LEADERS IN MOBILITY

ANNUAL FINANCIAL STATEMENTS 2014

IMPERIAL

ANNUAL REPORT 2014

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These annual financial statements were published on 30 September 2014

In addition to these annual financial statements the group publishes an integrated report, available on our website: www.imperial.co.za

Imperial Holdings is a JSE listed South African-based international group of companies active in three major areas of mobility:

- consumer and industrial logistics
- vehicle import, distribution, dealerships, retail, rental and aftermarket parts
- vehicle-related financial services

Imperial employs around 52 000 people who generate revenues in excess of R100 billion in Africa, Europe, South America, Australia and the United States through five major divisions which operate under separate management structures to enable decentralised entrepreneurial creativity within the group's clearly-defined strategic, capital, budgetary and governance principles.

Imperial strives for focused value creation and leadership in its chosen markets by allocating capital and resources to those organic and acquisitive growth opportunities that will enhance and be enhanced by the group's existing assets and capabilities.

Some of Imperial's strategic choices will be deliberate – the result of prior research and analysis, while others will be emergent – the result of unplanned or unexpected external developments. In both cases strictly defined capital allocation principles will be applied.

DIRECTORS' RESPONSIBILITY FOR GROUP ANNUAL FINANCIAL REPORTING
for the year ended 30 June 2014

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The annual financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board in issue and effective for the Group at 30 June 2014 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Council and the requirements of the South African Companies Act, 2008. The Group's independent external auditors, Deloitte & Touche have audited the annual financial statements and their unmodified report appears on page 2.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the Group will not remain a going concern for the foreseeable future.

The audited annual financial statements set out on pages 3 to 105, which are available on the Group website at www.imperial.co.za, were approved by the board of directors on 26 August 2014 and are signed on their behalf by:

TS Gcabashe
Chairman

MJ Lamberti
Chief Executive Officer

OS Arbee
Chief Financial Officer

PREPARER OF ANNUAL FINANCIAL STATEMENTS

These annual financial statements have been prepared under the supervision of R Mumford CA(SA) and have been audited in terms of section 29(1) of the Companies Act, 2008.

R Mumford
General Manager Group Finance

26 August 2014

CERTIFICATE BY COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2014, the company has lodged with the Registrar of Companies all such returns as are 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.

RA Venter
Company Secretary

26 August 2014

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF IMPERIAL HOLDINGS LIMITED ON THE ANNUAL FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Imperial Holdings Limited set out on pages 3 to 105, which comprise the statements of financial position as at 30 June 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Imperial Holdings Limited as at 30 June 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: AF Mackie
Partner
26 August 2014
Buildings 1 and 2, Deloitte Place
The Woodlands Office Park, Woodlands Drive
Sandton

REPORT OF THE AUDIT COMMITTEE
for the year ended 30 june 2014

The audit committee has pleasure in submitting this report, which has been approved by the Board and has been prepared in accordance with section 94(7)f of the Companies Act No 71 of 2008 ("the Act") and incorporating the recommendations of the King Code of Corporate Governance ("King III").

MEMBERS OF THE AUDIT COMMITTEE AND ATTENDANCE AT MEETINGS

The audit committee consists of the non-executive directors listed below and meets at least four times per annum in accordance with its charter. All members act independently as described in the Act. The members of the committee in respect of the year ended 30 June 2014 comprised Mr MJ Leeming (Chairman), Mrs T Dingaan, Ms P Langeni, Mr RJA Sparks and Mr Y Waja ("the committee"), all of whom are independent non-executive directors of the Company. Mrs T Dingaan was appointed in February 2014.

The same members are being recommended by the board for appointment for the financial year ending 30 June 2015, and their appointments are being submitted to shareholders for approval at the next AGM on 4 November 2014. The abridged curricula vitae of the members are included in the integrated report, which is available on the Group's website at www.imperial.co.za.

During the year under review, four meetings were held and attendance of those meetings is set out in the table below.

Member	Number of meetings attended
MJ Leeming (Chairman) (Member since 2002)	4
T Dingaan (Appointed February 2014)	2/2
P Langeni (Member since 2005)	4
RJA Sparks (Member since 2006)	4
Y Waja (Member since 2008)	4

The internal and external auditors, in their capacities as auditors to the Group, attend and report at all meetings of the audit committee. The group risk management function is also represented by the head of Risk. Executive directors and relevant senior managers attended meetings by invitation. In addition, the deputy chairman of the board and the chairman of the Regent audit committee attend all meetings.

ROLE OF THE AUDIT COMMITTEE

The audit committee has adopted a formal charter, approved by the board, setting out its duties and responsibilities as prescribed in the Act and incorporating additional duties delegated to it by the Board.

The Committee:
- assists the Board in overseeing the quality and integrity of the Group's integrated reporting process, including the financial statements and sustainability reporting, and announcements in respect of the financial results;
- ensures that an effective control environment in the Group is maintained;
- provides the chief financial officer, external auditors and the head of internal audit with unrestricted access to the committee and its chairman as is required in relation to any matter falling within the ambit of the committee;
- meets with the external auditors, senior managers and executive directors as the committee may elect;
- meets confidentially with the internal and external auditors without other executive board members or the company's chief financial officer being present;
- reviews and recommends to the Board the interim financial results and annual financial statements;
- oversees the activities of, and ensures coordination between, the activities of the internal and external auditors;
- fulfills the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory Audit Committee functions required for subsidiary companies;
- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters;
- conducts annual reviews of the Committee's work and terms of reference; and
- assesses the performance and effectiveness of the Committee and its members on a regular basis.

REPORT OF THE AUDIT COMMITTEE – continued
for the year ended 30 june 2014

EXECUTION OF FUNCTIONS DURING THE YEAR

The Committee is satisfied that, for the 2014 financial year, it has performed all the functions required to be performed by an audit committee as set out in the Act and the committee's terms of reference.

The audit committee discharged its functions in terms of the charter and ascribed to it in terms of the Act during the year under review as follows:

Financial statements

The Committee among other matters:

- confirmed the going concern as the basis of preparation of the interim and annual financial statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the Company was adequate;
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed prior to the submission to the board for their approval and then for disclosure to stakeholders;
- ensured that the annual financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the Group was determined to be a going concern;
- considered accounting treatments, significant unusual transactions and accounting judgments;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the annual financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- met separately with management, the external and internal auditors.

External audit

The Committee among other matters:

- nominated Deloitte & Touche and Mr AF Mackie as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ending 30 June 2014, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor.
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- obtained an annual confirmation from the auditor that its independence was not impaired;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its subsidiaries;
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- approved non-audit services with Deloitte & Touche in accordance with its policy;
- considered whether any Reportable Irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005, and determined that there were none; and
- nominated the external auditor and the independent auditor for each subsidiary company for re-appointment.

The Committee is satisfied that Deloitte & Touche is independent of the Group after taking the following factors into account:

- representations made by Deloitte & Touche to the committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the company;
- the auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

Internal audit

The audit committee :

- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter;
- considered the reports of the internal auditor and external auditor on the Group's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

Based on the above, the Committee formed the opinion that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

The head of internal audit reports functionally to the chair of the committee and administratively to the chief financial officer.

The Committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

Risk management and Information technology (IT) governance

The Committee:

- reviewed the Group's policies on risk assessment and risk management, including fraud risks and IT risks as they pertain to financial reporting and the going concern assessment, and found them to be sound; and
- considered the relevant findings and recommendations of the risk committee.

Legal and regulatory requirements

To the extent that these may have an impact on the annual financial statements, the committee:

- reviewed legal matters that could have a material impact on the Group;
- reviewed the adequacy and effectiveness of the Group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via the Group's whistleblowing service; and
- considered reports provided by management, internal audit and the external auditor regarding compliance with legal and regulatory requirements.

Expertise and experience of chief financial officer and the finance function

As required by 3.84(h) of the JSE Limited Listings Requirements, the audit committee has satisfied itself that the chief financial officer, Mr OS Arbee, has the appropriate expertise and experience.

In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the Group's requirements.

Subsidiary companies

The functions of the committee are also performed for each subsidiary company of Imperial Holdings Limited that has not appointed an audit committee, on the basis that the committee delegates the performance of such functions to sub-committees referred to as finance and risk review committees. Divisional finance and risk review committees have been constituted and these committees report significant issues to the Group audit committee. Each divisional finance and risk review committee is chaired by an independent chairman with no operational role in the Group's divisions.

INTEGRATED REPORT

Following the review by the committee of the consolidated annual financial statements of Imperial Holdings Limited for the year ended 30 June 2014, the committee is of the view that in all material respects they comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the integrated report and the sustainability information reported therein.

Having achieved its objectives, the committee has recommended the annual financial statements and the integrated report for the year ended 30 June 2014 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.

MJ Leeming
Chairman

26 August 2014

DIRECTORS' REPORT
For the year ended 30 June 2014

A more detailed review of the results is contained in the integrated report.

NATURE OF BUSINESS

Imperial is a mobility group active predominantly in three major areas of mobility being consumer and industrial logistics; vehicle import, distribution and dealerships, retail, rental and aftermarket parts; and vehicle related financial services.

- All of these operations are conducted in South Africa.
- Logistics operations are conducted in sub-Saharan Africa, Europe, South America and North America.
- Vehicle retail operations are conducted in the United Kingdom, Australia and neighbouring countries in Africa.
- Financial services operations are conducted in Botswana and Lesotho.

FINANCIAL PERFORMANCE

The net attributable profit for the year amounted to R3 272 million (2013: R3 296 million). Basic headline earnings per share for the year was 1 625 cents (2013: 1 805 cents).

The results for the year are set out in the consolidated statement of profit or loss on page 9 of this report.

SHARE CAPITAL

The authorised and issued share capital is detailed in note 16 and the shares repurchased in note 17 to the consolidated annual financial statements on page 44.

The number of shares in issue on 30 June 2014 were as follows:

	Company	Shares repurchased	Net
Ordinary shares			
The movements in the ordinary shares were as follows:			
Ordinary shares at the beginning of year	208 833 715	(7 864 456)	200 969 259
Deferred ordinary shares converted to ordinary shares	1 953 846		1 953 846
Ordinary shares repurchased and cancelled during the year	(2 971 808)		(2 971 808)
Ordinary shares at the end of year	207 815 753	(7 864 456)	199 951 297
Deferred ordinary shares			
The movement in the number of deferred ordinary shares were as follows:			
Deferred ordinary shares at the beginning of year	12 979 082		12 979 082
Converted into ordinary shares	(1 953 846)		(1 953 846)
Deferred ordinary shares at the end of year	11 025 236		11 025 236
Total issued share capital	218 840 989	(7 864 456)	210 976 533
Non-redeemable, non participating preference shares			
Opening and closing balance	4 540 041		4 540 041

The preference shares are classified as interest-bearing debt in the statement of financial position due to the cumulative nature of their dividend rights.

DIRECTORS AND SECRETARY

The names of the directors and secretary who presently hold office are set on page 109 of this report.

In accordance with the Memorandum of Incorporation, Messrs S Engelbrecht, TS Gcabashe, RJA Sparks and A Tugendhaft and Ms P Langeni retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election and their re-election is recommended by the board.

In accordance with the Memorandum of Incorporation, the appointments of Messrs M Akoojee, MJ Lamberti, PB Michaux, and JJ Strydom, who were appointed during the year are submitted for confirmation at the forthcoming annual general meeting.

The aggregate interest of the directors and prescribed officers in the issued ordinary share capital of the company is disclosed in note 40 on page 82.

The board has considered and confirmed the suitability, qualifications and competence of the company secretary.

IMPERIAL HOLDINGS SHARE APPRECIATION RIGHTS, DEFERRED BONUS AND CONDITIONAL SHARE PLAN SCHEMES

Details of the rights granted in terms of the schemes are set out note 18 to the consolidated annual financial statements on page 45.

DIVIDENDS

Details of the dividends declared are set out in note 34 to the consolidated annual financial statements on page 60.

SUBSIDIARIES

Details of the company's principal subsidiaries are reflected in note 39 to the consolidated annual financial statements on page 72.

Purchases by the Group of material subsidiaries, businesses and associates were as follows:

Material subsidiaries acquired by the Group

Subsidiary	Nature of business	Percentage interest
Renault SA (Pty) Ltd*	Vehicle importer and distributor	60
Eco Health Ltd	Distributor of pharmaceutical products in Nigeria	68

* *Previously a 49% associate and acquired a further 11% resulting in controlling interest.*

Material subsidiaries disposed of by the Group

Subsidiary	Nature of business	Percentage interest
Edusport (Pty) Ltd	Tourism	74.9
Grosvenor Tours (Pty) Ltd	Tourism	100

SPECIAL RESOLUTIONS

The company passed the following special resolution at a general meeting held on 21 October 2013:
- Amending the deferred ordinary share conversion terms in the Memorandum of Incorporation.

The company passed the following special resolutions at its annual general meeting held on 7 November 2013:
- Granting to the directors of the company general authority for the acquisition by the company or any subsidiary, of ordinary shares in the company.
- Granting to the directors of the company specific authority for the acquisition by the company of its own ordinary shares from a wholly owned subsidiary of the company, Imperial Corporate Services (Pty) Ltd.
- Granting to the directors of the company specific authority to provide financial assistance to related and inter related parties as contemplated in section 44 and 45 of the Companies Act, 2008 (the Act).
- Approving the directors' fees payable from 1 July 2013 to the date of the next annual general meeting in 2014.

Subsidiaries of the company passed special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the Group, as follows:
- Granting to the directors of the companies specific authority to provide financial assistance to related and inter related parties as contemplated in section 45 of the Act;
- Granting to the companies authority to make distributions as contemplated in section 46 of the Act;
- Approving directors' fees payable from 1 July 2013 to 30 June 2014; and
- Adopting new Memoranda of Incorporation.

EVENTS SUBSEQUENT TO YEAR END

The Group acquired a 62,5% interest in Pharmed Pharmaceuticals (Pty) Limited, a pharmaceutical wholesaler, for a consideration of R148 million in July 2014.

ACCOUNTING POLICIES AND NEW AND REVISED STANDARDS

These are outlined in notes 1 to 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2014

	Notes	2014 Rm	Restated* 2013 Rm	2012 Rm
ASSETS				
Goodwill and intangible assets	4	**6 766**	5 206	4 234
Investment in associates and joint ventures	5	**1 418**	1 317	889
Property, plant and equipment	6	**10 469**	9 257	8 080
Transport fleet	7	**5 322**	4 626	4 336
Vehicles for hire	8	**2 303**	2 465	2 321
Deferred tax assets	9	**1 101**	1 094	930
Investments and loans	10	**2 468**	3 218	2 433
Other financial assets	11	**267**	227	242
Inventories	12	**13 774**	11 492	9 218
Tax in advance		**148**	439	195
Trade and other receivables	13	**11 882**	10 437	9 275
Cash resources	14	**3 103**	1 844	3 545
Assets classified as held for sale	15		94	
Total assets		**59 021**	51 716	45 698
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium	16	**382**	382	22
Shares repurchased	17	**(220)**	(220)	(220)
Other reserves	18	**1 149**	1 023	503
Retained earnings		**16 229**	15 056	14 361
Attributable to owners of Imperial		**17 540**	16 241	14 666
Put arrangement over non-controlling interests**		**(1 000)**		
Non-controlling interests		**1 569**	1 295	1 223
Total equity		**18 109**	17 536	15 889
Liabilities				
Non-redeemable, non-participating preference shares	19	**441**	441	441
Retirement benefit obligations	20	**1 083**	1 014	590
Interest-bearing borrowings	21	**11 847**	5 573	6 098
Insurance, investment, maintenance and warranty contracts	22	**4 310**	3 970	3 222
Deferred tax liabilities	9	**1 355**	1 498	1 107
Other financial liabilities	23	**1 711**	419	348
Provisions for liabilities and other charges	24	**980**	857	1 652
Trade and other payables	25	**16 001**	14 914	12 234
Current tax liabilities		**487**	453	468
Current portion of interest-bearing borrowings	21	**2 697**	4 995	3 649
Liabilities directly associated with assets classified as held for sale	15		46	
Total liabilities		**40 912**	34 180	29 809
Total equity and liabilities		**59 021**	51 716	45 698

* *Refer to note 2.*

** *Initial fair value of the put option liability relating to the additional 32% that Imperial may acquire from the non-controlling shareholders in Eco Health Ltd. Refer to note 23 for details on the put option liability.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 30 June 2014

	Notes	2014 Rm	Restated* 2013 Rm
Revenue	26	**103 567**	92 382
Net operating expenses	27	**(95 197)**	(84 222)
Profit from operations before depreciation and recoupments		**8 370**	8 160
Depreciation, amortisation, impairments and recoupments	28	**(2 185)**	(2 070)
Operating profit		**6 185**	6 090
Recoupments from sale of properties, net of impairments	28	**113**	8
Amortisation of intangible assets arising on business combinations	28	**(336)**	(254)
Net cost of meeting obligations under onerous contract		**(64)**	
Foreign exchange (losses) gains		**(3)**	103
Fair value losses on foreign exchange derivatives		**(28)**	(79)
Change in economic assumptions on insurance funds		**(7)**	
Charge for amending the conversion profile of the deferred ordinary shares		**(70)**	
Remeasurement of contingent considerations and put option liability	38.2.2	**2**	66
Realised gain on disposal of available-for-sale investment		**1**	10
Business acquisition costs		**(22)**	(15)
Exceptional items	29	**36**	(178)
Profit before net financing costs		**5 807**	5 751
Finance cost including fair value gains and losses	30	**(1 052)**	(840)
Finance income	30	**126**	96
Share of result of associates and joint ventures		**76**	86
Profit before tax		**4 957**	5 093
Income tax expense	31	**(1 330)**	(1 405)
Net profit for the year		**3 627**	3 688
Net profit attributable to:			
Owners of Imperial		**3 272**	3 296
Non-controlling interests		**355**	392
		3 627	3 688
Earnings per share (cents)	32		
– Basic		**1 687**	1 720
– Diluted		**1 666**	1 651

* *Refer to note 2.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2014

	2014 Rm	Restated* 2013 Rm
Net profit for the year	**3 627**	3 688
Other comprehensive income	**177**	571
Items that may be reclassified subsequently to profit or loss	**133**	699
Exchange gains arising on translation of foreign operations	**533**	722
– Movement in translation reserve	**521**	711
– Share of associates' and joint ventures movement in translation reserve	**12**	11
Movement in valuation reserve	**36**	
– Fair value gain on available-for-sale investment	**45**	10
– Reclassification of gain on disposal of available-for-sale investment to profit or loss	**(1)**	(10)
– Income tax relating to fair value gains on available-for-sale investments	**(8)**	
Movement in hedge accounting reserve	**(436)**	(23)
– Effective portion of change in fair value of cash flow hedges	**(318)**	136
– Amounts transferred on recognition of hedged item	**(102)**	(157)
– Share of associates' and joint ventures movement in hedge accounting reserve	**(14)**	
– Income tax relating to hedge accounting reserve movements	**(2)**	(2)
Items that will not be reclassified to profit or loss	**44**	(128)
Remeasurement of retirement benefit obligations	**64**	(186)
Income tax relating to remeasurement of retirement benefit obligations	**(20)**	58
Total comprehensive income for the year	**3 804**	4 259
Total comprehensive income attributable to:		
Owners of Imperial	**3 486**	3 837
Non-controlling interests	**318**	422
	3 804	4 259

* *Refer to note 2.*

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	Notes	2014 Rm	2013 Rm
Cash flows from operating activities			
Cash receipts from customers		**102 643**	91 916
Cash paid to suppliers and employees		**(96 954)**	(84 725)
Cash generated by operations before capital expenditure on rental assets	33.1	**5 689**	7 191
Expansion capital expenditure – rental assets		**(137)**	(332)
Net replacement capital expenditure – rental assets		**(390)**	(584)
– Expenditure		**(1 959)**	(2 330)
– Proceeds		**1 569**	1 746
Cash generated by operations		**5 162**	6 275
Finance cost paid		**(1 052)**	(840)
Finance income received		**126**	96
Tax paid		**(1 267)**	(1 394)
		2 969	4 137
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	33.2	**(276)**	(666)
Disposal of subsidiaries and businesses	33.3	**(21)**	127
Expansion capital expenditure – excluding rental assets		**(1 626)**	(1 350)
– Property		**(790)**	(996)
– Transport fleet		**(836)**	(354)
Net replacement capital expenditure – excluding rental assets	33.4	**(1 162)**	(811)
– Intangible assets		**(142)**	(109)
– Plant and equipment		**(597)**	(465)
– Transport fleet		**(423)**	(237)
Net movement in associates and joint ventures		**(144)**	(321)
Net movement in investments, loans and other financial instruments		**1 113**	(771)
		(2 116)	(3 792)
Cash flows from financing activities*			
Hedge cost premium paid		**(108)**	(117)
Ordinary shares repurchased and cancelled		**(502)**	(742)
Dividends paid		**(1 940)**	(1 755)
Change in non-controlling interests		**(364)**	(9)
Capital raised from non-controlling interests		**89**	28
Repayment of corporate bond (2013: Eurobond)		**(1 500)**	(2 690)
Proceeds on the issue of corporate bonds		**3 000**	750
Net increase in other interest-bearing borrowings		**1 805**	672
		480	(3 863)
Net increase (decrease) in cash and cash equivalents		**1 333**	(3 518)
Effects of exchange rate changes on cash resources in a foreign currency		**45**	209
Cash and cash equivalents at beginning of year		**(480)**	2 829
Cash and cash equivalents at end of year	33.5	**898**	(480)

* *There has been no cash flow for the shares issued relating to the share scheme settlements in the prior year.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2014

	Share capital and share premium Rm	Shares repurchased Rm	Share-based payment reserve Rm	Hedge accounting reserve Rm	Statutory reserve Rm
Balance at 30 June 2012	22	(220)	(112)	343	152
Adjustments resulting from the adoption of amendments to IAS 19 – *Employee Benefits (Refer to Note 2)*					
Net attributable profit for the year – Restated					
Other comprehensive income				(26)	
Total comprehensive income for the year				(26)	
Movements in statutory reserve					21
Repurchase and cancellation of 4 003 074 ordinary shares from open market at an average price of R 185,29					
1 861 850 ordinary shares issued in settlement of share incentive scheme obligations	360		(271)		
Share-based equity reserve charged to profit or loss			113		
Share-based equity reserve transferred to retained earnings on vesting			196		
Share-based equity reserve hedging cost utilisation			(193)		
Dividend of 380 cents per ordinary share in October 2012					
Dividend of 380 cents per ordinary share in April 2013					
Realisation on disposal of subsidiaries					
Non-controlling interests disposed, net of acquisitions and shares issued					
Net increase in non-controlling interests					
Non-controlling interests share of dividends					
Balance at 30 June 2013 – restated (Refer to Note 2)	**382**	**(220)**	**(267)**	**317**	**173**
Net attributable profit for the year					
Other comprehensive income				**(385)**	
Total comprehensive income for the year				**(385)**	
Movements in statutory reserve					**10**
Share-based equity reserve charged to profit or loss			**101**		
Share-based equity reserve transferred to retained earnings on vesting			**(16)**		
Share-based equity reserve hedging cost utilisation			**(96)**		
Charge for amending the conversion profile of deferred ordinary shares			**70**		
Dividend of 440 cents per ordinary share in September 2013					
Dividend of 400 cents per ordinary share in March 2014					
Repurchase and cancellation of 2 971 808 ordinary shares from the open market at an average price of R168,85					
Initial recognition of put options written over non-controlling interests					
Share of changes in net assets in associates and joint ventures					
Non-controlling interests disposed, net of acquisitions and shares issued					
Net decrease in non-controlling interests					
Realisation on disposal of subsidiaries					
Non-controlling interests share of dividends					
Balance at 30 June 2014	**382**	**(220)**	**(208)**	**(68)**	**183**

* *Initial fair value of the put option liability relating to the additional 32% that Imperial may acquire from the non-controlling shareholders in Eco Health.*
** *Refer to note 39.4 for details on material non-controlling interests.*

Other reserves								
Foreign currency translation reserve Rm	Premium paid on purchase of non-controlling interests Rm	Valuation reserve Rm	Changes in net asset of associates and joint ventures Rm	Retained earnings Rm	Attributable to owners of Imperial Rm	*Put arrange-ment over non-controlling interests Rm	**Non-controlling interests Rm	Total equity Rm
259	(145)	6		14 361	14 666		1 223	15 889
				(40)	(40)		(2)	(42)
				3 296	3 296		392	3 688
692				(125)	541		30	571
692				3 171	3 837		422	4 259
				(21)				
				(742)	(742)			(742)
					89		(14)	75
					113		3	116
				(196)				
					(193)		2	(191)
				(743)	(743)			(743)
				(735)	(735)			(735)
	(1)			1				
							(64)	(64)
	(11)				(11)		2	(9)
							(277)	(277)
951	**(157)**	**6**		**15 056**	**16 241**		**1 295**	**17 536**
				3 272	**3 272**		**355**	**3 627**
519		**36**		**44**	**214**		**(37)**	**177**
519		**36**		**3 316**	**3 486**		**318**	**3 804**
				(10)				
					101		**3**	**104**
				16				
			1		**(95)**		**(5)**	**(100)**
					70			**70**
				(854)	**(854)**			**(854)**
				(764)	**(764)**			**(764)**
				(502)	**(502)**			**(502)**
						(1 289)		**(1 289)**
			91		**91**			**91**
	(9)				**(9)**		**376**	**367**
	(225)				**(225)**	**289**	**(96)**	**(32)**
	27	**2**		**(29)**				
							(322)	**(322)**
1 470	**(364)**	**44**	**92**	**16 229**	**17 540**	**(1 000)**	**1 569**	**18 109**

SEGMENTAL ANALYSIS

			LOGISTICS			
	Group		Logistics Africa		Logistics International	
R million	**2014**	2013	**2014**	2013	**2014**	2013
Analysis of revenue						
– Sale of goods	**57 497**	52 544	**4 964**	3 770		
– Rendering of services	**43 194**	36 665	**17 005**	14 153	**19 152**	15 426
– Gross premiums	**2 802**	3 049				
– Other	**74**	124			**70**	121
	103 567	92 382	**21 969**	17 923	**19 222**	15 547
Inter-group			**121**	95	**27**	27
	103 567	92 382	**22 090**	18 018	**19 249**	15 574
Revenue	**103 567**	92 382	**22 090**	18 018	**19 249**	15 574
– South Africa	**68 438**	64 413	**15 755**	13 444		
– Rest of Africa	**7 476**	5 608	**6 319**	4 565		
– International	**27 653**	22 361	**16**	9	**19 249**	15 574
Operating profit	**6 185**	6 090	**1 270**	920	**971**	762
– South Africa	**4 546**	4 827	**939**	698		
– Rest of Africa	**523**	397	**334**	224		
– International	**1 116**	866	**(3)**	(2)	**971**	762
Net finance costs	**926**	744	**327**	275	**180**	179
– South Africa	**652**	476	**265**	236		
– Rest of Africa	**70**	58	**62**	39		
– International	**204**	210			**180**	179
Pre-tax profits[1]	**4 921**	5 271	**865**	658	**555**	427
– South Africa	**3 885**	4 457	**677**	489		
– Rest of Africa	**375**	329	**191**	171		
– International	**661**	485	**(3)**	(2)	**555**	427
Depreciation, amortisation, impairments and recoupments[2]	**2 408**	2 316	**773**	704	**765**	660
– South Africa	**1 395**	1 462	**604**	577		
– Rest of Africa	**187**	143	**169**	127		
– International	**826**	711			**765**	660
Operating assets[3]	**55 968**	48 443	**12 702**	10 623	**11 543**	9 690
– South Africa	**35 081**	32 180	**8 225**	8 177		
– Rest of Africa	**5 903**	3 726	**4 476**	2 445		
– International	**14 984**	12 537	**1**	1	**11 543**	9 690
Operating liabilities[4]	**22 802**	21 174	**4 649**	4 432	**4 512**	3 937
– South Africa	**14 636**	14 457	**3 307**	3 664		
– Rest of Africa	**2 212**	1 494	**1 342**	768		
– International	**5 954**	5 223			**4 512**	3 937
Net debt[5]	**11 882**	9 165	**3 778**	2 642	**4 062**	3 522
– South Africa	**6 771**	5 484	**2 344**	2 159		
– Rest of Africa	**1 166**	329	**1 433**	489		
– International	**3 945**	3 352	**1**	(6)	**4 062**	3 522
Net capital expenditure	**3 315**	3 077	**887**	724	**1 119**	400
– South Africa	**1 694**	2 494	**666**	635		
– Rest of Africa	**250**	126	**221**	89		
– International	**1 371**	457			**1 119**	400

1 Pre-tax profit is calculated as profit before tax and exceptional items.
2 Includes Depreciation, amortisation, impairment and recoupments, Recoupments from sale of properties, net of impairments and Amortisation of intangible assets arising on business combinations.
3 Operating assets – total assets less loans receivable, tax assets, and assets held for sale and in respect of non-financial services segments, cash resources.

VEHICLES				FINANCIAL SERVICES					
Vehicle Import, Distribution and Dealerships[6]		Vehicle Retail, Rental and After Market Parts[7]		Insurance		Motor-related Financial Services and Products		Head-Office and Elimination	
2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
23 475	22 465	**29 057**	26 292					**1**	17
2 215	1 879	**4 284**	4 655	**102**	125	**434**	418	**2**	9
				2 802	3 049				
3				**1**	3				
25 693	24 344	**33 341**	30 947	**2 905**	3 177	**434**	418	**3**	26
1 407	1 338	**656**	948	**69**	110	**732**	533	**(3 012)**	(3 051)
27 100	25 682	**33 997**	31 895	**2 974**	3 287	**1 166**	951	**(3 009)**	(3 025)
27 100	25 682	**33 997**	31 895	**2 974**	3 287	**1 166**	951	**(3 009)**	(3 025)
23 611	22 116	**28 616**	28 269	**2 316**	2 677	**1 166**	951	**(3 026)**	(3 044)
390	327	**109**	106	**658**	610				
3 099	3 239	**5 272**	3 520					**17**	19
1 518	2 228	**1 559**	1 350	**604**	510	**477**	435	**(214)**	(115)
1 475	2 189	**1 421**	1 270	**448**	352	**477**	435	**(214)**	(117)
6	1	**27**	14	**156**	158				
37	38	**111**	66						2
360	191	**272**	275	**16**	13		1	**(229)**	(190)
341	154	**255**	260	**16**	13		1	**(225)**	(188)
3	13	**5**	6						
16	24	**12**	9					**(4)**	(2)
1 165	2 060	**1 363**	1 117	**582**	496	**513**	473	**(122)**	40
1 135	2 053	**1 256**	1 060	**426**	338	**513**	473	**(122)**	44
6	(7)	**22**	7	**156**	158				
24	14	**85**	50						(4)
239	203	**561**	625	**17**	34	**63**	92	**(10)**	(2)
227	188	**504**	583	**14**	30	**63**	92	**(17)**	(8)
2	1	**13**	11	**3**	4				
10	14	**44**	31					**7**	6
14 351	11 918	**11 509**	10 884	**4 385**	4 288	**1 905**	1 421	**(427)**	(381)
12 809	10 620	**9 797**	9 443	**3 218**	3 241	**1 905**	1 421	**(873)**	(722)
198	186	**62**	48	**1 167**	1 047				
1 344	1 112	**1 650**	1 393					**446**	341
4 172	3 611	**4 287**	4 047	**2 572**	2 435	**3 141**	2 823	**(531)**	(111)
3 917	3 384	**3 224**	3 109	**1 790**	1 792	**3 141**	2 823	**(743)**	(315)
74	72	**14**	12	**782**	643				(1)
181	155	**1 049**	926					**212**	205
5 465	3 773	**2 242**	2 567	**(1 639)**	(523)	**(2 002)**	(2 056)	**(24)**	(760)
4 921	3 343	**2 052**	2 378	**(1 158)**	(141)	**(2 002)**	(2 056)	**614**	(199)
183	178	**31**	44	**(481)**	(382)				
361	252	**159**	145					**(638)**	(561)
714	844	**614**	1 012	**54**	25	**224**	(262)	**(297)**	334
508	814	**560**	950	**52**	23	**224**	(262)	**(316)**	334
1	21	**26**	14	**2**	2				
205	9	**28**	48					**19**	

4 Operating liabilities – total liabilities less interest-bearing borrowings, tax liabilities, put option liabilities, deferred payments and liabilities directly associated to assets classified as held for sale.

5 Net debt is the aggregate of interest-bearing borrowings, non-redeemable, non-participating preference shares less cash resources.

6 Prior year results includes NAC.

7 Prior year results includes Tourism.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

1. ACCOUNTING POLICIES

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated annual financial statements are set out below and are consistent in all material respects with those applied during the previous year except for the adoption of new and amended statements and interpretations as disclosed in note 2.

1.1 Statement of compliance

The consolidated annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Group at 30 June 2014 and 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 Companies Act of South Africa, 2008.

1.2 Basis of measurement

The consolidated annual financial statements are prepared on the historical cost basis, modified by the restatement of certain financial instruments to fair value, insurance and defined retirement benefit liabilities in accordance with actuarial valuations.

1.3 Insurance

Detailed accounting policies and other disclosures specifically covering insurance companies are outlined in Annexure A.

1.4 Consolidation

The consolidated annual financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries).

The Group 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.

Subsidiaries held exclusively with a view to their subsequent disposal which is highly probable are accounted for as assets held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

Income and expenses of subsidiaries acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date on which control was obtained or lost respectively.

Total comprehensive income of subsidiaries is attributed to owners of Imperial and to non-controlling interests even if this results in non-controlling interests having a deficit balance.

In preparing the consolidated financial statements where a subsidiary of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions, appropriate adjustments are made to its financial statements to bring it in line with the Group's accounting policies.

All intergroup transactions, balances and unrealised income and expenses are eliminated in full.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for in equity. Any difference between the amount by which non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly to the premium paid on purchase of non-controlling interests reserve in equity.

When the Group loses control of a subsidiary a gain or loss is recognised in profit or loss.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 – *Financial Instruments: Recognition and Measurement or*, when applicable, the cost on initial recognition of an investment in associate or a jointly controlled entity.

Consolidation of Lereko Mobility (Pty) Ltd (Lereko)

Imperial Holdings Limited (Imperial) owns 49% of the share capital of Lereko which in turn has an interest in Imperial's ordinary shares, together with a related call option liability to Imperial to be settled by the delivery of the Imperial shares. The Imperial shares held by Lereko, together with the related call option liability, are economically ring fenced from the interests held by other parties in Lereko (silo). Imperial's interest in these shares with the related call option liability to Imperial has been consolidated.

The Imperial shares recognised through the consolidation of Lereko are treated as shares repurchased and the call option liability is eliminated against the call option asset held by the company.

1.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method as described below.

An acquisition is considered a business combination if the assets acquired and liabilities assumed constitute a business.

The consideration transferred in a business combination is measured at fair value, which includes the fair value of the acquisition date asset and any liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are measured at fair value except for deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 – *Income Taxes* and IAS 19 – *Employee Benefits respectively*.

The excess of the aggregate of the consideration transferred, the non-controlling interest and the acquisition date fair value of previously held equity interest over the fair value of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is below the fair values of the identifiable net assets acquired (i.e. bargain purchase), then the difference is credited to profit or loss in the period of acquisition.

The non-controlling interests are measured at their proportionate share of the fair value of the identifiable assets acquired and liabilities assumed.

When the consideration transferred includes a contingent consideration, that contingent consideration is recognised as a liability and measured at its acquisition-date fair value and included in the consideration transferred in a business combination. The contingent consideration is remeasured at subsequent dates to its fair value through profit or loss.

When the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value with the resulting gain or loss recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for the items where the accounting is incomplete. Those provisional amounts are adjusted during the measurement period where applicable.

1.6 Foreign currencies

Transactions denominated in a foreign currency are recorded at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks which are recognised in other comprehensive income and accumulated in the hedge accounting reserve in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Rand using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the weighted average exchange rates for the period.

Exchange differences arising are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

On disposal of a foreign operation all the exchange differences accumulated in equity in respect of that operation attributable to owners of Imperial are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the rate of exchange prevailing at the end of each reporting period.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June 2014

1. ACCOUNTING POLICIES continued

1.7 Investment in associates

The results, assets and liabilities of entities over which the Group exercises significant influence (associates) are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

The Group's share of other net asset changes in the associate, other than profit or loss or other comprehensive income and distributions received is recognised in equity. Such changes include those arising from additional shares issued by the associate to third parties or when the associate accounts for equity settled share-based payment transactions.

The Group's share of associates' net income, presented net of tax, is based on financial statements drawn up to reporting dates that are coterminous with that of the Group.

Where reporting dates are not coterminous, adjustments are made to the associate's net income for the effects of significant transactions or events that occur after the associate's reporting date and up to the reporting date of the Group.

Investments in associates held exclusively with a view to their subsequent disposal are accounted for as assets held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.*

When the Group's share of losses of the associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised previously.

Any excess of the cost of acquisition over the Group's share of the fair value of the net identifiable assets of an associate at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the associate.

Any excess of the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss as a bargain purchase.

The requirements of IAS 39 – *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 – *Impairment of Assets* as a single asset by comparing its recoverable amount to its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 – *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as the fair value on initial recognition as a financial asset in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Ukhamba Holdings (Pty) Ltd (Ukhamba)

The Group has a 46,9% interest in Ukhamba, a black empowerment partner who currently owns ordinary and deferred ordinary Imperial shares.

Any fair value gains made by Ukhamba on the revaluation of its Imperial shares are eliminated from the Group's net profit and comprehensive income. Any dividends received from Ukhamba first reduce its carrying value as an associate to zero and then any surplus is recognised directly in equity.

1.8 Interests in joint ventures

The Group's interest in jointly controlled entities is accounted in the same way as investments in associates described above.

1.9 Goodwill

Goodwill arising on acquisition is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that are expected to benefit from the synergies of the business combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is first allocated to the goodwill and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate or joint venture is described under investment in associates.

1.10 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

Intangible assets are not revalued.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, being the acquisition date fair value, less accumulated amortisation and accumulated impairment losses on the same basis as intangibles that are acquired separately.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the intangible asset is derecognised.

1.11 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group assesses if there is any indication that such assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not ready for their intended use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss.

1. ACCOUNTING POLICIES continued

1.11 Impairment of tangible and intangible assets excluding goodwill continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss.

1.12 Property, plant and equipment, transport fleet and vehicles for hire

Land is stated at cost less accumulated impairment and is not depreciated.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less any accumulated depreciation and impairment losses.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost less any recognised impairment loss.

Land and buildings held as portfolio properties whose benefits are shared with policyholders are fair valued through profit or loss.

All other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Costs include all costs incurred in bringing the assets to the location and condition for their intended use and include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Costs include the estimated costs of dismantling and removing the assets and, where appropriate, costs are split into significant components.

Major improvements to leasehold properties are capitalised and written off over the period of the lease.

Where significant components of an asset have different useful lives to the asset itself, those components are depreciated over their estimated useful lives.

Assets are derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Vehicles for hire are reclassified to inventories at their carrying amount when they cease to be rented and become available-for-sale.

1.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost is determined as follows:

Vehicles	specific cost
Caravans, spares and accessories	weighted average cost
Fuel, oil and merchandise	first in, first out
Fast moving consumer goods	first in, first out

Work in progress includes direct costs and a proportion of overheads.

1.14 Leases

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 as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investments in the leases.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of interest on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Assets leased under operating leases are included under the appropriate category of assets in the statement of financial position.

They are depreciated over their expected useful lives on a basis consistent with similar items of property, plant and equipment.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Finance lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest of the remaining balance of the liability.

Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Contingent rentals are recognised as an expense in the period in which they are incurred.

1.15 Incentive schemes

The Group operates equity-settled share-based compensation plans for senior employees and executives.

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest.

The impact of the revision of original estimates, if any, is recognised in profit or loss with a corresponding adjustment to the share based payment reserve in equity.

1.16 Retirement benefit obligations

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Defined benefit plans

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations carried out at the end of each reporting period.

1. ACCOUNTING POLICIES continued

1.16 Retirement benefit obligations continued

Past-service costs are recognised immediately to the extent that the benefits are vested, otherwise it is amortised on a straight-line basis over the average period until the benefits become vested.

Actuarial gains and losses are recognised immediately in other comprehensive income and accumulated in retained earnings so that the retirement benefit obligation reflects its full value.

1.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is reviewed at the end of each reporting period and represents the best estimate of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding it.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the fair value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reversed when it is no longer probable that an outflow of resources will be required to settle the obligation.

Insurance claims

Insurance claims comprise provisions for the estimate of the ultimate cost of settling all claims incurred but unpaid at the end of the reporting period, whether reported or not. Related anticipated insurance recoveries are recognised separately as assets when it is virtually certain the amounts will be received.

Dismantling and environmental risk

The Group provides for the dismantling of property, plant and equipment at the end of their useful lives where a contractual requirement exists and for any probable environmental risks.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected from the contract.

1.18 Income taxes

Income tax expense represents the sum of current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in profit or loss because of items of income or expense that are taxable or deductible in other years (temporary differences) and items that are not taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Group's consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of assets and liabilities.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income and equity, in which case the deferred tax is also taken directly to other comprehensive income and equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividends tax

Dividends tax is levied on non-exempt shareholders. The Group is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service (SARS). As this tax is levied on the shareholders and not the company, it does not form part of the tax expense recognised in profit or loss or in other comprehensive income. Dividends are reflected gross of tax.

1.19 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

When the Group is committed to a sale plan involving loss of control of an entity, all of the assets and liabilities of that entity are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1.20 Revenue recognition

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Where there are guaranteed buyback arrangements in terms of which significant risks and rewards of ownership have not transferred to the purchaser, the transaction is accounted for as a lease.

Revenue arising from the rendering of services is recognised on the accrual basis in accordance with the substance of the agreement.

Revenue from vehicle maintenance plans is recognised based on an established pattern, when vehicle maintenance services are performed over the period of the plan.

The Group reflects premium income relating to insurance business gross of reinsurance. Premiums are accounted for at the commencement of the risk. Premiums on investment contracts are excluded from profit or loss.

Where the Group acts as an agent and is remunerated on a commission basis, the commission is included in revenue. Where the Group acts as principal, the total value of business handled is included in revenue.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June 2014

1. ACCOUNTING POLICIES continued

1.21 Interest and dividend income

Interest income is accrued on the time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

1.22 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.23 Government grants and assistance

Government grants represent assistance by government in the form of transfers of resources in return for compliance with conditions related to operating activities. Government assistance is an action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Government includes government agencies and similar bodies, whether local, national or international.

When the conditions attaching to government grants have been complied with and they will be received, they are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs. When they are for expenses or losses already incurred, they are recognised in profit or loss immediately. The unrecognised portion in the statement of financial position date is presented as deferred income.

No value is recognised where government provides general industry assistance.

Where the government grants target-specific assets, the government grants are deducted from the cost of the asset, hence reducing its cost.

1.24 Exceptional items

Exceptional items include income and expense items which are not considered to be of a trading nature and generally include the following remeasurements:

- Impairments of goodwill.
- Gains and losses on disposal and impairment of subsidiaries, investment in associates and joint ventures.
- Gains and losses on the measurement to fair value less costs to sell of disposal groups.
- Reclassification to profit or loss of foreign currency translation reserves upon disposal of entities whose functional currencies are different to the Group's presentation currency.

1.25 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing net profit attributable to owners of Imperial by the weighted average number of ordinary shares in issue during the year, net of shares repurchased and the Group's interest in its own ordinary shares held by an associate.

Diluted earnings per share

For diluted earnings per share, the weighted average number of ordinary shares in issue, net of shares repurchased, is adjusted for the dilutive effect of deferred ordinary shares and potential ordinary shares under the share incentive schemes.

Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease basic earnings per share.

The effect of anti-dilutive potential ordinary shares is excluded from the calculation of diluted earnings per share.

Headline earnings per share and core earnings per share

The presentation of headline earnings per share is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 3/2013 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

Core earnings is a non-IFRS measure and excludes the impact of certain non-operational income and expense items from reported headline earnings. It is included to provide an additional basis on which to measure the Group's normalised earnings performance.

1.26 Share issue costs, shares repurchased and dividend payments

Share issue costs

Incremental costs directly attributable to the issue of new shares or the repurchase of existing shares are shown as a deduction, net of applicable tax, in equity. An incremental share issue cost is one which would not have arisen if shares had not been issued or repurchased.

Shares repurchased

The purchase by the Group of its own equity instruments and held in a subsidiary company results in the recognition of shares repurchased. The consideration paid is deducted from equity. Where shares repurchased are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to owners of Imperial, net of any directly attributable incremental transaction costs and the related tax effects. Shares repurchased by the company and subsequently cancelled are shown as a deduction in retained earnings.

Dividend payments to owners of Imperial

Dividend distributions to owners of Imperial are recognised as a liability in the period in which the dividends are approved and declared. Interim and final dividends are accrued when approved by the board of directors.

Dividend payments to preference shareholders

Due to their cumulative nature the non-redeemable, non-participating preference shares are classified as debt financial instruments with no repayment terms. The dividends payable on the non-redeemable, non-participating preference shares are accrued on a time basis, with reference to the principal outstanding and the effective interest rate applicable, and recognised in profit or loss within finance cost. Interim and final preference dividends are payable when approved by the board of directors.

1.27 Events after the reporting period

The financial statements are adjusted to reflect events that occurred between the end of the reporting period and the date when the financial statements are authorised for issue, only if those events provide evidence of conditions that existed at the end of the reporting period.

Events that are indicative of conditions that arose after the reporting period are disclosed, with no adjustment to the financial statements.

1.28 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision making body who is responsible for allocating resources and assessing performance of the operating segments. This has been identified collectively as the group executive committee.

Segment revenue reflects both sales to external parties and intergroup transactions across segments. Inter-segment revenue is revenue raised by one segment relating to sales to other segments within the Group, which is eliminated under head office and eliminations.

Segment operating assets and liabilities are only those items that can be specifically identified within a particular segment.

1.29 Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

Financial assets and financial liabilities are initially recorded at fair value plus, in the case of financial assets and financial liabilities not fair valued through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets

Financial assets at fair value through profit or loss, including derivative assets, are subsequently measured at fair value without any deduction for transaction costs that may be incurred on sale or disposal.

1. ACCOUNTING POLICIES continued

1.29 Financial instruments continued

Available-for-sale investments are subsequently remeasured to fair value. Any unrealised gain and loss is recognised in other comprehensive income and accumulated in the valuation reserve in equity until the investment is disposed of or impaired, at which time the cumulative gain or loss deferred in equity is reclassified to profit or loss.

Investments in equity instruments whose fair value cannot be measured reliably are carried at cost.

Loans receivable and trade receivables are subsequently measured at amortised cost using the effective interest method, less any impairment as appropriate.

Cash resources are carried at amortised cost which is also its fair value.

Subsequent measurement of financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss, including derivative liabilities, which are measured at fair value.

Hedge accounting

The Group enters into forward exchange contracts, forward rate agreements and interest-rate swap agreements in order to hedge its exposure to foreign exchange and interest rate risk. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative instruments that are not formally designated in a hedge relationship are recognised immediately in profit or loss.

Changes in the fair value of a 'fair value hedge' are recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, is adjusted to the carrying amount of the hedged item with a corresponding entry in profit or loss.

The effective portion of changes in the fair value of a 'cash flow hedge' is recognised directly in other comprehensive income and accumulated in the hedge accounting reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's hedge accounting reserve in equity are included in the initial measurement of the asset or liability.

For hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in the Group's hedge accounting reserve in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss on a proportionate basis.

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is immediately reclassified to profit or loss.

Impairment of financial assets

Financial assets, other than those fair valued through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are immediately reclassified to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading valuation reserve.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

Put arrangements over non-controlling interests

Written put options on the shares of a subsidiary held by non-controlling interests give rise to a financial liability for the present value of the redemption amount. The liability that may become payable under the arrangement is initially recognised at fair value with a corresponding entry directly in equity. Subsequent changes to the fair value of the liability are recognised in profit and loss.

Cash resources

Cash resources comprise cash on hand and on-demand deposits, together with short-term, highly liquid investments with a maturity of three months or less from the date of acquisition, that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within current portion of interest-bearing borrowings on the consolidated statement of financial position. Cash and cash equivalents in the consolidated statement of cash flows are reflected net of overdrafts.

1.30 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated annual financial statements requires the Group's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions, and, in some cases, actuarial techniques. Actual results could differ from these estimates.

The following accounting policies have been identified as involving particularly complex or subjective decisions or assessments:

Insurance companies

Details of significant accounting judgements and estimates are given in Annexure A.

Residual values and useful lives

The Group depreciates its assets over their estimated useful lives taking into account residual values, which, following the adoption of IAS 16 – *Property, Plant and Equipment*, are reassessed on an annual basis.

The actual lives and residual values of these assets can vary depending on a variety of factors.

Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of the assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

1. ACCOUNTING POLICIES continued

1.30 Significant accounting judgements, estimates and assumptions continued

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated taxes based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductable temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets required the Group to make significant estimates related to expectations of future taxable income.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the statement of financial position date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine whether the obligation is recognised as a liability or disclosed as a contingent liability.

Revenue recognition

Revenue from vehicle maintenance plans is recognised based on an established pattern of when vehicle maintenance services are performed over the period of the plan.

Statement of financial position presentation based on liquidity

Management believes that the presentation of the statement of financial position on a liquidity basis provides information that is reliable and is more relevant compared to a current and non-current presentation.

The nature of the Group's operations is diverse and as such it becomes more difficult to clearly identify a single operating cycle that would be relevant across all business segments. Maturity profiles of some assets and liabilities are provided in the notes to the consolidated annual financial statements.

The following guidance is provided on assets and liabilities where further judgement is required:

Assets

Assets that the Group expects to realise, or intends to sell or consume in its normal operating cycle, would include reinsurance debtors, inventory and trade and other receivables. The operating cycles for these assets are generally not more than 12 months.

Vehicles for hire have an operating cycle of more than 12 months. Vehicles that have reached the end of the useful life as rental assets are shown as inventory.

The Group's investment portfolios are measured by portfolio managers who acquire or dispose of investments in terms of acceptable risk levels and cash requirements of the Group. The timing of the disposals are uncertain and there are no restrictions on the Group to realise investments.

Other loans receivable mature over periods longer than 12 months and include amounts that are receivable within one year from the reporting period.

Cash resources from the financial services operation are restricted by the division's capital structure. Cash resources from other operations are unrestricted.

Liabilities

Liabilities that the Group expects to settle in its normal operating cycle include trade and other payables and provisions. Trade and other payables are normally settled within one year from the reporting period, whereas some amounts of provisions mature over periods longer than 12 months.

Insurance, investment, maintenance and warranty contracts are settled as and when the services are performed. These multi-year policies often only become effective once a defined event has occurred and as such leads to a highly judgemental maturity profile. The maturity of these liabilities can range from one year to more than five years after the reporting period.

Other financial liabilities are payable over longer periods but do consist of amounts that are due within one year from the reporting period.

Discontinued operations and non-current assets classified as held for sale

Management classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Management classifies a component of the Group as a discontinued operation if it:
- represents a separate major line of business or geographical area of operation;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale as a discontinued operation.

Other financial assets classified as held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

Once the value of the assets and liabilities and the results of trading of discontinued operations become immaterial they are no longer shown separately and are included in continuing operations.

Provision for doubtful debts

Provision is made for doubtful debts based on management's estimate of the prospect of recovering the debt. Where management has determined that a debt is no longer recoverable, the amount is written off.

Provision against inventory

Inventory is counted at least once a year and any shortages and obsolete stock identified are written off immediately.

An allowance is made for slow-moving and obsolete inventory based on historical trends.

Fair value of financial instruments

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering the factors specific to the asset or liability.

Asset impairments

The Group periodically evaluates its assets for impairment, including identifiable intangibles, whenever events, such as losses being incurred, or changes in circumstances such as changes in the market, indicate that the carrying amount of the asset may not be recoverable. Our judgements regarding the existence of impairment indicators are based on market conditions and operational performance of the different businesses. Future events could cause management to conclude that impairment indicators exist. In order to assess if there is any impairment, we estimate the future cash flows expected to result from the use of the asset(s) and its eventual disposition. Considerable management judgement is necessary to estimate discounted future cash flows, including appropriate bases for making judgements and estimates.

The calculation of appropriate discount rates (weighted average cost of capital) is a sensitive input into valuations. While every effort is made to make use of independent information and apply consistent methodology, actual circumstances or outcomes could vary significantly from such estimates, including changes in the economic and business environment.

The variances could result in changes in useful lives or impairment. These changes can have either a positive or negative impact on our estimates of impairment and can result in additional charges.

Share-based settlements

Equity-settled share-based payments are measured at fair value at the date of grant. In calculating the expense the Group considers the best estimate of the number of shares that are expected to vest taking into account the achieving of the performance conditions and participants who will forfeit their rights. The final number that will vest may be different.

Retirement benefit obligations

The valuation of the retirement benefit obligations is arrived at using discount rates, projected payment increases, projected salary and other contribution increases and fluctuation rates. The final obligation will depend on length of service and the value of the salary at the time of payment to the participants.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments that could require restatement of previous financial statements. These include IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangement*s, IFRS 13 – *Fair Value Measurements*, IAS 19 – *Employee Benefits* (Revised). In addition, the application of IFRS 12 – *Disclosure of Interest in Other Entitie*s resulted in additional disclosures in the consolidated financial statements.

The nature and impact of each of the new standards and amendments is described below:

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces parts of IAS 27 – *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and introduces a single control model for consolidation.

IFRS 10 provides guidance on when a subsidiary should be consolidated and requires assessment of whether an investor has the power to direct the relevant activities of an investee in order to obtain variable returns. Once it has been established under IFRS 10 that an investee should be consolidated, the actual consolidation principals remain the same as under IAS 27.

The Group re-assessed control in terms of IFRS 10 and concludes that the application of IFRS 10 had no impact on the consolidated financial statements.

IFRS 11 – Joint Arrangements

IFRS 11 replaced IAS 31 – *Joint Ventures*. Where joint arrangements exist the investor is required to assess whether the joint arrangement is a joint operation or a joint venture, based on the legal structure of the investee and the investor's rights to and obligations for the underlying assets and liabilities of the investee. Joint operations are accounted for in the financial statements of the investor by including the investor's share of the assets, liabilities, income and expenses of the investee, while joint ventures are accounted for using the equity method of accounting.

The Group re-assessed its accounting of associates and joint ventures in terms of IFRS 11 and concludes that the application of IFRS 11 had no impact on the consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to the Group's interest in subsidiaries, associates and joint ventures and structured entities. The requirements in IFRS 12 are more comprehensive than the previous disclosure requirements. These disclosures are provided in note 39.

IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13 the Group re-assessed its policies for measuring fair value. IFRS 13 also requires additional disclosures.

The application of IFRS 13 did not materially impact the fair value measurements of the Group. Where required, additional disclosure is provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in note 38.

IAS 19 – Employee Benefits (Revised)

The amendments to IAS 19 require all actuarial gains and losses to be recognised immediately in other comprehensive income so that the pension asset or liability reflects the full value of the plan deficit or surplus.

The Group applied IAS 19 retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (1 July 2012) and the comparative amounts (30 June 2013) have been restated accordingly.

The new, revised or amended standards were adopted in accordance with their transitional provisions with the adoption of IAS 19 resulting in the only restatement of the 30 June 2013 amounts as follows:

	Movement during 2013				
	Effect on 1 July 2012 Rm	Remeasurement Rm	Currency movement Rm	Through profit or loss Rm	Cummulative effect on June 2013 Rm
Financial position					
Assets					
Increase in deferred tax assets	19	58	4	(1)	80
Increase in total assets	19	58	4	(1)	80
Capital and reserves					
Decrease in other reserves			(9)		(9)
Decrease in retained income	(40)	(125)		2	(163)
Attributable to owners of Imperial	(40)	(125)	(9)	2	(172)
Decrease in non-controlling interest	(2)	(3)			(5)
Decrease in total equity	(42)	(128)	(9)	2	(177)
Liabilities					
Increase in retirement benefit obligations	61	186	13	(3)	257
Increase in total liabilities	61	186	13	(3)	257
Increase in total equity and liabilities	19	58	4	(1)	80
Profit or loss					
Decrease in net operating expenses					3
Increase in income tax expense					(1)
Increase in net profit for the year					2
Earning per share, headline earnings per share and core earnings per share					
– Increase in basic (cents)					1
– Increase in diluted (cents)					1
Comprehensive income					
Increase in net profit for the year					2
Other comprehensive income					(137)
Items that may be reclassified subsequently to profit or loss					(9)
– Decrease in exchange gains arising on translation of foreign entities					(9)
Items that may be reclassified subsequently to profit or loss					(128)
– Decrease in retained income from remeasurement of retirement benefit obligations					(186)
– Increase in deferred tax assets relating to remeasurement of retirement benefit obligations					58
Total comprehensive income for the year					(135)
Decrease in total comprehensive income attributable to:					
Owners of Imperial					(132)
Non-controlling interest					(3)
					(135)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June 2014

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Other amendments

Several other amendments apply for the first time in 2014. However, they did not impact the annual consolidated financial statements of the Group.

Comparative information

As a result of the retrospective restatement of items in the consolidated financial statements the June 2012 statement of financial position is presented but unaccompanied by related notes.

The notes that accompany the 2013 financial statements have been restated accordingly.

Reclassification of provisions

Leave pay, bonuses and long-service payments, previously shown under provisions were reclassified to trade and other payables. The reclassification was done as at 1 June 2013 resulting in the restatement of the 2013 statement of financial position. The reclassification had no impact on profit or loss or cash flows.

Segment reporting

Arising from the imperative to eliminate complexity and to reflect the new management structure the Other Segment, which previously comprised Car Rental and After Market Parts, has been combined with the Automotive Retail division. The combined segment is now referred to as the Vehicle Retail, Rental and After Market Parts. Prior year's comparatives have been restated accordingly.

The Group's reporting segements were renamed as follows:

Previous name	New name
> Logistics Africa	> Unchanged
> Logistics International	> Unchanged
> Distribution Retail and Allied Services	> Vehicle Import, Distribution and Dealerships
> Automotive Retail	> Vehicle retail, Rental and After Market Parts
> Other segments	> Now part of Vehicle Retail, Rental and After Market Parts
> Insurance	> Unchanged
> Other Financial Services	> Motor-related Financial Services and Products

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The following are some of the amendments to IFRS that could have an impact on the Group's future financial statements. The Group does not anticipate that other amendments resulting from annual improvements to have an impact on its financial statements other than additional disclosures.

Pronouncement	Title	Effective date
IAS 16 (amended)	**IAS 16 – *Property, Plant and Equipment*** The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group anticipates that the amendments to IAS 16 will not have a significant effect on the consolidated financial statements.	Annual periods beginning on or after 1 January 2014
IAS 39 (amended)	**IAS 39 – *Financial Instruments Recognition and Measurements*** The amendment allows hedge accounting to continue in a situation where a derivative, designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations. The Group is in the process of assessing the effect of the amendment on its financial statements.	Annual periods beginning on or after 1 January 2014
IAS 19 (amended)	**IAS 19 – *Employee Benefits*** The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. The Group is in the process of assessing the effect of the amendment on its financial statements.	Annual periods beginning on or after 1 July 2014
IFRS 2 (amended)	**IFRS 2 – *Share Based Payments*** The IASB identified the need to clarify the definition of vesting conditions in IFRS 2 to ensure the consistent classification of conditions attached to a share-based payment. The IASB decided to separate the definitions of a performance condition and a service condition from the definition of vesting condition and thus make the description of each condition clearer. The Group is in the process of assessing the effects of the amendment on its financial statements.	Annual periods beginning on or after 1 July 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2014

Pronouncement	Title	Effective date
IFRS 9 (amended)	**IFRS 9 – *Financial Instruments*** IFRS 9 introduced new requirements for the classification and measurement of financial assets and contains the following key requirements: Financial assets (within the scope of IAS 39) are to be carried at amortised cost or fair value. Receivables whose contractual cash flows are solely payments of principal and interest are generally measured at amortised cost. All other receivables and equity investments are measured at their fair value. In addition entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. For financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the change in the fair value that is attributable to changes in the credit risk of that liability, be presented in other comprehensive income, unless it create a mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The Group anticipates that the application of IFRS 9 may have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.	Annual periods beginning on or after 1 January 2015
IFRS 15	**IFRS 15 – *Revenue From Contracts With Customers*** The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: – Identify the contract(s) with a customer – Identify the performance obligations in the contract – Determine the transaction price – Allocate the transaction price to the performance obligations in the contract – Recognise revenue when (or as) the entity satisfies a performance obligation. Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment. IFRS 15 was issued in January 2014 and replaces the following standards and interpretations when it becomes effective: – IAS 11 – *Construction contracts* – IAS 18 – *Revenue* – IFRIC 1 – *Customer Loyalty Programmes* – IFRIC 15 – *Agreements for the Construction of Real Estate* – IFRIC 18 – *Transfers of Assets from Customers* – SIC-31 Revenue – *Barter Transactions Involving Advertising Services* The Group is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.	Annual periods beginning on or after 1 January 2017

4. GOODWILL AND INTANGIBLE ASSETS

	Goodwill Rm	Customer lists and contracts Rm	Computer software Rm	Other intangibles Rm	Total Rm
At 30 June 2014					
Cost	**5 596**	**2 558**	**625**	**147**	**8 926**
Accumulated amortisation and impairment	**859**	**836**	**409**	**56**	**2 160**
	4 737	**1 722**	**216**	**91**	**6 766**
Net carrying value at beginning of year	**3 926**	**1 055**	**156**	**69**	**5 206**
Net acquisition of subsidiaries and businesses	**579**	**937**	**1**	**10**	**1 527**
Additions			**128**	**17**	**145**
Proceeds on disposal			**(3)**		**(3)**
Impairment charge	**(38)**		**(7)**		**(45)**
Amortisation		**(339)**	**(67)**	**(6)**	**(412)**
Profit on disposal			**(1)**		**(1)**
Reclassification			**3**		**3**
Currency adjustments	**270**	**69**	**6**	**1**	**346**
Net carrying value at end of year	**4 737**	**1 722**	**216**	**91**	**6 766**
At 30 June 2013					
Cost	4 747	1 509	497	124	6 877
Accumulated amortisation and impairment	821	454	341	55	1 671
	3 926	1 055	156	69	5 206
Net carrying value at beginning of year	3 238	799	95	102	4 234
Net acquisition of subsidiaries and businesses	331	288	9	20	648
Additions		7	105	4	116
Proceeds on disposal			(7)		(7)
Impairment charge	(139)	(1)	(2)		(142)
Amortisation		(257)	(56)	(6)	(319)
Profit on disposal			3		3
Reclassification		50	1	(51)	
Currency adjustments	496	169	9		674
Reclassification to assets classified as held for sale			(1)		(1)
Net carrying value at end of year	3 926	1 055	156	69	5 206

Expenditure on acquired trademarks, licenses, customer lists and computer software is amortised using the straight-line basis over their estimated useful lives between 2 to 10 years. Goodwill is not amortised, but is tested for impairment annually.

Refer to note 39.3 for details of new business combinations during the year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June 2014

4. GOODWILL AND INTANGIBLE ASSETS continued

Goodwill and indefinite life intangible assets

A summary of the goodwill and indefinite life intangible assets by cash generating unit and related assumptions applied for impairment testing purposes are as follows:

Cash-generating units (CGUs)	Indefinite life intangible assets* 2014 Rm	Goodwill 2014 Rm	Pre tax discount rate 2014 %	Terminal growth rate 2014 %
Logistics Africa				
CIC Holdings Ltd		468	16,6	6,0
Imperial Health Sciences		194	20,7	4,5
Eco Health Ltd		463	20,4	9,0
Logistics International				
Panopa Group		487	8,4	1,5
Neska Group		146	8,3	1,5
Reederei Group		759	9,0	1,5
Lehnkering Group		1 076	8,4	1,5
Lubcke Marine		58	7,8	1,5
Rijnaarde BV		87	8,4	1,5
Vehicle import, distribution and dealerships				
Uvundlu Investments (Pty) Ltd		56	19,2	4,5
E-Z-Go Golf Carts		55	16,6	4,5
Renault SA (Pty) Ltd	222	98	15,7	4,5
Vehicle retail, rental and after market parts				
Beekman Super Canopies (Pty) Ltd		76	20,1	4,5
Orwell Trucks Ltd		57	13,3	2,0
Midas (Pty) Ltd		202	16,0	4,5
	222	4 282		
Aggregate of immaterial indefinite life intangible assets and goodwill	45	455		
Carrying value	267	4 737		

* *Included as part of customer lists and contracts above.*

Goodwill impairment testing

Goodwill is allocated to the appropriate CGUs according to the type of business and where it operates. The CGUs represent the identifiable assets for which an active market exists and which generate independent cash flows for the Group.

External and internal factors surrounding the business operations play a role in determining an indication of impairment. In addition the carrying amount of goodwill is subject to an annual impairment test. Impairment tests are carried out on all goodwill balances within each CGU.

Impairment of goodwill arises when the recoverable amount of the CGU, including goodwill is less than the carrying value. The recoverable amount is determined as the greater of the fair value less costs to sell or the value in use. It is difficult to use the fair value less costs to sell as a reliable estimate is not easily obtainable in determining the recoverable amount. Therefore the value in use method is used to assess the goodwill for impairment.

Key assumptions used in value in use calculations

Cash flow projections

The value in use is calculated using the forecasted cash inflows and outflows which are expected to be derived from continuing use of the CGU and its ultimate disposal. Cash flow projections for financial forecasts are based on expected revenue, operating margins, working capital requirements and capital expenditure, which were approved by senior management.

The expected revenues were based on market share assumptions, volume growth and price increases. No significant change in market share was assumed during the forecasted period and is based on the average market share in the period immediately before the forecast period. Volume growth was based on average growth experienced in recent years. The exchange rates used in the cash flow projections were consistent with external sources of information.

Operating margins reflect past experience but adjusted for any expected changes for the individual CGU's.

These cash flow projections cover a five-year forecast period, which are then extrapolated into perpetuity using applicable terminal growth rates.

The key assumptions used in arriving at projected cash flows were as follows:

Logistics Africa – Revenue growth and the operating margins.
Logistics International – Market share assumptions and operating margins.
Vehicle import, distribution and dealerships – Volume growth, and exchange rates affecting the purchase price in relation to the vehicle selling price increases.
Vehicle retail, rental and after market parts – Market share assumptions and operating margins.

Growth rates

Growth rates applied during the five year forecasted period were determined based on future trends within the industry, geographic location and past experience within the operating divisions. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates.

The Group used steady growth rates (terminal growth rates) to extrapolate revenues beyond the forecasted period, which were consistent with publicly available information relating to long-term average growth rates for each of the markets in which each of the respective CGUs operates.

Discount rates applied

The discount rates present the current market assessment of the risks for each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow projections. The discount rate calculations are derived from the CGU's weighted average cost of capital and takes into account both the cost of debt and the cost of equity.

The cost of equity was arrived at by using the capital asset pricing model (CAPM) which, where necessary, takes into account an equity risk premium and a small stock premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. The cost of debt is based on the interest-bearing borrowings the CGU is obliged to service.

The debt to equity ratio was determined by applying market value weights based on theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June 2014

4. GOODWILL AND INTANGIBLE ASSETS continued

Goodwill impairments

During the current year the Group impaired goodwill amounting to R38 million (2013: R139 million) in the following operating segments. The goodwill impairment is included within exceptional items in profit or loss.

	2014 Rm	2013 Rm
Operating segment		
Logistics Africa	30	107
Vehicle retail, rental and after market parts	8	32
	38	139

The goodwill impairments are as a result of contracts lost and CGUs not achieving profit targets as originally estimated at the time of acquisition.

Change in key assumptions and conclusion

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2014 Rm	2013 Rm
Listed shares at cost	282	221
Unlisted shares at cost	478	529
Share of post-acquisition equity	463	222
Carrying value of shares – equity accounted	1 223	972
Indebtedness by associates and joint ventures	195	345
– Less than one year	112	17
– More than one year	83	328
	1 418	1 317
Valuation of shares		
Listed shares at fair value (Level 1 in the fair value hierarchy)	882	664
Unrecognised share of losses of associates and joint ventures exceeding the Group's interest in the associate and joint venture		
Cumulative unrecognised losses at beginning of year	151	171
Utilisation of unrecognised losses during the year		(20)
Associate acquired as a subsidiary during the year	(151)	
Cumulative unrecognised losses at end of year		151

Details of the Group's material associates and joint ventures are reflected in note 39.5 on page 80.

6. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Aircraft Rm	Total Rm
At 30 June 2014					
Cost	**10 109**	**5 046**	**521**		**15 676**
Accumulated depreciation and impairment	**1 648**	**3 325**	**234**		**5 207**
	8 461	**1 721**	**287**		**10 469**
Net carrying value at beginning of year	**7 425**	**1 585**	**247**		**9 257**
Net acquisition of subsidiaries and businesses	**21**	**15**	**26**		**62**
Additions	**1 101**	**620**	**200**		**1 921**
Proceeds on disposal	**(311)**	**(100)**	**(123)**		**(534)**
Depreciation	**(148)**	**(468)**	**(75)**		**(691)**
Impairment charge	**(37)**	**(1)**			**(38)**
Profit (loss) on disposal	**150**	**(5)**	**6**		**151**
Currency adjustments	**262**	**93**	**4**		**359**
Reclassifications	**(2)**	**(18)**	**2**		**(18)**
Net carrying value at end of year	**8 461**	**1 721**	**287**		**10 469**
At 30 June 2013					
Cost	8 819	4 508	451		13 778
Accumulated depreciation and impairment	1 394	2 923	204		4 521
	7 425	1 585	247		9 257
Net carrying value at beginning of year	6 260	1 442	256	122	8 080
Net acquisition of subsidiaries and businesses	(31)	39	6	(127)	(113)
Additions	1 054	445	156	7	1 662
Proceeds on disposal	(58)	(27)	(116)		(201)
Depreciation	(130)	(433)	(69)	(2)	(634)
Impairment charge	(14)	(6)			(20)
Profit (loss) on disposal	22	(3)	6		25
Currency adjustments	338	164	6		508
Reclassifications	(16)	(34)	3		(47)
Reclassification to assets classified as held for sale		(2)	(1)		(3)
Net carrying value at end of year	7 425	1 585	247		9 257

Depreciation is calculated on a straight-line basis to write off the cost of each component of an asset to its residual value over its estimated useful life as follows:

Buildings	20 years
Equipment and furniture	3 to 10 years
Motor vehicles	3 to 5 years

In 2013 certain property, plant and equipment were encumbered as security for interest-bearing borrowings amounting to R32 million, refer to note 21.

The value of property, plant and equipment held under capitalised finance leases included above is R5 million (2013: R35 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June 2014

7. TRANSPORT FLEET

	2014 Rm	2013 Rm
Cost	**10 990**	9 808
Accumulated depreciation and impairment	**5 668**	5 182
	5 322	4 626
Net carrying value at beginning of year	**4 626**	4 336
Net acquisition of subsidiaries and businesses		72
Additions	**1 550**	891
Proceeds on disposal	**(291)**	(300)
Depreciation	**(796)**	(704)
Impairment charge	**(1)**	(4)
Profit on disposal	**39**	20
Currency adjustments	**180**	268
Reclassifications	**15**	47
Net carrying value at end of year	**5 322**	4 626

Depreciation is calculated on a straight-line basis to write off the cost of each component of the transport asset to its residual value over its estimated useful life between 3 to 12 years.

Certain transport fleet assets have been encumbered as security for interest-bearing borrowings amounting to R399 million (2013: R274 million), refer to note 21.

The total value of transport fleet assets held under capitalised finance leases included above is R207 million (2013: R197 million).

8. VEHICLES FOR HIRE

	2014 Rm	2013 Rm
Cost	**2 942**	3 130
Accumulated depreciation and impairment	**639**	665
	2 303	2 465
Net carrying value at beginning of year	**2 465**	2 321
Net disposal of subsidiaries and businesses		(35)
Additions	**2 096**	2 662
Proceeds on disposal	**(1 569)**	(1 746)
Depreciation	**(654)**	(673)
Profit (loss) on disposal	**2**	(7)
Reclassification to assets classified as held for sale		(54)
Reclassifications	**(37)**	(3)
Net carrying value at end of year	**2 303**	2 465

Depreciation is calculated on a straight-line basis to write off the cost of each component of the vehicle to its residual value over its estimated useful life between 2 to 5 years.

Certain vehicles for hire have been encumbered as security for interest-bearing borrowings amounting to R23 million (2013: R48 million), refer to note 21.

	2014 Rm	Restated 2013 Rm
9. DEFERRED TAX		
Movement of deferred tax (assets) and liabilities		
Net balance at beginning of year	**404**	177
Adjustment resulting from the adoption of amendments to IAS 19 – *Employee Benefits*		(19)
Charged to profit or loss		
– Current year	**(70)**	111
– Prior year under provisions	**(51)**	63
– Impairment charge	**8**	38
– Tax rate adjustment	**2**	1
– Capital gains tax	**(100)**	(21)
Recognised in other comprehensive income	**30**	(56)
Recognised direct in equity	**21**	
Net acquisitions of subsidiaries and businesses	**(4)**	68
Currency adjustments	**14**	41
Reclassification to assets classified as held for sale		1
Net balance at end of year	**254**	404
Analysis of deferred tax		
– Intangible assets	**394**	265
– Property, plant and equipment	**284**	158
– Transport fleet	**648**	599
– Vehicles for hire	**50**	101
– Investments	**15**	75
– Inventories	**(130)**	(159)
– Provisions and maintenance contracts	**(690)**	(586)
– Deferral of recoupments	**129**	106
– Retirement benefit obligation	**(164)**	(150)
– Tax losses	**(316)**	(160)
– Capital gains tax	**67**	146
– Other	**(33)**	9
	254	404
Deferred tax comprises:		
Deferred tax assets	**(1 101)**	(1 094)
Deferred tax liabilities	**1 355**	1 498
	254	404
Unrecognised tax losses		
Unused tax losses available for offset against future profits	**(2 149)**	(1 537)
Deferred tax asset recognised in respect of such losses	**1 127**	570
Remaining tax losses not recognised	**(1 022)**	(967)

Where entities within the Group are expecting to be profitable and have a high prospect of utilising any noted assessed losses in the future, deferred tax asset are raised. The assessments are performed on a continuous basis and if required the deferred tax asset raised is impaired. Management has assumed that the recoverability of the balance of the unrecognised losses is still in doubt because a trend of profitable growth in the respective entities has not yet been established and hence have not raised deferred tax assets on this balance.

Deferred tax assets were impaired where entities do not show signs of profitability in the future.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
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10. INVESTMENTS AND LOANS

	2014 Rm	2013 Rm
Investments		
Listed at fair value	1 883	2 194
Unlisted at fair value	309	843
	2 192	3 037
Loans – at amortised cost	276	181
Total investments and loans	2 468	3 218
The above investments are categorised as follows:		
Designated at fair value through profit or loss	1 983	3 023
– Investment	1 674	2 166
– Fixed and negotiable deposits	309	857
Available-for-sale	209	14
	2 192	3 037
The maximum exposure to market risk at reporting date for investments designated as fair value through profit and loss equates their carrying value	1 983	3 023
Effective interest rates on loans	5,0% – 11,5%	5,0% – 9,0%
Maturity analysis of investments and loans		
– Maturing within one year	163	595
– Maturing after one year but within five years	330	349
– Maturing after five years	175	94
	668	1 038
Investments realisable at short notice	1 800	2 180
	2 468	3 218

For further disclosures refer to note 38.2.

11. OTHER FINANCIAL ASSETS

	2014 Rm	2013 Rm
Reinsurance receivables	267	227

For further disclosures refer to note 38.2.

12. INVENTORIES

	2014 Rm	2013 Rm
New vehicles	7 515	6 183
Used vehicles	3 557	3 215
Spares, accessories and finished goods	1 673	1 436
Fast moving consumer goods	640	266
Merchandise	192	191
Work in progress	107	111
Fuel and oil	90	90
	13 774	11 492
Inventories carried at net realisable value included above	7 124	3 550
Net amount of inventory write-down expensed in profit or loss	318	62

Certain inventories have been encumbered as security for interest-bearing borrowings amounting to R417 million (2013: R435 million), refer to note 21.

	2014 Rm	2013 Rm
13. TRADE AND OTHER RECEIVABLES		
Trade receivables	**10 688**	9 519
– Gross receivables	**11 117**	9 856
– Provision for doubtful debts	**(429)**	(337)
Prepayments and other receivables	**1 189**	607
Derivative instruments	**5**	311
	11 882	10 437
For further disclosures refer to notes 38.1.5 and 38.2.		
14. CASH RESOURCES		
Deposits and funds at call	**1 379**	810
Cash on hand and at bank	**1 724**	1 034
	3 103	1 844
Effective interest rates	**0,1% – 5%**	0,08% – 4,5%
For further disclosures refer to notes 38.2 and 38.3.		

15. ASSETS CLASSIFIED AS HELD FOR SALE

Tourism disposal group

The tourism division had become subscale in the context of Imperial and consequently the Group disposed of its travel, tourism and coach charter businesses in September 2013.

The major classes of assets and liabilities classified as held for sale at 30 June 2013 were as follows:

	2014 Rm	2013 Rm
Assets		
Intangible assets		1
Property, plant and equipment		3
Vehicles for hire		54
Deferred tax assets		1
Tax in advance		1
Trade and other receivables		30
Cash resources		4
Assets classified as held for sale		94
Liabilities		
Trade and other payables and provisions		46
Liabilities directly associated with assets classified as held for sale		46

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June 2014

	2014 Rm	2013 Rm
16. SHARE CAPITAL AND SHARE PREMIUM		
Authorised share capital		
394 999 000 (2013: 394 999 000) ordinary shares of 4 cents each	**15**	15
50 000 000 (2013: 50 000 000) deferred ordinary shares of 4 cents each	**2**	2
15 000 000 (2013: 15 000 000) preferred ordinary shares of 4 cents each	**1**	1
1 000 (2013: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2013: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each*	**2**	2
	20	20
Issued and fully paid share capital		
207 815 753 (2013: 208 833 715) ordinary shares of 4 cents each	**8**	8
11 025 236 (2013: 12 979 082) deferred ordinary shares of 4 cents each	**1**	1
	9	9
Share premium		
Balance at the beginning of the year	**373**	13
Ordinary shares issued during the year		360
	373	373
Share capital and share premium	**382**	382

* *For non-redeemable, non-participating preference shares in issue refer to note 19.*

Directors' authority to issue ordinary shares and non-redeemable preference shares

The directors have been given general authority until the next annual general meeting to issue:

> not more than five percent of the issued ordinary share capital at 30 June 2013;
> not more than five million of the non-redeemable, non-participating preference shares.

Ordinary shares

The ordinary shares carry one vote per share and are entitled to an ordinary dividend.

Deferred ordinary shares

Ukhamba, the BEE partner that owns an effective 10,1% shareholding in Imperial, facilitated the trading of its shares on an Over the Counter (OTC) Platform to allow our employees and beneficiaries in Ukhamba to monetise their value in Ukhamba. To allow for this, at a general meeting held on 21 October 2013, Imperial shareholders agreed to alter the conversion profile of the deferred ordinary shares to equal predetermined conversions over 12 years. As a result 831 469 deferred shares will convert annually starting on 30 June 2014, with the last conversion on 30 June 2025. The R70 million cost for altering the conversion profile of the deferred shares was charged to profit or loss with a corresponding entry to the share-based payment reserve.

To the end of the current financial year 11 730 153 (2013: 9 776 307) deferred ordinary shares have been converted into ordinary shares.

The deferred ordinary shares carry one vote per share and are not entitled to dividends.

Directors' interests in issued share capital

At year-end the aggregate shareholdings of the directors in the issued ordinary share capital of the company are outlined in note 40.4 on page 87.

	2014 Rm	2013 Rm
17. SHARES REPURCHASED		
7 864 456 (2013: 7 864 456) ordinary shares	**445**	445
5 864 944 (2013: 5 864 944) ordinary shares held by Lereko accounted as shares repurchased *	**(665)**	(665)
	(220)	(220)

* *For the accounting treatment refer to accounting policy 1.4 on page 16.*

	2014 Rm	Restated 2013 Rm

18. OTHER RESERVES

	2014 Rm	Restated 2013 Rm
Share-based payment reserve (for details about the Group's share schemes refer note 18.2)	**(208)**	(267)
Hedge accounting reserve	**(68)**	317
Statutory reserve	**183**	173
Foreign currency translation reserve (refer note 18.1)	**1 470**	951
Premium paid on purchase of non-controlling interests (refer note 18.3)	**(364)**	(157)
Valuation reserve	**44**	6
Changes in net assets of associates and joint ventures	**92**	
	1 149	1 023

The movements for other reserves are shown in the statement of changes in equity on pages 12 and 13.

18.1 Foreign currency translation reserve

	2014 Rm	Restated 2013 Rm
Balance at beginning of year	**951**	259
Goodwill and intangible assets	**346**	674
Investments, loans, other financial assets, associates and joint ventures	**83**	83
Property, plant and equipment	**359**	508
Transport fleet	**180**	268
Deferred tax	**(14)**	(41)
Inventories	**204**	167
Current tax	**5**	(15)
Trade and other receivables	**389**	679
Cash resources	**45**	209
Non-controlling interests	**(14)**	(30)
Retirement benefit obligations	**(114)**	(159)
Interest-bearing borrowings	**(487)**	(857)
Insurance, investment, maintenance and warranty contracts	**(6)**	(10)
Other financial liabilities	**(2)**	(29)
Provisions for liabilities and charges	**(55)**	(95)
Trade and other payables	**(400)**	(660)
Balance at end of year	**1 470**	951

18.2 Share-based payment reserves

The following details applies to the Group's share schemes.

	Number of rights	
Total rights authorised and currently allocated in terms of group share schemes	**2014**	2013
Share Appreciation Rights Scheme	**10 925 436**	11 216 355
Deferred Bonus Plan	**305 495**	119 363
Total rights currently allocated in terms of group share schemes	**11 230 931**	11 335 718

	2014		2013	
Share scheme details are as follows:	**Number of rights**	**Weighted average exercise price (Rand)**	Number of rights	Weighted average exercise price (Rand)
Share Appreciation Rights Scheme				
Rights granted at beginning of year	**11 216 355**	**148,05**	11 631 363	102,01
Rights allocated during the year	**3 197 046**	**193,77**	3 933 387	195,20
Rights exercised during the year	**(2 685 895)**	**84,46**	(3 900 620)	55,32
Rights forfeited during the year	**(802 070)**	**161,64**	(447 775)	127,96
Unexercised rights at end of year	**10 925 436**	**176,38**	11 216 355	148,05

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18. OTHER RESERVES continued

18.2 Share-based payment reserves continued

	Number of rights	
Share scheme details are as follows:	**2014**	2013
Deferred Bonus Plan		
Rights granted at beginning of year	**119 363**	111 930
Rights taken up during the year	**(99 539)**	(111 930)
Rights forfeited during the year	**(19 824)**	
Prior year rights carried forward		
Rights allocated during the year	**305 495**	119 363
Unexercised rights at end of year	**305 495**	119 363

Share Appreciation Rights Scheme – details of rights by year of grant	**Number of rights**	**Average exercise price (Rand)**	**Expiry date**
Grant date			
June 2008	49 373	49,46	May 2015
June 2009	92 485	55,32	June 2016
June 2010	269 862	96,71	June 2017
June 2011	1 195 202	116,59	June 2018
June 2012	2 458 786	170,57	June 2019
June 2013	3 662 682	195,20	June 2020
June 2014	3 197 046	193,77	June 2021
Total unexercised rights at end of year	10 925 436		
Total weighted average price		176,38	

Upon exercise by participants the Group will settle the value of the difference between the exercise and grant price by delivering shares, alternatively as a fall back provision only by settling the value in cash.

The company purchased 2 123 775 ordinary shares in 2010 as a hedge against the company's obligation to deliver shares in terms of the Share Appreciation Rights Scheme and Deferred Bonus Plan (Share Schemes). In 2013, upon vesting of the 2009 allocation of the Share Appreciation Rights in terms of the rules of the Share Schemes, shares repurchased were issued for settlement of the company's obligations. Based on prior years' vesting experience, hedges have been purchased to cover the anticipated number of share appreciation rights that will convert.

Deferred Bonus Plan – details of rights still unexercised by year of grant#	**Number of rights**	**Expiry date**
Grant date		
June 2014	305 495	September 2017
Total unexercised rights at end of year	305 495	

Deferred Bonus Plan – details of rights taken up and not vested#	**Number of rights**	**Vesting date**
Rights taken up		
September 2011	123 542	September 2014
September 2012	96 116	September 2015
September 2013	88 276	September 2016
June 2014	60 787	June 2017

Rights entitle participants to invest a portion of their after-tax bonus in Imperial shares, which, if held for three years, will be matched by the company on a one-for-one basis by the allocation of an equal number of Imperial shares for no consideration.

The fair values for the share-based payment reserve is calculated using a Black-Scholes pricing model.

The inputs into the model established at the grant dates and which have not changed were as follows:

	2014	2013	2012	2011
Share Appreciation Rights Scheme				
Volatility (%)	**28,41**	29,50	30,80	33,30
Weighted average share price (Rand)	**193,77**	195,20	170,57	116,59
Weighted average exercise price (Rand)	**193,77**	195,20	170,57	116,59
Weighted average fair value (Rand)	**46,67**	47,02	43,24	36,14
Expected life (years)	**4,28**	4,32	4,26	3,24
Average risk-free rate (%)	**7,75**	6,50	5,85	7,13
Expected dividend yield (%)	**4,34**	3,89	3,28	3,60
Deferred Bonus Plan				
Volatility (%)	**28,41**	29,50	30,80	33,30
Weighted average share price (Rand)	**193,77**	195,20	170,57	116,59
Weighted average fair value (Rand)	**168,45**	171,89	153,56	103,17
Expected life (years)	**3,23**	3,27	3,20	3,24
Average risk-free rate (%)	**7,75**	6,50	5,85	7,13
Expected dividend yield (%)	**4,34**	3,89	3,28	3,60

The volatilities were determined by calculating the historical volatility of the company's share price over the previous five years. The expected life is determined by the rules of the schemes which dictate the final expiry date.

The current year's share based payment expense charged to profit or loss amounted to R104 million. A current income tax benefit of R10 million was recognised directly in equity.

18.3 Premium paid on purchase of non-controlling interests

The effects of changes in the Group's ownership interest in subsidiaries that did not result in a loss of control during the year were as follows:

R million	Decrease in equity attributable to owners of Imperial	Increase (decrease) in non-controlling interests	Consideration amount
In May 2014 the Group acquired a further 15% ownership interest from a non-controlling shareholder of Eco Health Limited thereby increasing its interest from 53% to 68%. The transaction resulted in a decrease in the put option liability of R289 million with a corresponding entry to equity.	**(176)**	**(97)**	**273**
Aggregate of immaterial transactions	**(49)**	**1**	**48**
2014	**(225)**	**(96)**	**321**
The effects of changes in the Group's ownership interest in subsidiaries that did not result in a loss of control during the prior year were as follows:			
Aggregate of immaterial transactions	(11)	2	9
2013	(11)	2	9

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	2014 Rm	2013 Rm

19. NON-REDEEMABLE, NON-PARTICIPATING PREFERENCE SHARES

	2014 Rm	2013 Rm
Non-redeemable, non-participating preference shares at cost	**441**	441

4 540 041 preference shares were issued during the 2007 financial year and are listed on the JSE under specialist securities – preference shares sector.

These shares are entitled to a preference dividend being 82,5% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms.

The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R33 million (2013: R32 million) which is included in finance cost in profit or loss.

20. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

The Group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to profit or loss. The large majority of South African employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pensions Funds Act, 1956.

	2014 Rm	2013 Rm
Total cost charged to profit or loss	**676**	597

Defined benefit plans

Imperial Logistics International GmbH, a subsidiary located in Germany, operates a number of defined benefit plans for its employees in Europe with a majority of the plans being unfunded. Under the plans the employees are entitled to retirement benefits which are dependent on seniority, length of service and level of pay.

The benefit obligations in Europe are provided for based on actuarial valuations prepared using the projected unit credit method, with the following assumptions:

	%	%
– Discount rate	**3,00**	2,80
– Projected pension payment increase	**1,75**	2,00
– Projected salary and other contribution increase	**2,00**	2,00
– Fluctuation rate (depends on the age of male or female)	**0 – 8,00**	0 – 8,00

The latest actuarial valuation was performed in June 2014. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2015.

The amounts, included in staff costs, recognised in profit or loss in respect of the plans are as follows:

	2014 Rm	Restated 2013 Rm
Current service cost	**25**	14
Expected return on plan assets		(1)
Interest costs	**30**	33
	55	46

The amount included on the statement of financial position arising from the Group's obligations are as follows:

Defined retirement benefit obligations	2014 Rm	Restated 2013 Rm
Carrying value at beginning of year	**1 014**	590
Adjustment resulting from the adoption of amendments to IAS 19 – *Employee Benefits*		61
Remeasurement in other comprehensive income	**(64)**	186
Payments to retired employees	**(38)**	(32)
Plan assets transferred	**2**	4
Currency adjustments	**114**	159
Amounts charged to profit or loss	**55**	46
Carrying value at end of year	**1 083**	1 014

The adoption of amendments to IAS19 – *Employee Benefits*, as outlined in note 2, resulted in the recognition of all previously unrecognised actuarial gains and losses so that the net pension liability reflect the full value of the plan deficit.

The expected payments to retired employees for the next financial year is R40 million and the average duration of the retirement plans varies from 9 to 37 years with a median of 15 years.

A quantitative sensitivity analysis for significant assumptions as at 30 June 2014 is as shown below:

Assumptions	**Discount rate**		**Future pension cost**	
Sensitivity level	1% increase	1% decrease	1% increase	1% decrease
Impact on defined benefit obligation (R million)	(155)	195	140	(118)

Based on past experience life expectancy is assumed to remain unchanged.

The sensitivity analysis have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in the key assumptions occurring at the end of the reporting period.

21. INTEREST-BEARING BORROWINGS

	2014 Rm	2013 Rm
Long-term		
– Loans secured by mortgage bonds over fixed property	**96**	93
– Liabilities under capitalised finance leases	**211**	173
– Instalment sale creditors secured by assets	**20**	50
– Corporate bonds listed on the Bond Exchange of South Africa	**5 837**	4 330
– IPL 4 – matured in March 2014		1 533
– IPL 5 – maturing in September 2015	**500**	500
– IPL 6 – maturing in September 2017	**1 536**	1 536
– IPL 7 – maturing in April 2018	**762**	761
– IPL 8 – maturing in October 2020	**1 525**	
– IPL 9 – maturing in May 2021	**756**	
– IPL 10 – maturing in May 2021	**758**	
– Syndicated bank term loan – maturing in September 2016	**3 467**	3 257
– Bilateral loan – maturing in November 2018	**1 080**	
– Revolving credit facility term loan – maturing in March 2021	**1 500**	
– Unsecured loans	**128**	337
	12 339	8 240
Short-term		
– Unsecured loans, call borrowings and bank overdrafts	**1 601**	1 633
– Commercial paper	**604**	695
Total borrowings at amortised cost	**14 544**	10 568
Less: Current portion of interest-bearing borrowings	**2 697**	4 995
Long-term borrowings	**11 847**	5 573

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21. INTEREST-BEARING BORROWINGS continued

Interest rate analysis	Current year effective rates (%)	2014 Rm	2013 Rm
Fixed			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	3,0 – 7,0	**245**	154
– Capitalised finance leases	16,0		28
– Corporate bonds – IPL 4	9,1		1 533
– Corporate bonds – IPL 6	9,8	**1 536**	1 536
– Corporate bonds – IPL 10	9,4	**758**	
– Syndicated bank term loan	3,1 – 3,5	**2 480**	2 618
– Unsecured loans	2,0 – 6,0	**116**	30
– Bilateral loan – maturing in November 2018	2,5	**1 080**	
Variable linked			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	8,0 – 10,0	**82**	134
– Corporate bonds – IPL 5	7,1 – 7,7	**500**	500
– Corporate bonds – IPL 7	6,6 – 7,2	**762**	761
– Corporate bonds – IPL 8	6,7 – 7,5	**1 525**	
– Corporate bonds – IPL 9	7,4 – 7,5	**756**	
– Syndicated bank term loan	1,4 – 2,6	**987**	639
– Revolving credit facility term loan – maturing in March 2021	7,3 – 7,4	**1 500**	
– Unsecured loans	4,0 – 9,0	**230**	207
– Floorplan – Unsecured loans	4,0 – 11,0	**731**	696
– Commercial paper	5,3 – 5,9	**604**	695
– Notice loans	5,0 – 5,5		142
– Call borrowings	4,5 – 7,5	**583**	867
– Bank overdrafts	1,7 – 6,0	**69**	28
		14 544	10 568

Capitalised finance leases	More than five years Rm	One to five years Rm	Less than one year Rm	2014 Rm	2013 Rm
Total minimum lease payments	61	107	75	**243**	196
Amounts representing finance charges		(7)	(25)	**(32)**	(23)
Present value of minimum lease payments	61	100	50	**211**	173

Summary of long-term borrowings by currency and year of redemption or repayment	2019 and onwards Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2 014 Rm	2 013 Rm
		Rm	Rm	Rm	Rm	**Rm**	Rm
SA rand	4 550	2 298	1	523	1 395	**8 767**	6 333
British pound					204	**204**	176
Euro	291	353	3 009	772	537	**4 962**	3 525
Australian dollar	13	1	1	1	429	**445**	452
Other	3	3	12	16	132	**166**	82
	4 857	2 655	3 023	1 312	2 697	**14 544**	10 568

The Syndicated bank term loan which commenced in September 2012 has repayments of 6,25% every six months and 50% on maturity in September 2016.

Details of encumbered assets	Debt secured 2014 Rm	Debt secured 2013 Rm	Net carrying value of assets encumbered 2014 Rm	Net carrying value of assets encumbered 2013 Rm
Property, plant and equipment (refer to note 6)		29		32
Transport fleet (refer to note 7)	**310**	249	**399**	274
Vehicles for hire (refer to note 8)	**18**	39	**23**	48
Inventories (refer to note 12)	**427**	452	**417**	435
	755	769	**839**	789

Borrowing facilities	2014 Rm	2013 Rm
Total facilities established	**13 401**	10 870
Less: Utilised	**6 698**	4 990
Unutilised borrowing capacity	**6 703**	5 880

In terms of the memorandum of incorporation the borrowing powers of the Group are unlimited.

For interest-rate swap arrangements and futher disclosures refer to notes 38.1.3, 38.1.6, 38.2 and 38.3.

22. INSURANCE, INVESTMENT, MAINTENANCE AND WARRANTY CONTRACTS

	2014 Rm	2013 Rm
Long-term insurance funds	**830**	713
Short-term insurance funds	**575**	570
Maintenance and warranty contracts	**2 905**	2 687
	4 310	3 970
Maturity analysis of insurance, investment, maintenance and warranty contracts		
– Maturing within one year	**1 398**	905
– Maturing after one year but within five years	**2 180**	2 445
– Maturing after five years	**732**	620
	4 310	3 970

See Annexure A for details on insurance funds.

23. OTHER FINANCIAL LIABILITIES

	2014 Rm	2013 Rm
Cross currency and interest-rate swap instruments	**199**	172
Contingent consideration liabilities	**92**	214
Loans payable	**430**	33
Put option liability	**990**	
	1 711	419

The put option liability is to the non-controlling shareholders of Eco Health Limited who have the right to put their remaining shareholding in Eco Health Limited to Imperial Mobility International B.V. Netherlands.

For a maturity analysis and further disclosures refer to notes 38.1.6 and 38.2.

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24. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	Insurance claims 2014 Rm	Dismantling and environmental risk 2014 Rm	Other 2014 Rm	Total 2014 Rm	Restated Total 2013 Rm
At 30 June 2014					
Carrying value at beginning of year	194	397	266	857	1 652
Reclassified to trade and other payables					(766)
Amounts added	84	79	292	455	421
Unused amounts reversed	(1)	(38)	(20)	(59)	(54)
Charged to profit or loss	83	41	272	396	367
Amounts utilised	(159)	(80)	(158)	(397)	(401)
Net acquisitions of subsidiaries and businesses			54	54	28
Currency adjustments	1	44	10	55	95
Reclassifications	5	6	4	15	(118)
Carrying value at end of year	125	408	448	980	857
Maturity profile					
Maturing in less than one year	87	117	304	508	496
Maturing in one to five years	17	71	134	222	229
Maturing in more than five years	20	220	10	250	132
	125	408	448	980	857

Certain of the insurance claims provisions are potentially recoverable from third parties.

Dismantling provisions are raised when a contractual obligation exists to remove buildings or leasehold improvements after termination of the underlying lease contract. The provision for environmental risks include the discounted cost for ongoing ground and water treatment at certain sites and possible risks identified during the environmental due diligence undertaken in the course of the Lehnkering acquisition.

Other provisions include after sales provisions of R113 million and onerous contract provisions of R100 million.

The ageing fairly reflects the timing and amounts of the estimated payments to be made.

25. TRADE AND OTHER PAYABLES

	2014 Rm	2013 Rm
Trade payables and other accruals	15 869	14 833
Deferred income	85	81
Derivative instruments	47	
	16 001	14 914

For further disclosures refer to notes 38.1.6 and 38.2.

	2014 Rm	Restated 2013 Rm
26. REVENUE		
26.1 An analysis of the Group's revenue is as follows:		
Sale of goods	**57 497**	52 544
Rendering of services	**43 194**	36 665
Gross premiums received	**2 802**	3 049
Other	**74**	124
	103 567	92 382
Revenue includes:		
26.2 Revenue received by subsidiaries from the Group's associates and joint ventures		
Sale of goods	**5**	7
Rendering of services	**132**	74
	137	81
Revenue excludes:		
26.3 Revenue between subsidiaries		
Sale of goods	**1 767**	1 974
Rendering of services	**1 263**	1 092
Gross premiums received	**10**	40
Other		3
	3 040	3 109
27. NET OPERATING EXPENSES		
Purchase of goods	**53 217**	48 779
Changes in inventories	**(1 053)**	(2 136)
Cost of outside services	**15 689**	12 509
Reinsurance, claims and premium costs	**1 655**	1 928
Staff costs	**14 472**	12 705
Staff share-based costs	**104**	116
Other operating income	**(1 662)**	(1 411)
Other operating costs	**12 775**	11 732
	95 197	84 222
The above costs include:		
Auditors' remuneration		
– Audit fees	**65**	58
– Consulting services	**6**	2
	71	60
Rental and operating lease charges		
– Property	**1 085**	1 039
– Plant and equipment	**404**	175
– Vehicles	**14**	70
– Transport fleet	**232**	346
– Other	**23**	18
	1 758	1 648
Additional lease charges contingent upon turnover		
– Property	**7**	28
	7	28
Consultancy and other technical fees	**167**	157
Investment income	**(247)**	(192)
Interest income	**(162)**	(132)
Dividends received by investment type		
– Investments designated as fair value through profit or loss	**(83)**	(29)
– Available-for-sale investments	**(2)**	(31)
Fair value gains on investments		
– Gains on investments designated as fair value through profit and loss	**(188)**	(171)

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	2014 Rm	2013 Rm
28. DEPRECIATION, AMORTISATION, IMPAIRMENTS AND RECOUPMENTS		
Depreciation and amortisation		
Intangible assets	**76**	65
Total amortisation of intangible assets	**412**	319
Less: amortisation of intangible assets arising on business combinations	**(336)**	(254)
Property, plant and equipment	**691**	634
Transport fleet	**796**	704
Vehicles for hire	**654**	673
	2 217	2 076
Impairments		
Intangible assets	**7**	3
Plant and equipment	**1**	6
Transport fleet	**1**	4
	2 226	2 089
Recoupments		
Intangible assets	**1**	(3)
Plant and equipment	**(1)**	(3)
Transport fleet	**(39)**	(20)
Vehicles for hire	**(2)**	7
	2 185	2 070
Recoupments from sale of properties, net of impairments		
Recoupments from sale of properties	**150**	22
Impairment of properties	**(37)**	(14)
	113	8

Certain properties have been impaired based on the location and condition of the properties.

	2014 Rm	2013 Rm
29. EXCEPTIONAL ITEMS		
Impairment of goodwill (IAS 36) (refer to note 4)	**(38)**	(139)
Loss on disposal of investments in associates and joint ventures (IAS 28)	**(7)**	(7)
Profit (loss) on disposal of subsidiaries and businesses (IFRS 10)	**81**	(32)
Gross exceptional items	**36**	(178)
Tax expense	**(6)**	(8)
Net exceptional items attributable to owners at Imperial	**30**	(186)
30. FINANCING COST		
Interest paid on financial liabilities not at fair value through profit or loss	**1 052**	769
Interest paid on financial liabilities designated as fair value through profit or loss		71
Foreign exchange loss on monetary items		254
Fair value gains arising from interest-bearing borrowings and interest-rate swap instruments		(254)
Finance cost including fair value gains and losses	**1 052**	840
Finance income on financial assets not fair valued through profit or loss	**(126)**	(96)
	926	744

	2014 Rm	Restated 2013 Rm
31. INCOME TAX EXPENSE		
South African normal tax		
– Current	**1 056**	1 054
– Prior year under (over) provisions	**69**	(59)
	1 125	995
Foreign tax		
– Current	**346**	206
– Prior year under (over) provisions	**1**	(8)
– Tax rate adjustment	**2**	(2)
	349	196
Deferred tax		
– Current	**(70)**	111
– Prior year under (over) provisions	**(51)**	63
– Impairment charge	**8**	38
– Tax rate adjustment	**2**	1
	(111)	213
Withholding and secondary taxes	**11**	9
Capital gains tax		
– Current	**56**	13
– Deferred		24
– Prior year overprovision of deferred tax	**(100)**	(45)
	(44)	(8)
Income tax expense	**1 330**	1 405
Reconciliation of tax rates:	**%**	%
Profit before tax, excluding share of result of associates and joint ventures – effective tax rate	**27,2**	28,1
Income tax effect of:		
– Foreign tax differential	**0,4**	0,2
– Tax assets not recognised and deferred tax impairments	**(0,5)**	(2,0)
– Disallowable charges and capital losses	**(4,1)**	(6,8)
– Exempt and capital income	**4,6**	8,4
– Withholding and secondary taxes	**(0,2)**	(0,2)
– Capital gains tax	**(1,1)**	(0,7)
– Prior year net overprovisions	**1,7**	1,0
	28,0	28,0

Based on its interpretation of tax law and prior experience the Group believes that its accrual for tax liabilities are adequate for all open tax years.

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	2014 Rm	Restated 2013 Rm
32. EARNINGS PER SHARE		
Ordinary shares		
Net profit attributable to owners of Imperial – basic earnings	3 272	3 296
Saving of finance costs by associate on potential sale of Imperial shares	60	43
Diluted earnings	3 332	3 339
Weighted average number of ordinary shares in issue (million)	193,9	191,6
Basic earnings per share (cents)	1 687	1 720
Weighted average number of ordinary shares (million)	193,9	191,6
Adjusted for weighted average potential ordinary shares resulting from:		
– Conversion of deferred ordinary shares to ordinary shares (million)	1,6	5,9
– Potential disposal of shares held by an associate (million)	4,5	4,6
– Potential ordinary shares to be delivered in terms of share schemes (million)		0,1
Weighted average number of ordinary shares for diluted earnings (million)	200,0	202,2
Diluted earnings per share (cents)	1 666	1 651

Headline earnings and diluted headline earnings per share is calculated as follows:

	Gross amount	Income tax	Non-controlling interest	2014 Rm	Restated 2013 Rm
Earnings – diluted				3 332	3 339
Impairment of property, plant and equipment, transport fleet and vehicles for hire (IAS 36)	39	(1)		38	21
Impairment of intangible assets (IAS 36)	7	(2)		5	2
Profit on disposal of property, plant and equipment, transport fleet and vehicles for hire (IAS 16)	(192)	38	2	(152)	(25)
Profit on disposal of intangible assets (IAS 38)	1			1	(2)
Exceptional items	(36)	6		(30)	186
Realised gain on disposal of available-for-sale investments (IAS 39)	(1)			(1)	(7)
Adjustments included in result of associates and joint ventures	18			18	(13)
Headline earnings – diluted				3 211	3 501
Saving of finance costs by associate on potential sale of Imperial shares				(60)	(43)
Headline earnings – basic				3 151	3 458
Weighted average number of ordinary shares in issue (million)				193,9	191,6
Basic headline earnings per share (cents)				1 625	1 805
Weighted average number of ordinary shares for diluted earnings (million)				200,0	202,2
Diluted headline earnings per share (cents)				1 606	1 731

Core earnings and diluted core earnings per share is calculated as follows:

	Gross amount Rm	Income tax Rm	Non-controlling interest Rm	2014 Rm	Restated 2013 Rm
Headline earnings – diluted				**3 211**	3 501
Amortisation of intangible assets arising on business combinations	**336**	**(97)**	**(10)**	**229**	176
Net cost of meeting obligations under onerous contract	**64**	**(20)**		**44**	
Change in economic asumptions on insruance funds	**7**	**(2)**		**5**	
Charge for amending the converson profile of deferred shares	**70**			**70**	
Remeasurement of put option liability	**16**			**16**	
Business acquisition costs	**22**			**22**	15
Remeasurement of contingent considerations and put option liabilities	**(18)**			**(18)**	(66)
Adjustments included in result of associates and joint ventures					3
Core earnings – diluted				**3 579**	3 629
Saving of finance costs by associate on potential sale of Imperial shares				**(60)**	(43)
Core earnings – basic				**3 519**	3 586
Weighted average number of ordinary shares in issue (million)				**193,9**	191,6
Basic core earnings per share (cents)				**1 815**	1 872
Weighted average number of ordinary shares for diluted earnings (million)				**200,0**	202,2
Diluted core earnings per share (cents)				**1 790**	1 795

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
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33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

33.1 Cash generated by operations before capital expenditure on rental assets

	2014 Rm	Restated 2013 Rm
Profit before net financing costs	**5 807**	5 751
Amortisation of intangible assets, net of recoupments	**77**	62
Amortisation of intangible assets arising on business combinations	**336**	254
Depreciation of property, plant and equipment	**691**	634
Depreciation of transport fleet, net of recoupments	**757**	684
Depreciation of vehicles for hire, net of recoupments	**652**	680
Profit on disposal of property, plant and equipment	**(151)**	(25)
Impairment of assets	**46**	27
Exceptional items	**(36)**	178
Fair value gains on investments	**(188)**	(171)
Foreign exchange gains	**(15)**	(92)
Fair value gains	**28**	118
Gain on disposal of available-for-sale financial assets	**(1)**	(10)
Recognition of share-based costs	**104**	116
Charge for amending the conversion profile of the deferred ordinary shares	**70**	
Net movement in insurance, investments, maintenance and warranty contracts	**352**	622
Remeasurement of contingent consideration liabilities	**(18)**	(66)
Remeasurement of put option liability	**16**	
Business acquisition costs	**22**	15
Increase in retirement benefit obligations	**19**	18
Cash generated by operations before changes in working capital	**8 568**	8 795
Working capital movements		
Increase in inventories	**(1 186)**	(2 289)
Increase in trade and other receivables	**(925)**	(448)
(Decrease) increase in trade and other payables and provisions	**(768)**	1 133
	5 689	7 191

	2014 Rm	Restated 2013 Rm
33.2 Acquisition of subsidiaries and businesses		
Goodwill	**579**	331
Intangible assets	**949**	323
Property, plant and equipment	**62**	95
Transport fleet		72
Inventories	**957**	151
Trade and other receivables	**431**	442
Cash resources	**358**	49
Net deferred tax asset (liabilities)	**4**	(70)
Non-controlling interests	**(279)**	(21)
Interest-bearing borrowings	**(580)**	(73)
Other financial liabilities	**(69)**	(8)
Provisions for liabilities and other charges	**(58)**	(28)
Trade and other payables	**(1 428)**	(482)
Net current tax liabilities	**(15)**	(5)
Purchase consideration transferred	**911**	776
Contingent consideration		(75)
Deferred liability	**(299)**	
Fair value of previously held interest		(1)
Business acquisition costs	**22**	15
Cash resources acquired	**(358)**	(49)
Cash flow on acquisition	**276**	666
33.3 Disposal of subsidiaries and businesses[#]		
Intangible assets	**2**	6
Investments, loans, associates and joint ventures		173
Property, plant and equipment	**3**	208
Net deferred tax assets (liabilities)	**1**	(2)
Vehicles for hire	**54**	35
Inventories	**1**	180
Trade and other receivables	**61**	497
Cash resources	**29**	21
Non-controlling interests	**(2)**	(113)
Net current tax liabilities		(3)
Interest-bearing borrowings	**4**	(526)
Provisions for liabilities and other charges	**(4)**	(17)
Trade and other payables	**(84)**	(279)
Net assets disposed	**65**	180
Cash resources disposed	**(29)**	(21)
Fair value of listed shares received (Level 1 in the fair value hierarchy)	**(168)**	
Liability incurred	**30**	
Profit (loss) on disposal of subsidiaries and businesses	**81**	(32)
Cash flow on disposal	**(21)**	127

[#] *Includes the disposal of the tourism business that was classified as held-for-sale at 30 June 2013.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June 2014

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS continued

33.4 Net replacement capital expenditure – excluding rental assets

	2014 Rm	2013 Rm
Expenditure		
– Intangible assets	**(145)**	(116)
– Plant and equipment	**(820)**	(608)
– Transport fleet	**(714)**	(537)
	(1 679)	(1 261)
Proceeds on disposals		
– Intangible assets	**3**	7
– Plant and equipment	**223**	143
– Transport fleet	**291**	300
	517	450
Net expenditure		
– Intangible assets	**(142)**	(109)
– Plant and equipment	**(597)**	(465)
– Transport fleet	**(423)**	(237)
	(1 162)	(811)

33.5 Cash and cash equivalents

	2014 Rm	2013 Rm
Cash resources	**3 103**	1 844
Cash resources included in assets classified as held for sale		4
Short-term loans and overdrafts	**(2 205)**	(2 328)
	898	(480)

34. ORDINARY DIVIDENDS

Interim

– In the current year a dividend of 400 cents per share was paid on 31 March 2014
– In the prior year a dividend of 380 cents per share was paid on 2 April 2013

Final

– A dividend of 420 cents per share is payable on 29 September 2014
– In the prior year a dividend of 440 cents per share was paid on 30 September 2013

Dividends are reflected gross of tax.

	2014 Rm	2013 Rm

35. COMMITMENTS

	2014 Rm	2013 Rm
Capital expenditure commitments to be incurred		
Contracted	1 605	624
Authorised by directors but not contracted	680	311
	2 285	935

The commitments are substantially for the replacement of transport vehicles and the construction of buildings to be used by the Group, which will be financed from proceeds on disposals and existing facilities.

	More than five years Rm	One to five years Rm	Less than one year Rm	2014 Rm	2013 Rm
Operating lease payables					
Property	798	1517	746	3 061	3 059
Vehicles		8	4	12	22
Plant and equipment		35	29	64	95
Transport fleet	121	528	440	1 089	1 564
	919	2 088	1 219	4 226	4 740
Operating lease receivables					
Property	10	25	25	60	70
Vehicles	2	364	195	561	446
Plant and equipment		2	2	4	4
	12	391	222	625	520

36. CONTINGENT LIABILITIES

	2014 Rm	2013 Rm
Subsidiary companies have received summons for claims amounting to R16 million. The Group and its legal advisors believe that these claims are unlikely to succeed.	16	13
The Group has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of associates, for facilities in the normal course of business to the extent that they are used. The utilisation of facilities was:	84	71
Guarantees issued by Imperial Logistics International GmbH	137	130
As part of the NAC sale in 2013 Imperial Holdings have issued a guarantee to secure vendor funding for five years for R80 million.	80	80
Except for the above claims, there is no current or pending litigation that is considered likely to have a material adverse effect on the Group.		

37. RELATED PARTY TRANSACTIONS

The company has no holding company. Subsidiaries, associates, joint ventures, and the group pension and provident funds, are considered to be related parties. During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

From time to time, in the normal course of business, Imperial and its divisions make use of private aircraft hired from competitively selcted charter companies, two of which operate aircraft indirectly beneficially owned by the Group's Chief Executive, Mark Lamberti.

Interest of directors in contracts

The directors have confirmed that they were not interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regard to directors' interest in contracts does not exist.

Subsidiaries

Details of interests in principal subsidiaries are disclosed in note 39.1.

Shareholders

The top 10 shareholders of the company at 30 June 2014 were as follows:

	Share class	Number of shares (000)	% of issued voting capital
Public Investment Corporation Ltd	Ordinary	25 613	12,1
Lynch Family Holdings	Ordinary	8 542	4,0
Ukhamba Holdings (Pty) Ltd	Ordinary	11 730	5,6
Ukhamba Holdings (Pty) Ltd	Deferred Ordinary	11 025	5,2
Lazard Asset Management LLC Group	Ordinary	13 865	6,6
Fidelity International Ltd	Ordinary	9 235	4,4
JP Morgan Asset Management	Ordinary	7 507	3,6
Coronation Asset Management (Pty) Ltd	Ordinary	7 148	3,4
Trilogy Global Advisors LP	Ordinary	6 269	3,0
Lereko Mobility (Pty) Ltd	Ordinary	6 008	2,8
BlackRock Inc	Ordinary	4 826	2,3

A director has shareholdings in certain subsidiaries and receives dividends.

Associates and joint ventures

Details of material investments in associates and joint ventures are disclosed in note 39.5.

Details of revenue derived from associates and joint ventures are outlined in note 26.2.

	2014 Rm	2013 Rm
Purchase of goods and services from associates and joint ventures	**863**	1 054
Key management personnel Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Group.		
The Group reassessed the number of people that constitutes key personnel and adjusted the numbers accordingly.		
At a Group level, key personnel are the executive committees for the six divisions and for the Group.		
Key management personnel remuneration comprises:		
Non-executive directors' fees*	**22**	5
Short-term employee benefits	**214**	981
Long-term employee benefits	**13**	61
Termination benefits		2
	249	1 049
Number of key management personnel	**54**	603
Net gains on share options	**103**	390
The Group has many different operations, retail outlets and service centres where the Group's staff may be transacting.		
Key management have to report any transactions with the group in excess of R100 000. The total value of the goods and services supplied to or from key management on an arm's length basis amounted to:	**32**	38
The Group received insurance premiums on an arm's length basis from the group pension and provident funds to the amount of:	**10**	70
The Group pays for legal services on an arm's length basis from a firm of attorneys in which a director of the company has an interest, amounting to:	**14**	13

* *HR Brody served as an executive director until 28 February 2014. His full remuneration is included in Non-executive directors' fees.*

38. FINANCIAL INSTRUMENTS

38.1 Financial risk factors

The Group's treasury activities are aligned to the company's decentralised business model and the asset and liability committee's (Alco) strategies. The Alco is a board subcommittee responsible for implementing best practice asset and liability risk management with its main objectives being the management of liquidity, interest rate, price and foreign exchange risk. The Alco meets every quarter and follows a comprehensive risk management process. The treasury implements the Alco risk management policies and directives and provides financial risk management services to the various divisional businesses, coordinates access to domestic and international financial markets for bank as well as debt capital markets funding. The treasury monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.

The day-to-day management of foreign exchange risk and credit risk is performed on a decentralised basis by the various business units within the Group's hedging policies and guidelines.

The Group's objectives, policies and processes for measuring and managing these risks are detailed below.

The Group seeks to minimise the effects of these risks by matching assets and liabilities as far as possible or by using derivative financial instruments to hedge these risk exposures.

The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The Group enters into financial instruments to manage and reduce the possible adverse impact on earnings from changes in interest rates and foreign exchange rates.

38.1.1 Market risk

This is the risk that changes in the general market conditions, such as foreign exchange rates, interest rates, commodity prices and equity prices may adversely impact on the Group's earnings, assets, liabilities and capital.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

38.1.2 Currency risk

This is the risk of losses arising from the effects of adverse movements in exchange rates on net foreign currency asset or liability positions.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. In order to manage these risks, the Group may enter into hedging transactions, which make use of derivatives. Derivative instruments are used by the Group for hedging purposes. Such instruments include forward exchange contracts, futures and certain currency options authorised by Alco.

The policy of the Group is to maintain a fully covered foreign exchange risk position in respect of foreign currency commitments with a few exceptions authorised by the Alco. Automotive spare parts may be settled in the spot markets and where specific South African Exchange Control authorisation has been obtained from authorised dealers in foreign exchange up to 75% of forecast annual sales can be covered. The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units within the Group's hedging policies and guidelines. Trade-related import exposures are managed through the use of natural hedges arising from foreign assets as well as forward exchange contracts and the option structures authorised by Alco.

The average exchange rates shown include the cost of forward cover. The amounts represent the net rand equivalent of commitments to purchase and sell foreign currencies, and have all been recorded at fair value.

The Group has entered into certain forward exchange contracts and option structures authorised by Alco that relate to importation of inventories and interest-bearing borrowings at 30 June and specific foreign commitments not yet due. The details of these contracts are as follows:

Foreign currency	Foreign amount (million)	Average exchange rate	Contract value Rm	Marked to market Rm
2014				
Imports				
US dollar	**258**	**10,77**	**2 779**	**2 761**
Euro	**136**	**14,38**	**1 956**	**1 899**
Pound sterling	**12**	**17,63**	**204**	**200**
Japanese yen	**163**	**0,11**	**17**	**17**
Other	**1**		**6**	**6**
			4 962	**4 883**
Interest-bearing borrowings				
Japanese yen	**3 114**	**0,14**	**450**	**326**
			5 412	**5 209**
2013				
Imports				
US dollar	197	9,16	1 805	1 987
Euro	120	11,49	1 378	1 574
Pound sterling	12	15,13	189	194
Japanese yen	7 446	0,10	731	761
Other			5	5
			4 108	4 521
Interest-bearing borrowings				
Japanese yen	3 633	0,14	525	422
			4 633	4 943

Fair value is calculated as the difference between the contracted value and the value to maturity. The fair value adjustments are included in trade and other receivables and trade and other payables.

The impact from a 10% movement in the valuation of the Rand would approximately have a R8 million impact on group's equity. The 10% sensitivity rate is based on management's assessment of a reasonable possible change in foreign exchange rates over the foreseeable future.

The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains or losses on remeasurement of foreign denominated financial assets and liabilities translated at spot rates are offset by equivalent gains or losses in currency derivatives.

Divisional currency risk

Logistics Africa

The risk in this division is limited with certain transactions in foreign currencies, which result in foreign currency denominated debtors and creditors. In order to mitigate the risks which arise from this exposure, these items are settled immediately or where foreign exchange contracts are available the risk is hedged within a 50% minimum group risk policy for African businesses.

Logistics International

Currency risk exposure arises from the conclusion of transactions in currencies other than the functional currencies of operations in the Netherlands, Belgium, France, Germany, Poland and Sweden. All material exposures arising from transactions external to the Group are covered by forward exchange contracts. Translation risk arises from the net investment in overseas businesses in the United Kingdom, Australia, United States of America, South America, Poland and Sweden. These translation exposures are recognised directly in equity through the translation reserve and only included in charged to profit or loss when the subsidiary is sold. No net investment hedges are in place.

38. FINANCIAL INSTRUMENTS continued

Vehicle import, distribution, and dealerships

The Group's major currency exposure exists in this division. Risk exposures result from vehicles, spare parts and equipment being imported, and invoiced in foreign currency. Forward exchange contracts, futures and certain currency options are used to hedge this exposure. Up to 75% of forecast annual sales can be covered should it be deemed necessary. In addition, investments in overseas businesses result in translation risk, which is recognised directly in equity through the translation reserve and only charged to profit or loss should the investment be sold. No net investment hedges are in place.

Vehicle retail, rental and aftermarket parts

Risk exposure is limited to translation risk for investments in dealerships in the United Kingdom, operational cash flows in these dealerships are in the functional currencies of those countries, and exposure to currency risk results from translation into our presentation currency (ZAR). This division is also exposed to certain small transactions in foreign currencies, which result in foreign currency denominated creditors. In order to mitigate the risks which arise from this exposure, forward exchange contracts are taken to hedge this exposure.

Insurance

Risk exposures result from foreign operations as well as the division holding investments in foreign equities, which are administered by portfolio managers and monitored by an investment committee.

38.1.3 Interest rate risk

This is the risk that fluctuations in interest rates may adversely impact on the Group's earnings, assets, liabilities and equity.

The Group is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by matching fixed and floating rate assets and liabilities wherever possible and to achieve a repricing profile in line with Alco directives. Use is made of interest rate derivatives. The Group analyses the impact on profit or loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

The Group's treasury follows a centralised cash management p`rocess including cash management systems across bank accounts in South Africa to minimise risk and interest costs. The Group's offshore cash management is managed by the treasuries in Germany, the United Kingdom and the Netherlands.

The interest rate profile of total borrowings is reflected in note 21.

The Group has entered into interest rate derivative contracts that entitle it to either receive or pay interest at floating rates on notional principal amounts and oblige it to pay or receive interest at fixed rates on the same amounts.

Details of the interest rate derivative instruments at 30 June 2014 were as follows:

	Notional amount Rm	Current year effective rate (variable)%	Derivative contract rate (fixed)%
Corporate bond – IPL 7 (swap from variable to fixed)	500	6,6 – 7,2	8,7
Revolving credit facility term loan (swap from variable to fixed)	1 500	7,3 – 7,4	8,8

The financial services division in addition to its short-term deposits, has fixed rate investments, such as negotiable certificate of deposits (NCDs), gilts and bonds. The risk is mitigated by the use of fund managers under the guidance of the investment committee, which has ultimate responsibility for the investment portfolio's risk profile and related decisions.

The 1% increase or decrease in interest rates represents management's assessment of the reasonably possible changes in interest risk. The impact of a 1% increase in interest rates will have an annualised R20 million (2013: R12 million) effect on group after tax profit and equity.

38.1.4 Equity price risk

The Group is exposed to equity price risk as it holds equity securities, which are classified as either available-for-sale or held for trading.

The sensitivity analysis has been determined based on the exposure to equity price risk at 30 June. The impact of a 10% increase in the equity index will have a R33 million (2013: R38 million) effect on group after tax profit and a R36 million (2013: R38 million) impact on equity. The sensitivity is based on management's assessment of a reasonable move in equity prices over the foreseeable future.

Divisional equity price risk

Insurance

The insurance division has limited its exposure to equities to minimise the volatility that the equity price risk brings to the Group's statement of profit or loss. The equity portfolio consists of high-quality securities. The risk is monitored by the investment committee reviewing performance of the portfolio taking into cognisance of the Group's risk appetite and cash requirements. The investment portfolios are well diversified and hedges are implemented when approved by the investment committee.

38.1.5 Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where needed, the Group obtains appropriate collateral to mitigate risk. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards.

The carrying amount of financial assets represents the maximum credit exposure on 30 June 2014. None of the financial assets below were given as collateral for any security provided.

The Group only enters into financial deposits with authorised financial institutions of high credit ratings assigned by international or recognised credit-rating agencies.

Cash resources

It is group policy to deposit short-term cash with reputable financial institutions with investment grade credit ratings assigned by international or recognised credit-rating agencies or counterparties authorised by the investment committee.

Trade accounts receivable

Trade accounts receivable consist of a large, widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Creditworthiness of trade receivables is assessed when credit is first extended and is reviewed regularly thereafter. The granting of credit is controlled by the application of account limits. Where considered appropriate, use is made of credit guarantee insurance.

	2014 Rm	2013 Rm
Trade and other receivables that are neither past due nor impaired	**8 571**	7 460
Past due trade receivables	**2 117**	2 059
Less than 1 month	**1 440**	1 442
Between 1 – 3 months	**391**	384
More than 3 months	**189**	170
Past due more than 1 year	**97**	63
Total trade receivables	**10 688**	9 519

Based on past experience, the Group believes that no impairment is necessary in respect of trade receivables not past due as the amount relates to customers that have a good track record with the Group, and there has been no objective evidence to the contrary.

Included in trade receivables are receivables which are past the original expected collection date (past due) at the reporting date. There has not, however, been a significant change in credit quality and the amounts are still considered recoverable. Those which are not considered to be recoverable have been included in the provision for doubtful debts below. A summarised age analysis of past due trade receivables is set out above.

The overdue trade receivables ageing profile above is considered typical of the various industries in which certain of our businesses operate. Given this, existing insurance cover, and the nature of the related counterparties these amounts are considered recoverable.

38. FINANCIAL INSTRUMENTS continued

Provision for doubtful debts for trade receivables

Before these financial instruments can be impaired, they are evaluated for the possibility of any recovery, which includes an examination of the length of time they have been outstanding. Provision is made for bad debts on trade accounts receivable. Management does not consider that there is any material credit risk exposure not already covered by a doubtful debt provision.

There is no significant concentration of risk in respect of any particular customer or industry segment. There is no single customer whose revenue streams exceed 10% of the Group's revenue.

Provision for doubtful debts for trade receivables	2014 Rm	2013 Rm
Set out below is a summary of the movement in the provision for doubtful debts for the year:		
Carrying value at the beginning of the year	**337**	345
Net acquisition of subsidiaries and businesses	**66**	10
Amounts reversed to profit or loss	**(3)**	(3)
Charged to profit or loss	**65**	3
Amounts utilised during the year	**(45)**	(36)
Currency adjustments	**9**	18
Carrying value at the end of the year	**429**	337

Divisional credit risk

Logistics

Risk exposures arise from the granting of credit to customers. The risk is managed by strict monitoring of credit terms. The risk is mitigated by stringent background checks on all new customers, as well as taking legal action against defaulting customers.

Vehicle import, distribution and dealerships

Risk exposures arise from the supply of vehicles and equipment to external dealerships and customers. Where vehicles are supplied to external dealerships these are generally covered by a dealer floorplan with a bank, and will usually settle within credit terms, and exposure to credit risk is therefore minimised. When dealing with external retail customers, the vehicle is required to be fully financed before delivery, thereby mitigating credit risk to the division.

Vehicle retail, rental and aftermarket parts

Risk exposures arise from the granting of credit to customers for parts, spares and vehicle rental. The risk is managed by monthly review of trade receivables ageing. The risk is mitigated by stringent background checks and credit limits being imposed on all new customers, continuous review of credit limits, as well as taking legal action against defaulting customers. Where our dealerships are transacting with external retail customers, the vehicles are required to be fully financed before delivery, thereby mitigating credit risk to the division.

Insurance

Risk exposures arise from commission being paid to brokers in advance. The risk arises as the client may lapse a policy at any point during the period. The risk is monitored by the credit committee and is mitigated by vetting all brokers, as well as retaining a percentage of the commission.

Guarantees

Guarantees issued to bankers and others, on behalf of subsidiaries, for facilities, as well as guarantees to investors in commercial paper and corporate bond issues, are disclosed in note 14 on page 94 to the company annual financial statements.

There were no guarantees provided by banks to secure financing during 2014 and 2013.

38.1.6 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 that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The responsibility for liquidity risk management rests with the Alco, which has developed an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding requirements. The Group accesses the corporate bond market to ensure that there is sufficient long term funding within the funding mix together with long-term bank facilities.

The Group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised committed borrowing facilities are maintained. Unutilised borrowing facilities are reflected in note 21.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

Contractual maturities (which includes interest) of financial liabilities are as follows:

2014	Carrying amount Rm	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Maturity profile of financial liabilities					
Interest-bearing borrowings*	14 544	17 820	2 771	10 017	5 032
Other financial liabilities	1 711	2 006	377	712	917
Trade payables and accruals	15 869	15 869	15 869		
Current derivative financial liabilities	47	47	47		
	32 171	35 742	19 064	10 729	5 949
Percentage profile – financial liabilities	100%	100%	53%	30%	17%

* *Excludes R441 million non-redeemable, non-participating preference shares (refer to note 19).*

38.2 Fair value measurement

38.2.1 Fair value hierarchy

The Group's financial instruments carried at fair value are classified into three categories defined as follows:

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments. These instruments consists of listed equity securities.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments classified as level 2 are mainly comprised of short-term deposits and over the counter (OTC) derivatives instruments.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

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38. FINANCIAL INSTRUMENTS continued

The following table shows which financial instruments on the statement of financial position are carried at amortised cost and which are carried at fair value. Financial instruments carried at fair value are further categorised into the appropriate fair value hierarchy.

2014 Financial instrument	Carrying value Rm	At fair value Level 1 Rm	Level 2 Rm	Level 3 Rm	At amortised cost Rm
Financial assets					
Investments and loans	2 468	1 883	309		276
Investments	2 192	1 883	309		
Loans	276				276
Other financial assets	267				267
Trade and other receivables	11 882		5		11 877
Trade receivables and prepayments	11 877				11 877
Derivative instruments	5		5		
Cash resources	3 103				3 103
	17 720	1 883	314		15 523
Financial liabilities					
Non-redeemable, non-participating preference shares	441				441
Interest-bearing borrowings	14 544				14 544
Other financial liabilities	1 711		209	1 072	430
Cross currency and interest-rate swap liabilities	199		199		
Contingent consideration liabilities	92		10	82	
Loans payable	430				430
Put option liability	990			990	
Trade and other payables	15 916		47		15 869
Trade payables and other accruals	15 869				15 869
Derivative instruments	47		47		
	32 612		256	1 072	31 284

38.2.2 Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R1 072 million were estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key assumptions used in the valuations includes the assumed probability of achieving profits targets and the discount rates applied. The assumed profitability were based on historical performances but adjusted for expected growth.

The following table shows how the fair value of the level 3 financial liabilities as at 30 June 2014 would change if the key assumption was to be replaced by a reasonable possible alternative.

Financial instruments	Valuation technique	Main assumption	Carrying value Rm	Decrease in liability Rm
Put option liability	Income approach	Earnings growth	990	(117)
Contingent consideration liability	Income approach	Assumed profits	82	(2)

Movements in level 3 financial instruments carried at fair value

The following tables shows a reconciliation of the opening and closing balances of level 3 financial instruments carried at fair value at 30 June 2014:

Financial assets	Unlisted investments
Carrying value at beginning of year	129
Purchases	
Disposals	(51)
Fair valued to profit or loss	
Currency adjustments	10
Transfers to level 2	(88)
Carrying value at the end of the year	

Financial liabilities	Put option liability Rm	Contingent consideration Rm	Total Rm
Carrying value at beginning of year		214	214
Initial recognition direct in equity	1 289		1 289
Reversed in equity on buy-out of non-controlling interest	(289)		(289)
Fair valued through profit or loss	16	(18)	(2)
Settlements		(39)	(39)
Currency adjustments	(26)	13	(13)
Transfers to level 2		(88)	(88)
Carrying value at the end of the year	990	82	1 072

Transfers between hierarchy levels

A short-term fixed deposit, which was previously classified as level 3 has been reclassified to level 2, which is considered a more appropriate classification.

38.2.3 Fair value of financial instruments carried at amortised cost

The following table sets out instances where the carrying amount of financial liabilities, as recognised on the statement of financial position at 30 June 2014, differs from their fair values. In all other instances the carrying amounts of the Group's financial assets and liabilities approximate their fair values.

	Carrying value Rm	Fair value* Rm
Listed corporate bonds (included in interest-bearing borrowings)	5 837	5 830
Listed non-redeemable, non-participating preference shares	441	377

* *The fair values were determined with reference to unadjusted observable market data (level 1 in the fair value hierarchy).*

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38. FINANCIAL INSTRUMENTS continued

38.3 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns and growth for shareholders and benefits for other stakeholders. The Group maintains an appropriate mix of equity and equity like instruments and debt in order to optimise the weighted average cost of capital (WACC) within an appropriate risk profile. Capital allocation is evaluated against the expected and forecast return on invested capital against the appropriate WACC for that division or business.

The Group has externally imposed capital requirements in terms of debt covenants on bank facilities. The covenant requires the Group to maintain a net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) of below 3.5:1. The ratio at 30 June 2014 is 1.55:1 (2013: 1.2:1). Our insurance businesses have externally imposed regulatory capital requirements as set out in Annexure A.

Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash resources.

	2014 Rm	2013 Rm
Interest-bearing borrowings*	14 985	11 009
Less: Cash resources	3 103	1 844
Net debt	11 882	9 165
Total equity	18 109	17 536
Gearing ratio	65,6%	52,3%

* *Includes R441 million non-redeemable, non-participating preference shares.*

There were no defaults or breaches in terms of interest-bearing borrowings during either reporting periods.

There were no reclassifications of financial assets or financial liabilities that occurred during the year. There were no financial assets or liabilities settled or extinguished which did not meet the derecognition requirements.

39. INTEREST IN OTHER ENTITIES

39.1 Composition of the Group

Imperial is a diversified, international group of companies involved in mobility. The consolidated financial statements include the accounts of Imperial Holdings Limited (the Company) and all of its subsidiaries at 30 June 2014.

The Group holds a majority voting rights in all of its subsidiaries. Non-controlling shareholders have significant interests in three of the Group's subsidiaries. Material associates to the Group are MDS Logistics, MiX Telematics and Ukhamba Holdings. Details are provided below.

39.1.1 The principal operating subsidiaries of the Company and their activities are:

Subsidiary	Place of incorporation	Ownership interest (%)	Nature of business
Associated Motor Holdings (Pty) Limited*	South Africa	90	Associated Motor Holdings (Pty) Limited (AMH) imports and distributes passenger and light and heavy commercial vehicles, automotive products, motorcycles and industrial equipment in Southern Africa. It also sells maintenance and warranty products. Further details on the composition of the Associated Motor Holdings (Pty) Limited Group is provided in note 39.1.2.
Boundlesstrade 154 (Pty) Limited	South Africa	90	E-Z-GO, a distributor of golf carts is housed within Boundlesstrade. Its market includes golf courses and estates as well as healthcare and hospitality industries. This subsidiary also houses associates and joint ventures which distribute Chery and Foton motor vehicles.

Subsidiary	Place of incorporation	Ownership Interest (%)	Nature of business
CIC Holdings Limited	Namibia	100	CIC operates within the Fast Moving Consumer Goods Industry through agency agreements with blue chip manufacturers. Its service offering includes selling, merchandising, warehousing, distribution, debtors' administration, and staffing and security solutions. The group has facilities in all the main centres throughout Namibia, Botswana, Swaziland, Mozambique and South Africa.
Imperial Holdings International Cooperation U.A.	Netherlands	100	Business conducted by Imperial Holdings International Cooperation U.A and its subsidiaries comprises integrated logistics solutions and vehicle sales. Further details on the composition of Imperial Holdings International Cooperation U.A. is provided in note 39.1.3.
Imperial Group Limited#	South Africa	100	Business conducted by Imperial Group Limited comprises, vehicle rental, motor trading, automotive parts, property investments, transportation, logistics, sale of motor components, panel beating and group services. Details on the businesses included are provided in note 39.1.4.
Jurgens Ci (Pty) Limited	South Africa	100	Jurgens Ci is Southern Africa's largest manufacturer of caravans, motor homes and specialised conversions. Their network of dealers throughout South Africa and Namibia, and exports to Australia.
Midas (Pty) Limited*	South Africa	75	The Midas group markets and distributes quality automotive parts and accessories, D.I.Y and leisure products through selected channels. The group consists of Parts Incorporated Africa, the national hub and spoke distribution business, NAPA, the marketing co-operative to the members of the leading local brands, and the franchises Midas, Motolek, ADCO, CBS and Auto Care & Diagnostics.
Regent Insurance Company Limited#	South Africa	100	Regent Insurance is a registered short term insurer of motor related value added insurance products, including extended warranties, credit insurance, paint protection, commercial vehicles, goods in transit cover and comprehensive passenger car cover. Regent Insurance operates in South Africa, Botswana and Lesotho.
Regent Life Assurance Company Limited#	South Africa	100	Regent Life is a registered life assurer. Its products include credit life, funeral cover, underwritten risk cover and savings products sold primarily through dealers, financial institutions, brokers and affinity schemes. Regent Life operates in South Africa, Botswana and Lesotho.

* *Further details are provided on non-controlling interest, refer to note 39.4.*

\# *Certain restrictions apply to this subsidiary, refer to note 39.2.*

39. INTEREST IN OTHER ENTITIES continued

39.1 Composition of the Group continued

39.1.2 Principal subsidiaries of Associated Motor Holdings (Pty) Limited, held directly or indirectly, are as follow:

Subsidiary	Place of incorporation	Ownership Interest (%)	Nature of business
Accordian Investments (Pty) Limited	South Africa	60	Accordian is an importer and distributor of TATA vehicles and parts for South Africa.
Hyundai Auto South Africa (Pty) Limited	South Africa	100	Hyundai Auto SA is an importer and distributor of Hyundai vehicles and parts for Southern Africa. The group has established a network of dealerships in South Africa, Namibia and Botswana.
Imperial Car Imports (Pty) Limited	South Africa	100	Imperial Car Imports has a 60% interest in Renault SA (Pty) Limited. Renault SA through distribution agreements with Renault SAS France imports and distributes Renault motor vehicles and parts in South Africa.
Imperial Daihatsu (Pty) Limited	South Africa	100	Imperial Daihatsu is an importer and distributor of Daihatsu vehicles and parts for Southern Africa. The group has established a network of dealerships in South Africa, Namibia and Botswana.
Kia Motors SA (Pty) Limited	South Africa	100	Kia Motors is an importer and distributor of Kia vehicles and parts for South Africa.
KMSA Holdings (Pty) Limited	South Africa	75	KMSA is an importer of all Kawasaki motorcycle and personal watercraft products for Southern Africa.
Uvundlu Investments (Pty) Limited	South Africa	75	Uvundlu houses the Goscor Group, which imports, distributes and rents forklifts, cherry pickers and cleaning equipment, tooling, and powered products, and provides after-sales parts and services for a range of represented brands.

39.1.3 Principal subsidiaries of Imperial Holdings International Cooperation U.A.

Subsidiary	Place of incorporation	Ownership Interest (%)	Nature of business
Imperial Logistics International GmbH	Germany	100	The subsidiary houses the Imperial Shipping Group. Imperial Shipping implement efficient transport solutions on Europe's waterways. It has a fleet of inland vessels used on European waterways. In addition to dry cargo, tanker, gas and coastal shipping, the range of services includes container transport and industrial logistics.
Neska	Germany	65	A specialist for intermodal shipments of diverse goods, Neska operates bulk and container terminals in the main industrial centres along Germany's inland waterways.
Panopa	Germany	100	A contract logistics specialist providing a broad range of services from the beginning to the end of the supply chain. Panopa services the steel, automotive and spare parts industries.
Lehnkering Group	Germany	100	Lehnkering specialises in chemical logistics, offering transport, warehousing distribution and extensive value added services such as manufacturing and packaging on behalf of its customers. It has 55 locations in Europe and one in the USA.
Imperial Mobility UK	United Kingdom	100	Imperial Mobility UK is involved in the commercial vehicle market, from light commercial to medium, heavy and extra-heavy commercial vehicles. It sells new and used vehicles and vans as well as related financial services, parts and servicing.
Associated Motors Australia (Pty) Ltd	Australia	90	This operation retails Ford, Mitsubishi and Renault through six dealerships in the Sydney area.
Eco Health Limited	Nigeria	68	Eco Health is a leading distributor of pharmaceutical products in Nigeria. Based in Lagos, Nigeria, the company also has operations in Ghana and Dubai. Further details are provided on non-controlling interest, refer to note 39.4.

39. INTEREST IN OTHER ENTITIES continued

39.1 Composition of the Group continued

39.1.4 Principal businesses of Imperial Group Limited

Business	Place of incorporation	Ownership Interest (%)	Nature of business
Logistics	South Africa	100	These businesses provides a complete logistics solutions including transportation, warehousing, distribution and related value added services in South Africa.
Automotive	South Africa	100	The Automotive business within Imperial Group Limited comprises of commercial, passenger and light commercial dealerships in South Africa. The franchise dealerships represent virtually every major OEM brand.
Car rental	South Africa	100	The Car Rental operations housed within Imperial Group Limited comprises of three business units: Car Rental (Europcar and Tempest), Used Car Sales (Auto Pedigree brand) and Panel repair centres. This unit operates in Southern Africa.
Finance	South Africa	100	Provides the treasury function of the Group.

39.2 Significant restrictions

The following table show significant restrictions that apply to three of the Group's subsidiaries. The amounts disclosed represents the carrying values of total assets and total liabilities in the consolidated statement of financial position net of inter-group eliminations.

	Total assets		Total liabilities	
R million	**2014**	2013	**2014**	2013
The externally imposed capital requirements placed on the Group in terms of debt covenants on bank facilities requires that Imperial Group Limited, a wholly owned subsidiary, maintain a ratio of financial indebtedness to the financial indebtedness of the Group that is higher than the ratio of the EBITDA of Imperial Group Limited to the EBITDA of the Group.	**12 397**	12 089	**13 142**	10 340
Our long-term insurance operation have regulatory imposed capital adequacy requirements. The capital adequacy requirement is an estimate of the minimum capital that will be required to meet fairly substantial deviations from the main assumptions affecting their business. At 30 June 2014 the capital adequacy requirements was R94 million and the ratio of excess assets to capital adequacy requirements was 3.3.	**1 865**	1 650	**1 248**	1 055
Our short-term insurance operations are required to maintain, at all times, a statutory surplus asset ratio and free assets after spreading limitations. The returns submitted by the company to the regulator showed that the company met the minimum capital requirements with a solvency ratio of 40.2% at 30 June 2014.	**2 534**	2 698	**1 494**	1 536

39.3 Business combinations during the year

Subsidiaries and businesses acquired	Nature of business	Operational segment	Date acquired	Interest acquired (%)	Purchase consideration transferred Rm
Renault South Africa (Pty) Ltd*	Vehicle importer and Distributor	Vehicle Import, Distribution and Dealerships	December 2013	60	65
Eco Health Limited**	Distributor of pharmaceutical products in Nigeria	Logistics Africa	March 2014	53	813
Aggregate of immaterial acquisitions					33
					911

* *Previously accounted for as a 49% associate.*
** *The Group increased its interest in Eco Health to 68% in May 2014.*

Fair value of assets acquired and liabilities assumed at date of acquisition:	Renault South Africa (Pty) Ltd Rm	Eco Health Limited Rm	Individually immaterial acquisitions Rm	Total Rm
Assets				
Intangible assets	223	714	12	949
Property, plant and equipment	2	37	23	62
Deferred tax asset	138			138
Inventories	570	362	25	957
Trade and other receivables	231	197	3	431
Cash resources	273	84	1	358
	1 437	1 394	64	2 895
Liabilities				
Deferred tax liabilities		131	3	134
Interest-bearing borrowings	452	100	28	580
Other financial liabilities		69		69
Trade and other payables and provisions	1 040	439	7	1 486
Current tax liabilities		15		15
	1 492	754	38	2 284
Acquirees' carrying amount at acquisition	(55)	640	26	611
Non-controlling interests	22	(301)		(279)
Net assets acquired	(33)	339	26	332
Purchase consideration transferred	65	813	33	911
Cash paid	65	514	33	612
Liabilities incurred†		299		299
Excess of purchase price over net assets acquired	98	474	7	579

† *Paid after the reporting period.*

Reasons for the acquisitions

The Group acquired an additional 11% shareholding in Renault South Africa (Pty) Ltd for R65 million, thereby increasing its shareholding from 49% to 60%. The acquisition grants Imperial control over the activities of Renault in South Africa and further diversifies the Group's distribution portfolio. The remeasurement of the previously held equity interest in Renault SA had no impact on profit or loss and other comprehensive income for the year.

39. INTEREST IN OTHER ENTITIES continued

39.3 Business combinations during the year continued

The Eco Health Limited acquisition is in line with the Group's strategy to grow businesses into the rest of Africa, which is focused on the distribution of consumer goods and pharmaceutical products. The acquisition further compliments the Imperial Health Sciences business and the 49% equity interest in MDS Logistics both of which have expertise in warehousing and logistics solutions in the pharmaceutical industry. Eco Health adds sales and marketing capabilities to Imperial's services offering and will enable Imperial to offer an end-to-end capability to our customers in Nigeria's fast-growing pharmaceutical sector.

The other businesses were acquired to complement and expand our distribution of motor vehicles parts in South Africa and the United Kingdom.

Acquisition cost

Acquisition cost for business acquisitions concluded during the year amounted to R17 million and have been recognised as an expense in profit or loss within the business acquisition costs line item.

Impact of the acquisition on the results of the Group

From the dates of acquisition the businesses acquired during the year contributed revenue of R2 894 million, operating profit of R73 million and a net loss of R19 million. The net after tax loss of R19 million includes the after tax impact of the funding cost of R9 million calculated on the cash consideration paid on acquisition, the fair value loss on the remeasurement of the put option liability of R16 million and the amortisation of intangible assets arising out of the business combinations of R27 million.

Had all the acquisitions been consolidated from 1 July 2013, they would have contributed additional revenue of R5 673 million, operating profit of R204 million and a net loss of R17 million. The Group's total revenue would have increased to R106 346 million, operating profit increased to R6 316 million and net profit increased to R3 629 million. The net after tax loss of R17 million includes the after tax impact of the funding cost of R20 million calculated on the cash considerations paid on acquisitions, the amortisation of intangible assets arising out of the business combinations of R77 million and the loss on the remeasurement of the put option liability of R40 million.

Separate identifiable intangible assets

As at the acquisition date the fair value of the separate identifiable intangible assets was R949 million. This fair value, which is classified as level 3 in the fair value hierarchy, was determined using the Multi-period Excess Earnings Method (MEEM) valuation technique.

The significant unobservable valuation inputs were as follows:

	Eco Health Limited	Renault SA (Pty) Ltd
– Discount rates	17,5%	15,1%
– Terminal growth rates	7,3%	5,8%

The assumptions used in arriving at projected cash flows were based on past experience and adjusted for any expected changes.

Other details

Trade and other receivables had gross contractual amounts of R497 million of which R66 million was doubtful. Non-controlling interests have been calculated based on their proportionate share in the acquiree's net assets. None of the goodwill is deductible for tax purposes.

Acquisition after the reporting period

The Group acquired 62,5% interest in Pharmed Pharmaceuticals (Pty) Ltd, a pharmaceutical wholesaler, for R148 million in July 2014. No disclosures for the acquisition date net asset fair values are provided as the initial accounting for the business combination was incomplete at the time that the financial statements were authorised for issue.

39.4 Non-controlling interest in the Group's activities

The following subsidiaries have non-controlling interest that are material to the Group.

Subsidiary	Principal place of business	Operating segment	Ownership interest held by NCI (%) 2014	Ownership interest held by NCI (%) 2013
Associated Motor Holdings (Pty) Limited	South Africa	Vehicle Import, Distribution and Dealerships	**10**	10
Midas (Pty) Limited	South Africa	Vehicle Retail, Rental and Aftermarket parts	**25**	25
Eco Health Limited	Nigeria	Logistics Africa	**32**	

The following is summarised financial information for AMH, Midas and Eco Health, based on their respective consolidated financial statements prepared in accordance with IFRS, modified for fair value adjustments made at time of acquisition and differences in accounting policies. The information is before inter-company eliminations with other entities in the Group.

	AMH		**Midas**		**Eco Health^**	
R million	**2014**	2013	**2014**	2013	**2014**	2013
Revenue	**22 336**	20 847	**3 869**	3 541	**646**	
Net profit for the year	**1 248**	1 856	**159**	170	**16**	
Net profit attributable to non-controlling interests	**161**	221	**41**	43	**5**	
Other comprehensive income	**(411)**	12			**(22)**	
Total comprehensive income	**837**	1 868	**159**	170	**(6)**	
Total comprehensive income attributable to non-controlling interests	**120**	222	**41**	43	**(3)**	
Total assets	**14 297**	11 993	**1 146**	1 037	**1 354**	
Total liabilities	**9 394**	7 141	**602**	542	**813**	
Total equity	**4 903**	4 852	**544**	495	**541**	
Equity attributable to non-controlling interests	**606**	575	**140**	129	**173**	
Dividends paid to non-controlling interest	**98**	152	**25**	20	**28**	

^ *Acquired in March 2014. Total comprehensive income for four months ended June 2014.*

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39. INTEREST IN OTHER ENTITIES continued

39.5 Interest in associates and joint ventures

The following associates are material to the Group. They are all equity accounted.

	MiX Telematics Limited	MDS Logistics PLC	Ukhamba Holdings (Pty) Limited
Nature of relationship with the Group	Operations include vehicle tracking and fleet management. Provides services to Imperial's new and used vehicle dealerships.	Strategic supply chain provider, providing access to new markets in Africa.	Imperial's black economic empowerment partner.
Principal place of business/ Country of incorporation	South Africa	Nigeria	South Africa
Ownership interest/ Voting rights held	25,6% (2013: 28,7%)	49,0%	46,9%
Fair value of ownership interest (listed)	R882 million* (2013: R664 million)*		

* *Based on the unadjusted quoted market price at 30 June (Level 1 in the fair value hierarchy)*

The following is summarised financial information for Mix, MDS and Ukhamba, based on their respective consolidated financial statements prepared in accordance with IFRS, modified for fair value adjustments made at time of acquisition and differences in accounting policies.

	MiX Telematics Limited*		MDS Logistics PLC#		Ukhamba Holdings (Pty) Limited	
R million	**March 2014**	March 2013	**June 2014**	June 2013	**June 2014**	June 2013
Revenue	**1 272**	1 171	**289**	44		13
Net profit for the year	**152**	128	**55**	7	**388**	(134)
Other comprehensive income	**48**	40	**50**	14	**41**	385
Total comprehensive income	**200**	168	**105**	21	**429**	251
Total assets	**1 977**	1 153	**747**	600	**4 512**	3 812
Total liabilities	**305**	285	**94**	79	**2 361**	2 176
Total equity	**1 672**	868	**653**	521	**2 151**	1 636
Group's interest in net assets of investee at beginning of year	**249**	216	**263**		**767**	614
Equity acquired	**24**	7		253		
Share of total comprehensive	**53**	48	**51**	10	**201**	118
Share of increase in net assets	**113**					
Dividends (received) from or paid to associate	**(11)**	(22)			**40**	35
Group's interest in net assets of investee at end of year	**428**	249	**314**	263	**1 008**	767
Reversal of fair value adjustments on Imperial shares					**(958)**	(700)
Adjustment for differences in financial year-end	**10**	12				
Goodwill	**62**	25				
Carrying value of interest in investee at end of year	**500**	286	**314**	263	**50**	67

* *Listed on the Johannesburg Securities Exchange with a March year-end.*
\# *Acquired in April 2013, total comprehensive income for two months ended June 2013.*

Immaterial associates and joint ventures

The following summarised financial information for the Group's interest in immaterial associates and joint ventures, based on the amounts reported in the Groups consolidated financial statements:

	Associates		Joint ventures	
R million	**2014**	2013	**2014**	2013
Group's share of:				
– Net profit	**64**	54	**2**	7
– Other comprehensive income			**(14)**	4
– Total comprehensive income	**64**	54	**(12)**	11
Carrying value of interest in immaterial associates and joint ventures	**341**	319	**18**	37

Disposal of associates during the year

For the disposal of Renault as an associate please refer to note 39.3 above.

The Group sold its 34,4% interest in the Pragma Group for R50 million. The pre-tax loss on sale amounted to R7 million and is included in exceptional items in profit or loss.

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40. DIRECTORS' REMUNERATION AND INTEREST IN SHARES.

40.1 Directors' remuneration

The table below provides an analysis of the emoluments paid to executive and non-executive directors and prescribed officers of the company for the year ended 30 June 2014.

	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Other benefits (Note 1) R'000
Non-executive directors				
SL Botha (Resigned)				
HR Brody (Note 3)	5 357	7 457	857	1 130
ST Dingaan (Note 4)				
S Engelbrecht				
TS Gcabashe				
RL Hiemstra				
P Langeni				
M J Leeming				
V Moosa				
RJA Sparks				
A Tugendhaft				
Y Waja				
Total	5 357	7 457	857	1 130
Executive directors				
M Lamberti				
M Akoojee	2 412	2 310	400	120
OS Arbee	4 569	4 200	746	399
MP de Canha	4 473	3 400	611	159
P B Michaux	3 130	2 800	530	276
J J Strydom	3 315	2 650	297	
GW Riemann (Note 5)	6 756	13 511	1 689	1 572
M Swanepoel	3 944	3 700	782	180
Retired directors				
Total	28 599	32 571	5 055	2 706
Total all directors June 2014	33 956	40 028	5 912	3 836
Total all directors June 2013	29 184	35 611	5 429	5 876

1. *Other benefits– these include the fringe benefit value of company cars and motor car allowances and long-term performance-based retention payments.*
2. *This represents the expected value of all long-term incentive awards made in the reporting year. The expected value is calculated using a Black Scholes valuation model.*
3. *HR Brody served as an executive director until 28 February 2014 and part of his reported remuneration relates to that period. Other benefits paid to him include payments relating to long-term incentive schemes.*
4. *Paid by Ukhamba Holdings in respect of its chairperson's fees.*
5. *Overseas-based – GW Riemann is employed in Germany and his salary is paid in Euro, based on the market conditions in that country.*
6. *The Group had no prescribed officers as defined in terms of the Companies Act, 2008 for the financial year other than PB Michaux and JJ Strydom who were appointed as directors during the year and whose remuneration is disclosed as directors. Prescribed officers are persons, not being directors, who either alone or with others exercise executive control and management of the whole or a significant portion of the business of the company.*

Directors' fees R'000	Subsidiary/Associate and Sub-committee fees R'000	**2014 Total R'000**	2013 Total R'000	Expected value of Long Term Incentive awards made in 2014 R'000	Expected value of Long Term Incentive awards made in 2013 R'000
		Total	Total	(Note 2)	(Note 2)
34	24	**58**	321		
71	75	**14 947**	12 045		4 814
212	527	**739**	637		
212	180	**392**	316		
954	180	**1 134**	800		
212	180	**392**	226		
212	254	**466**	417		
212	663	**875**	740		
212	225	**437**	372		
212	644	**856**	695		
583	180	**763**	535		
212	716	**928**	820		
3 338	3 848	**21 987**	17 924		
				10 329	
		5 242		3 600	1 811
		9 914	8 785	6 000	3 531
		8 643	9 800	5 500	3 322
		6 736		4 700	2 475
		6 262		4 100	2 203
	407	**23 935**	20 912		
		8 606	8 085	5 300	3 118
			16 804		
	407	**69 338**	64 386	39 529	16 460
3 338	4 255	**91 325**			
2 770	3 440		82 310		14 785

40. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

40.2 Incentive schemes

Executive directors participate in long-term incentive schemes, designed to recognise the contributions of senior employees to the growth in the company's equity. Within limits imposed by shareholders, rights are allocated to directors and senior employees. The equity-linked compensation benefits for executive directors are set out below.

Participation in the share appreciation rights scheme

Directors

	Commencement date	Price on commencement date (R)	Number of rights*	Number of rights exercised	Number of rights forfeited	Number of rights remaining	Vesting date
M Akoojee	2 June 2010	96,71	22 428	22 076	352		
	14 June 2011	116,59	11 628			11 628	15 September 2014
	13 June 2012	170,57	24 016			24 016	26 August 2015
	11 June 2013	195,20	38 154			38 154	15 September 2016
OS Arbee	2 June 2010	96,71	56 333		1 031	55 302	15 September 2013
	14 June 2011	116,59	23 377			23 377	15 September 2014
	13 June 2012	170,57	44 743			44 743	26 August 2015
	11 June 2013	195,20	77 582			77 582	15 September 2016
HR Brody**	2 June 2010	96,71	92 540	90 847	1 693		15 September 2013
	14 June 2011	116,59	35 750		10 674	25 076	15 September 2014
	13 June 2012	170,57	66 936		34 857	32 079	26 August 2015
	11 June 2013	195,20	101 869		77 090	24 779	15 September 2016
MP de Canha	2 June 2010	96,71	60 275	59 172	1 103		15 September 2013
	14 June 2011	116,59	25 011			25 011	15 September 2014
	13 June 2012	170,57	47 876			47 876	26 August 2015
	11 June 2013	195,20	68 215			68 215	15 September 2016
M Swanepoel	2 June 2010	96,71	53 323	52 347	976		15 September 2013
	14 June 2011	116,59	23 377			23 377	15 September 2014
	13 June 2012	170,57	44 743			44 743	26 August 2015
	11 June 2013	195,20	68 641			68 641	15 September 2016
RL Hiemstra**	2 June 2010	96,71	55 276			55 276	15 September 2013
	14 June 2011	116,59	23 377			23 377	7 September 2014
PB Michaux	2 June 2010	96,71	30 750	30 187	563		15 September 2013
	14 June 2011	116,59	12 200			12 200	15 September 2014
	13 June 2012	170,57	31 241			31 241	26 August 2015
	11 June 2013	195,20	51 092			51 092	15 September 2016
JJ Strydom	2 June 2010	96,71	25 264	24 802	462		15 September 2013
	14 June 2011	116,59	9 384			9 384	15 September 2014
	13 June 2012	170,57	29 342			29 342	26 August 2015
	11 June 2013	195,20	48 263			48 263	15 September 2016

* *The number of rights that will eventually vest is subject to the achievement of performance conditions linked to core EPS targets relative to a peer group of 20 JSE listed companies and return on invested capital (ROIC) targets relative to weighted cost of capital. The rights vested could be fewer than the number granted.*

** *Received allocations before retirement as an executive director.*

Participation in the deferred bonus plan

Executive directors

	Allocation date	Number of rights allocated	Number of shares committed to the plan+	Balance available to be taken up	Vested during the year	Balance remaining	Vesting date
MJ Lamberti	1 March 2014	60 787	60 787				15 September 2017
M Akoojee	18 June 2010	10 000	2 973		2 973		15 September 2013
			3 376			3 376	7 September 2014
			2 445			2 445	26 August 2015
	14 June 2011	5 805	5 805			5 805	7 September 2014
	13 June 2012	4 854	4 854			4 854	26 August 2015
	13 June 2013	3 266	3 266			3 266	15 September 2016
	30 June 2014	18 579		18 579			15 September 2017
OS Arbee	5 June 2008		7 758		7 758		15 September 2013
	2 June 2010	6 961	6 961		6 961		15 September 2013
	14 June 2011	10 406	10 406			10 406	7 September 2014
	13 June 2012	9 044	6 727			6 727	26 August 2015
	11 June 2013	5 872	5 872			5 872	15 September 2016
	30 June 2014	30 965		30 965			15 September 2017
MP de Canha	5 June 2008		11 926		11 926		15 September 2013
	2 June 2010	7 448	7 448		7 448		15 September 2013
	14 June 2011	12 486	10 712			10 712	7 September 2014
	13 June 2012	9 677	8 064			8 064	26 August 2015
	11 June 2013	6 276	6 276			6 276	15 September 2016
	30 June 2014	28 384		28 384			15 September 2017
M Swanepoel	5 June 2008		3 323		3 323		15 September 2013
	2 June 2010	6 589	6 589		6 589		15 September 2013
	14 June 2011	9 641	9 641			9 641	7 September 2014
	13 June 2012	6 156	6 156			6 156	26 August 2015
	11 June 2013	5 164	5 164			5 164	15 September 2016
	30 June 2014	27 352		27 352			15 September 2017
P B Michaux	5 June 2008		8 231		8 231		15 September 2013
	2 June 2010	3 167	3 167		3 167		15 September 2013
	14 June 2011	5 251	5 251			5 251	7 September 2014
	13 June 2012	4 793	4 793			4 793	26 August 2015
	11 June 2013	4 634	4 634			4 634	15 September 2016
	30 June 2014	24 256		24 256			15 September 2017
JJ Strydom	5 June 2008	1 364	1 364		1 364		15 September 2013
	2 June 2010	2602	2 602		2 602		15 September 2013
	14 June 2011	4 039	4 039			4 039	7 September 2014
	13 June 2012	3 957	3 957			3 957	26 August 2015
	11 June 2013	3 689	3 689			3 689	15 September 2016
	30 June 2014	21 159		21 159			15 September 2017

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June 2014

40. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

Non-Executive directors**

	Allocation date	Number of rights allocated	Number of shares committed to the plan+	Balance available to be taken up	Vested during the year	Balance remaining	Vesting date
HR Brody	5 June 2008		9 966		9 966		15 September 2013
	2 June 2010	9 858	9 858		9 858		15 September 2013
	14 June 2011	12 089	12 089		12 089		30 April 2014
	13 June 2012	12 798	8 178		8 178		30 April 2014
	11 June 2013	7 449			7 449		30 April 2014
RL Hiemstra	5 June 2008		8 902		8 902		15 September 2013
	2 June 2010	6 958	6 958		6 958		15 September 2013
	14 June 2011	10 406	10 406			10 406	7 September 2014

** *Received allocations before retirement as an executive director*

\+ *The number of shares committed to the plan is dependent on the amount of after-tax bonus committed by each executive and the share price prevailing when bonus shares are acquired.*

40.3 Gains by directors on DBP and SAR exercised during the year

Directors	2014 R'000	2013 R'000
HR Brody#	**18 894**	26 037
OS Arbee	**3 218**	15 791
M Akoojee	**3 357**	6 674
MP de Canha	**11 384**	16 522
M Swanepoel	**8 721**	14 468
PB Michaux	**6 158**	8 047
JJ Strydom	**3 884**	10 256

\# *Non-executive from 1 March 2014*

40.4 Directors' interests in shares

	2014		2013	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Non-executive				
HR Brody	36 682		91 709	
RL Hiemstra	10 406		33 820	
MJ Leeming		6 928*		4 928*
RJA Sparks	40 000	20 000*	40 000	
Y Waja	3 000		927	
	90 088	26 928	166 456	4 928
Executive				
M Akoojee	25 692		74 842	
OS Arbee	56 477		74 842	
MP de Canha	1 686 289*		1 627 775	
MJ Lamberti	450 000*			
M Swanepoel	20 961		26 160	
P Michaux	38 058		26 442	
JJ Strydom	54 442		43 776	
	2 331 919		1 798 995	
Total	2 422 007	26 928	1 965 451	4 928

* *Indirect holding*

COMPANY STATEMENT OF FINANCIAL POSITION
at 30 June

	Notes	2014 Rm	2013 Rm
ASSETS			
Interest in subsidiaries	2	**9 456**	9 396
Investment in associates and joint ventures	3	**1 221**	1 328
Investments	4	**47**	222
Trade and other receivables		**68**	14
Total assets		**10 792**	10 960
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	5	**382**	382
Other reserves		**401**	331
Retained earnings		**9 474**	9 523
Total equity		**10 257**	10 236
Liabilities			
Non-redeemable, non-participating preference shares	6	**441**	441
Deferred tax liabilities	7		146
Trade and other payables		**70**	109
Current tax liabilities		**24**	28
Total liabilities		**535**	724
Total equity and liabilities		**10 792**	10 960

COMPANY STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June

	Notes	2014 Rm	2013 Rm
Revenue	8	**2 426**	2 010
Fair value (loss) gain on Lereko Mobility (Pty) Ltd call option		**(71)**	235
Fair value gains		**8**	61
Operating expenses		**(108)**	(270)
Charge for amending the conversion profile of the deferred ordinary shares		**(70)**	
Exceptional items	9	**(135)**	118
Profit before net financing income		**2 050**	2 154
Finance cost	10	**(33)**	(32)
Finance income	10	**62**	113
Profit before tax		**2 079**	2 235
Income tax income	11	**126**	3
Net profit and total comprehensive income for the year		**2 205**	2 238

There has been no other comprehensive income in the current and prior year.

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June

	Share capital and share premium Rm	Other reserves Rm	Retained earnings Rm	Total Rm
Balance at 30 June 2012	22	331	9 622	9 975
Total comprehensive income for the year			2 238	2 238
Issue of 1 861 850 ordinary shares	360			360
Repurchase and cancellation of 4 003 074 ordinary shares from the open market			(742)	(742)
Dividend of 380 cents per ordinary share in October 2012			(802)	(802)
Dividend of 380 cents per ordinary share in April 2013			(793)	(793)
Balance at 30 June 2013	**382**	**331**	**9 523**	**10 236**
Total comprehensive income for the year			**2 205**	**2 205**
Repurchase and cancellation of 2 971 808 ordinary shares from the open market			**(502)**	**(502)**
Charge for amending the conversion profile of the deferred ordinary shares		**70**		**70**
Dividend of 440 cents per ordinary share in September 2013			**(924)**	**(924)**
Dividend of 400 cents per ordinary share in March 2014			**(828)**	**(828)**
Balance at 30 June 2014	**382**	**401**	**9 474**	**10 257**

COMPANY STATEMENT OF CASH FLOWS
for the year ended 30 June

	Note	2014 Rm	2013 Rm
Cash flows from operating activities			
Cash generated by operations	15	**2 225**	1 667
Interest paid		**(33)**	(32)
Interest received		**62**	113
Tax paid		**(24)**	(43)
		2 230	1 705
Cash flows from investing activities			
(Additions) disposals of investments and loans to subsidiaries, associated companies and joint ventures		**(159)**	272
Disposal of investments		**183**	
		24	272
Cash flows from financing activities			
Ordinary shares issued			360
Ordinary shares repurchased and cancelled from the open market		**(502)**	(742)
Dividends paid		**(1 752)**	(1 595)
		(2 254)	(1 977)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at end of year			

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June

		2014 Rm	2013 Rm
1.	**ACCOUNTING POLICIES**		
	Accounting policies, significant judgements and estimates and impact of new unissued standards and the adoption of new and revised standards.		
	Refer to notes 1, 2 and 3 of the Group annual financial statements, where applicable.		
2.	**INTEREST IN SUBSIDIARIES**		
	Shares at cost, net of impairments	**6 618**	6 743
	Indebtedness by subsidiaries, net of impairments	**2 838**	2 653
		9 456	9 396
	Details of the company's principal subsidiaries are reflected in note 39 ofthe Group Annual financial statements		
3.	**INVESTMENT IN ASSOCIATES AND JOINT VENTURES**		
	Unlisted shares at cost	**44**	80
	Impairments	**(12)**	(12)
		32	68
	Indebtedness by associates and joint ventures	**16**	16
	Lereko Mobility (Pty) Ltd call option	**1 173**	1 244
		1 221	1 328
	Lereko Mobility (Pty) Ltd (Lereko) call option		
	Balance at beginning of year	**1 244**	1 009
	Fair value adjustment through profit or loss	**(71)**	235
	Balance at end of year	**1 173**	1 244
	In September 2010, 14 516 617 preferred ordinary shares owned by Lereko were converted into ordinary shares. Lereko sold 8 651 673 ordinary shares to settle its third party funding obligation. The remaining 5 864 944 number of shares will be used to settle its obligation to Imperial Holdings Limited.		
	The Lereko call option asset is held at fair value and the fair value adjustment is recorded in profit or loss.		
4.	**INVESTMENTS**		
	Unlisted shares at fair value and available-for-sale	**47**	222
5.	**SHARE CAPITAL AND SHARE PREMIUM**		
	Authorised share capital		
	394 999 000 (2013: 394 999 000) ordinary shares of 4 cents each	**15**	15
	50 000 000 (2013: 50 000 000) deferred ordinary shares of 4 cents each	**2**	2
	15 000 000 (2013: 15 000 000) preferred ordinary shares of 4 cents each	**1**	1
	1 000 (2013: 1 000) redeemable preference shares of 4 cents each		
	40 000 000 (2013: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	**2**	2
		20	20
	Issued and fully paid share capital		
	207 815 753 (2013: 208 833 715) ordinary shares of 4 cents each	**8**	8
	11 025 236 (2013: 12 979 082) deferred ordinary shares of 4 cents each	**1**	1
		9	9
	Share premium		
	Balance at the beginning of the year	**373**	13
	Issued during the year		360
		373	373
	Share capital and share premium	**382**	382

For non-redeemable, non-participating preference shares in issue see note 6

Refer to note 16 of the Group annual financial statements for further details regarding the deferred ordinary shares, the preferred ordinary shares and notes 18.2 and 40 for the share schemes and directors' interest in share capital.

	2014 Rm	2013 Rm
6. NON-REDEEMABLE, NON-PARTICIPATING PREFERENCE SHARES		
Non-redeemable, non-participating preference shares at cost	**441**	441

4 540 041 preference shares were issued during the 2007 financial year and are listed on the JSE under specialist securities – preference shares sector.

These shares are entitled to a preference dividend being 82,5% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms.

The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R32 million (2013: R32 million) which is included as part of finance cost in profit or loss.

	2014 Rm	2013 Rm
7. DEFERRED TAX LIABILITY		
Movement in deferred tax		
Balance at beginning of year	**146**	191
Prior year overprovision	**(146)**	(45)
		146
Analysis of deferred tax		
– Capital gains tax		146
8. REVENUE		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries, associates and joint ventures	**2 419**	1 926
Fees received	**7**	84
	2 426	2 010
9. EXCEPTIONAL ITEMS		
(Loss) profit on sale of subsidiaries and businesses	**(7)**	124
Impairments of investments in subsidiaries, loans to subsidiaries and associates	**(128)**	(6)
	(135)	118
10. NET FINANCING INCOME		
Interest paid	**(33)**	(32)
Interest received	**62**	113
	29	81
11. INCOME TAX INCOME		
South African normal tax		
– Current	**20**	34
Capital gains tax		
– Current	**4**	8
– Prior year over provision of current tax	**(6)**	
– Prior year over provision of deferred tax	**(146)**	(45)
Withholding taxes on dividends	**2**	
	(126)	(3)
Reconciliation of tax rate:	**%**	%
Profit before tax – effective tax rate	**(6,1)**	(0,1)
Tax effect of :		
– Withholding tax on dividends	**(0,1)**	
– Disallowable charges/capital losses	**(4,7)**	(2,3)
– Exempt income	**32,8**	25,8
– Fair value adjustment on Lereko Mobility (Pty) Ltd call option	**(1,0)**	2,9
– Capital gains tax	**(0,2)**	(0,3)
– Prior year overprovision	**7,3**	2,0
	28,0	28,0

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS – continued
for the year ended 30 June

	2014 Rm	2013 Rm
12. DIRECTORS' FEES		
Refer to note 40 of the Group annual financial statements.		
13. DIVIDENDS		
Refer to note 34 of the Group annual financial statements.		
14. CONTINGENT LIABILITIES		
The company has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of subsidiaries, for facilities in the normal course of business to the extent that they are used. The year-end utilisation of facilities was:	**5 718**	4 364
The company has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of associates, for facilities in the normal course of business to the extent that they are used. The year-end utilisation of facilities was:	**84**	71
As part of the NAC sale in 2013 Imperial Holdings have issued a guarantee to secure vendor funding for five years for:	**80**	80
The company has guaranteed the obligations to the investors in the commercial paper and corporate bond issues.	**6 441**	5 025
15. CASH GENERATED BY OPERATIONS		
Profit before net financing income	**2 050**	2 154
Exceptional items	**135**	(118)
Fair value (loss) gain on Lereko Mobility (Pty) Ltd call option	**71**	(235)
Other fair value gains	**(8)**	(61)
Charge for amending the conversion profile of deferred ordinary shares	**70**	
Working capital movements		
– (Increase) decrease in trade and other receivables	**(54)**	2
– Decrease in trade and other payables	**(39)**	(75)
	2 225	1 667

1. Accounting policies

Insurance and investment contracts

Classification of contracts

Long-term insurance operations:

Insurance contracts are those contracts where the Regent Life Group (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Regent Life Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant.

Insurance contracts are classified into individual credit life contracts, individual life contracts, annuity contracts, group funeral, group life and group credit life contracts. This classification applies consistently across all long term insurers within Regent Life Group (being Regent South Africa, Lesotho National Life Assurance and Regent Life Botswana).

These contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in SAP 104 issued by the Actuarial Society of South Africa.

The statutory actuary reviews the calculation of the liabilities under long-term insurance contracts and investment contracts annually at the statement of financial position date in accordance with prevailing legislation, Generally Accepted Actuarial Standards in South Africa and International Financial Reporting Standards as appropriate. The transfers to or from insurance liabilities are accounted for in the statement of comprehensive income and represents the increase or decrease in contract liabilities, including all necessary provisions and reserves.

The liabilities for investment contracts are set equal to the accumulated fair value of the underlying assets plus a non-unit reserve calculated in accordance with SAP 104. Any deficiency is immediately charged to profit and loss and a provision is raised for losses from the liability adequacy tests.

Investment contracts are initially and thereafter recognised at fair value, with changes in fair value being accounted for in the statement of comprehensive income. The premiums, benefit payments and investment earnings relating to these investment contracts have been excluded from the statement of comprehensive income and accounted for directly as movements in the liability.

Short-term insurance operations:

Contracts under which the short-term insurance operations accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary, are classified as insurance contracts. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable. Insurance contracts may also transfer some financial risk.

Reinsurance of long-term and short-term insurance operations:

Contracts entered into with reinsurers by the long-term and short-term operations, under which the group is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

The benefits to which the long-term and short-term operations are entitled under their reinsurance contracts held are recognised as reinsurance assets, consisting of short-term and long-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due. Reinsurance assets are assessed for impairment on an annual basis, reducing the carrying amount of the reinsurance asset to its recoverable amount through the profit or loss.

Revenue recognition

Long-term insurance operations:

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than group schemes. Premium receivable in respect of group schemes that is due after the year end date is ignored. However, where the operating ratios exceed 100%, a deficiency reserve would be established to offset any expected losses up until the next renewal date. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in insurance, investment, maintenance and warranty contracts. Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities.

Short-term insurance operations:

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in the prior accounting periods. The earned portion of the premium received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten less provisions raised for cash-backs.

Insurance results

Long-term insurance operations:

Profits or losses are determined in accordance with the guidance note on Financial Soundness Valuations (SAP 104) and International Financial Reporting Standards. The underlying philosophy of the Financial Soundness Valuation is to recognise profits over the term of each insurance contract. In the valuation of liabilities, provision is made for:

> The best estimate of future experience;
> Compulsory margins prescribed in SAP 104; and
> Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

Short-term insurance operations:

The underwriting results are determined after making provisions for unearned premiums, outstanding claims, incurred but not reported claims, unexpired risk provision, cash-back provisions and such additional provisions as are considered necessary. The methods used to determine these provisions are as follows:

Unearned premiums

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year which relate to risks that have not expired by the end of the financial year, are calculated on the 365th basis for even risk business and other bases that best represent the unearned risk profile for uneven risk business.

Claims

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date whether reported or not, and an appropriate risk margin. Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

While the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used to value these provisions, and the estimates made, are reviewed regularly.

Incurred but not reported – IBNR

Provision is made in the policyholders' liabilities under insurance contracts for the estimated cost at the end of the year for claims IBNR at that date. IBNR provisions are calculated using run-off triangle techniques or as a multiple, based on the average historical reporting delay, of the claims reported in the three weeks following the valuation date but where the claims event occurred prior to valuation date. These liabilities are not discounted due to the short-term nature of outstanding claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Unexpired risk provision

Provision is made for unexpired risks arising to the extent that the expected value of claims and claims handling expenses attributable to the unexpired periods of contracts in force at the statement of financial position date exceeds the unearned premiums provision in relation to such contracts and attributable investment income after the deduction of any deferred acquisition costs.

Cash-back provisions

A provision is made for the accrued expected obligations to policyholders to the extent that the premiums for these benefits are already received and other terms and conditions are met within the period leading up to the expected cash back.

Deferred acquisition costs

The costs of acquiring new and renewal insurance business that is commission and other acquisition costs, primarily related to the term products of that business, are deferred. Deferred acquisition costs are amortised on a pro-rata basis over the contract term. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract.

Cell Captives

The group operates cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the right to share profits on an agreed basis. To reflect the substance of the transaction it is consolidated and the participant's share of profits is treated as a non-controlling interest.

2. Other investments and loans

(note 10 to the consolidated annual financial statements)

2.1 Financial assets held at fair value

	2014 Rm	2013 Rm
Balance at beginning of the year	**2 908**	2 218
Additions	**2 706**	2 126
Disposals	**(3 898)**	(1 630)
Fair value adjustment		171
Realised gains	**152**	
Unrealised gains	**36**	
Currency adjustments	**12**	23
Balance at the end of the year	**1 916**	2 908

2.2 Reconciliation to consolidated annual financial statements

	2014 Rm	2013 Rm
Financial assets at fair value – insurance businesses	1 916	2 908
Financial assets at fair value – other operations	276	129
	2 192	3 037

ANNEXURE A – ADDITIONAL INFORMATION ON INSURANCE BUSINESSES – continued

3. Insurance liabilities

3.1 Outstanding claims, including incurred but not reported

	2014 Rm	2013 Rm
Short-term operations		
Balance at beginning of year	**643**	633
Claims settled in the year	**(969)**	(1 221)
Claims incurred during the year	**884**	1 231
Balance at end of year	**558**	643
Outstanding claims *	**455**	513
Incurred but not reported	**103**	130
Balance at end of year	**558**	643

** This amount is reflected in trade and other payables*

3.2. Short-term insurance – unearned premium provision

	2014 Rm	2013 Rm
Balance at beginning of year	**480**	481
Premiums written during the year	**1 890**	2 232
Premiums earned during the year	**(1 865)**	(2 233)
Balance at end of year	**505**	480

3.3 Long-term operations – liabilities under insurance contracts

	2014 Rm	2013 Rm
Balance at beginning of the year	**569**	465
Transfer from statement of comprehensive income	**85**	99
Arising from translation of foreign liabilities	**2**	5
Sale of book of business	**(141)**	
Balance at end of the year	**515**	569

Process used to decide on long-term insurance assumptions

The business was divided up into homogenous groupings and then each grouping was analysed. Best estimate assumptions were then derived based on these experience investigations. Where data was limited, industry information was used. Recent trends evident in the data were allowed for.

The value of insurance liabilities is based on best estimate assumptions of future experience plus compulsory margins as required in terms of SAP 104, plus additional discretionary margins determined by the statutory actuary.

3. Insurance assets and liabilities continued

3.3 Long-term operations – Liabilities under insurance contracts continued

The compulsory margins are summarised as follows:

Assumption	Compulsory Margin
Investment earnings	Investment earnings assumption was increased or decreased by 0,25% depending on which gives the higher liability
Expense inflation	10% loading on the expense inflation assumption
Mortality	Assumption was decreased by 7,5% for annuities and increased for all other classes
Morbidity	Assumption was increased by 10%
Retrenchment	Assumption was increased by 20%
Lapses	Lapse rate assumptions were increased or decreased by 25% depending on which gives the higher liability
Surrenders	Surrender rate assumptions were increased or decreased by 10% depending on which gives the higher liability
Expenses	10% loading on the expense assumption

In addition to the above compulsory margins the following additional discretionary margins were incorporated:

Retrenchment	For credit life, an additional 30% margin was added
Dread disease	For credit life, an additional 15% margin was added
Extended lives mortality	An additional 7,5% margin was added
Lapses	20% margin in year 1 and 2 and 50% thereafter in respect of the Clicks portfolio
All other decrements	For credit life, an additional 10% margin was added

Negative reserves arise when the present value of future estimated benefits is less than the present value of future valuation net premiums. Negative reserves are eliminated on a policy by policy basis for all policies that have three or more premiums in arrears. For some of the cell captive arrangements as well as for business written via new distribution channels where limited experience has been observed, all negative reserves are eliminated.

The assumptions used for insurance contracts are as follows:

All the assumptions below are based on the most recent experience investigations in each country modified for expected trends. Generally experience investigations are carried out for all assumptions every year:

a) Mortality

Adjusted standard assured lives and annuity tables were used to reflect the Regent Life Group's recent claims experience. The adjustments allow for the expected increase in AIDS related claims. The allowance for AIDS is based on the relevant actuarial guidance notes as provided by the Actuarial Society of South Africa.

b) Morbidity

Disability and dread disease rates are based on standard morbidity tables and critical illness tables and where appropriate, adjusted to reflect the Regent Life Group's recent claims experience.

c) Medical and Retrenchment

The incidence of medical and retrenchment claims is derived from the risk premium rates determined from annual investigations. The adjusted rates are intended to reflect future expected experience.

d) Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past as well as expected future trends. The withdrawal rates are calculated every year for each company/country, and by class and policy duration. Typically the rates are higher at early durations.

e) Investment returns

The investment return derivation was changed this year to be more in line with the financial services board (FSB) requirements under the South African quantitative impact study (QIS) basis. For Lesotho and South Africa, the same approach was followed across all product lines, i.e. the calculation of the liabilities was based on the risk free interest rate term structure or the nominal South African government bonds curve.

For Botswana, the investment return derivation has remained unchanged as it still depends on the discounted mean term of the underlying policies. The returns on the actual and matching portfolios were taken into account and the portfolio giving the lower investment return was used. A margin of 0,5% was applied to reflect any mismatch risk. The same assumption was applied across all product lines.

The long-term investment returns (before compulsory margins) are as follows:

South Africa	
Credit Life:	nominal South African government bond yield curve (2013: 4,86%)
Individual Life:	nominal South African government bond yield curve (2013: 6,58%)
Disabled Annuity business:	nominal South African government bond yield curve (2013: 7,58%)
Botswana:	2,75% (2013: 4,32%)
Lesotho:	nominal South African government bond yield curve (2013: 6,81%)
Lesotho future reversionary bonus:	5% (2013: 5%)

f) Renewal expenses and inflation

A detailed expense investigation for each company/country was undertaken and the expenses were split by line of business and between new business and maintenance expenses.

The maintenance expenses were adjusted for expected inflation in the future and spread over the anticipated volumes of business over the next year to derive a per policy expense for each class. The expenses allocated to new business are expected to be covered by future new business written.

g) Tax

The interest and expense assumptions are net of any taxation payable based on the tax environment for each country and the tax position of the company.

Change in assumptions

The following changes were made to the valuation basis for Regent Life South Africa. All assumptions include compulsory margins.

The economic assumptions were reviewed in the light of the anticipated regulatory changes with respect to the calculation of the actuarial liabilities and the setting of reserving basis. The investment return is now based on the nominal government bond yield curve and an implied inflation curve as opposed to a fixed investment and inflation assumption which was previously dependent on the discounted mean term of the underlying policies.

As a result of these economic changes, the actuarial liabilities increased by R7,2 million.

The non-economic assumptions were also reviewed as follows:

- Per policy expenses were amended to reflect the current and expected future experience. This resulted in a decrease in actuarial liabilities of R5,7 million.

As a result of these non-economic changes, the actuarial liabilities decreased by R5,7 million.
The overall impact of all the above changes was an increase in the actuarial liabilities of R1,5 million.
Regarding Botswana, the value of liabilities as at 30 June 2014 increased by P2 million as a result of changes to valuation assumptions. The main assumptions changes causing this increase were as follows:

- The economic assumptions were amended to reflect the current economic environment. This resulted in an increase in reserves of P1,7 million.
- Per policy expenses and lapse assumptions were amended to reflect the current and expected future experience. This resulted in an increase in reserves of P0,3 million.

3. Insurance assets and liabilities continued

3.3 Long-term operations – Liabilities under insurance contracts continued

Regarding Lesotho, the changes detailed below were made to the valuation assumptions. As a result of these changes, the BSR of the with-profits business decreased by approximately M17,5 million and the without-profit reserves decreased by M0,1 million.

- The economic assumptions were amended to reflect the current economic environment. This resulted in a decrease in reserves of M10,6 million.
- Per policy expenses were amended to reflect the current and expected future experience. This resulted in a decrease in reserves of M7,0 million.

Sensitivity analysis: Life operations

The following table presents the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

Variable	Change in variable	Change in liability 2014 Rm	Change in liability 2013 Rm
Worsening of mortality	10% worse claims	**44,2**	42,3
Lowering of investment returns	15% lower returns	**(1,6)**	(0,9)
Worsening of base renewal expense level	10% higher expenses	**26,9**	25,8
Worsening of expense inflation	10% higher expense inflation	**6,1**	4,1
Worsening of lapse rate	25% higher withdrawals	**38,4**	38,8

The 2014 sensitivities are in line with the prior year. There has been a marginal increase in the sensitivity of the insurance liabilities across each scenario reflecting the growth in the overall policy count of in force policies.

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and the changes in some assumptions may be correlated – e.g. change in interest rate and inflation.

	2014 Rm	2013 Rm
3.4 Long-term operations – Financial liabilities under investment contracts		
Balance at beginning of the year	**144**	120
Deposits	**18**	11
Payments	**(8)**	(3)
Fair value adjustment	**27**	16
Purchase of book of business	**134**	
Balance at end of the year	**315**	144
3.5 Reconciliation to consolidated annual financial statements – (note 22 on page 51)		
Insurance and investment contracts		
Short-term operations	**575**	570
Short-term operations – Unearned premium provisions (See 3.2)	**505**	480
Short-term operations – Maintenance funds	**70**	90
Long-term operations	**830**	713
Long-term operations – Liabilities under insurance contracts (See 3.3)	**515**	569
Long-term operations – Liabilities under investment contracts (See 3.4)	**315**	144
	1 405	1 283

ANNEXURE A – ADDITIONAL INFORMATION ON INSURANCE BUSINESSES – continued

		2014 Rm	2013 Rm
3.6	**Reinsurers' share of liabilities under insurance contracts**		
	(note 11 to the consolidated annual financial statements)		
	Balance at beginning of the year	**227**	242
	Movement in reinsurer's share of insurance liabilities	**40**	(15)
	Balance at the end of the year	**267**	227
3.7.	**Insurance claims provisions**		
	(note 24 to the consolidated annual financial statements)		
	Short-term operations – IBNR (See 3.1)	**103**	130
	Long-term operations – outstanding claims provisions*	**6**	45
	Other operations – outstanding claims provisions	**16**	19
		125	194

** Included in the prior year figure is R42 million that has been reclassified to payables in the current year.*

		2014 Rm	2013 Rm
4.	**REVENUE**		
	(note 26 to the consolidated annual financial statements)		
	Premium income		
	Long-term operations		
	Individual and Credit Life premium income		
	Gross Single premiums	**97**	106
	Net recurring premiums	**582**	524
	Gross recurring premiums	**611**	550
	Reinsurance	**(29)**	(26)
	Group life premium income		
	Net Life premuim income	**142**	133
	Gross recurring premiums	**215**	201
	Reinsurance	**(73)**	(68)
	Net premium income from long-term operations	**821**	763
	Short-term operations		
	Net premium income from short-term operations	**1 697**	2 000
	Gross premiums written	**1 879**	2 192
	Reinsurance	**(182)**	(192)
	Total net premium income	**2 518**	2 763
	Total gross premium income	**2 802**	3 049

Gross premium of R10 million (2013: R40 million) that relates to business within the group has been eliminated from the short-term operations gross premium above.

Insurance results

The short-term insurance operations reported an insurance result excluding investment returns of R150 million in 2014 (2013: R115 million). The long-term insurance operations reported an insurance result excluding investment returns of R76 million (2013: R58 million)

5. MANAGEMENT OF INSURANCE-SPECIFIC RISKS

Insurance risk

Long-term insurance operations

Insurance risk is the risk that future claims and expenses will exceed the premiums received to take on this risk.

It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. This could also occur because of the frequency or severity of claims and benefits being greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate using statistical techniques.

The long-term insurance operations uses appropriate base tables of standard mortality and morbidity which are modified to reflect the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the group over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Termination statistics to investigate the deviation of actual termination experience against assumptions are used. Statistical methods are used to determine appropriate rates. An allowance is then made for any trends in the data to arrive at the best estimate of future termination rates.

Short-term operations

This operation underwrites risks that natural persons, corporates or other entities wish to transfer to an insurer. Such risks may relate to property, accident, personal accident, motor, engineering, marine, liability and aviation. As such the operation is exposed to uncertainty surrounding the timing, frequency and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims are greater than expected. Insurance events are by their nature random and the actual size and number of events in any one year may vary from those estimated and experienced in prior periods.

The operation underwrites primarily short-tailed risks, that is, insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Risks that are long-tailed in nature represent an insignificant portion of the group's insurance portfolio. Therefore the group's exposure at any time to insurance contracts issued more than one year before is limited.

Capital adequacy and solvency risk

The Financial Services Board is in the process of developing a new Solvency Assessment and Management (SAM) regime for the South African long-term and short-term insurance industries, to be in line with international standards. The implementation date for SAM is 1 January 2016. However certain interim requirements were introduced in 2012, which prescribes the method used to calculate the Statutory Capital Requirement and IBNR on a more risk-sensitive basis.

Long-term operations:

The capital adequacy requirement (CAR) is determined according to generally accepted actuarial principles in terms of the guidelines issued by the Actuarial Society of South Africa. It is an estimate of the minimum capital that will be required to meet fairly substantial deviations from the main assumptions affecting the Group's business. At 30 June 2014 the CAR is R93,6 million and the ratio of excess assets to CAR is 3.3 (2013: R106,1 million, capital adequacy ratio 3.2).

Short-term operations:

The group submits quarterly and annual returns to the Financial Services Board that show the solvency position of its insurance operations. The group is required to maintain, at all times, a statutory surplus asset ratio and free assets after spreading limitations as defined in the Short-term Insurance Act, 1998 ('the Act) and in line with the prescribed interim measures mentioned above. The returns submitted by the company to the regulator showed that the company met the minimum capital requirements at the year-end date. At June 2014 the solvency ratio is 40,2% (2013: 50,1%)

Underwriting risk

Long-term insurance operations:

The Statutory Actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the Statutory Actuary prior to being issued. Annual investigations into mortality and morbidity experience are conducted. All applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. All risk-related liabilities in excess of specified monetary or impairment limits are reinsured.

Short-term insurance operations:

The operation limits its exposure to insurance risk through setting a clearly defined underwriting strategy including limits, adopting appropriate risk assessment techniques and the reinsurance of risks that exceed its risk appetite. The underwriting strategy ensures diversification of insurance risk in terms of type and amount of risk covered, geographical location and type of industry covered. The strategy also aims to develop a sufficiently large population of risks to reduce the variability of the expected outcome. Ongoing review and analysis of underwriting information enables the group to monitor its risks and take timely corrective action.

Regulatory risks

Continuous legislation changes in the long-term and short-term environment may impact on the operational and financial structures within these businesses. The group has sufficient resources to address the impact of legislation timeously and efficiently.

During the development stage of any new product, rights and obligations of all parties are clearly defined in the contracts and documentation.

Financial risk

Long-term insurance operations:

The group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. Components of this financial risk are interest rate risk, equity price risk, currency risk, liquidity risk and credit risk. An investment committee sets policies and receives monthly and quarterly reports on compliance with investment policies.

The long-term insurance operations manage these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the asset liability management framework is to match assets to the liabilities arising from insurance and investment contracts by reference to the type and timing of benefits payable to policyholders.

Short-term insurance operations:

The short-term operations are exposed to daily calls on its available cash resources from claims arising. Liabilities are matched by appropriate assets and the operations have significant liquid resources to cover its obligations.

Catastrophe risk

Short-term insurance operations:

The operation sets out the total aggregate exposure that it is prepared to accept in certain territories due to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The operation uses a number of modeling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and the net exposure of the operations.

Credit risk

Fair values of financial assets may be affected by the creditworthiness of the issuer. Limits of exposure are set by the investment committee and are continuously monitored. The operation has policies in place that limit the credit exposure to any institution and reputable reinsurers are used for the group’s reinsurance treaties.

Currency risk

The operations currency risk is limited to foreign claims payable and transactions with the Botswana subsidiaries. The currency risk is not hedged as the exposure is not considered significant.

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Long-term insurance operations:

Insurance liabilities in respect of long-term insurance contracts and investment contracts:

Valuation assumptions represent a best estimate. Compulsory margins are applied as required in terms of the FSV basis and discretionary margins may be added if the Statutory Actuary and Board consider it necessary to cover the risks inherent in the business or to ensure that profits emerge in a prudent manner in line with the original product design. The FSV is also adjusted to reflect any country specific legislative requirements for Botswana and Lesotho. The valuation of investment contracts is linked to the fair value of the supporting assets plus a non-unit reserve.

Short-term insurance operations:

The estimation of the liability arising from claims under short-term insurance contracts is impacted on by several sources of uncertainty. The environment can change unexpectedly and the group is therefore constantly refining its short-term insurance risk management tools in order to assess risk appropriately.

A large proportion of the premium of warranty policies is used to fund up-front costs such as commissions and fees. The remainder of the premium needs to be deferred and recognized as income in line with the expiring risk profile of the policies. A margin is kept within the warranty unearned premium provision to absorb adverse changes in the risk profile .These multi-year policies often only become effective once a defined event has occurred, for example, after the motor manufacturers' warranty has expired.

The company uses a stochastic model to calculate the IBNR at a 75% level of sufficiency for all business captured on its administration system. Methodology for the allocation of reserves was made consistent with Regent's internal capital allocation model.

ANNEXURE B – SUMMARY OF EMPLOYMENT EQUITY REPORT

Summary of global workforce
South African (including foreign nationals)
Non-South African
Total workforce

Summary of the employment equity report terms of section 22 of the Employment Equity Act of South Africa

	Male			
Occupational levels	**A**	**C**	**I**	**W**
Permanent staff				
Top management	2	1	11	118
Senior management	27	16	55	356
Professionally qualified and experienced specialists and mid-management	275	201	295	1 342
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3 007	1 039	806	2 545
Semi-skilled and discretionary decision-making	8 206	1 589	518	897
Unskilled and defined decision-making	4 345	596	89	75
	15 862	3 442	1 774	5 333
Non-permanent staff	1 622	234	124	71
	17 484	3 676	1 898	5 404

A = Africans; C = Coloured; I =Indians; W = Whites

The above summary is an aggregation of all South African operating entities.

2014	2013
38 766	39 259
12 905	11 748
51 671	51 007

Female				Foreign nationals		Total	Total
A	C	I	W	M	F	2014	2013
5	3	3	14		2	159	167
17	8	24	81	4		588	576
137	89	129	762	7	5	3 242	3 282
1 001	408	273	1 416	42	4	10 541	10 643
1 701	724	313	1 197	44	11	15 200	16 611
1 110	157	4	20	25		6 421	6 154
3 971	1 389	746	3 490	122	22	36 151	37 433
335	120	60	47	2		2 615	1 826
4 306	1 509	806	3 537	124	22	38 766	39 259

CORPORATE INFORMATION

Directors

Non-executive

TS Gcabashe*, (Chairman) BA (Botswana), MURP (Ball State Univ, USA), PED, IMD Lausanne
HR Brody, BAcc (Hons), CA(SA)
T Dingaan, BProc, LLB, LLM, HDip (Tax)
S Engelbrecht*, BSc, MBL, MDP (Insead)
RL Hiemstra, BCompt (Hons), CA(SA)
P Langeni*, BCom (Acc)
MJ Leeming*, BCom, MCom, FCMA, FIBSA, AMP (Harvard)
MV Moosa, BSc
RJA Sparks*, BCom (Hons), CA(SA), MBA
A Tugendhaft (Deputy chairman), BA, LLB
Y Waja*, BCom, CA(SA)
Independent

Executive

MJ Lamberti (Chief Executive), BCom, MBL (Wits), PPL (Harvard), CD (SA)
M Akoojee, BAcc (Hons), CA(SA), CFA
OS Arbee (Chief Financial Officer), BAcc, CA(SA), HDip(Tax)
MP de Canha
PB Michaux
GW Riemann (German)
JJ Strydom, BBus Sc, FIA, CFA, MBA
M Swanepoel, BCom Acc (Hons)

Executive committee

MJ Lamberti (Chairman), M Akoojee, OS Arbee, MP de Canha, BJ Francis, PB Michaux, JJ Strydom, M Swanepoel

Audit committee

MJ Leeming (Chairman), T Dingaan, P Langeni, RJA Sparks, Y Waja

Remuneration and Nomination Committee

RJA Sparks (Chairman), TS Gcabashe, P Langeni, A Tugendhaft

Risk Committee

Y Waja (Chairman), OS Arbee, S Engelbrecht, BJ Francis, P Hibbit, RL Hiemstra, MJ Lamberti, MJ Leeming, N Bell, G Rudman, A Tennick

Social, Ethics and Sustainability Committee

MV Moosa (Chairman), OS Arbee, MP de Canha, BJ Francis, TS Gcabashe, MJ Lamberti, PB Michaux, R Sharfuddin, JJ Strydom, M Swanepoel, A Tugendhaft, RA Venter

Assets and Liabilities Committee

HR Brody (Chairman), OS Arbee, RL Hiemstra, MJ Lamberti, MJ Leeming, R Mumford, WF Reitsma, M Swanepoel

Group Internal Audit Executive

G Nzalo, BCom, CA (SA), CIA

Group Treasurer

WF Reitsma, BTech Banking, MCom, FIBSA, CAIB, PBSA, FIFM

Group Legal Advisor and Company Secretary

RA Venter, BCom, LLB, LLM

Group Risk Executive

BJ Francis, BCompt (Hons), CIA

Group Head of sustainability

MR Sharfuddin, BBA.IMP (Insead)

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JSE information

Ordinary share code: IPL
ISIN: ZAE000067211
Preference share code: IPLP
ISIN: ZAE000088076

Shareholders' diary

Final dividend payment:	29 September 2014
Annual general meeting:	4 November 2014
Interim results released:	24 February 2015
Interim dividend payment:	30 March 2015
Final results released:	26 August 2015
Final dividend payment:	28 September 2015

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