95,1
Decreases due to harvest	**(213,9)**	(181,1)
Gains arising from change in fair value due to physical change	**77,5**	40,4
Gains arising from change in fair value due to price changes (including exchange rate movements)	**62,3**	108,7
Balance at end of year	**348,2**	306,1
	Kilograms	Kilograms
Standing volume	**684 755**	678 814
Volume harvested in current year	**432 067**	442 236

Biological assets comprise abalone farmed by I&J. The relaxation of the COVID-19 lockdown restrictions as well as improving demand and prices in the key China and Hong Kong markets, has contributed to an increase in fair value of stock.

Measurement of fair value

The fair value measure for abalone of R348,2 million (2022: R306,1 million) has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used. The valuation technique used in measuring fair value, as well as the significant unobservable inputs used are as follows:

Valuation technique

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

Significant unobservable inputs

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

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

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

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

8. Biological assets continued

Risk management strategy related to aquaculture activities

Currency risks

I&J is subject to changes in the exchange rate as abalone sales prices are denominated in US Dollars and biological assets are measured at fair value which is also based on the US Dollar market price. The Group's currency risk management is described in Note 35.5.

Process risks

Abalone farming relies on a living environment which simulates natural conditions. This calls for a continuous supply of water and oxygen to the growing areas. A potential shortage of electrical supply to drive the key equipment is mitigated by failsafe back-up power generators.

Critical equipment such as pumps for water flow and fans for oxygen are monitored by sophisticated alarm systems.

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

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

Disease risks

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

Daily monitoring of the water condition and organisms is part of the biosecurity plan.

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

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

9. Trade and other receivables

	2023 R'm	2022 R'm
Trade receivables	**1 736,5**	1 554,4
Indirect taxation	**91,0**	57,3
Prepayments	**60,1**	49,7
Short-term portion of straight-line asset (Note 5)	**–**	0,2
Other receivables	**53,5**	53,4
	1 941,1	1 715,0
The trade receivables balance is made up of:		
Gross trade debtors consideration	**2 412,2**	2 114,6
Allowances for credit notes, discounts and other trading terms	**(670,9)**	(554,4)
Impairment loss allowance	**(4,8)**	(5,8)
	1 736,5	1 554,4

Refer to Note 35.3 for a reconciliation of the impairment loss allowance.

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

10. Cash and cash equivalents

	2023 R'm	2022 R'm
Bank balances (current accounts)	**190,2**	154,9
Call deposits	**220,4**	–
Controlled Foreign Currency (CFC) accounts	**83,9**	38,8
Petty cash	**0,4**	0,4
Cash and cash equivalents	**494,9**	194,0
Bank overdrafts	**–**	(2,7)
Total cash and cash equivalents	**494,9**	191,4

11. Share capital and premium

	2023 R'm	2022 R'm
Share capital		
Authorised		
Ordinary share capital		
960 000 000 (2022: 960 000 000) ordinary shares of 5 cents each	**48,0**	48,0
Preference share capital		
10 000 000 (2022: 10 000 000) convertible redeemable preference shares of 20 cents each	**2,0**	2,0
Total authorised share capital	**50,0**	50,0
Issued		
338 191 889 (2022: 336 001 990) ordinary shares of 5 cents each	**16,3**	16,3
Total issued share capital	**16,3**	16,3
Share premium		
Balance at end of year	**263,1**	263,1
Total issued share capital and premium	**279,4**	279,4
Treasury shares		
Balance at beginning of year	**(75,8)**	(150,9)
Delisting and cancellation of treasury shares*	**–**	75,1
Balance at end of year	**(75,8)**	(75,8)

	2023 Number	2022 Number
The number of ordinary shares in issue is as follows:		
Total issued shares	**338 191 889**	336 001 990
Less: Shares held by the Company's share trusts and subsidiary, and restricted shares held by participants of the AVI Deferred Bonus Share Plan (Note 32)	**(7 568 115)**	(5 484 569)
	330 623 774	330 517 421

* *The Company's wholly-owned subsidiary, AVI Financial Services Proprietary Limited ("AVI Financial Services"), held 969 501 ordinary shares in the Company at 30 June 2021.*

On 15 December 2021, AVI Financial Services effected a distribution in specie of these shares to the Company, in its capacity as the holding company of AVI Financial Services. The subsequent delisting and cancellation of the 969 501 ordinary shares, as approved by the JSE, was effected on 22 December 2021.

The shares cancelled represented 0,29% of the issued share capital of the Company immediately prior to the cancellation.

The delisting and cancellation of shares resulted in a R75,1 million reduction in the treasury shares balance of which R75,1 million was allocated to the share buy-back reserve and the balance to share capital, with no impact on earnings or earnings per share.

12. Reserves

	2023 R'm	2022 R'm
The balance at end of year comprises:		
Cash flow hedging reserve	**(19,5)**	33,5
Actuarial reserve	**45,6**	38,5
Foreign currency translation reserve	**(26,7)**	(39,8)
Share-based payment reserve	**608,2**	550,4
Share buy-back reserve	**(373,5)**	(373,5)
	234,1	209,1

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

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

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

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

Share buy-back reserve
The reserve represents the reversal of share premium relating to the delisting and cancellation of treasury shares.

13. Lease liabilities

	2023 R'm	2022 R'm
Lease liabilities	**543,7**	472,2
Less: portion repayable within one year included in current borrowings (Note 15)	**(130,9)**	(118,1)
Lease liabilities (Non-current portion)	**412,8**	354,1

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

The discount rate used to determine the present value of future lease payments is generally based on the lessee's incremental borrowing rate, as in most instances, the interest rate implicit in the lease cannot be readily determined. The discount rate applied to new leases concluded during the year varied between 6,54% and 10,35% (2022: 5,59% and 6,95%).

13. Lease liabilities continued

Total cash outflow for leases in the current period

	2023 R'm	2022 R'm
Finance costs (Note 21)	**36,5**	25,7
Capital portion	**147,2**	158,1
Total cash outflow for leases	**183,7**	183,8

The cost relating to variable lease payments, short-term leases and leases of low-value assets is disclosed as part of Note 19.

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

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

14. Employee benefit liabilities

	2023 R'm	2022 R'm
Post-retirement medical aid obligation	**303,1**	307,5
Earnings-linked performance bonus liabilities	**31,6**	8,3
I&J Black Staff Employee Benefit Scheme liability (Note 33)	**–**	0,4
	334,7	316,2
Amount payable within one year included in trade and other payables (Note 17)	**(48,0)**	(33,9)
	286,7	282,3
Post-retirement medical aid obligation		
Reconciliation of benefit obligation recognised on the balance sheet		
Balance at beginning of year	**307,5**	348,2
Recognised in profit or loss – operating profit	**35,3**	34,0
– Current service cost	**0,7**	0,8
– Interest cost	**34,6**	33,2
Actuarial gain recognised in other comprehensive income	**(9,7)**	(46,6)
Contributions paid	**(30,0)**	(28,1)
Balance at end of year	**303,1**	307,5
Actuarial gain recognised directly in other comprehensive income		
Net cumulative amount at beginning of year	**(38,5)**	(4,4)
Recognised during the year	**(9,7)**	(46,6)
Deferred tax thereon	**2,6**	12,5
Net cumulative amount at end of year	**(45,6)**	(38,5)

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

The principal actuarial assumptions used were:
Discount rate 12,00% (2022: 12,00%)
Medical inflation 8,40% (2022: 8,40%)

14. Employee benefit liabilities continued

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

	One percentage point increase R'm	One percentage point decrease R'm
Increase/(decrease) in the present value of the actuarially determined defined benefit obligation	**24,5**	**(21,3)**
Increase/(decrease) in the aggregate service and interest cost	**3,1**	**(2,6)**

15. Current borrowings including short-term portion of lease liabilities

	2023 R'm	2022 R'm
Short-term borrowings	**1 701,0**	1 395,6
Current portion of lease liabilities (Note 13)	**130,9**	118,1
	1 831,9	1 513,7

Interest on short-term borrowings is calculated daily at the daily borrowing rate applicable and payable monthly.

16. Other financial assets/liabilities including derivatives

	2023 R'm	2022 R'm
Forward exchange contract derivative assets	**44,3**	72,2
Fuel swap derivative assets	**0,1**	–
Other financial assets including derivatives	**44,4**	72,2
Forward exchange contract derivative liabilities	**79,4**	10,7
Fuel swap derivative liabilities	**12,9**	0,3
Other financial liabilities including derivatives	**92,3**	11,0

17. Trade and other payables

	2023 R'm	2022 R'm
Trade payables	**1 247,3**	1 116,2
Customer contract liabilities	**30,9**	30,2
Employee benefits falling due within one year (Note 14)	**48,0**	33,9
Other payables and accrued expenses	**648,1**	662,2
	1 974,3	1 842,5

Terms and conditions of significant trade and other payables:
- Trade accounts are non-interest bearing and are normally settled within one month.
- Other payables and accrued expenses are non-interest bearing and are normally settled within six months.

Customer contract liabilities relate to cash received in advance from customers for laybye sales and gift card purchases within the Group's retail businesses. Total revenue recognised from completed laybye sales and redeemed gift cards for the year is R386,2 million (2022: R326,5 million).

18. Revenue

	2023 R'm	2022 R'm
Revenue from contracts with customers comprises the following:		
– Sale of goods	**14 714,8**	13 663,3
– Services, fees, commissions and royalties	**204,8**	182,0
Total	**14 919,6**	13 845,3

Disaggregation of revenue

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

The following table sets out revenue by geographical market:

	2023					
Geographical market	**Entyce Beverages R'm**	**Snackworks R'm**	**I&J R'm**	**Personal Care R'm**	**Footwear & Apparel R'm**	**Total R'm**
South Africa	**3 728,8**	**4 578,6**	**838,1**	**1 120,2**	**1 678,8**	**11 944,5**
Other African countries	**512,7**	**658,0**	**46,1**	**103,1**	**18,1**	**1 338,0**
Europe*	**6,7**	**9,0**	**1 120,4**	**–**	**–**	**1 136,1**
Rest of the world	**3,4**	**15,6**	**482,0**	**–**	**–**	**501,0**
Total	**4 251,6**	**5 261,2**	**2 486,6**	**1 223,3**	**1 696,9**	**14 919,6**

	2022					
Geographical market	Entyce Beverages R'm	Snackworks R'm	I&J R'm	Personal Care R'm	Footwear & Apparel R'm	Total R'm
South Africa	3 480,5	4 074,8	970,2	1 085,5	1 495,7	11 106,7
Other African countries	492,2	599,5	36,5	91,0	15,3	1 234,5
Europe*	1,8	7,8	994,4	-	-	1 004,0
Rest of the world	7,1	20,3	472,7	-	-	500,1
Total	3 981,6	4 702,4	2 473,8	1 176,5	1 511,0	13 845,3

The majority of revenue comprises revenue from the sale of goods. Less than 2% (2022: less than 2%) of total revenue comprises income arising from service agreements, rental agreements and trademark licence agreements.

** The disclosure of revenue by geographical market was enhanced in the current year by further disaggregating Europe as a geographical market. Europe was included in the "Rest of the world" segment in previous reports.*

19. Operating profit before capital items

	2023 R'm	2022 R'm
In arriving at operating profit before capital items, the following have been taken into account:		
Selling and administrative expenses include, among others:		
Amortisation	17,3	18,1
– fishing rights	0,5	0,3
– computer software	14,4	15,7
– trademarks	2,4	2,1
Depreciation of property, plant and equipment	389,8	388,3
– buildings	19,3	18,6
– plant, equipment and vehicles	297,5	297,4
– vessels	73,0	72,3
Depreciation of right-of-use assets	160,2	147,6
– retail stores and storerooms	119,4	120,5
– other commercial and industrial sites	40,8	27,1
Total depreciation (included in both cost of sales and selling and administrative expenses)	550,0	535,9
Total depreciation and amortisation	567,3	554,0
Auditor's remuneration		
– fees for audit	11,6	10,7
– fees for other services	0,5	3,3
– taxation services and consultations	0,2	0,6
– other	0,3	2,7
Employment costs (Note 32)	3 159,5	2 960,5
Lease expenses	17,2	15,4
– variable lease payments – turnover rental	3,6	(0,2)
– short-term leases	12,6	14,5
– leases of low-value assets	1,0	1,1
Research and development costs	41,8	37,5
Foreign exchange losses/(gains)	24,9	(85,0)
Other income includes, among others:		
Insurance income – civil unrest	–	(66,7)

20. Interest received

	2023 R'm	2022 R'm
Interest income on cash and cash equivalents and other investments	8,0	4,6

21. Finance costs

	2023 R'm	2022 R'm
Interest expense on borrowings	(162,4)	(89,8)
Interest expense on lease liabilities (Note 13)	(36,5)	(25,7)
	(198,9)	(115,5)

22. Share of equity-accounted earnings/(losses) of joint ventures

	2023 R'm	2022 R'm
Equity-accounted profit/(loss) of non-significant joint venture	2,1	(0,8)

23. Capital items

	2023 R'm	2022 R'm
Net loss on disposal of property, plant and equipment	**1,8**	3,3
Impairment of property, plant and equipment	**2,2**	–
Disposal of property, plant and equipment – civil unrest (Note 1)	**–**	1,9
Insurance proceeds/receivables on property, plant and equipment	**(13,1)**	(3,0)
	(9,1)	2,2
Attributable taxation (Note 24)	**2,4**	(0,6)
	(6,7)	1,6

24. Taxation

	2023 R'm	2022 R'm
Current income tax	**706,4**	666,8
Deferred taxation	**(18,8)**	(0,3)
– Current temporary differences	**(18,8)**	15,0
– Change in tax rate	**–**	(15,3)
Withholding tax	**11,3**	7,9
Prior year (over)/under provisions		
– Current	**(2,3)**	0,2
– Deferred	**1,6**	0,4
	698,2	675,0
Dealt with as follows:		
In respect of profit before capital items	**695,8**	675,6
In respect of capital items (Note 23)	**2,4**	(0,6)
	698,2	675,0
Foreign taxation included in the above	**40,7**	33,4
Reconciliation of rate of taxation	**%**	%
Standard rate of company taxation	**27,0**	28,0
Increase in effective rate as a result of:		
– Disallowable expenditure	**0,4**	0,5
– Share-based payments	**0,3**	0,2
– Expenses attributable to exempt income earned	**0,1**	0,3
– Exempt income	**–**	(0,1)
– Employment tax incentives	**–**	(0,1)
– Special tax allowances	**(0,2)**	(0,2)
– Withholding tax	**0,4**	0,3
– Effect of foreign tax rate differential	**(0,1)**	(0,1)
– Change in tax rate	**–**	(0,6)
Effective rate of taxation for the year	**27,5**	27,8

25. Cash generated by operations

	2023 R'm	2022 R'm
Profit before tax	**2 535,1**	2 426,2
Adjusted for:		
– Interest received	**(8,0)**	(4,6)
– Finance costs	**198,9**	115,5
– Share of equity-accounted (earnings)/losses of joint ventures	**(2,1)**	0,8
– Capital items	**(9,1)**	2,2
– Depreciation of property, plant and equipment	**389,8**	388,3
– Depreciation of right-of-use assets	**160,2**	147,6
– Amortisation of intangible assets	**17,3**	18,1
– Foreign currency translations	**23,8**	0,2
– Equity-settled share-based payments	**58,0**	37,2
– Movement in provisions and other non-cash items[1]	**68,4**	(4,7)
Cash generated by operations before working capital changes	**3 432,3**	3 126,8
Changes in working capital[2]:	**(352,6)**	(127,4)
Increase in inventories and biological assets	**(253,7)**	(321,6)
(Increase)/decrease in trade and other receivables	**(215,3)**	1,7
Increase in trade and other payables	**116,4**	192,5
Cash generated by operations	**3 079,7**	2 999,4

[1] *Includes non-cash movements in biological assets, fuel swap derivatives, operating lease straight-line assets, inventory obsolescence provisions, impairment loss allowances and bonus and leave pay accruals, offset by related cash payments.*
[2] *The net movement in working capital has been adjusted to take account of the foreign exchange differences and other non-cash items.*

26. Taxation paid

	2023 R'm	2022 R'm
Amount owing at beginning of year	**70,5**	48,3
Amount prepaid at beginning of year	**(11,4)**	(16,7)
Net amount owing at beginning of year	**59,1**	31,6
	715,4	674,9
Charge per profit or loss	**698,2**	675,0
Deferred taxation included therein (Note 6)	**17,2**	(0,1)
Effect of movement in foreign exchange rates	**0,6**	1,0
Net amount owing at end of year	**(77,7)**	(59,1)
Amount owing at end of year	**(81,3)**	(70,5)
Amount prepaid at end of year	**3,6**	11,4
Amount paid during year	**697,4**	648,4

27. Other cash flows from investments

	2023 R'm	2022 R'm
Cash flow (to)/from Enterprise and Supplier Development initiatives	**(2,9)**	1,2

28. Changes in liabilities arising from financing activities

		Cash flows*		Non-cash changes					
	Balance at 1 July 2022 R'm	Capital R'm	Interest R'm	Effect of movement in exchange rates R'm	New leases R'm	Impact of changes in accounting policies R'm	Impact of lease modifications and remeasurements R'm	Interest accrued R'm	Balance at 30 June 2023 R'm
Short-term borrowings	1 395,6	305,4	(162,4)	–	–	–	–	162,4	1 701,0
Lease liabilities	472,2	(147,2)	(36,5)	2,0	216,7	–	–	36,5	543,7
	1 867,8	158,2	(198,9)	2,0	216,7	–	–	198,9	2 244,7

		Cash flows*		Non-cash changes					
	Balance at 1 July 2021 R'm	Capital R'm	Interest R'm	Effect of movement in exchange rates R'm	New leases R'm	Impact of changes in accounting policies R'm	Impact of lease modifications and remeasurements R'm	Interest accrued R'm	Balance at 30 June 2022 R'm
Short-term borrowings	1 609,0	(213,4)	(89,8)	–	–	–	–	89,8	1 395,6
Lease liabilities	309,7	(158,1)	(25,7)	–	147,0	–	173,6	25,7	472,2
	1 918,7	(371,5)	(115,5)	–	147,0	–	173,6	115,5	1 867,8

** The disclosure of cash flows from financing activities was enhanced in the current year by further disaggregating the cash flows between payments of capital and interest. In previous reports, this was presented as a total cash flow.*

29. Earnings and headline earnings

	2023		2022	
	Gross R'm	Net of tax and non-controlling interests R'm	Gross R'm	Net of tax and non-controlling interests R'm
The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 330 596 489 (2022: 330 321 721) ordinary shares in issue.				
The diluted earnings and headline earnings per share are calculated based on a weighted average of 331 662 214 (2022: 331 185 837) ordinary shares.				
Determination of headline earnings				
Earnings attributable to owners of AVI		1 836,9		1 751,2
Adjustment for capital items	(9,1)	(6,7)	2,2	1,6
Net loss on disposal of property, plant and equipment	1,8	1,3	3,3	2,5
Impairment of property, plant and equipment (Note 1)	2,2	1,6	–	–
Insurance proceeds/receivables on property, plant and equipment	(13,1)	(9,6)	(3,0)	(2,2)
Disposal of property, plant and equipment – civil unrest	–	–	1,9	1,4
Headline earnings		1 830,2		1 752,8

29. Earnings and headline earnings continued

	2023 Number	2022 Number
Reconciliation of weighted average number of ordinary shares		
Issued shares at beginning of year	**336 001 990**	336 504 469
Own shares held by trusts and subsidiary at beginning of year	**(5 484 569)**	(6 430 228)
Effect of treasury shares sold in July – September	**1 178**	2 875
Effect of treasury shares sold in October – December	**77 873**	243 999
Effect of treasury shares sold in January – March	**–**	606
Effect of treasury shares sold in April – June	**17**	–
Weighted average number of ordinary shares	**330 596 489**	330 321 721
Effect of the Revised AVI Executive Share Incentive Scheme instruments outstanding during the year	**13 777**	3 329
Effect of the AVI Deferred Bonus Share Plan instruments outstanding during the year	**368 434**	216 939
Effect of the AVI Out-Performance Scheme instruments outstanding during the year	**683 514**	643 848
Weighted average diluted number of ordinary shares	**331 662 214**	331 185 837

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

	2023 Cents	2022 Cents
Earnings per ordinary share	**555,6**	530,1
Diluted earnings per ordinary share	**553,8**	528,8
Headline earnings per ordinary share	**553,6**	530,6
Diluted headline earnings per ordinary share	**551,8**	529,2

30. Dividends paid

	2023 R'm	2022 R'm
Ordinary shares		
No. 98 of 275 cents, paid 25 October 2021		910,5
No. 99 of 170 cents, paid 19 April 2022		562,7
No. 100 of 292 cents, paid 24 October 2022	**968,3**	
No. 101 of 172 cents, paid 17 April 2023	**570,4**	
	1 538,7	1 473,2
Ordinary dividend No. 102 of 310 cents in respect of the year ended 30 June 2023 was declared on 1 September 2023 and is payable on 23 October 2023. This will be at the following cost after taking account of the ordinary shares in issue at the date of approval of the Annual Report.	**1 033,2**	

The dividends have been declared out of income reserves and are subject to dividend withholding tax at a rate of 20% in respect of those shareholders who are not exempt from paying dividend withholding tax.

31. Commitments

	2023 R'm	2022 R'm
Commitments		
Capital commitments		
Capital expenditure authorised by the directors		
Property, plant and equipment		
– contracted for	**171,7**	174,0
– not contracted for	**92,4**	89,2
	264,1	263,2

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

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

32. Employee benefits

	2023 R'm	2022 R'm
Employment costs	**3 159,5**	2 960,5
Short-term employment benefits	**2 853,7**	2 688,1
Termination benefits	**8,4**	12,5
Retirement benefits	**179,6**	169,7
Post-retirement medical aid costs	**35,3**	34,0
Share-based payments – equity-settled	**58,0**	37,2
Movement in provisions for long-term earnings-linked performance bonuses	**24,9**	2,7
I&J Black Staff Employee Benefit Scheme	**(0,4)**	16,3

32.1 Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 9 220 (2022: 9 315) employees, 7 908 (2022: 8 104) are members of defined contribution Group pension and provident funds or state-administered funds in other jurisdictions. South African funds are governed by the Pension Funds Act 1956, as amended. Other funds are governed by the respective legislation of the countries concerned. The contributions paid by the Group companies for retirement benefits are charged to profit or loss as they are incurred, and amounted to R179,6 million (2022: R169,7 million).

32. Employee benefits continued

32.2 Share incentive schemes

The interests of the directors are given on page 8 in the Directors' Remuneration Report.

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

The Revised AVI Executive Share Incentive Scheme

The Revised AVI Executive Share Incentive Scheme was approved by shareholders at the Annual General Meeting held on 3 November 2016 and replaced the AVI Executive Share Incentive Scheme. Eligible participants are awarded share appreciation rights, which vest after the completion of a three-year service period, subject to the satisfaction of a performance condition, namely that the AVI return on capital employed over the period exceeds the weighted average cost of capital. Upon vesting, participants are entitled to exercise their awards by receiving AVI shares equal to the increase in value of their awards between award date and exercise date. The cost of these AVI shares is funded by way of contributions from employer companies in respect of participants who are their employees.

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2022 number	Awarded number	Exercised/ Lapsed number	Relinquished[1]/ Forfeited number	**Instruments outstanding at 30 June 2023 number**
1 October 2017	97,77	126 180	–	(126 180)	–	**–**
1 April 2018	108,73	111 426	–	(111 426)	–	**–**
1 October 2018	106,84	139 799	–	(3 451)	(28 610)	**107 738**
1 April 2019	89,27	600 400	–	(13 150)	(208 225)	**379 025**
1 October 2019	83,91	296 874	–	(6 747)	(10 222)	**279 905**
1 April 2020	69,75	1 023 692	–	–	(39 950)	**983 742**
1 October 2020	74,52	425 728	–	–	(20 786)	**404 942**
1 April 2021	73,85	1 054 821	–	–	(128 043)	**926 778**
1 October 2021	86,04	378 425	–	–	(28 097)	**350 328**
1 April 2022	69,23	1 280 685	–	–	(63 510)	**1 217 175**
1 October 2022	73,43	–	658 838	–	(28 760)	**630 078**
1 April 2023	66,48	–	1 477 614	–	(14 605)	**1 463 009**
		5 438 030	2 136 452	(260 954)	(570 808)	**6 742 720**
Weighted average award price (R)		77,26	68,62	101,78	80,92	**73,26**
Weighted average exercise price on date of exercise (R)				–		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2023 is 1,3 years (2022: 1,4 years).

[1] The number of relinquished instruments represents instruments sacrificed in favour of AVI Out-Performance Scheme options in terms of the rules of the AVI Out-Performance Scheme.

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

The AVI Out-Performance Scheme

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

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

32. Employee benefits continued

32.2 Share incentive schemes continued

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 is ranked, a vesting multiple of between 0 times and 3,6 times will be applied to the notional shares to determine the number of shares allocated to the participant upon vesting. No shares vest if AVI's TSR is ranked below the 50th peer group percentile.

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

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

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2022 number	Awarded number	Exercised/ Lapsed number	Forfeited number	**Instruments outstanding at 30 June 2023 number**
1 October 2019	83,73	307 903	–	(307 903)	–	**–**
1 October 2020	72,42	459 739	–	–	–	**459 739**
1 October 2021	79,98	343 057	–	–	–	**343 057**
1 October 2022	72,99	–	558 776	–	–	**558 776**
		1 110 699	558 776	(307 903)	–	**1 361 572**
Weighted average award price (R)		77,89	72,99	83,73	–	**74,56**
Weighted average share price on date of exercise (R)				–		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2023 is 1,3 years (2022: 1,3 years).

All notional shares vest three years after award date. Notional shares are converted to AVI shares only if the performance requirements are met on the vesting date.

The AVI Deferred Bonus Share Plan

The AVI Deferred Bonus Share Plan was approved by shareholders at the Annual General Meeting held on 3 November 2016. The value of the awards allocated is determined with reference to each eligible participant's annual bonus (earned under the Group's short-term bonus incentive framework). A portion of the annual bonus is paid in cash while the deferred element is settled in equity as AVI shares and is subject to a three-year service period before vesting, during which period the bonus shares remain restricted. These shares are held by an escrow agent on behalf of participants during this vesting period. Participants are, however, eligible to receive dividends and vote at shareholder meetings.

Date of award	Award price per instrument R	Instruments outstanding at 30 June 2022 number	Awarded number	Exercised number	Forfeited number	**Instruments outstanding at 30 June 2023 number**
1 October 2019	83,91	105 942	–	(105 075)	(867)	**–**
1 October 2020	74,52	149 694	–	(627)	(3 735)	**145 332**
1 October 2021	86,04	236 957	–	(253)	(7 465)	**229 239**
1 October 2022	73,43	–	611 800	(398)	(10 062)	**601 340**
1 June 2023	63,58	–	1 677 534	–	–	**1 677 534**
		492 593	2 289 334	(106 353)	(22 129)	**2 653 445**
Weighted average award price (R)		82,08	66,21	83,82	78,28	**68,35**
Weighted average share price on date of exercise (R)				73,33		

The weighted average remaining contractual life of instruments outstanding as at 30 June 2023 is 2,5 years (2022: 1,5 years).

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

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

32. Employee benefits continued

32.2 Share incentive schemes continued

The AVI Black Staff Empowerment Scheme

The AVI Black Staff Empowerment Scheme was established to provide certain full-time black employees of the Group with the opportunity of acquiring shares in the capital of the Company, and has been incorporated within the AVI Black Staff Empowerment Scheme Holding Trust ("the Trust"). The purchase of shares by the Trust for the purpose of the scheme was funded by way of loans from employer companies in respect of participants who are their employees.

Participants were granted a right to purchase ordinary AVI shares equal to the number of options awarded in three equal tranches after the fifth, sixth and seventh anniversaries of acceptance of the offer by the participant. The right to purchase was subject to the settlement of the exercise price by the participant and the express condition that the participant was still an employee at the relevant exercise date. The final allocation was made in December 2011 and the final tranche vested on 31 December 2018. The scheme established in terms of the Trust deed has terminated and no further allocations will be made.

The remaining share options at 30 June 2023 in respect of good leavers have lapsed in terms of the scheme rules. These options remain unexercised despite ongoing attempts to trace the affected participants. The Trustees have, however, resolved to allow these participants to exercise their share options should they be traced in future.

	2023 Number	2022 Number
Remaining share options	**40 124**	40 124

Restrictions

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

Share incentive scheme	Authorised number	% of total issued share capital*	Remaining authorised but not issued number
Revised AVI Executive Share Incentive Scheme	5 213 369	1,5	5 199 954
AVI Deferred Bonus Share Plan	5 213 369	1,5	1 806 235
AVI Out-Performance Scheme	6 915 158	2,0	4 428 128
Total	17 341 896	5,0	11 434 317

** As at date authority was granted.*

32. Employee benefits continued

32.3 Share-based payments

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

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

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

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

Assumptions applied in arriving at fair value of instruments issued during the year	**2023**	2022
Equity instruments issued by the Revised AVI Executive Share Incentive Scheme		
Fair value at grant date	**R11,53 – R11,83**	R12,42 – R17,01
Share price	**R51,21 – R56,51**	R55,79 – R71,20
Exercise price	**R66,48 – R73,34**	R69,23 – R86,04
Expected volatility	**20,3% – 23,7%**	26,2% – 28,1%
Option life	**3,5 years**	3,5 years
Dividend yield	**2,92% – 3,06%**	1,70% – 2,75%
Risk-free interest rate	**10,77% – 11,06%**	7,60% – 8,10%
Equity instruments issued by the AVI Out-Performance Scheme		
Fair value at grant date	**R49,99**	R42,22
Share price	**R72,99**	R79,98
Option life	**3 years**	3 years
Dividend yield	**6,8%**	5,4%
Risk-free interest rate	**10,77%**	7,60%
Expected mean TSR performance	**6,4%**	6,6%
Equity instruments issued by the AVI Deferred Bonus Share Plan		
Share price	**R63,58 – R73,43**	R86,04

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

The GSAB 10-year index (2022: R186 bond rate) was used to determine a risk-free interest rate at grant date or measurement date.

	2023 R'm	2022 R'm
Share-based payment expense		
Revised AVI Executive Share Incentive Scheme	**13,9**	11,4
AVI Out-Performance Scheme	**19,4**	13,2
AVI Deferred Bonus Share Plan	**24,7**	12,6
	58,0	37,2

33. Broad-Based Black Economic Empowerment ("BBBEE") transactions

Irvin & Johnson Holding Company Proprietary Limited ("I&J HoldCo")

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

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

During June 2018, the exercise date of the put and call options was extended from July 2018 to July 2022. As part of the extension, a minimum guaranteed exercise price of R106,8 million was agreed with Main Street based on the application of the fixed formula at 30 June 2018. R65,0 million of this minimum guaranteed amount was paid to Main Street in June 2018, and a further R9,0 million paid in September 2021 with the balance payable on exercise of the put and call options.

During June 2022, the exercise date of the put and call options was further extended from July 2022 to July 2023. As part of the extension, it was agreed that the remainder of the minimum guaranteed amount of R32,8 million was paid to Main Street in July 2022. The remaining value of R23k was payable to Main Street on exercise of the put and call options, and was settled on 3 July 2023 (see below).

The Company further increased the BBBEE shareholding in I&J HoldCo by donating 1% and selling 4% of its shareholding in I&J HoldCo to a company owned by the South African black employees of I&J HoldCo and its subsidiaries, Richtrau No. 53 Proprietary Limited ("Richtrau"), on 1 May 2005. On completion of the first vesting cycle and settlement of the gains due to I&J HoldCo's black employees, the scheme was extended through the introduction of the I&J Black Staff Holding Company Proprietary Limited ("I&J Black Staff HoldCo"), a company owned by the South African black employees of I&J HoldCo and its subsidiaries, which acquired 100% of the issued share capital of Richtrau. The consideration paid by the I&J Black Staff HoldCo amounted to R15,3 million and was funded by AVI Limited subscribing for cumulative redeemable preference shares in the I&J Black Staff HoldCo. Effective 22 December 2021, the Company exercised its call option, which resulted in the payout of R103,0 million to I&J's black employees.

Following the exercise of the call option in December 2021, an updated staff scheme was implemented at I&J Limited (a subsidiary of I&J HoldCo). Through the introduction of this scheme 6,25% of the shareholding in I&J Limited was issued to the I&J Staff Holding Company Proprietary Limited ("I&J Staff HoldCo"), a company owned by the South African black employees of the I&J Group and its fellow subsidiaries. As part of the implementation of the replacement scheme, I&J Staff HoldCo obtained notional vendor finance ("NVF") from I&J Limited to fund the purchase consideration of R38,5 million.

As a result of the above arrangements the effective direct BBBEE shareholding in I&J HoldCo is 20% (2022: 20%) and I&J Limited 25% (2022: 25%).

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

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

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

Main Street

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

The extension of the arrangement in June 2018 was treated as a modification within the scope of IFRS 2 – *Share-based Payment*. Prior to the extension, the Company could elect to settle the transaction in either shares or cash. The inclusion of the minimum guaranteed amount, however, resulted in the modification of the transaction from an equity-settled share-based payment transaction to a cash-settled share-based payment transaction. The payment of R65,0 million and the present value of the remaining minimum guaranteed amount were recorded directly against equity as part of the modification of the previous equity-settled arrangement. The cash-settled share-based payment liability as at 30 June 2023 is R23k (2022: R34,8 million), which was settled on 3 July 2023.

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

Main Street continued

There remains no further minimum guaranteed amount, nor dividends, payable post 3 July 2023. The fair value of any potential incremental value over and above the minimum guaranteed amount upon final vesting was estimated to be nil at 30 June 2023 considering that the calculation of the minimum guaranteed amount was based on a period of high earnings.

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

Following the exercise of the call option on 1 July 2023 (post-reporting date), a replacement strategic partner scheme was implemented at I&J Limited. Through the introduction of this scheme, 18,75% of the shareholding of I&J Limited was issued to Twincitiesworld (Pty) Ltd for a market value of R115,5 million and the consideration was funded by I&J HoldCo subscribing for cumulative redeemable preference shares in Twincitiesworld (Pty) Ltd (Note 37).

This, together with I&J Staff HoldCo's 6,25% ownership interest, equates to 25% black ownership in I&J Limited.

I&J Black Staff HoldCo

The I&J Black Staff HoldCo shareholders' agreement provided for the payment of ordinary dividends equal to 10% of dividends received from I&J HoldCo, through the shareholding in Richtrau, to the I&J Black Staff HoldCo's shareholders (who are employees of I&J HoldCo) on an annual basis. Furthermore, the I&J Black Staff HoldCo Memorandum of Incorporation provided for a call option whereby the Company could acquire the shareholding in I&J Black Staff HoldCo from the shareholders (who are employees of I&J) from 1 July 2021, and a put option whereby the shareholders of I&J Black Staff HoldCo could require the Company to purchase their shareholding in I&J Black Staff HoldCo from 28 December 2021. The Company exercised its call option on 22 December 2021 (prior year). The exercise price was determined by a fixed formula per the shareholders' agreement, largely based on I&J HoldCo's earnings performance and the remaining redeemable preference share liability. An amount of R103,0 million was paid to shareholders on this date. The arrangement was accounted for as an employee benefit liability within the scope of IAS 19 – *Employee Benefits* in the consolidated annual financial statements as ultimately the obligation was to the employees of the Group.

I&J Staff HoldCo

The I&J Staff HoldCo shareholders' agreement provides for the payment of ordinary dividends equal to 10% of dividends received from I&J Limited, to the I&J Staff HoldCo's shareholders (who are employees of I&J Limited and its subsidiaries) on an annual basis. Furthermore, the I&J Staff HoldCo Memorandum of Incorporation provides for a call option whereby I&J HoldCo can acquire I&J Staff HoldCo's shareholding from I&J Limited from 1 July 2038, and a put option whereby the shareholders of I&J Staff HoldCo could require the Company to purchase their shareholding in I&J Staff HoldCo from 28 December 2038. The exercise price is determined by a fixed formula per the shareholders' agreement largely based on I&J Limited's earnings performance and the remaining value of the NVF loan balance. The arrangement has been accounted for as an employee benefit liability within the scope of IAS 19 – *Employee Benefits* in the consolidated annual financial statements as ultimately the obligation is to the employees of the Group. The liability (Note 14 – Rnil (2022: R0,4 million)) has been measured using the projected unit credit method and an income of R0,4 million (2022: expense of R0,4 million) has been recognised in the current year.

34. Related party transactions

	2023 R'm	2022 R'm
Transactions with group entities		
Other receivables from joint ventures	**0,4**	–
Purchases from joint ventures	**29,5**	19,2
Payments to AVI Limited Pension Fund	**102,0**	97,0
Payments to AVI Limited Provident Fund	**137,0**	129,0

Details of the significant subsidiaries, joint ventures and other investments are given on pages 40 and 72.

Material shareholders

The Company does not have a holding company.

Ordinary shares

The beneficial holders of 3% or more of the issued ordinary shares of the Company at 30 June 2023, according to the information available to the directors were:

	Number of ordinary shares	%
Government Employees Pension Fund	**70 158 403**	20,7
Allan Gray	**20 999 204**	6,2
Vanguard Investment Management	**12 515 465**	3,7

Directors of the Company

Directors' emoluments

The individual directors' emoluments paid in respect of the financial period under review are set out in the Directors' Remuneration Report on page 10.

Directors' service contracts

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

Transactions with key management personnel

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

The key management personnel costs are as follows:

	2023 R'm	2022 R'm
Short-term employee benefits	**238,7**	150,8
Post-employment benefits	**8,8**	8,2
Termination benefits	**–**	1,4
Other long-term benefits*	**0,8**	0,9
Share-based payment benefits	**37,9**	22,4
	286,2	183,7

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

Executives also participate in the Company's share incentive schemes, details of which are provided in Note 32.

35. Financial risk management

35.1 Overview

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

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

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

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

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

35.2 Capital management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target, which is determined by the AVI Board, is to achieve a return on average capital employed of at least 120% of the weighted average cost of capital, which was estimated at 11,9% (2022: 11,1%). In 2023 the return was 29,5% (2022: 29,1%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 7,85% (2022: 4,90%).

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

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

The AVI Group is subject to and complies with the following financial covenants required by some of the Group's bankers:
- consolidated net debt to EBITDA less than 2,5; and
- consolidated EBITDA to net interest paid greater than 3,5.

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

35.3 Credit risk

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

Trade and other receivables

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

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

35. Financial risk management continued

35.3 Credit risk continued

Trade and other receivables continued

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

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

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

Cash and cash equivalents, loan receivables and other investments

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

Guarantees

The Company's policy is to provide limited financial guarantees in respect of banking facilities for subsidiaries. At 30 June 2023 guarantees were in place for AVI Financial Services Proprietary Limited, National Brands Limited, Irvin & Johnson Holding Company Proprietary Limited, A&D Spitz Proprietary Limited, Indigo Brands Proprietary Limited, Hampton Sportswear Proprietary Limited, Green Cross Manufacturers Proprietary Limited, Ciro Full Service Beverage Company Proprietary Limited, Irvin & Johnson Aquaculture Proprietary Limited and Irvin & Johnson Property Holding Company Proprietary Limited (2022: AVI Financial Services Proprietary Limited, National Brands Limited, Irvin & Johnson Holding Company Proprietary Limited, A&D Spitz Proprietary Limited, Indigo Brands Proprietary Limited, Hampton Sportswear Proprietary Limited, Green Cross Manufacturers Proprietary Limited, Ciro Full Service Beverage Company Proprietary Limited, Irvin & Johnson Aquaculture Proprietary Limited and Irvin & Johnson Property Holding Company Proprietary Limited). There have been no draw downs of the above mentioned guarantees in the current and prior year.

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

Exposure to credit risk

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

	Carrying amount	
	2023 R'm	2022 R'm
Long-term receivables	**19,9**	17,0
Derivatives	**44,4**	72,2
Trade and other receivables*	**1 790,0**	1 608,0
Cash and cash equivalents	**494,9**	191,4
Total	**2 349,2**	1 888,6

** Excludes prepayments and VAT receivables.*

35. Financial risk management continued

35.3 Credit risk continued

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

	Carrying amount	
	2023 R'm	2022 R'm
South Africa	**1 298,2**	1 170,5
Europe	**242,9**	195,6
Australasia	**9,1**	21,9
Rest of Africa	**164,5**	133,0
Other	**26,6**	39,2
Total	**1 741,3**	1 560,2

*** Net of allowances for credit notes, discounts and other trade terms.*

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

	Carrying amount	
	2023 R'm	2022 R'm
Wholesale customers	**742,8**	675,7
Retail customers	**882,6**	785,8
End-user customers and direct sales	**115,9**	98,7
Total	**1 741,3**	1 560,2

The Group's most significant customers, being two South African retailers, accounted for 33,9% of the carrying amount of trade receivables at 30 June 2023 (2022: 31,7%).

Impairment losses

The ageing of trade receivables at the reporting date was:

	2023			2022		
	Gross R'm	**Impairment loss allowance R'm**	**Expected credit loss rate %**	Gross R'm	Impairment loss allowance R'm	Expected credit loss rate %
Not past due	**1 715,5**	**–**	**–**	1 503,6	(0,5)	0,0
Past due 0 – 30 days	**3,3**	**(0,1)**	**3,0**	35,1	(0,3)	0,9
Past due 31 – 120 days	**18,8**	**(2,1)**	**11,2**	16,6	(1,0)	6,0
Past due 121 days – 1 year	**2,3**	**(1,2)**	**52,2**	1,9	(1,0)	52,6
Past due more than 1 year	**1,4**	**(1,4)**	**100,0**	3,0	(3,0)	100,0
Total	**1 741,3**	**(4,8)**	**0,3**	1 560,2	(5,8)	0,4

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

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

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

	2023 R'm	2022 R'm
Balance as at 1 July	**(5,8)**	(6,6)
Impairment loss recognised in profit or loss	**(1,2)**	(0,4)
Effect of movement in exchange rates	**–**	(0,1)
Impairment loss utilised	**2,2**	1,3
Balance as at 30 June	**(4,8)**	(5,8)

35. Financial risk management continued

35.3 Credit risk continued

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

The assumptions used to calculate the expected credit loss allowance include, among others, insurance cover in place, past impairment provisions and bad debts written off as well as management's assessment of the fast moving consumer goods environment.

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

The carrying amounts represent the maximum exposure to credit risk.

35.4 Liquidity risk

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

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

In addition, the Group maintains R3,7 billion of committed borrowing facilities with banks. These are a combination of short- and medium-term facilities. These facilities provide the Group with access to sufficient funding to maintain its strong financial position.

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

	Carrying amount R'm	Contractual cash flows R'm	1 year or less R'm	+1 – 2 years R'm	+2 – 5 years R'm	More than 5 years R'm
30 June 2023						
Non-derivative financial liabilities						
Trade and other payables*	**1 514,9**	**1 514,9**	**1 514,9**	**–**	**–**	**–**
Lease liabilities	**543,7**	**719,6**	**219,6**	**136,3**	**196,2**	**167,5**
Current borrowings	**1 701,0**	**1 701,0**	**1 701,0**	**–**	**–**	**–**
	3 759,6	**3 935,5**	**3 435,5**	**136,3**	**196,2**	**167,5**
30 June 2022						
Non-derivative financial liabilities						
Trade and other payables*	1 395,5	1 395,5	1 395,5	–	–	–
Lease liabilities	472,2	586,9	150,1	109,8	154,1	173,0
Current borrowings	1 395,6	1 395,6	1 395,6	–	–	–
	3 263,3	3 378,0	2 941,2	109,8	154,1	173,0

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

35. Financial risk management continued

35.4 Liquidity risk continued

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

	Carrying amount R'm	Contractual cash flows R'm	1 year or less R'm	+1 – 2 years R'm	+2 – 5 years R'm	More than 5 years R'm
30 June 2023						
FECs used for hedging						
– Imports	**16,1**	**419,1**	**419,1**	**–**	**–**	**–**
– Exports	**(42,5)**	**(1 091,2)**	**(918,9)**	**(172,2)**	**–**	**–**
	(26,4)	**(672,1)**	**(499,8)**	**(172,2)**	**–**	**–**
Imports – average forward rate:						
– USD/ZAR			**17,93**			
– EUR/ZAR			**19,37**			
Exports – average forward rate:						
– USD/ZAR			**18,56**			
– EUR/ZAR			**19,92**			
30 June 2022						
FECs used for hedging						
– Imports	29,6	753,9	753,9	–	–	–
– Exports	17,0	(589,9)	(589,9)	–	–	–
	46,6	164,0	164,0	–	–	–
Imports – average forward rate:						
– USD/ZAR			15,32			
– EUR/ZAR			17,27			
Exports – average forward rate:						
– USD/ZAR			16,32			
– EUR/ZAR			18,62			

35.5 Market risk

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

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

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

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

Currency risk

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

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

35. Financial risk management continued

35.5 Market risk continued

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

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

Exposure to currency risk

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

	Trade receivables FC'm	Cash and cash equivalents FC'm	Trade payables FC'm	Borrowings (including lease liabilities) FC'm	Balance sheet exposure FC'm	Estimated forecast sales* FC'm	Estimated forecast purchases* FC'm	FECs on sales/ receivables FC'm	FECs on purchases/ payables FC'm	Net forecast FC exposure FC'm
Net exposure as at 30 June 2023										
Australian Dollar	**0,7**	**–**	**–**	**–**	**0,7**	**8,9**	**–**	**8,5**	**–**	**18,1**
Botswana Pula	**27,5**	**37,5**	**(1,0)**	**(15,9)**	**48,1**	**–**	**–**	**–**	**–**	**48,1**
Euro	**11,2**	**1,9**	**(3,8)**	**(0,8)**	**8,5**	**60,7**	**(26,0)**	**42,8**	**(7,8)**	**78,2**
US Dollar	**1,6**	**3,6**	**(6,5)**	**(1,6)**	**(2,9)**	**25,3**	**(72,7)**	**16,4**	**(22,9)**	**(56,8)**
Zambian Kwacha	**37,7**	**17,8**	**(0,1)**	**(5,9)**	**49,5**	**–**	**–**	**–**	**–**	**49,5**
Net exposure as at 30 June 2022										
Australian Dollar	1,9	–	–	–	1,9	11,1	–	(2,3)	–	10,7
Botswana Pula	31,7	31,1	(1,1)	(0,7)	61,0	–	–	–	–	61,0
Euro	11,0	1,5	(4,0)	(1,2)	7,3	55,1	(29,1)	(27,1)	18,0	24,2
US Dollar	2,8	1,0	(5,5)	(0,9)	(2,6)	28,6	(77,4)	(13,1)	31,1	(33,4)
Zambian Kwacha	19,5	27,8	–	–	47,3	–	–	–	–	47,3

** 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 2023		30 June 2022	
1FC = X ZAR	**Closing rate**	**Average for the year**	Closing rate	Average for the year
Australian Dollar	**12,53**	**11,99**	11,24	11,14
Botswana Pula	**1,39**	**1,36**	1,31	1,31
Euro	**20,52**	**18,79**	17,07	17,13
US Dollar	**18,79**	**17,90**	16,28	15,21
Zambian Kwacha	**0,94**	**0,93**	0,97	0,87

35. Financial risk management continued

35.5 Market risk continued

Sensitivity analysis

A 10 percent weakening of the Rand against the following currencies at 30 June applied against the net forecast foreign currency exposure for the next 12 months would result in the following changes to operating profit over a 12 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as 2022.

	Profit/(loss) and equity	
	2023 R'm	2022 R'm
Australian Dollar	**22,7**	12,0
Botswana Pula	**6,7**	8,0
Euro	**160,5**	41,3
US Dollar	**(106,7)**	(54,4)
Zambian Kwacha	**4,7**	4,6
	87,9	11,5

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

Interest rate risk

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

Profile

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

	Carrying amount	
	2023 R'm	2022 R'm
Variable rate instruments		
– financial assets[1]	**494,9**	191,4
– financial liabilities[2]	**(1 701,0)**	(1 395,6)
	(1 206,1)	(1 204,2)

[1] Includes cash and cash equivalents.
[2] Includes current borrowings.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date, calculated on the closing balances and using simple interest for 12 months, would have decreased profit by the amounts shown below. A decrease of 100 basis points would have had an equal but opposite effect to the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

	Profit/(loss) and equity	
	2023 R'm	2022 R'm
Variable rate instruments		
– financial assets	**4,9**	1,9
– financial liabilities	**(17,0)**	(14,0)
Net cash flow sensitivity	**(12,1)**	(12,1)

36. Financial assets and liabilities

Accounting classifications and fair values

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

	Carrying amount			Fair value hierarchy		
Assets		Debt instruments, derivatives and equity instruments at fair value through profit or loss	Debt instruments at amortised cost	Level 1	Level 2	Level 3
Liabilities		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost			
30 June 2023	R'm	R'm	R'm	R'm	R'm	R'm
Financial assets measured at fair value	44,4	44,4	–	–	44,4	–
Forward exchange contract derivative assets	44,3	44,3	–		44,3	
Fuel swap derivative assets	0,1	0,1	–		0,1	
Financial assets not measured at fair value	2 304,8	–	2 304,8	–	–	–
Contributions to Enterprise and Supplier Development initiatives	19,9	–	19,9			
Trade and other receivables						
– Trade receivables	1 736,5	–	1 736,5			
– Other receivables	53,5	–	53,5			
Cash and cash equivalents	494,9	–	494,9			
Financial liabilities measured at fair value	(92,3)	(92,3)	–	–	(92,3)	–
Forward exchange contract derivative liabilities	(79,4)	(79,4)	–		(79,4)	
Fuel swap derivative liabilities	(12,9)	(12,9)	–		(12,9)	
Financial liabilities not measured at fair value	(4 171,0)	–	(4 171,0)	–	–	–
Current borrowings	(1 701,0)	–	(1 701,0)			
Lease liabilities	(543,7)	–	(543,7)			
Trade and other payables						
– Trade payables	(1 247,3)	–	(1 247,3)			
– Other payables	(679,0)	–	(679,0)			

36. Financial assets and liabilities continued

Accounting classifications and fair values continued

	Carrying amount			Fair value hierarchy		
	Assets	Debt instruments, derivatives and equity instruments at fair value through profit or loss	Debt instruments at amortised cost	Level 1	Level 2	Level 3
	Liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost			
30 June 2022	R'm	R'm	R'm	R'm	R'm	R'm
Financial assets measured at fair value	72,2	72,2	–	–	72,2	–
Forward exchange contract derivative assets	72,2	72,2	–		72,2	
Fuel swap derivative assets	–	–	–		–	
Financial assets not measured at fair value	1 816,2	–	1 816,2	–	–	–
Contributions to Enterprise and Supplier Development initiatives	17,0	–	17,0			
Trade and other receivables						
– Trade receivables	1 554,4	–	1 554,4			
– Other receivables	53,4	–	53,4			
Cash and cash equivalents	191,4	–	191,4			
Financial liabilities measured at fair value	(11,0)	(11,0)	–	–	(11,0)	–
Forward exchange contract derivative liabilities	(10,7)	(10,7)	–		(10,7)	
Fuel swap derivative liabilities	(0,3)	(0,3)	–		(0,3)	
Financial liabilities not measured at fair value	(3 676,4)	–	(3 676,4)	–	–	–
Current borrowings	(1 395,6)	–	(1 395,6)			
Lease liabilities	(472,2)	–	(472,2)			
Trade and other payables						
– Trade payables	(1 116,2)	–	(1 116,2)			
– Other payables	(692,4)	–	(692,4)			

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables and current borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

The different levels as disclosed in the table above have been defined as follows:

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

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

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

Measurement of fair value

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

Financial instruments measured at fair value

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

There were no transfers between Levels 1,2 or 3 of the fair value hierarchy for the years ended 30 June 2023 and 30 June 2022.

37. Post-reporting date events

The shareholder arrangement with Main Street 198 (Pty) Ltd ("Main Street"), the minority shareholder at I&J Holding Company (Pty) Ltd (''I&J HoldCo"), matured on 1 July 2023. The 19-year relationship between Main Street and the Group generated significant value, including over R202,0 million in net cash to Main Street. In terms of the agreements, and on the maturity date, AVI Limited exercised its call option over the shares held by Main Street in I&J HoldCo and the preference shares held by AVI Limited in Main Street were redeemed.

In line with our commitment to sustainable transformation, a broad-based sharing of economic value and the Broad-based Black Economic Empowerment ("BBBEE") codes, the Company and I&J implemented a new BBBEE transaction with effect from 1 July 2023 in terms of which Twincitiesworld (Pty) Ltd ("Twincitiesworld"), a 100% black-owned company, acquired an 18,75% interest in I&J Limited. I&J's employees own 6,25% of I&J Limited resulting in 25% of the issued share capital of I&J Limited being held by previously disadvantaged shareholders.

The mechanics of the replacement structure align closely with the terms of the expiring relationship with Main Street and is financed through a preference share investment at the I&J HoldCo level. The preference share funding will be settled through dividend flows with 90% of normal dividends received applied against the funding with 10% available as a trickle-through. Furthermore, a put and call option is in place between I&J Holdco and Twincitiesworld, the exercise price of which is determined by a fixed formula based on I&J Limited's earnings. The exercise date of the put and call option is December 2036.

The replacement scheme will be recognised as a liability in the Group's financial statements, with a concomitant day 1 income statement impact on 1 July 2023.

Other than the transaction noted above, no material events that meet the requirements of IAS 10 have occurred since the reporting date.

38. Going concern

The Group earned a net profit for the year ended 30 June 2023 of R1 836,9 million (2022: R1 751,2 million) and as of that date, its total assets exceeded its total liabilities by R5 116,9 million (2022: R4 793,7 million).

The trading environment remains particularly challenging given the volatility around currency, significant inflation, rising interest rates, the impact of load-shedding as well as the financial state of South Africa's consumers. Through this, the Group is focused on driving recovery and growth in its underlying businesses. We have seen improvements in most key performance indicators.

As part of preparing the financial results, the Group has performed a detailed going concern assessment. This assessment has relied on the Group's 2024 budget and has considered the profitability and solvency projections over the budget period. The budget for the year ahead was presented in the context of a challenging local economic environment, with the impacts thereof continuing to affect our customers through 2023 and 2024. Even under these conditions, the budget delivered shareholder value creation while maintaining stable capital and solvency positions throughout the cycle. As part of the budget process, a downside scenario was considered that examined a protracted inflation scenario in the midst of continuing infrastructure failures which will fuel inflation and reduce economic activity. The assessment shows that the Group remains sufficiently capitalised with appropriate levels of liquidity and no material uncertainty in relation to the going concern has been identified in the base budget as well as the downside scenario.

Based on the above, no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next 12 months. The directors therefore consider it appropriate for the going concern basis to be adopted in preparing the consolidated annual financial statements.

annexure a – interests in other entities

Interests in other entities as at 30 June 2023

Principal subsidiary companies of AVI Limited

		Issued permanent capital*		Group effective percentage holding	
		2023	2022	**2023**	2022
Name of company and nature of business	Class	**R'm**	R'm	**%**	%
A&D Spitz Proprietary Limited					
– retailer of branded shoes and apparel	Ord	**–**	–	**100**	100
Irvin & Johnson Holding Company Proprietary Limited					
– integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord	**–**	–	**80**	80
Indigo Brands Proprietary Limited					
– manufacturers and distributors of leading body spray, fragrance, cosmetics and body lotion products	Ord	**–**	–	**100**	100
National Brands Limited					
– manufacturers and marketers of branded food and beverage products	Ord	**3,5**	3,5	**100**	100

All companies are incorporated in South Africa.

** Where Rnil amount is less than R1 million.*

annexure b – analysis of ordinary shareholders

Analysis of ordinary shareholders as at 30 June 2023

Shareholder Spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000 shares	10 177	66,32	3 201 645	0,94
1 001 – 10 000 shares	3 919	25,53	12 334 701	3,65
10 001 – 100 000 shares	883	5,75	28 535 772	8,44
100 001 – 1 000 000 shares	306	1,99	89 041 623	26,33
1 000 001 shares and over	63	0,41	205 078 148	60,64
Total	15 348	100,00	338 191 889	100,00
Distribution of Shareholders				
Assurance Companies	81	0,53	6 263 037	1,85
Close Corporations	108	0,70	242 497	0,07
Collective Investment Schemes	513	3,34	138 052 382	40,82
Control Accounts	2	0,01	69	0,00
Custodians	43	0,28	3 236 349	0,96
Foundations & Charitable Funds	118	0,77	1 422 045	0,42
Hedge Funds	12	0,08	2 758 675	0,82
Insurance Companies	12	0,08	2 378 736	0,70
Investment Partnerships	44	0,29	1 154 267	0,34
Managed Funds	91	0,59	17 366 199	5,14
Medical Aid Funds	32	0,21	1 941 198	0,57
Organs of State	19	0,12	72 530 176	21,45
Private Companies	444	2,89	3 384 065	1,00
Public Companies	9	0,06	2 233 166	0,66
Public Entities	4	0,03	28 082	0,01
Retail Shareholders	11 384	74,17	14 514 335	4,29
Retirement Benefit Funds	466	3,04	35 504 912	10,50
Scrip Lending	17	0,11	8 140 927	2,41
Share Schemes	1	0,01	4 914 670	1,45
Sovereign Funds	10	0,07	8 532 631	2,52
Stockbrokers & Nominees	35	0,23	3 154 743	0,93
Treasury	1	0,01	2 653 445	0,78
Trusts	1 893	12,33	7 768 840	2,30
Unclaimed Scrip	9	0,06	16 443	0,00
Total	15 348	100,00	338 191 889	100,00
Shareholder type				
Non-Public Shareholders	19	0,13	78 636 673	23,25
Directors	4	0,03	910 155	0,27
Beneficial Holders > 10% (GEPF)	13	0,08	70 158 403	20,75
Treasury Shares	1	0,01	2 653 445	0,78
AVI Share Schemes	1	0,01	4 914 670	1,45
Public Shareholders	15 329	99,87	259 555 216	76,75
Total	15 348	100,00	338 191 889	100,00

annexure b – analysis of ordinary shareholders

Analysis of ordinary shareholders as at 30 June 2023 continued

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Public Investment Corporation	60 397 326	17,86
Allan Gray	30 857 026	9,12
Schroder Investment Management	18 435 270	5,45
Vanguard Investment Management	12 515 465	3,70
Morgan Stanley Investment Management	11 501 215	3,40
Total	133 706 302	39,53
Beneficial shareholders with a holding greater than 3% of the issued shares		
Government Employees Pension Fund	70 158 403	20,75
Allan Gray	20 999 204	6,21
Vanguard Investment Management	12 515 465	3,70
Total	103 673 072	30,66

	Number of shareholdings
Total number of shareholdings	**15 348**
Total number of shares in issue	**338 191 889**

Share price performance	
Opening price 1 July 2022	R65,50
Closing price 30 June 2023	R68,09
Closing high for period	R78,39
Closing low for period	R62,00
Number of shares in issue	338 191 889
Volume traded during period	237 442 546
Ratio of volume traded to shares issued (%)	70,21
Rand value traded during the period	R16 804 000 188
Market capitalisation at 30 June 2023	R23 027 485 722