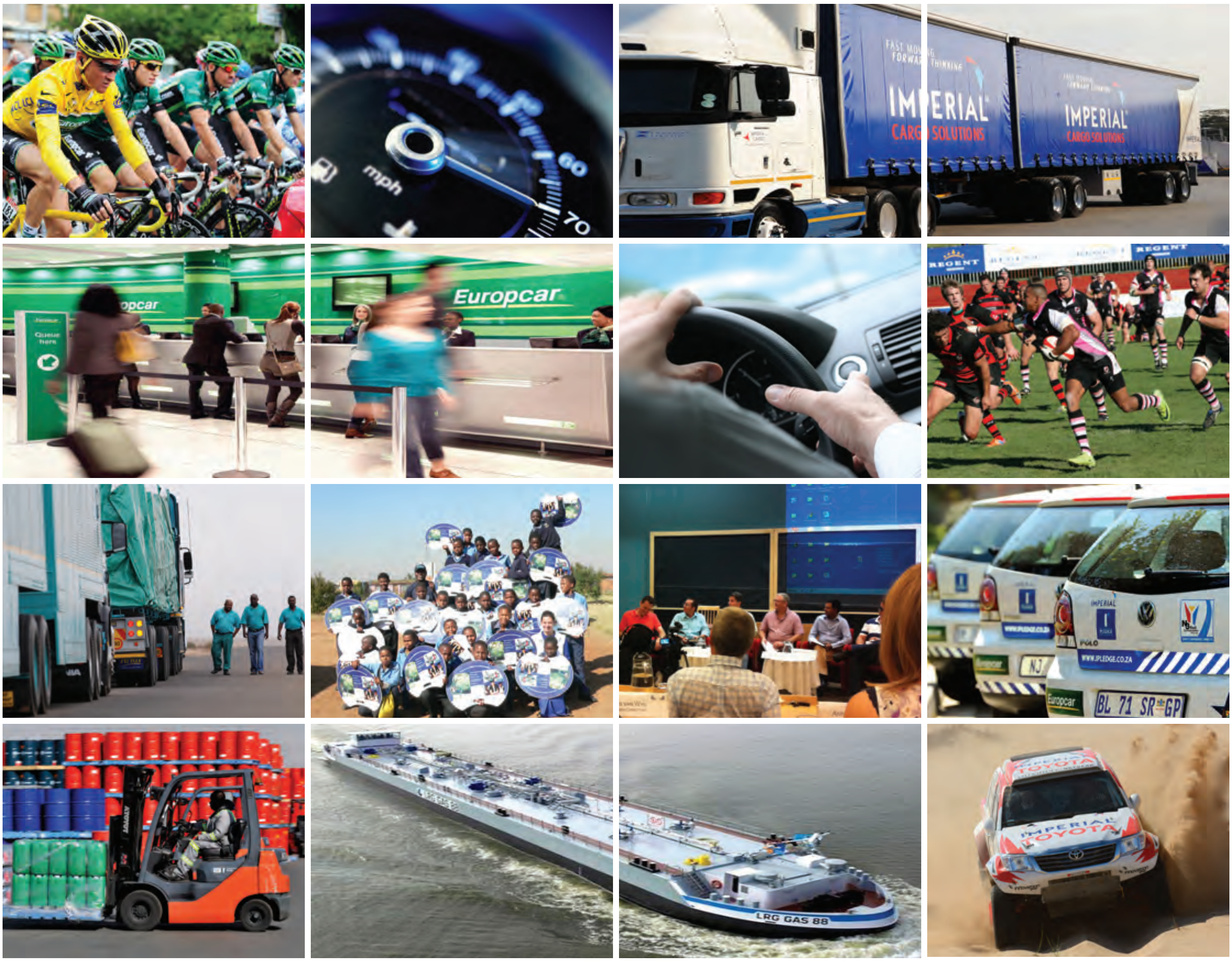

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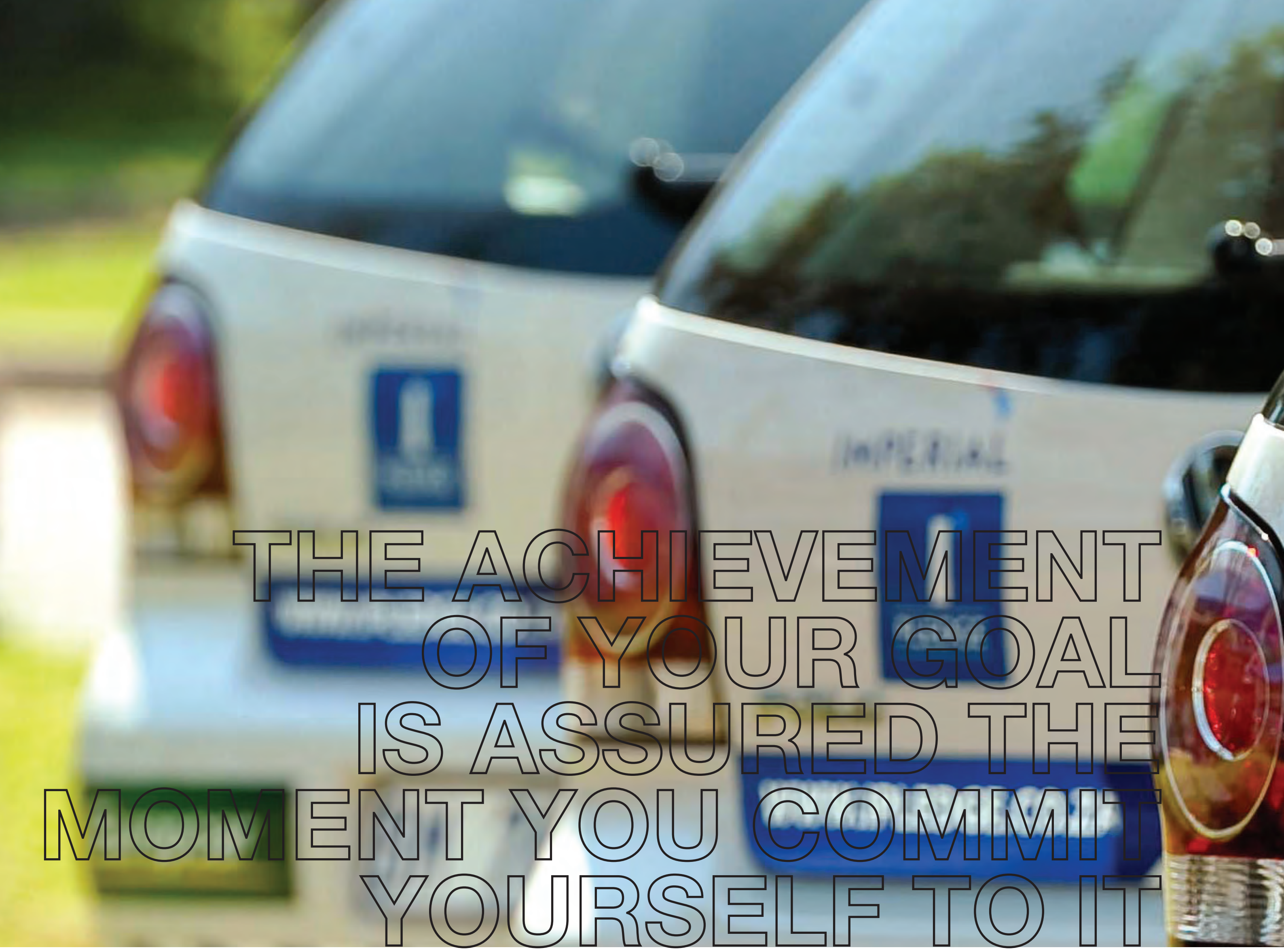

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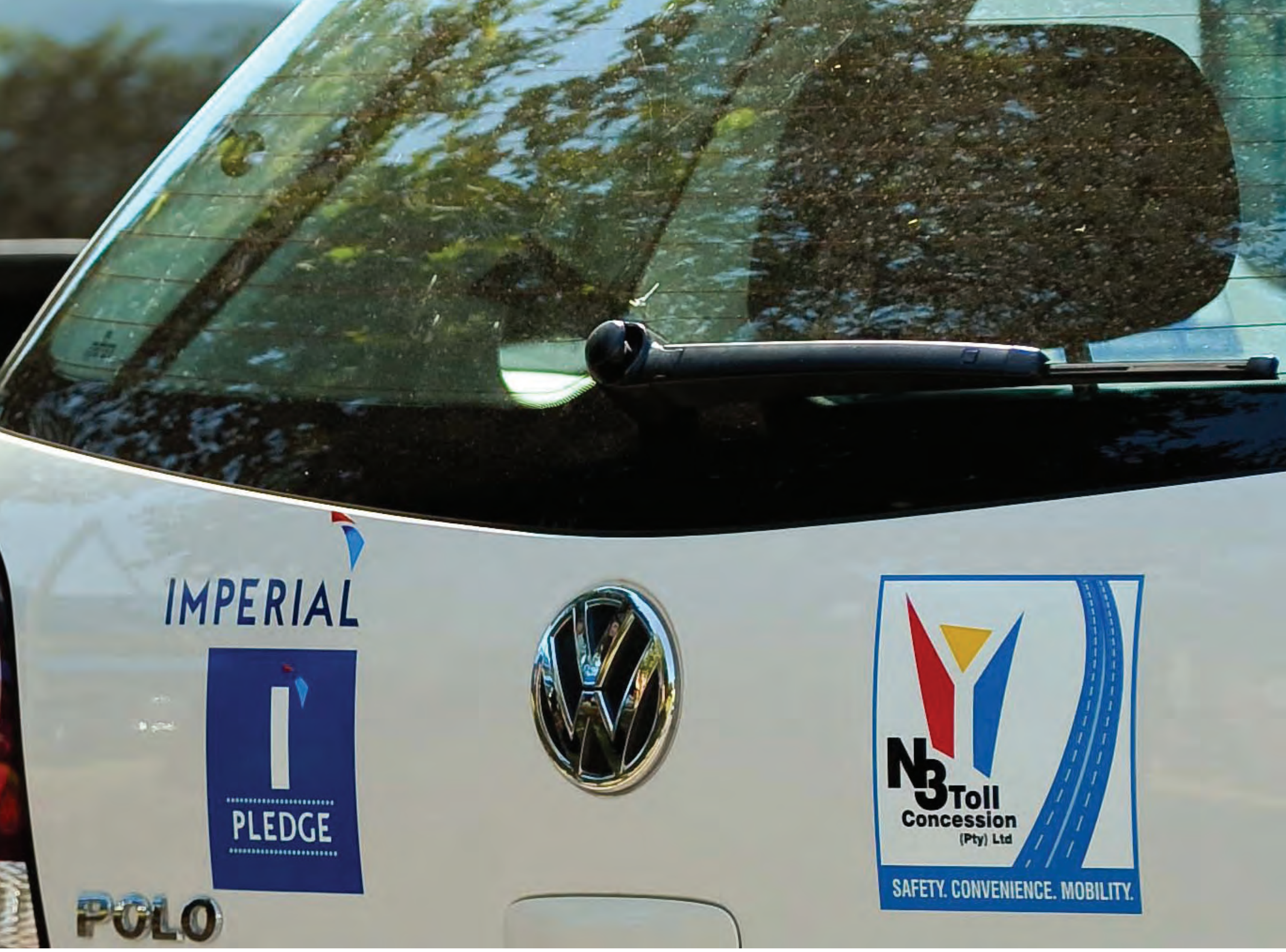

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These annual financial statements were published on 28 September 2012

Directors' responsibility for financial reporting

for the year ended 30 June 2012

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, the AC 500 standards issued by the Accounting Practices Board 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 93 which are available on the group's website at www.imperial.co.za were approved by the board of directors on 21 August 2012 and are signed on their behalf by:

T S Gcabashe
Chairman

HR Brody
Chief executive

AH Mahomed
Financial director

Preparer of annual financial statements

These annual financial statements have been prepared under the supervision of R Mumford CA(SA).

R Mumford
General manager group finance

21 August 2012

Certificate by company secretary

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2012, 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

21 August 2012

Report of the independent auditor to the shareholders of Imperial Holdings Limited on the annual financial statements

We have audited the consolidated and separate annual financial statements of Imperial Holdings Limited set out on pages 3 to 93, which comprise the statements of financial position as at 30 June 2012, and the income statements, statements of comprehensive income, the 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 consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, 2008, and for such internal controls as the directors determine is necessary to enable the preparation of the consolidated and separate annual 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 annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate annual financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Imperial Holdings Limited as at 30 June 2012, 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, 2008.

Other reports required by the Companies Act of South Africa, 2008

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the directors' report, the audit committee report and the remuneration report for the purpose of identifying whether there are material inconsistencies between those reports and the audited annual 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 annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per MJ Comber
Partner

21 August 2012

Buildings 1 and 2, Deloitte Place
The Woodlands Office Park Woodlands Drive
Sandton

Report of the audit committee

for the year ended 30 June 2012

The audit committee has pleasure in submitting this report, which has been approved by the board and has been prepared in accordance with the South African Companies Act No 71 of 2008 (the Act) and incorporating the recommendations of 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 are suitably skilled and experienced and act independently as described in the Act. The members of the committee in respect of the year ended 30 June 2012 comprised Mr MJ Leeming (chairman), Ms P Langeni, Mr RJA Sparks and Mr Y Waja (the committee), all of whom are independent non-executive directors of the company and whose appointments were approved by shareholders at the AGM held on 1 November 2011.

The same members are being recommended by the board for appointment for the financial year ending 30 June 2013. Their appointments are being put to shareholders for approval at the next AGM on 31 October 2012. The abridged curricula vitae of the members are included on pages 22 to 24 of the integrated annual report.

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

Member	Meetings attended
MJ Leeming (Chairman)	4
P Langeni	4
RJA Sparks	4
Y Waja	4

Functions 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 group applies a combined assurance model.

The committee is satisfied that, for the 2012 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 has discharged the functions in terms of its charter and ascribed to it in terms of the Act as follows:

- Reviewed the interim, preliminary and year-end group financial statements and abridged financial statements, and integrated report, culminating in a recommendation to the board to adopt them. In the course of its review the committee:
  - took appropriate steps to ensure the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), the AC 500 standards and the requirements of the Act;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - dealt with any concerns or complaints on accounting policies, internal audit, the auditing or content of group annual financial statements, and internal financial controls; and
  - reviewed matters that could have a significant impact on the organisation's financial statements.
- Reviewed external audit reports on the annual financial statements.
- Reviewed the board-approved internal audit charter. No amendments were recommended to the board by the committee.
- Reviewed and approved the internal audit plan.
- Reviewed internal audit and risk management reports and, where relevant, made recommendations to the board.
- Evaluated the effectiveness of risk management, controls and governance processes.
- Considered reports relating to legal compliance and litigation, reported cases of fraud, and whistleblowing reports.
- Reviewed sustainability requirements for external assurance of material sustainability issues.
- The committee has satisfied itself that the external auditors, Deloitte & Touche, are independent of the group and that the appointment of Mr MJ Comber as the designated auditor and IFRS adviser is in compliance with the Auditing Profession Act, 2005 and the Listings Requirements of the Johannesburg Securities Exchange Limited (JSE) and recommending their reappointment by shareholders.
- Approved audit fees and engagement terms of the external auditor.
- Determined the nature and extent of allowable non-audit services and approved contract terms for non-audit services by the external auditor.

The functions of the committee are also performed for each subsidiary company of Imperial Holdings Limited that has not appointed an audit committee, provided that the committee delegates the performance of such functions to subcommittees 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.

Internal audit

The audit committee has oversight of the group's annual financial statements and reporting process, including the system of internal financial control. It is responsible for ensuring the group's internal audit function is independent and has the necessary resources, standing and authority in the organisation to discharge its duties. The committee oversees cooperation between internal and external auditors, and serves as a link between the board of directors and these functions. The head of internal audit reports functionally to the chair of the committee and administratively to the chief executive.

Attendance

The internal and external auditors, in their capacity as auditors to the group, attended and reported at all meetings of the audit committee. The group risk management function was also represented by the head of risk. Executive directors and relevant senior managers attended meetings by invitation.

Confidential meetings

Audit committee agendas provide for confidential meetings between committee members and the internal and external auditors.

Independence of the external auditor

During the year the audit committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the independence of the auditor, Deloitte & Touche.

Expertise and experience of financial director and the finance function

As required by 3.84(h) of the JSE Listings Requirements, the audit committee has satisfied itself that the financial director, Mr AH Mahomed, 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.

Discharge of responsibilities

The committee determined that during the financial year under review it had discharged its legal and other responsibilities as outlined in its terms of reference. The board concurred with this assessment.

MJ Leeming
Chairman
21 August 2012

Directors' report

for the year ended 30 June 2012

Nature of business

Imperial is a diversified industrial services and retail group with activities spanning logistics, car rental and tourism, vehicle distribution and retail including allied financial services, as well as parts and industrial products distribution. The group's activities span South Africa, the rest of Africa, Europe, the United Kingdom and Australia.

Financial performance

The net attributable profit for the year amounted to R2 980 million (2011: R2 562 million). Headline earnings per share for the year was 1 566 cents (2011: 1 370 cents).

The results for the year are set out in the consolidated income statement on page 18 of this report.

Share capital

The authorised and issued share capital is detailed in note 15 to the consolidated annual financial statements on page 47.

The number of shares in issue on 30 June 2012 were as follows:

	Company	Shares repurchased	Net
Ordinary shares			
The movements in the ordinary shares were as follows:			
Shares at beginning of year	208 826 352	(7 864 456)	200 961 896
Deferred ordinary shares converted to ordinary shares	901 617		901 617
Ordinary shares issued during the year	115 060		115 060
Shares at end of year	209 843 029	(7 864 456)	201 978 573
Deferred ordinary shares			
The movement in the number of deferred ordinary shares was as follows:			
Shares at beginning of year	15 012 609		15 012 609
Converted into ordinary shares	(901 617)		(901 617)
Shares at end of year	14 110 992		14 110 992
Total issued share capital	223 954 021	(7 864 456)	216 089 565
Non-redeemable, non-participating preference shares			
Balance brought and carried forward	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 out on page 95 of this report.

In accordance with the articles of association Mrs T Dingaan, Ms P Langeni, Messrs MJ Leeming and MV Moosa retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The aggregate interest of the directors and prescribed officers in the issued ordinary share capital of the company is disclosed in note 15 to the consolidated annual financial statements on page 47.

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 in note 15 to the consolidated annual financial statements on page 47.

Dividend

Details of the dividends declared are set out in note 34 to the consolidated annual financial statements on page 62.

Subsidiaries

Details of the company's principal subsidiaries are reflected in Annexure A to the consolidated annual financial statements on page 80.

The attributable interest of the company in the aggregate profits and losses of its subsidiaries after taxation for the year under review was as follows:

	2012 Rm	2011 Rm
Profits	2 895	2 470
Losses	226	327

Changes to holdings in material subsidiaries, businesses and associates were as follows:

Subsidiaries acquired by the group	Nature of business	Percentage interest
Lehnkering Group	Logistics	100
Accordian Investments (Pty) Limited	Distributor and importer	60
Watts Truck Centre Limited (Gloucester)	Vehicle sales and services	100
Transport Holdings Botswana Group	Transport logistics	80
Bobcat Group	Industrial equipment	67,5

Special resolutions

The company passed the following special resolutions at its annual general meeting held on 1 November 2011:

- 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 treasury shares from a wholly owned subsidiary of the company, Imperial Corporate Services (Pty) Limited.
- Granting to the directors of the company specific authority to provide financial assistance to related and inter related parties as contemplated in section 45 of the Companies Act, 2008, (the Act).
- Approving the directors' fees payable from 1 July 2011 to the date of the next annual general meeting in 2012.

Subsidiaries of the company passed any special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group, are as follows:

- Granting the directors of the companies authority to provide financial assistance to related and inter-related parties as contemplated in section 45 of the Act.
- Granting the companies authority to make distributions as contemplated in section 46 of the Act.
- Approving directors' fees payable from 1 July 2011 to 30 June 2012.

Events subsequent to year-end

In terms of the Ukhamba black economic empowerment transaction 1 131 910 deferred ordinary shares have converted to ordinary shares. These shares were listed on the Johannesburg Securities Exchange (JSE) on 6 September 2012.

Accounting policies

The principal accounting policies of Imperial Holdings Limited and the disclosures made in the consolidated annual financial statements conform to International Financial Reporting Standards.

The accounting policies are outlined in notes 1 and 2 on page 27, with changes in note 3 on page 40.

Remuneration committee report

for the year ended 30 June 2012

Chairman's message

Imperial has always maintained a balanced remuneration policy, seeking to remunerate its executives and employees fairly, without losing sight of the changes in the market, the influence of society in general, and the social circumstances in the countries in which we operate.

Our reports in past years have aimed to give stakeholders a transparent view of executive remuneration in our group and we aim to continue doing so. We have also taken note of the need by various stakeholders in JSE listed companies for greater transparency in communicating the drivers of remuneration levels.

For this reason we have enhanced our remuneration report by providing additional disclosures regarding the measurements employed in determining the level of short-term incentives paid as well as vesting of long-term incentives.

We trust that this report will provide adequate and relevant information to all our stakeholders and invite stakeholders to interact with us if the disclosures contained in this report can be further enhanced to provide meaningful insight to all stakeholders.

TS Gcabashe
Chairman of the committee
21 August 2012

Governance

Role of the committee

The remuneration and nomination committee's (the committee) duties include providing the board with advice and guidance regarding:

- accurate and transparent disclosure of directors' remuneration;
- the composition of the board to enable it to execute its duties effectively;
- the establishment and implementation of remuneration policies in relation to non-executive directors, executive directors and other executives' remuneration to ensure that the company remunerates directors and executives fairly and responsibly;
- approval of the general composition of remuneration packages and the criteria for and amounts of bonus and incentive awards of executives;
- increases to non-executive directors' fees;
- significant changes to the group pension and provident funds and medical aid schemes;
- the administration of share-based incentive schemes;
- the development and implementation of formal succession plans for the board, chief executive officer and senior management appointments;
- the establishment of a formal process for the appointment of directors and the identification of suitable members of the board; and
- induction and ongoing training and development of directors.

Membership of the committee

The members of the committee during the year were Mr TS Gcabashe (Chairman), Ms SL Botha, Ms P Langeni, Mr RJA Sparks and Mr A Tugendhaft, all of whom are non-executive directors. Mrs SL Botha was appointed as a member of the committee with effect from 1 January 2012. The board considered the position of chairman of the committee, which is also chaired by the board chairman, and is of the opinion that the best interests of the company and of shareholders are served by not appointing a separate chairman who is not also the board chairman.

The chief executive officer and group financial director attend committee meetings and assist the committee in its deliberations, except when issues relating to their own remuneration are discussed. No director is able to decide his or her own remuneration.

The committee had four meetings during the past financial year.

The table details attendance of committee meetings during the year.

Member	Meetings attended
TS Gcabashe*	4
SL Botha*	2/2
P Langeni*	4
RJA Sparks*	4
A Tugendhaft	4

**Independent*

Our remuneration policy

Our remuneration policy was approved by shareholders at the annual general meeting held on 1 November 2011 and is again being put to shareholders at the annual general meeting to be held on 31 October 2012 for approval by non-binding advisory vote.

Imperial's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the company's business strategy in order to optimise long-term shareholder value. It is the intention that this policy should conform to best practice standards and it is framed around the following key principles:

- Total rewards are set at levels that are responsible and competitive within the relevant market;
- Incentive-based rewards are earned through the achievement of demanding growth and return targets consistent with shareholder interests over the short, medium, and long term;
- Incentive plans, performance measures and targets are structured to operate soundly throughout the business cycle; and
- The design of long-term incentive schemes is prudent and does not expose shareholders to unreasonable financial risk.

Elements of executive remuneration

Executives' remuneration comprises the following principal elements:

- Base salary
- Annual incentive bonus
- Long-term incentive and retention schemes, both share and cash-based
- Other non-cash benefits

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration and between those aspects of the package linked to short-term financial performance and those linked to longer-term shareholder value creation. The policy relating to each component of remuneration is summarised below.

Fixed remuneration

The fixed remuneration of each executive is set to be responsible and competitive compared to similar companies, which are comparable in terms of size, market sector, business complexity, and international scope.

When determining annual base salaries, factors taken into account include inflation and salary trends, company performance, individual performance and changes in responsibilities.

Incentive bonuses

All executives are eligible to receive a performance related annual bonus. The bonus is non-contractual and not pensionable. The committee reviews bonuses annually and determines the level of each bonus based on performance criteria set at the start of the performance period. The criteria differ depending on the position of each executive and the division in which each operates and include:

- Core earnings per share and divisional operating profit growth targets.
- Return on invested capital targets.
- Black economic empowerment and employment equity targets.
- Divisional returns.
- A discretionary component comprising no more than 20% of the total. This component allows the committee to make adjustments in circumstances which could not be foreseen at the start of the period or are not in the control of a particular executive, such as a general market downturn or the demise of a significant competitor, which could affect divisional performance downwards or upwards beyond the control of the executive in question.

In respect of certain key individuals, long-term retention arrangements have been entered into, linked to individual and business performance, which arrangements mature up to June 2013.

Long-term incentive schemes

The group employs three long-term share incentive plans as well as a long-term Cash Retention Plan (CRP) and participation in the schemes by executives is based on criteria set by the committee. The share-based schemes are:

- Share Appreciation Rights Scheme (SAR)
- The Conditional Share Plan (CSP)
- The Deferred Bonus Plan (DBP)

Remuneration committee report continued

for the year ended 30 June 2012

Allocation model

Allocations of SAR and DBP are made annually based on the following criteria:

- Performance of the participant
- The job grading of the participant
- Key retention considerations regarding participants.

The quantum of allocations of SAR and DBP is calculated using a model developed by PricewaterhouseCoopers and is determined on the basis of the expected value of an allocation expressed as a percentage of total cost to company fixed remuneration. This percentage allocated is determined by retention considerations and the job grading of the participant, which also determines whether a participant receives SAR and DBP or only SAR.

The schemes embody the following elements:

The SAR

Selected participants receive annual grants of share appreciation rights, which are conditional rights to receive Imperial shares equal to the value of the difference between the exercise price and the grant price. Vesting of rights is subject to performance conditions being met. The performance conditions and performance period are determined by the board on an annual basis in respect of each new grant of rights. The SAR vest after three years and must be exercised within four years from vesting.

The current performance targets employed in the SAR are the achievement of specified targets set by the committee for growth in the company's core earnings per share, relative to the growth in core earnings per share or HEPS of a selected peer group of 20 JSE listed companies and the return on invested capital of Imperial Holdings (ROIC) compared to its weighted average cost of capital, over a three year performance period.

For each grant of SAR, 50% of the SAR awards are subject to the achievement of the core EPS performance condition and 50% of the SAR awards are subject to the achievement of the ROIC performance condition. The extent to which each performance condition has been met is determined on the vesting date as follows:

Core EPS condition

- If the core EPS of the company is below the lower quartile of the selected peer group, 0% of the SARs subject to the core EPS condition vest.
- If the core EPS of the company is equal to the lower quartile of the selected peer group, 30% of the SARs subject to the core EPS condition vest.
- If the core EPS of the company is equal or above the upper quartile of the selected peer group, 100% of the SARs subject to the core EPS condition vest.
- Linear vesting occurs between 30% and 100% depending on the company's performance relative to the peer group if the company falls in the second or third quartile.

ROIC condition

- If the average ROIC for the company over the performance period is lower than the average weighted average cost of capital (WACC) of the company over the performance period, none of the SARs subject to the ROIC condition vest.
- If the average ROIC over the performance period is equal to the average WACC over the performance period, 30% of the SARs subject to the ROIC condition vest.
- If the average ROIC over the performance period is equal or above a predetermined target percentage, all of the SARs subject to the ROIC condition vest.*
- Linear vesting occurs between 30% and 100% depending on the company's performance if ROIC is between WACC and the target percentage.

**The target percentage for ROIC is expressed as WACC plus 4% in 2012.*

The targets and measuring terms relating to each issue are detailed in a letter of grant. After vesting, the rights may be exercised by a participant within a predetermined period and upon exercise by a participant, the relevant employer company will settle the value of the difference between the exercise price and the grant price by delivering Imperial shares that will be purchased on the open market, alternatively, as a fall back provision only, by the issue of new shares or lastly by settling the value in cash.

The Conditional Share Plan (CSP)

The CSP is utilised in exceptional circumstances only. Employees receive grants of conditional awards. Vesting of the conditional awards is subject to performance conditions. The performance conditions for the CSP will be based on individual targets set by the board. If the performance conditions are satisfied, the conditional awards will vest. If the performance conditions are not met, the conditional awards will lapse.

No allocations have been made in terms of this scheme to date.

The Deferred Bonus Plan (DBP)

Qualifying senior employees are permitted to use a portion of the after-tax component of their annual bonus to acquire Imperial shares (bonus shares). On the condition that the participant remains in the employ of the group and retains the bonus shares over a fixed three-year period a matching award of Imperial shares is made on vesting. A participant remains the owner of the bonus shares for the duration of the three-year period and enjoys all shareholder rights in respect of the bonus shares. Bonus shares can be disposed of by the participant at any stage, but the matching award is not made to the extent that the bonus shares are sold during the period. Bonus shares are matched by delivering an equal number of matching Imperial shares that will be purchased on the open market, alternatively, as a fall back provision only, by the issue of new shares or lastly by settling the value in cash.

Cash Retention Plan (CRP)

Selected participants receive annual grants of Cash Retention Plan rights, which are conditional rights to receive a cash payment. This scheme is designed to supplement SAR awards. Vesting of rights is subject to performance conditions being met. The performance conditions and performance period are determined by the board on an annual basis in respect of each new grant of rights and these are specifically tailored to drive divisional profitability.

The performance targets employed in the CRP issued to date are the achievement of specified divisional and group targets set by the committee for growth in profit before interest and tax (PBIT), relative to a performance period target determined by the committee and the return on invested capital of the participant's division (ROIC) compared to its weighted average cost of capital of the particular business unit, over a three year performance period.

For each grant of CRP, 50% of the awards are subject to the achievement of the PBIT performance condition and 50% of the awards are subject to the achievement of the ROIC performance condition. The extent to which each performance condition has been met is determined on the vesting date and linear vesting takes place between nil and 100%.

The targets and measuring terms relating to each issue are detailed in a letter of grant and are independently verified prior to vesting.

Eligibility

Any senior employee with significant managerial or other responsibility, including any director holding salaried employment or office in the group, is eligible to participate in the SAR, CSP, DBP and CRP. Non-executive directors may not be awarded rights in any of the incentive schemes.

A total of 11 631 363 share appreciation rights remain unexercised in terms of the SAR scheme at an average price of R102,01 per share. A total of 747 271 DBP rights have been taken up and a further 111 930 remain unexercised. No rights have been allocated in terms of the CSP.

Hedge

The group hedges its exposure to deliver shares in terms of share based long-term incentive schemes by taking out hedges or buying back shares to avoid dilution associated with the issue of shares. All past awards have been fully hedged through the purchase of call options except for the 2009 award in respect of which Imperial bought back shares which are being held as shares repurchased and will be utilised in respect of shares that have to be delivered in 2012.

Retirement schemes

Executives participate in contributory retirement schemes which include pension and provident funds established by the group. Executive retirement is governed by their retirement scheme rules subject to the ability of the company to enter into fixed term contracts to extend the services of any executive within certain prescribed limits.

Other benefits

Executive directors are remunerated on a cost-to-company basis and as part of their package are entitled to a car allowance or a fully maintained car, provident fund contributions, medical insurance, death and disability insurance. The provision of these benefits is considered to be market competitive for executive positions.

Remuneration committee report continued

for the year ended 30 June 2012

Succession policy and plans

The committee formally considers succession plans for executives and regularly reviews identified successors for key positions in the group.

External appointments

Executives are not permitted to hold external directorships or offices, other than those of a personal nature, without the approval of the board.

Directors' and prescribed officers' service contracts

Directors' and prescribed officers' contracts are all terminable on between one and three months' notice, with the exception of that of GW Riemann, who is employed on a fixed-term contract that terminates at the earliest on 30 June 2013.

Non-executive directors' appointments are made in terms of the company's Memorandum of Incorporation and are initially confirmed at the first annual general meeting of shareholders following their appointment, and thereafter by rotation.

Directors' remuneration

Non-executive directors' fees

Fees payable to non-executive directors are proposed by the executive committee, reviewed by the remuneration and nomination committee and recommended to the board, which in turn makes recommendations to shareholders after consideration of the fees paid by comparable companies, responsibilities taken by the non-executive directors and considerations relating to the retention and attraction of high-calibre individuals.

Directors' fees for the past year

For the past financial year, each of the non-executive directors received directors' fees and fees for services on committees as follows:

– Chairman*	R368 500	(2011: R346 000)
– Deputy chairman*	R185 000	(2011: R173 250)
– Board member	R185 000	(2011: R173 250)
– Assets and liabilities committee chairman*	R97 500	(2011: R91 500)
– Assets and liabilities committee member	R65 000	(2011: R61 000)
– Audit committee chairman*	R212 300	(2011: R181 500)
– Audit committee member	R106 700	(2011: R91 000)
– Risk committee chairman*	R100 500	(2011: R94 000)
– Risk committee member	R67 000	(2011: R63 000)
– Remuneration and nomination committee chairman*	R97 500	(2011: R91 500)
– Remuneration and nomination committee member	R65 000	(2011: R61 000)
– Social, ethics and sustainability committee chairman*	R97 500	(2011: R91 500)
– Social, ethics and sustainability committee member	R65 000	(2011: R61 000)

** Paid in addition to members' fee.*

Executive directors receive no directors' or committee fees for their services as directors in addition to their normal remuneration as employees.

Directors' fees for the next year

At the annual general meeting to be held on 31 October 2012, members will be requested to approve the following increases in non-executive directors' remuneration by special resolution in terms of section 66(9) of the Companies Act, 2008, as amended, granting authority to pay fees for services as directors, which shall be valid with effect from 1 July 2012 until the next annual general meeting of the company as follows:

– Chairman*	from R368 500	to R394 000
– Deputy chairman*	from R185 000	to R198 000
– Board member	from R185 000	to R198 000
– Assets and liabilities committee chairman*	from R97 500	to R104 000
– Assets and liabilities committee member	from R65 000	to R69 500
– Audit committee chairman*	from R212 300	to R227 000
– Audit committee member	from R106 700	to R114 000
– Risk committee chairman*	from R100 500	to R107 000
– Risk committee member	from R67 000	to R72 000
– Remuneration and nomination committee chairman*	from R97 500	to R104 000
– Remuneration and nomination committee member	from R65 000	to R69 500
– Social, ethics and sustainability committee chairman*	from R97 500	to R104 000
– Social, ethics and sustainability committee member	from R65 000	to R69 500

** Paid in addition to members' fee.*

Non-executive directors also receive fees for services on divisional boards and financial and risk review committees. In arriving at the proposed fees, cognisance was taken of market trends and the increased responsibilities of non-executive directors in terms of new legal, governance and JSE requirements.

Executive directors' and prescribed officers' 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 2012.

	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Other benefits (note 1) R'000	Directors' fees R'000	Subsidiaries/ associates and subcommittee fees R'000	2012 Total R'000	2011 Total R'000	Expected value of long-term incentive awards made in 2012 (note 2) R'000	Expected value of long-term incentive awards made in 2011 (note 2) R'000
Non-executive directors										
SL Botha					123	63	186			
T Dingaan (note 3)					185	410	595	558		
S Engelbrecht					185	67	252	236		
TS Gcabashe					553	227	780	732		
P Langeni					185	254	439	443		
MJ Leeming					185	506	691	617		
JR McAlpine								388		
V Moosa					185	162	347	326		
RJA Sparks					185	374	559	512		
A Tugendhaft					369	130	499	468		
Y Waja					185	580	765	653		
Total					2 340	2 773	5 113	4 933		
Executive directors										
OS Arbee	3 365	3 825	561	377			8 128	8 492	2 752	2 312
HR Brody	5 212	4 650	854				10 716	9 737	3 796	3 395
MP de Canha	3 807	4 585	620	5 159			14 171	8 156	3 093	2 474
RL Hiemstra	3 593	3 800	592	113			8 098	7 492		2 312
AH Mahomed	4 842	4 550	795				10 187	9 228	3 596	3 156
GW Riemann (note 4)	4 665	8 965	1 380	1 039		304	16 353	12 532		
M Swanepoel	3 412	3 500	695	180			7 787	7 232	2 655	2 312
Total	28 896	33 875	5 497	6 868		304	75 440	62 869	15 892	15 961
Total all directors	28 896	33 875	5 497	6 868	2 340	3 077	80 553		15 892	
Total all directors – June 2011	26 920	28 147	4 963	2 562	2 526	2 684		67 802		15 961
Prescribed officers (note 5)										
DD Gnodde*	2 408		389	5 058			7 855	6 203		1 809
PB Michaux	2 162	2 725	451	187			5 525	5 144	1 938	1 117
JJ Strydom**	1 965	2 250	195				4 410		1 727	859
Total prescribed officers	6 535	4 975	1 035	5 245			17 790	11 347	3 665	
Total prescribed officers – June 2011	4 814	5 620	811	102				11 347		3 785
Total June 2012	35 431	38 850	6 532	12 113	2 340	3 077	98 343	79 149	19 557	19 746

*Resigned effective 30 April 2012.

**Appointed 22 February 2012.

Notes

1. *Other benefits – These include the fringe benefit value of company cars, motorcar allowances, long-term performance based retention payments and a once off benefit paid to DD Gnodde on termination of his employment.*
2. *This represents the expected value of all long-term incentive awards made in the reporting year, which expected value is calculated using a Black Scholes valuation model and assuming that 50% of the relevant performance targets will be reached.*
3. *R410 000 is paid by Ukhamba Holdings (Pty) Limited in respect of its chairman's fees.*
4. *Overseas based – GW Riemann is employed in Germany and his salary is paid in Euro, based on the market conditions in that country.*
5. *Disclosure for prescribed officers in terms of the Companies Act, 2008 for the full financial year. 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. Although King III recommends that the remuneration of the top three earners who are not directors should be disclosed, this recommendation has substantially been incorporated in the Act by the prescribed officer disclosure and for this reason no further disclosure has been made in addition to that prescribed in the Act.*

Remuneration committee report continued

for the year ended 30 June 2012

Incentive schemes

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

Participation in the Share Appreciation Rights Scheme

	Commencement date	Price on commencement date (Rand)	Number of rights*	Number of rights exercised	Number of rights remaining	Vesting date
Executive directors						
OS Arbee	5 June 2008	49,46	369 031	369 031		
	18 June 2009	55,32	91 507		91 507	15 September 2012
	2 June 2010	96,71	56 333		56 333	16 September 2013
	14 June 2011	116,59	23 377		23 377	7 September 2014
	13 June 2012	170,57	44 743		44 743	26 August 2015
HR Brody	5 June 2008	49,46	529 904	529 904		
	18 June 2009	55,32	154 700		154 700	15 September 2012
	2 June 2010	96,71	92 540		92 540	16 September 2013
	14 June 2011	116,59	35 750		35 750	7 September 2014
	13 June 2012	170,57	66 936		66 936	26 August 2015
MP de Canha	5 June 2008	49,46	369 033	369 033		
	18 June 2009	55,32	100 186		100 186	15 September 2012
	2 June 2010	96,71	60 275		60 275	16 September 2013
	14 June 2011	116,59	25 011		25 011	7 September 2014
	13 June 2012	170,57	47 876		47 876	26 August 2015
RL Hiemstra	5 June 2008	49,46	369 031	369 031		
	18 June 2009	55,32	93 590		93 590	15 September 2012
	2 June 2010	96,71	56 306		56 306	16 September 2013
	14 June 2011	116,59	23 377		23 377	7 September 2014
AH Mahomed	5 June 2008	49,46	506 850	50 000	456 850**	
	18 June 2009	55,32	143 761		143 761	15 September 2012
	2 June 2010	96,71	85 996		85 996	16 September 2013
	14 June 2011	116,59	33 223		33 223	7 September 2014
	13 June 2012	170,57	62 203		62 203	26 August 2015
M Swanepoel	5 June 2008	49,46	369 032	369 032		
	18 June 2009	55,32	83 578		83 578	15 September 2012
	2 June 2010	96,71	53 323		53 323	16 September 2013
	14 June 2011	116,59	23 377		23 377	7 September 2014
	13 June 2012	170,57	44 743		44 743	26 August 2015
Prescribed officers						
PB Michaux	5 June 2008	49,46	157 262	157 262		
	18 June 2009	55,32	49 915		49 915	15 September 2012
	2 June 2010	96,71	30 750		30 750	16 September 2013
	14 June 2011	116,59	12 200		12 200	7 September 2014
	13 June 2012	170,57	31 241		31 241	26 August 2015
JJ Strydom	5 June 2008	49,46	97 343	97 343		
	18 June 2009	55,32	75 744		75 744	15 September 2012
	2 June 2010	96,71	25 264		18 140	16 September 2013
	14 June 2011	116,59	9 384		9 384	7 September 2014
	13 June 2012	170,57	29 342		29 342	26 August 2015

* *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 ROIC targets relative to weighted cost of capital, and could be fewer than the number granted.*

** *Lapses 15 May 2015.*

Participation in the Deferred Bonus Plan

	Allocation date	Number of rights allocated	Number of shares committed to the plan+	Number of rights forfeited	Balance available to be taken up	Vested during the year	Balance remaining	Vesting date
Executive directors								
OS Arbee	5 June 2008	30 969	8 447			8 447		
			2 219				2 219	15 September 2012
			7 758	12 545			7 758	15 September 2013
	18 June 2009	10 545	10 545				10 545	15 September 2012
	2 June 2010	6 961	6 961				6 961	16 September 2013
	14 June 2011	11 671	10 406	1 265			10 406	7 September 2014
	13 June 2012	6 727			6 727			26 August 2015
HR Brody	5 June 2008	45 096	18 732			18 732		
			8 106				8 106	15 September 2012
			9 966	8 292			9 966	15 September 2013
	18 June 2009	15 280	15 280				15 280	15 September 2012
	2 June 2010	9 858	9 858				9 858	16 September 2013
	14 June 2011	16 526	12 089	4 437			12 089	7 September 2014
	13 June 2012	8 178			8 178			26 August 2015
MP de Canha	5 June 2008	30 967	16 253			16 253		
			2 788				2 788	15 September 2012
			11 926				11 926	15 September 2013
	18 June 2009	11 545	11 545				11 545	15 September 2012
	2 June 2010	7 448	7 448				7 448	16 September 2013
	14 June 2011	12 486	10 712	1 774			10 712	7 September 2014
	13 June 2012	8 064			8 064			26 August 2015
RL Hiemstra	5 June 2008	30 969	13 773			13 773		
			8 074				8 074	15 September 2012
			8 902	220			8 902	15 September 2013
	18 June 2009	10 785	10 785				10 785	15 September 2012
	2 June 2010	6 958	6 958				6 958	16 September 2013
	14 June 2011	11 671	10 406	1 265			10 406	7 September 2014
AH Mahomed	5 June 2008	43 150	18 456			18 456		
			8 243				8 243	15 September 2012
			13 736	2 715			13 736	15 September 2013
	18 June 2009	14 200	14 200				14 200	15 September 2012
	2 June 2010	9 161	9 161				9 161	16 September 2013
	14 June 2011	15 358	11 783	3 575			11 783	7 September 2014
	13 June 2012	8 003			8 003			26 August 2015
M Swanepoel	5 June 2008	30 968	19 925			19 925		
			6 636				6 636	15 September 2012
			3 323	1 084			3 323	15 September 2013
	18 June 2009	9 631	9 631				9 631	15 September 2012
	2 June 2010	6 589	6 589				6 589	16 September 2013
	14 June 2011	11 671	9 641	2 030			9 641	7 September 2014
	13 June 2012	6 156			6 156			26 August 2015

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

Remuneration committee report continued

for the year ended 30 June 2012

Participation in the Deferred Bonus Plan continued

	Allocation date	Number of rights allocated	Number of shares committed to the plan+	Number of rights forfeited	Balance available to be taken up	Vested during the year	Balance remaining	Vesting date
Prescribed officers								
PB Michaux	5 June 2008	18 476	4 591			4 591		
			3 680				3 680	15 September 2012
			8 231	1 974			8 231	15 September 2013
	18 June 2009	4 867	4 867				4 867	15 September 2012
	2 June 2010	3 167	3 167				3 167	16 September 2013
	14 June 2011	5 251	5 251				5 251	7 September 2014
	13 June 2012	4 793			4 793			26 August 2015
JJ Strydom	5 June 2008	11 436	10 036			10 036		
			1 364	36			1 364	15 September 2013
	18 June 2009	3 973		3 973				15 September 2012
	2 June 2010	2 602	2 602				2 602	15 September 2012
	14 June 2011	4 039	4 039				4 039	15 September 2011
	13 June 2012	3 957			3 957			26 August 2015

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

Gains by directors and prescribed officers on DBP and SAR allocated in 2008, which vested and were exercised after 15 September 2011

Director/prescribed officer	2012 R'000	2011 R'000
Executive directors		
OS Arbee	35 098	
HR Brody	39 542	
MP de Canha	22 763	
RL Hiemstra	41 483	
AH Mahomed	5 565	
M Swanepoel	26 021	
Prescribed officers		
DD Gnodde	10 083	
PB Michaux	11 387	
JJ Strydom	7 780	

Directors' and prescribed officers' interests in shares

	2012		2011	
Director/prescribed officer	**Beneficial number of shares**	**Non-beneficial number of shares**	Beneficial number of shares	Non-beneficial number of shares
Non-executive directors				
MJ Leeming		**4 928**		4 928
RJA Sparks	**40 000**		40 000	
Y Waja	**927**		927	
	40 927	**4 928**	40 927	4 928
Executive directors				
OS Arbee	**119 052**		36 266	
HR Brody	**191 203**		64 942	
MP de Canha	**1 512 160**		1 107 812	
RL Hiemstra	**45 135**		48 492	
AH Mahomed	**74 869**		63 796	
M Swanepoel	**53 744**		46 104	
	1 996 163		1 367 412	
Prescribed officers				
DD Gnodde *			15 206	
PB Michaux	**32 269**		24 536	
JJ Strydom**	**28 476**			
	60 745		39 742	
Total	**2 097 835**	**4 928**	1 448 081	4 928

* *Employed up to 30 April 2012.*
** *Appointed 22 February 2012.*

Approval

This remuneration report has been approved by the board of directors of Imperial.

Consolidated statement of financial position

at 30 June

	Notes	2012 Rm	2011 Rm
ASSETS			
Intangible assets	4	4 234	1 823
Investment in associates and joint ventures	5	889	770
Property, plant and equipment	6	8 080	6 550
Transport fleet	7	4 336	3 627
Vehicles for hire	8	2 321	2 057
Deferred tax assets	9	930	661
Investments and loans	10	2 433	2 413
Non-current financial assets	11	242	244
Inventories	12	9 218	7 589
Tax in advance		195	138
Trade and other receivables	13	9 275	7 130
Cash resources	14	3 545	3 531
Total assets		45 698	36 533
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	15	22	9
Shares repurchased	16	(220)	(220)
Other reserves	17	503	111
Retained earnings		14 361	12 073
Attributable to Imperial Holdings' shareholders		14 666	11 973
Non-controlling interests		1 223	1 043
Total shareholders' equity		15 889	13 016
Liabilities			
Non-redeemable, non-participating preference shares	19	441	441
Retirement benefit obligations	20	590	233
Interest-bearing borrowings	21	6 098	6 302
Insurance, investment, maintenance and warranty contracts	22	3 222	2 465
Deferred tax liabilities	9	1 107	549
Non-current financial liabilities	23	348	323
Provisions for liabilities and other charges	24	1 652	1 358
Trade and other payables	25	12 234	10 116
Current tax liabilities		468	524
Current portion of interest-bearing borrowings	21	3 649	1 206
Total liabilities		29 809	23 517
Total equity and liabilities		45 698	36 533

Consolidated income statement

for the year ended 30 June

	Notes	2012 Rm	2011 Rm
Revenue	26	80 830	64 667
Net operating expenses	27	(73 402)	(58 646)
Profit from operations before depreciation and recoupments		7 428	6 021
Depreciation, amortisation, impairments and recoupments	28	(1 790)	(1 495)
Operating profit		5 638	4 526
Impairment of properties, net of recoupments	28	(32)	7
Amortisation of intangible assets arising on business combinations	28	(128)	(15)
Foreign exchange gains (losses)		16	(33)
Fair value losses on foreign exchange derivatives		(26)	(18)
Business acquisition costs		(51)	
Fair value gain on Lereko Mobility (Pty) Limited call option			279
Exceptional items	29	(12)	(46)
Profit before net financing costs		5 405	4 700
Finance costs including fair value gains and losses	30	(736)	(697)
Finance income	30	55	143
Income from associates and joint ventures	5	46	34
Profit before tax		4 770	4 180
Income tax expense	31	(1 382)	(1 272)
Net profit for the year		3 388	2 908
Net profit attributable to:			
Equity holders of Imperial Holdings Limited		2 980	2 562
Non-controlling interests		408	346
		3 388	2 908
Earnings per share (cents)	32		
Basic earnings per share		1 552	1 346
Diluted earnings per share		1 474	1 266

Consolidated statement of comprehensive income

for the year ended 30 June

	2012 Rm	2011 Rm
Net profit for the year	3 388	2 908
Other comprehensive income:		
Exchange gains arising on translation of foreign operations	210	26
Movement in valuation reserves		
– Movement in valuation reserves	19	
– Realisation of available-for-sale investment by Ukhamba Holdings (Pty) Limited	(19)	
Movement in hedge accounting reserves	443	35
– Movement in hedge accounting reserves	409	39
– Share of other associates and joint ventures hedging reserve	18	(4)
– Income tax relating to hedging reserve movements	16	
Total comprehensive income for the year	4 041	2 969
Total comprehensive income attributable to:		
Equity holders of Imperial Holdings Limited	3 578	2 618
Non-controlling interests	463	351
	4 041	2 969

Consolidated statement of cash flows

for the year ended 30 June

	Notes	2012 Rm	2011 Rm
Cash flows from operating activities			
Cash receipts from customers		81 248	64 275
Cash paid to suppliers and employees		(73 808)	(58 198)
Cash generated by operations before capital expenditure on rental assets	33.1	7 440	6 077
Expansion capital expenditure – rental assets		(352)	(157)
Net replacement capital expenditure – rental assets		(505)	(174)
– Expenditure		(2 120)	(1 900)
– Proceeds		1 615	1 726
Cash generated by operations		6 583	5 746
Net financing costs		(681)	(563)
Tax paid		(1 522)	(1 221)
		4 380	3 962
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	33.2	(1 886)	(943)
Disposal of subsidiaries and businesses	33.3	18	
Expansion capital expenditure – excluding rental assets		(773)	(530)
– Property		(406)	(225)
– Transport fleet		(367)	(305)
Net replacement capital expenditure – excluding rental assets	33.4	(962)	(667)
– Intangible assets		(83)	(34)
– Plant and equipment		(502)	(408)
– Transport fleet		(377)	(225)
Proceeds from sale of Imperial Bank Limited			477
Dividend received from Ukhamba Holdings (Pty) Limited		387	
Net movement in other associates and joint ventures		(94)	78
Net movement in investments, loans and non-current financial instruments		(63)	(15)
		(3 373)	(1 600)
Cash flows from financing activities*			
Hedge cost premium paid		(105)	(205)
Repurchase of ordinary shares			(156)
Cost incurred on cancellation of shares repurchased			(8)
Dividends paid		(1 350)	(983)
Change in non-controlling interests		(177)	(51)
Repayment of IPL 3 and IC 01 corporate bonds			(2 026)
Proceeds from the issuance of IPL 5 and IPL 6 corporate bonds			2 034
Repayment of IC 02 corporate bond		(522)	
Proceeds on the Euro-syndicated bank term loan raised		2 482	
Decrease in interest-bearing borrowings		(1 432)	(225)
		(1 104)	(1 620)
Net (decrease) increase in cash and cash equivalents		(97)	742
Cash and cash equivalents at beginning of year		2 926	2 184
Cash and cash equivalents at end of year	33.5	2 829	2 926

* *There has been no cash flow for the share issue relating to the Deferred Bonus Plan.*

Consolidated statement of changes in equity

for the year ended 30 June

	Share capital and share premium Rm	Shares repurchased Rm	Share-based payment reserve Rm	Hedging reserve Rm
Balance at 30 June 2010	10	(1 816)	(69)	(85)
Net attributable profit for the year				
Total other comprehensive income				35
Total comprehensive income for the year				35
Movement in statutory reserves				
Share-based equity reserve transferred to retained earnings on vesting			30	
Share-based equity cost utilisation including hedging cost			(205)	
Share-based equity cost charged to the income statement			122	
Consolidation of 5 864 944 Imperial shares held by Lereko Mobility (Pty) Limited as shares repurchased		(665)		
Purchase and cancellation of 16 000 000 ordinary shares from wholly owned subsidiary	(1)	2 000		
Share cancellation expenses				
Reserve reallocation		261		
Repurchase and cancellation of 1 465 719 ordinary shares from open market				
Dividend of 200 cents per ordinary share in September 2010				
Dividend of 267,5 cents per preferred ordinary share in September 2010				
Dividend of 220 cents per ordinary share in March 2011				
Non-controlling interests arising on acquisitions of businesses				
Net decrease in non-controlling interests				
Non-controlling interests share of dividends				
Balance at 30 June 2011	**9**	**(220)**	**(122)**	**(50)**
Net attributable profit for the year				
Total other comprehensive income				**393**
Transfer of reserves on disposal of assets				
Total comprehensive income for the year				**393**
Dividends declared by Ukhamba Holdings (Pty) Limited in excess of its carrying value				
115 060 ordinary shares issued at premium	**13**			
Movements in statutory reserves				
Share-based equity reserve transferred to retained earnings on vesting			**39**	
Share-based equity cost utilisation including hedging cost			**(136)**	
Share-based equity cost charged to the income statement			**107**	
Dividend of 260 cents per ordinary share in September 2011				
Dividend of 300 cents per ordinary share in March 2012				
Non-controlling interests arising on acquisitions of businesses, net of disposals				
Net decrease in non-controlling interests				
Non-controlling interests share of dividends				
Balance at 30 June 2012	**22**	**(220)**	**(112)**	**343**

Other reserves							
Statutory reserve Rm	Foreign currency translation reserve Rm	Premium paid on purchase of non-controlling interests Rm	Valuation reserve Rm	Retained earnings Rm	Attributable to Imperial Holdings' shareholders Rm	Non-controlling interests Rm	Total shareholders' equity Rm
265	33	(26)	315	12 513	11 140	806	11 946
				2 562	2 562	346	2 908
	21				56	5	61
	21			2 562	2 618	351	2 969
20				(20)			
				(30)			
					(205)		(205)
					122	(4)	118
			(309)	309	(665)		(665)
				(1 999)			
				(8)	(8)		(8)
				(261)			
				(156)	(156)		(156)
				(368)	(368)		(368)
				(39)	(39)		(39)
				(430)	(430)		(430)
						51	51
		(36)			(36)	(15)	(51)
						(146)	(146)
285	54	(62)	6	12 073	11 973	1 043	13 016
				2 980	2 980	408	3 388
	205		19		617	55	672
			(19)		(19)		(19)
	205			2 980	3 578	463	4 041
				305	305		305
					13		13
(133)				133			
				(39)			
					(136)	(2)	(138)
					107	5	112
				(506)	(506)		(506)
				(585)	(585)		(585)
						36	36
		(83)			(83)	(63)	(146)
						(259)	(259)
152	259	(145)	6	14 361	14 666	1 223	15 889

Segmental information – financial position

at 30 June

	Group 2012 Rm	Group 2011 Rm	Logistics 2012 Rm	Logistics 2011 Rm	Car rental and tourism 2012 Rm	Car rental and tourism 2011 Rm
BUSINESS SEGMENTATION						
Assets						
Intangible assets	4 234	1 823	3 602	1 191	54	85
Investments, associates and joint ventures	2 786	2 548	136	99	8	7
Property, plant and equipment	8 080	6 550	2 973	1 858	453	436
Transport fleet	4 336	3 627	4 381	3 673		
Vehicles for hire	2 321	2 057			1 783	1 713
Non-current financial assets	242	244				
Inventories	9 218	7 589	414	254	295	398
Trade and other receivables	9 275	7 130	5 631	4 233	216	309
Cash in financial services businesses	1 083	1 247				
Operating assets	41 575	32 815	17 137	11 308	2 809	2 948
Deferred tax assets	930	661				
Loans to associates and other investments	536	635				
Tax in advance	195	138				
Cash resources	2 462	2 284				
Total assets per statement of financial position	45 698	36 533				
Liabilities						
Retirement benefit obligations	590	233	590	233		
Insurance, investment, maintenance and warranty contracts	3 222	2 465				
Trade and other payables and provisions	13 886	11 474	6 050	4 213	380	426
Non-current financial liabilities	348	323	123	25		
Non-interest-bearing liabilities	18 046	14 495	6 763	4 471	380	426
Non-redeemable, non-participating preference shares	441	441				
Interest-bearing borrowings	9 747	7 508				
Deferred tax liabilities	1 107	549				
Current tax liabilities	468	524				
Total liabilities per statement of financial position	29 809	23 517				
GEOGRAPHIC SEGMENTATION						
Operating assets	41 575	32 815	17 137	11 308	2 809	2 948
South Africa	28 400	26 811	7 092	7 377	2 761	2 904
Rest of Africa	2 866	1 454	1 798	962	48	44
Rest of world	10 309	4 550	8 247	2 969		
Non-interest-bearing liabilities	18 046	14 495	6 763	4 471	380	426
South Africa	13 191	12 101	3 221	2 792	358	409
Rest of Africa	1 178	605	537	370	22	17
Rest of world	3 677	1 789	3 005	1 309		
Interest-bearing borrowings	9 747	7 508	6 216	2 541	1 196	1 429
South Africa	3 503	4 227	2 013	1 833	1 158	1 449
Rest of Africa	632	320	471	239	38	(20)
Rest of world	5 612	2 961	3 732	469		
Gross capital expenditure	4 913	3 843	1 631	1 155	1 588	1 540
South Africa	4 315	3 383	1 110	830	1 559	1 529
Rest of Africa	209	103	177	89	29	11
Rest of world	389	357	344	236		
Gross capital expenditure	4 913	3 843	1 631	1 155	1 588	1 540
Less: Proceeds on disposal	(2 252)	(2 315)	(322)	(360)	(987)	(1 175)
Net capital expenditure	2 661	1 528	1 309	795	601	365

Distributor-ships 2012 Rm	Distributor-ships 2011 Rm	Automotive retail 2012 Rm	Automotive retail 2011 Rm	Financial services 2012 Rm	Financial services 2011 Rm	Head office and eliminations 2012 Rm	Head office and eliminations 2011 Rm
417	394	129	119	32	29		5
125	62	7	7	2 208	2 230	302	143
2 618	2 289	1 704	1 654	143	124	189	189
						(45)	(46)
402	263			665	498	(529)	(417)
				242	244		
5 955	4 619	2 357	2 112	346	230	(149)	(24)
2 044	1 383	856	748	457	478	71	(21)
				1 083	1 247		
11 561	9 010	5 053	4 640	5 176	5 080	(161)	(171)
82	33			3 140	2 432		
3 530	3 513	2 297	2 009	1 732	1 369	(103)	(56)
16	17	1				208	281
3 628	3 563	2 298	2 009	4 872	3 801	105	225
11 561	9 010	5 053	4 640	5 176	5 080	(161)	(171)
10 502	8 093	4 363	4 043	4 241	4 684	(559)	(290)
85	49			935	396		3
974	868	690	597			398	116
3 628	3 563	2 298	2 009	4 872	3 801	105	225
3 446	3 400	1 850	1 663	4 300	3 630	16	207
49	34			572	171	(2)	13
133	129	448	346			91	5
2 916	2 002	858	772	(1 314)	(916)	(125)	1 680
2 161	1 337	739	685	(1 314)	(916)	(1 254)	(161)
123	101						
632	564	119	87			1 129	1 841
553	726	321	222	831	185	(11)	15
533	688	295	188	830	182	(12)	(34)
1				1	3	1	
19	38	26	34				49
553	726	321	222	831	185	(11)	15
(170)	(384)	(93)	(144)	(524)	(218)	(156)	(34)
383	342	228	78	307	(33)	(167)	(19)

Segment information – income statement

for the year ended 30 June

	Group 2012 Rm	Group 2011 Rm	Logistics 2012 Rm	Logistics 2011 Rm	Car rental and tourism 2012 Rm	Car rental and tourism 2011 Rm
BUSINESS SEGMENTATION						
Revenue						
– Sale of goods	**46 881**	38 182	**3 362**	2 294	**1 166**	1 162
– Rendering of services	**30 953**	23 849	**24 140**	18 209	**2 428**	2 071
– Gross premiums received	**2 875**	2 558				
– Other	**121**	78	**119**	72		5
	80 830	64 667	**27 621**	20 575	**3 594**	3 238
Inter-segment revenue			**83**	61	**207**	75
	80 830	64 667	**27 704**	20 636	**3 801**	3 313
Operating expenses including cost of sales	**(73 671)**	(58 931)	**(25 300)**	(18 782)	**(2 915)**	(2 485)
Investment income	**186**	209				
Fair value gains on investments	**83**	76				
Depreciation, amortisation and impairments	**(1 806)**	(1 528)	**(910)**	(743)	**(506)**	(477)
Recoupments (excluding properties)	**16**	33	**14**	25		
Operating profit	**5 638**	4 526	**1 508**	1 136	**380**	351
Impairment of properties, net of recoupments	**(32)**	7	**8**	37		
Amortisation of intangibles arising on business combinations	**(128)**	(15)	**(125)**	(15)		
Foreign exchange gains/(losses)	**16**	(33)		(6)		
Fair value gains/(losses) on foreign exchange derivatives	**(26)**	(18)	**2**			
Business acquisition costs	**(51)**		**(47)**			
Fair value gain on Lereko Mobility (Pty) Limited call option		279				
Profit before net finance costs and exceptional items	**5 417**	4 746	**1 346**	1 152	**380**	351
Net finance cost including fair value gains and losses	**(681)**	(554)	**(322)**	(216)	**(134)**	(141)
Income from associates and joint ventures	**46**	34	**29**	17	**1**	1
Profit before tax and exceptional items	**4 782**	4 226	**1 053**	953	**247**	211
Income tax excluding tax on exceptional items	**(1 379)**	(1 271)	**(302)**	(360)	**(71)**	(61)
Profit after tax excluding exceptional items	**3 403**	2 955	**751**	593	**176**	150
GEOGRAPHIC SEGMENTATION						
Revenue	**80 830**	64 667	**27 704**	20 636	**3 801**	3 313
South Africa	**59 311**	50 330	**12 741**	11 333	**3 687**	3 171
Rest of Africa	**4 656**	3 120	**3 716**	2 455	**114**	142
Rest of world	**16 863**	11 217	**11 247**	6 848		
Operating profit	**5 638**	4 526	**1 508**	1 136	**380**	351
South Africa	**4 669**	3 922	**756**	644	**367**	324
Rest of Africa	**298**	239	**154**	142	**13**	27
Rest of world	**671**	365	**598**	350		
Net finance cost including fair value gains and losses	**681**	554	**322**	216	**134**	141
South Africa	**489**	474	**205**	194	**132**	138
Rest of Africa	**33**	27	**24**	17	**2**	3
Rest of world	**159**	53	**93**	5		

Operational segmental reporting

For management purposes, the group is organised into five major operating divisions – logistics, car rental and tourism, distributorships, automotive retail and financial services. These divisions are the basis on which the group reports its primary segment information.

This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The segment profit includes revenue, operating costs and other income, net financing costs and the share of income from associates and taxes. Central administration costs and group eliminations are dealt with under head office and eliminations.

Distributor-ships 2012 Rm	Distributor-ships 2011 Rm	Automotive retail 2012 Rm	Automotive retail 2011 Rm	Financial services 2012 Rm	Financial services 2011 Rm	Head office and eliminations 2012 Rm	Head office and eliminations 2011 Rm
25 130	19 656	17 193	15 013			30	57
2 117	1 466	1 749	1 496	484	589	35	18
				2 875	2 558		
				2			1
27 247	21 122	18 942	16 509	3 361	3 147	65	76
1 071	825	618	641	638	262	(2 617)	(1 864)
28 318	21 947	19 560	17 150	3 999	3 409	(2 552)	(1 788)
(25 694)	(19 986)	(18 888)	(16 545)	(3 431)	(2 848)	2 557	1 715
				271	253	(85)	(44)
				83	76		
(171)	(124)	(98)	(99)	(147)	(133)	26	48
3	7	(1)	(9)		3		7
2 456	1 844	573	497	775	760	(54)	(62)
(43)		(22)	(2)	6		19	(28)
(4)						1	
(18)	5	2	1		(1)	32	(32)
5	(26)					(33)	8
(1)				(2)		(1)	
							279
2 395	1 823	553	496	779	759	(36)	165
(213)	(199)	(111)	(109)	(1)		100	111
29	18			32	18	(45)	(20)
2 211	1 642	442	387	810	777	19	256
(637)	(466)	(132)	(109)	(201)	(203)	(36)	(72)
1 574	1 176	310	278	609	574	(17)	184
28 318	21 947	19 560	17 150	3 999	3 409	(2 552)	(1 788)
24 932	19 120	17 017	15 410	3 494	3 155	(2 560)	(1 859)
321	268			505	254		1
3 065	2 559	2 543	1 740			8	70
2 456	1 844	573	497	775	760	(54)	(62)
2 411	1 813	538	461	646	692	(49)	(12)
2	1			129	68		1
43	30	35	36			(5)	(51)
213	199	111	109	1		(100)	(111)
177	169	104	105	1		(130)	(132)
7	7						
29	23	7	4			30	21

The principal services and products of each of these divisions are as follows:

Logistics – provides complete logistics solutions including transportation, warehousing, inland waterway shipping, container handling and related value-added services.

Car rental and tourism – vehicle rental operations span the domestic corporate and leisure sectors as well as inbound tourists, with extensive support services. Tourism operations include inbound tour operations and niche tourism services.

Distributorships – this segment imports and distributes a range of passenger, commercial vehicles, automotive products, industrial equipment, motorcycles and light aircraft.

Automotive retail – consists of a large network of motor vehicle and commercial vehicle dealerships in South Africa and represents most of the major original equipment manufacturers (OEMs). It also manufactures and sells caravans and canopies.

Financial services – comprises insurance operations which are focused on a range of short-, medium- and long-term insurance and assurance products that are predominantly associated with the automotive market, the sale of warranty and maintenance products, income from joint ventures on the sale of financial services, cell captive arrangements and factoring of premium finance operations.

Notes to the consolidated annual financial statements

for the year ended 30 June 2012

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.

1.1 Basis of preparation

The consolidated annual financial statements are stated in South African Rands and are prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2012 and the AC 500 standards as issued by the Accounting Practices Board or its successor and the Companies Act of South Africa, 2008. The consolidated annual financial statements are prepared on the historical-cost basis, modified by the restatement of certain financial instruments to fair value and insurance liabilities in accordance with actuarial valuations.

1.2 Insurance

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

1.3 Consolidation

The consolidated annual financial statements incorporate the financial statements of the company and all its subsidiaries. Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated, except when the subsidiaries are held exclusively with a view to their subsequent disposal which is highly probable and are accounted for as assets held for sale. Where the group's interest in subsidiary undertakings is less than 100%, the share attributable to outside shareholders is reflected as non-controlling interests.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. 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 (ie bargain purchase), then the difference is credited to profit or loss in the period of acquisition. Any premium or bargain purchase amounts that arise from increases in the ownership interest of existing subsidiaries are recognised directly in equity. Any surplus or deficit amounts from decreases in the ownership in an existing subsidiary that do not result in a loss of control are recognised directly in equity.

The consideration transferred includes the fair value of the acquisition date asset or liability resulting from a contingent consideration arrangement.

Acquisition related costs are expensed in the period in which the costs are incurred and the services are received.

The non-controlling interest shareholders, that represents the present ownership interests and would entitle shareholders to a proportionate share of the entity in the event of liquidation, is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequent profits or losses and each component of comprehensive income are attributed to non-controlling interests, even if it results in the non-controlling interest having a deficit balance. All other components of non-controlling interest are measured at their acquisition-date fair values, unless another IFRS requires a specific measurement basis.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intercompany transactions, balances and unrealised surpluses and deficits have been eliminated.

1.4 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 maker who is responsible for allocating resources and assessing performance of the operating segments has been identified collectively as the group executive committee who make the strategic decisions.

Segment revenue reflects both sales to external parties and intergroup transactions across segments. Intersegment revenue is revenue raised by one segment relating to sales to other segments within the group on an arm's length basis, which is eliminated under head office and eliminations. The segment result is presented as segment profit before exceptional items and after net finance costs, income from associates and joint ventures and tax. Tax excludes tax on exceptional items.

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

1.5 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated annual financial statements, the results and financial position of each entity are expressed in Rands, which is the functional currency of the company, and the presentation currency for the consolidated annual financial statements.

Income statements having a different functional currency are translated into South African Rands at the weighted average exchange rates for the year and the statements of financial position are translated at the exchange rates ruling on the statement of financial position date. All resulting exchange differences are classified as foreign currency translation reserve and reflected as part of shareholders' equity.

On disposal of foreign entities, such translation differences are recognised in the income statement as part of the gain or loss on sale.

Transactions in currencies other than Rands are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Gains and losses on such monetary items arising on translation are included in net profit or loss for the period.

In order to hedge its exposure to certain foreign exchange risks, the group enters into forward contracts (see below for details of the group's accounting policies in respect of such derivative financial instruments).

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

1.6 Investment in associates

Investments in associates are accounted for using the equity method of accounting, except when the investments are held exclusively with a view to their subsequent disposal which is highly probable and are then accounted for as assets held for sale. Associates are undertakings over which the group has the power to exercise significant influence, but which it does not control.

Equity accounting involves recognising in the income statement the group's share of the associates' profit or loss for the year. The group's share of the associates' comprehensive income is recognised in the statement of comprehensive income. The group's interest in the associate is carried in the statement of financial position at an amount that reflects its share of the net assets of the associate, less any impairment in the value of the investments.

Losses of the associates in excess of the group's interest in those associates are not recognised.

The group has a 46,9% interest in Ukhamba Holdings (Pty) Limited (Ukhamba) our black empowerment partner who at year-end owns 8 644 397 ordinary shares and 14 110 992 deferred ordinary shares in Imperial.

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.

Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill and included in the investment in associate. Any deficiency of the cost of acquisition below the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. bargain purchase) is credited to profit or loss in the period of acquisition.

Where 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.

Losses may provide evidence of a potential impairment of the investment, in which case appropriate provision is made for impairment.

1.7 Investment in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control.

The group's interest in jointly controlled entities is accounted for using the equity method of accounting as described in note 1.6 above, except when the investments are held exclusively with a view to their subsequent disposal which is highly probable and are then accounted for as assets held for sale.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

1. Accounting policies continued

1.8 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or joint venture at the date of acquisition. Goodwill is recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Cash-generating units represent the business operations from which the goodwill was originally generated.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.9 Other intangible assets

Expenditure on acquired patents, trademarks, licences, customer lists and computer software is capitalised and amortised using the straight-line basis over their useful lives, generally between two and eight years. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment, where it is considered necessary.

1.10 Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss, or whether an impairment loss recognised in a previous period has reversed or decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually and where there is an indication that the asset may be impaired, the necessary impairment is raised.

The 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 assessment 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 as an expense in the income statement immediately.

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. Goodwill impairments are not reversed.

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

Land is reflected at cost and is not depreciated. New property investments and developments are reflected at cost which includes holding and direct development costs incurred until the property is available for occupation.

Cost also includes the estimated costs of dismantling and removing the assets and where appropriate cost is split into significant components. Major improvements to leasehold properties are capitalised and written off over the period of the leases. Where land and buildings are held as portfolio properties and benefits are shared with policyholders, such property is fair valued through profit or loss.

All other assets are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the 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
Aircraft	20 years
Transport fleet	3 to 12 years
Vehicles for hire	2 to 5 years

The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually.

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

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Where a reversal of a previously recognised impairment loss is recognised, the depreciation charge for the asset is adjusted to allocate the asset's revised carrying amount, less residual value, on a systematic basis over its remaining useful life.

Vehicles for hire are transferred to inventories at their carrying amount when they cease to be rented and become held for sale.

Gains and losses on disposal are determined by reference to their carrying amount.

1.12 Capitalised 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 capitalised to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

1.13 Inventories

Inventories are stated at the lower of cost or net realisable value, due recognition having been made for obsolescence and redundancy. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined as follows:

Vehicles and aircraft	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, but excludes interest expense.

1.14 Financial instruments

Financial instruments are initially measured at fair value plus transaction costs, where applicable, when the group becomes a party to the contractual provisions of the contract. Subsequent to initial recognition, these instruments are measured as set out below.

Equity and debt security instruments

Equity and debt security instruments are initially recognised at fair value on trade date.

At subsequent reporting dates, debt securities that the group has the intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, excluding those held-to-maturity debt securities designated as fair value through profit and loss at initial recognition, less any impairment losses recognised to reflect irrecoverable amounts. Premiums or discounts arising on acquisition are amortised on the yield-to-maturity basis and are included in the income statement.

Equity and debt security instruments other than held-to-maturity debt securities are classified as either fair value through profit or loss or available-for-sale, and are measured at subsequent reporting dates at fair value.

Where equity and debt security instruments are held for trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period.

For available for sale investments, gains and losses arising from changes in fair value are recognised directly in comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in comprehensive income is included in the income statement for the period.

Loans receivable

Loans are recognised at the date that the amount is advanced.

At subsequent reporting dates they are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

1. Accounting policies continued

1.14 Financial instruments continued

Trade and other receivables

Trade and other receivables originated by the group are stated at cost as reduced by appropriate allowances for doubtful debts.

Cash resources

Cash resources are measured at fair value, based on the relevant exchange rates at the statement of financial position date.

Loans payable

Interest-bearing loans are initially recorded on the day that the loans are advanced at the net proceeds received.

At subsequent reporting dates, interest-bearing borrowings are measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on the accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Where interest-bearing loans have interest rate swaps changing the interest rate from fixed to variable or vice versa, they are treated as hedged items and carried at fair value. Gains and losses arising from changes in fair value are included in the income statement for the period.

Trade payables

Trade payables are stated at amortised cost.

Derivative instruments

Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into, and subsequently measured at fair value at each statement of financial position date. The group uses derivative financial instruments primarily relating to foreign currency protection and to alter interest rate profiles.

The group designates certain derivatives as hedging instruments and they are classified as:
- fair value hedge: a hedge to cover exposure to changes in fair value of recognised asset and liability;
- cash flow hedge: hedges a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
- hedges of a net investment in a foreign operation.

Foreign currency forward exchange contracts (FECs) and currency options are used to hedge foreign currency fluctuations relating to certain firm commitments and forecast transactions.

Interest rate swap agreements (IRS) and forward rate agreements (FRAs) can swap interest rates from either fixed to variable or from variable to fixed and are used to alter interest rate profiles.

Any gains or losses on fair value hedges are included in the income statement for the period.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in comprehensive income and any ineffective portion is recognised immediately in the income statement.

Where there is a cash flow hedge and the firm commitment or forecast transaction that it is hedging 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 comprehensive income are included in the initial measurement of the asset or liability. For hedges that result in the recognition of a financial asset or financial liability amounts deferred in comprehensive income are recognised in the income statement in the same period in which the hedged item affects the income statement.

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with fair value gains or losses reported in the income statement.

Fair value calculations

Investments are fair valued based on regulated exchange-quoted ruling bid prices at the close of business on the last trading day on or before the statement of financial position date. Fair values for unquoted equity instruments are estimated using applicable fair value models. If a quoted bid price is not available for dated instruments, the fair value is determined using pricing models or discounted cash flow techniques. Any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at its cost, including transaction costs, less any provisions for impairment.

The fair values for all other financial assets and liabilities are calculated by present valuing the best estimate of the future cash flows using the risk-free rate of interest plus an appropriate risk premium.

The fair value for any hedged items is calculated by discounting the future cash flows. The discount factor used is arrived at by establishing the current risk-free rate applicable for that item and adjusted for the credit spread over the risk-free rate on issue date.

Derecognition

The group derecognises a financial asset when its contractual rights to the cash flow from the financial asset expire, or if it transfers the asset together with its contractual rights to receive the cash flows of the financial assets.

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

1.15 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

Finance leases

Amounts due under finance leases are treated as instalment credit agreements.

Operating leases

Rental income is recognised in the income statement over the period of the lease term on the straight-line basis.

Assets leased out 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 property, plant and equipment.

The group as lessee

Finance leases

Assets held under finance leases are recognised as assets of the group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease.

Operating leases

Operating lease costs are recognised in the income statement over the lease term on the straight-line basis. 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.

1.16 Share-based payments

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

Equity-settled share-based payments are measured at fair value at the date of grant using the Black-Scholes option-pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period with a corresponding entry to equity. The expense takes into account the best estimate of the number of shares that are expected to vest. Non-market conditions such as time-based vesting conditions and non-market performance conditions are included in the assumptions for the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates on the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

1.17 Retirement benefit obligations

The group operates a number of retirement schemes around the world. These schemes have been designed and are administered in accordance with the local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes with the major component being defined contribution schemes. The pension costs relating to these schemes are assessed in accordance with the advice of qualified actuaries and the defined benefit schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years, the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the group's defined benefit retirement schemes vary according to the economic conditions of the countries in which they operate.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

1. Accounting policies continued

1.17 Retirement benefit obligations continued

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

1.18 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. In arriving at the amount of the provisions raised, judgement is required.

Leave pay provision

This is determined based on the outstanding number of days' leave due to employees applied to the total cost of their employment.

Bonus provision

Within the group there are various formulas to calculate bonuses payable to employees. Based on this, the different operations make an estimate of the total amount due.

Warranty and after-sales services

The group sells vehicles on which it will incur warranty and after-sales costs and an estimate is made based on past experience.

Insurance claims

The group has short-term insurance and life assurance operations on which claims settlements are made on insurance policies. The group raises the necessary provisions based on the facts of the claims and past experience.

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.

Other provisions

The group is involved in different industries and locations that require many different provisions. These include, among others, onerous contracts, decommissioning and restructuring costs and long-service payments.

1.19 Tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowable. It is calculated using tax rates that have been substantively enacted at the statement of financial position date.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

In principle, deferred tax liabilities are recognised for all temporary differences arising from depreciation on property, plant and equipment, revaluations of certain non-current assets and provisions. Deferred tax assets are raised only to the extent that their recoverability is probable. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group is able to and intends to settle its current tax asset and liability on a net basis.

Dividends tax

A dividends tax became effective on 1 April 2012 and this 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 Services (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 comprehensive income and any dividends are reflected gross.

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 of 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 the income statement.

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.

1.21 Interest and dividend income in financial services businesses

Interest income is accrued on the time basis, by reference to the principal outstanding and at 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 shareholders' rights to receive payment have been established.

1.22 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 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 attached 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 at 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.

1.23 Exceptional items

Exceptional items cover those amounts which are not considered to be of an operating/trading nature and generally include remeasurements due to:

- impairments of goodwill;
- gains and losses on the measurement to fair value less costs to sell of disposal groups constituting discontinued operations;
- gains and losses on the measurement to fair value less costs to sell of non-current assets or disposal groups classified as held for sale;
- recycling through profit or loss of foreign currency translation reserves upon disposal of entities whose functional currencies are different to the group's presentation currency; and
- recycling through profit or loss of fair value gains and losses previously recognised directly in equity upon the disposal of available-for-sale financial assets and realisation of hedges of a net investment in a foreign operation.

1.24 Significant accounting judgements and estimates

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 those estimates.

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

Insurance companies

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

1. Accounting policies continued

1.24 Significant accounting judgements and estimates continued

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.

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 deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires 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 advisers 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 inventory and trade and other receivables. The operating cycles for these assets are generally not more than twelve 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.

A significant portion of the group's investment portfolio is held for trading. There are no restrictions on the group to realise investments.

Other loans receivable mature over periods longer than 12 months but do consist of 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 twelve 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.

Non-current 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.

A non-current asset classified as held for sale (or disposal group), is 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 become immaterial they are no longer shown separately as discontinued operations 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 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.

Lereko Mobility (Pty) Limited (Lereko)

The preferred ordinary shares in Imperial Holding Limited (Imperial) and Eqstra Holdings Limited (Eqstra) held by Lereko converted into ordinary shares on 30 September 2010. Part of these shares were sold on the open market and the proceeds were used to settle Lereko's funding obligations to third parties. It is likely that the remaining shares will be delivered to Imperial and Eqstra respectively. As it is likely that the remaining Imperial shares will revert back to Imperial, Lereko has been consolidated and these shares have been treated as shares repurchased.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

2. Impact of new and amended standards and interpretations

The following new or revised IFRS standards and IFRICs have been issued with effective dates applicable to future annual financial statements of the group:

IFRS 1 – First-time adoption of International Financial Reporting Standards

The amendments to this IFRS include amendments for government loans with a below-market rate of interest when transitioning to IFRS and amendments resulting from annual improvements 2009 – 2011 cycle, relating to repeat application and borrowing costs.

Our initial assessment is that these amendments should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2014.

IFRS 3 – Business combinations

The amendments to this IFRS include consequential amendments resulting from IFRS 9 – *Financial instruments*.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2016.

IFRS 4 – Insurance contracts

There are amendments to this IFRS, resulting from the annual improvement project and IFRS 9 – *Financial instruments*.

The group is in the process of assessing the impact on the group's results, with the amendments resulting from IFRS 9 – *Financial instruments* applicable for the financial year ending 30 June 2016.

IFRS 7 – Financial instruments: Disclosures

The amendments to this IFRS include enhancing disclosures about offsetting of financial assets and financial liabilities and the deferral of the mandatory effective date of IFRS 9 – *Financial instruments.*

Our initial assessment is that these amendments should have no significant impact on the group's results. The amendment relating to the disclosures about offsetting of financial assets and liabilities first becomes applicable for the financial year ending 30 June 2014 and the amendments relating to IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2016.

IFRS 9 – Financial instruments

IFRS 9 is a new standard with the objective of reducing the number of classification categories of financial instruments and aligning the measurement of financial instruments with how entities manage financial instruments.

The group is in the process of assessing the impact of the standard on its results, financial position and cash flows. The mandatory effective date of IFRS 9 – *Financial instruments* was deferred and there were amendments to transition disclosures. This first becomes applicable for the financial year ended 30 June 2016

IFRS 10 – Consolidated financial statements

IFRS 10 is a new standard which replaces all of the guidance on control and consolidation in IAS 27 – *Consolidated and separate financial statements* and SIC-12 – *Consolidation – special purpose entities* so that the same criteria are applied to all entities to determine control.

The group is in the process of assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

IFRS 11 – Joint arrangements

IFRS 11 is a new standard with the objective of reducing the types of joint arrangements to two: joint operations and joint ventures. It also eliminates the policy choice of proportionate consolidation for joint ventures.

The group is in the process of assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

IFRS 12 – Disclosure of interests in other entities

IFRS 12 is a new standard which sets out the required disclosures for entities reporting under the two new standards, IFRS 10 – *Consolidated financial statements*, and IFRS 11 – *Joint arrangements*. It also replaces the disclosure requirements currently found in IAS 28 – *Investments in associates*.

The group is in the process of assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

IFRS 13 – Fair value measurement

IFRS 13 is a new standard which explains how to measure fair value and aims to enhance fair value disclosures.

The group is in the process of assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

IAS 1 – Presentation of financial statements

The amendments to this statement include amendments to revise the way comprehensive income is presented and amendments resulting from the annual improvements 2009 – 2011 cycle, relating to comparative information.

Our initial assessment is that these amendments should have no significant impact on the group's results, and first become applicable for the financial years ending 30 June 2013 and 30 June 2014 respectively.

IAS 2 – Inventories

There are consequential amendments to this statement resulting from IFRS 9 – *Financial instruments*, which states that this IFRS does not apply to financial instruments.

The amendment should have no significant impact on the group's results and is applicable for the financial year ending 30 June 2016.

IAS 8 – Accounting policies, changes in accounting policies and errors

There are consequential amendments to this statement resulting from IFRS 9 – *Financial instruments*.

The amendment should have no significant impact on the group's results, and first becomes applicable when it applies IFRS 9 – *Financial instruments* from the financial year ending 30 June 2016.

IAS 12 – Income taxes

There are amendments to this statement resulting from the recovery of underlying assets regarding non-depreciable assets and consequential amendments from IFRS 9 – *Financial instruments*.

The amendment relating to non-depreciable assets should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2013. The amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2016.

IAS 16 – Property, plant and equipment

There are amendments to this statement resulting from the annual improvements 2009 – 2011 cycle, relating to servicing equipment.

Our initial assessment is that these amendments should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2014.

IAS 18 – Revenue

There are consequential amendments to the appendix to this statement, resulting from IFRS 9 – *Financial instruments*.

The amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2016, and are not expected to have a significant impact on the group.

IAS 19 – Employee benefits

There are amendments to this statement with significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

The group is in the process of assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

IAS 21 – The effects of change in foreign exchange rates

There are consequential amendments to this statement, resulting from IFRS 9 – *Financial instruments*.

The amendment should have no significant impact on the group's results, and first becomes applicable when it applies IFRS 9 – *Financial instruments* from the financial year ending 30 June 2016.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

2. Impact of new and amended standards and interpretations continued

IAS 27 – Separate financial statements

IAS 27 – *Consolidated and separate financial statements* was renamed to "*Separate financial statements*" and it continues to be a standard dealing solely with the separate financial statements. There are consequential amendments to this statement resulting from IFRS 9 – *Financial instruments*.

The amendments relating to separate financial statements should have no significant impact on the group's results, and first become applicable for the financial year ending 30 June 2014. The amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2016, and are also not expected to have a significant impact on the group.

IAS 28 – Investments in associates and joint ventures

There are consequential amendments to this statement, resulting from IFRS 9 – *Financial instruments*, the incorporation of SIC 13 – *Jointly controlled entities – Non-monetary contributions by venturers* and guidance relating to the equity method for joint ventures.

The amendments first become applicable for the financial year ending 30 June 2014, and are not expected to have a significant impact on the group.

IAS 31 – Investments in joint ventures

IAS 31 will be replaced by IFRS 11 – *Joint arrangements.* The group is in the process of assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

IAS 32 – Financial instruments presentation

There are consequential amendments to this statement, resulting from IFRS 9 – *Financial instruments*. There are also amendments relating to the offsetting of assets and liabilities and amendments resulting from the annual improvements 2009 – 2011 cycle relating to the tax effect of equity distributions.

The amendment relating to IFRS 9 – *Financial instruments* should have no significant impact on the group's results, and becomes effective for the financial year ending 30 June 2016. The amendments relating to the offsetting of assets and liabilities first becomes applicable for the financial year ending 30 June 2015 and the amendments resulting from the annual improvements cycle first becomes applicable for the financial year ending 30 June 2014.

IAS 34 – Interim financial reporting

There are amendments to this statement resulting from the annual improvements 2009 – 2011 cycle, relating to interim reporting of segments assets.

The amendments first become applicable to the group for the financial year ending 30 June 2014, and are not expected to have any significant impact on the group.

IAS 36 – Impairment of assets

The amendment to this statement clarifies that this statement does not apply to financial assets within the scope of IFRS 9 – *Financial instruments*.

The amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2016, and are not expected to have a significant impact on the group.

IAS 39 – Financial instruments: Recognition and measurement

There are amendments to this statement, resulting from IFRS 9 – *Financial instruments*.

The group is in the process of assessing the impact on the group's results, and first becomes applicable for the financial year ending 30 June 2016.

IFRIC 10 – Interim financial reporting and impairment

There are consequential amendments to this interpretation, resulting from IFRS 9 – *Financial instruments*.

The amendment should have no significant impact on the group's results, and first becomes applicable when it applies IFRS 9 – *Financial instruments* from the financial year ending 30 June 2016.

IFRIC 12 – Service concession arrangements

There are consequential amendments to this interpretation, resulting from IFRS 9 – *Financial instruments*.

The amendment should have no significant impact on the group's results, and first becomes applicable when it applies IFRS 9 – *Financial instruments* for the financial year ending 30 June 2016.

3. Impact of change in estimate and the adoption of new and amended standards and interpretations

Change in estimate in respect of vehicle maintenance plans

In prior years, revenue on vehicle maintenance plans was only recognised to the extent that parts and services were provided with the balance being recognised at the end of the maintenance plan. Up until the current year there was insufficient evidence to determine an established pattern for when such services were required to be performed and the costs relating thereto. As such the recognition of revenue could not be reliably determined and so, in accordance with the requirements of IAS 18 – *Revenue*, revenue was only recognised to the extent that costs had been incurred and the balance at the end of the maintenance plan.

During the current year, the pattern of vehicle maintenance services performed and the costs relating thereto for prior years was assessed and a reliable pattern was established. As a result, revenue on the vehicle maintenance plans is now recognised by reference to the established pattern of when maintenance services are performed, as this can now be reliably determined. This change has resulted in the recognition of an additional R117 million in operating profit for the period.

New and amended accounting standards and interpretations

The group adopted the following accounting standards and interpretations that became applicable during the current reporting period.

- IFRS 1 – *First-time adoption of International Financial Reporting Standards* – Additional exemption for entities ceasing to suffer from severe hyperinflation.
- IFRS 7 – *Financial instruments: Disclosures* – Amendments enhancing disclosures about transfers of financial assets.
- IAS 1 – *Presentation of financial statements* – Amendments resulting from May 2010 annual improvements to IFRS.
- IAS 24 – *Related party disclosures* – Revised definition of related parties.
- IAS 34 – *Interim financial reporting* – Amendments resulting from May 2010 annual improvements to IFRS.
- IFRIC 13 – *Customer loyalty programmes* – Amendments resulting from May 2010 annual improvements to IFRS.
- IFRIC 14 – IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction* – November 2009 amendments with respect to voluntary prepaid contributions.

None of these have had a significant impact on the group's accounting policies and methods of computation.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

	Goodwill Rm	Computer software Rm	Customer lists and contracts Rm	Other intangibles Rm	Total Rm
4. Intangible assets					
At 30 June 2012					
Cost	3 920	385	942	145	5 392
Accumulated amortisation and impairment	682	290	143	43	1 158
	3 238	95	799	102	4 234
Net book value at beginning of year	1 603	63	84	73	1 823
Net acquisition of subsidiaries and businesses	1 751	6	852	14	2 623
Additions		60		24	84
Proceeds on disposal		(1)			(1)
Impairment charge	(123)				(123)
Amortisation		(40)	(128)	(8)	(176)
Reclassification		5			5
Currency adjustments	7	2	(9)	(1)	(1)
Net book value at end of year	3 238	95	799	102	4 234
At 30 June 2011					
Cost	2 162	318	99	129	2 708
Accumulated amortisation and impairment	559	255	15	56	885
	1 603	63	84	73	1 823
Net book value at beginning of year	883	51		72	1 006
Net acquisition of subsidiaries and businesses	757	2	99	24	882
Additions		41		2	43
Proceeds on disposal				(9)	(9)
Impairment charge	(52)			(1)	(53)
Amortisation		(31)	(15)	(11)	(57)
Currency adjustments	15			(4)	11
Net book value at end of year	1 603	63	84	73	1 823

Goodwill impairment testing

Goodwill is allocated to cash-generating units (CGUs) that are measured individually for the purposes of impairment testing.

A CGU represents the business operation from which goodwill was originally generated. The recoverable amount of a CGU is determined as being the higher of value in use and the fair value less costs to sell.

Value in use

Value in use is calculated using the discounted cash flow method. Cash flow projections are based on three to five year forecast information approved by senior management. Cash flows beyond the initial period are extrapolated using average growth rates.

Discount and growth rates are used that are relevant to the particular industry and geographic location in which the CGU operates.

Fair value less costs to sell

Fair value less costs to sell is calculated with reference to publicly traded market prices.

Goodwill was tested for impairment and where the recoverable amount was less than the carrying value of the CGU, the goodwill was then impaired.

CGUs that are significant in relation to the group's total goodwill carrying amount are outlined below.

The remainder of the goodwill carrying amount is made up of numerous CGUs spanning all of the group's segments.

4. Intangible assets continued

Significant CGU	Goodwill carrying amount 2012 Rm	Basis for determining recoverable amount	Discount rate applied to cash flow %	Growth rate used to extrapolate cash flows %
Imperial Logistics International GmbH	1 065	Value in use	9,37	1,5
Lehnkering Group	771	Value in use	9,37	1,5
CIC Holdings Limited	401	Value in use	9,21	2,0
Midas Group (Pty) Limited	185	Value in use	9,99	2,0
Beekman Super Canopies (Pty) Limited	76	Value in use	9,84	2,0
Rijnaarde BV	62	Value in use	9,37	1,5
Uvundlu Investments (Pty) Limited	56	Value in use	9,50	2,0
E-Z-GO Golf Carts	55	Value in use	11,00	2,0

The recoverable amounts of cash-generating units are determined based on a value in use calculation, which uses cash flow projections based on financial forecasts approved by the senior management covering a five-year period, and discount rates as disclosed.

Cash flow projections during the forecast period are based on the same expected gross margins and inflation throughout the forecast period. The cash flows beyond that five-year period have been extrapolated using the disclosed rates which are the projected long-term average growth rates for the relevant markets. Any reasonable possible change in the key assumptions on which recoverable amounts are based would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts of the cash-generating units.

	2012 Rm	2011 Rm
5. Investment in associates and joint ventures		
Listed shares at cost	207	177
Unlisted shares at cost	223	211
Share of post-acquisition reserves (net of impairments)	126	105
Carrying value of shares	556	493
Indebtedness by associates and joint ventures	333	277
	889	770
Valuation of shares		
Listed shares at market value	487	227
Unlisted shares at directors' valuation	315	302
The directors' valuation has been established by reference to the group's share of the net assets of the associates and joint ventures.		
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	196	220
Utilisation of unrecognised losses during year	(25)	(24)
Cumulative unrecognised losses at end of year	171	196

The group's share of remaining tax losses not recognised on deferred tax assets due to the unpredictability of future profit streams amount to R83 million.

The group's share of MiX Telematics Limited's contingent liabilities amounts to R20,7 million (2011: R19,3 million).

Details of the group's principal associates and joint ventures are reflected in Annexure B.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

5. Investment in associates and joint ventures continued

The group's effective share of the abridged income statement and abridged statement of financial position items in respect of associates and joint ventures are as follows:

	Associates Rm	Joint ventures Rm	Total 2012 Rm	Total 2011 Rm
Abridged income statement				
Revenue	1 868	484	2 352	2 487
Profit before net financing costs	113	30	143	115
Net finance cost	(49)	(9)	(58)	(51)
Income from associates and joint ventures	24		24	5
Profit before tax	88	21	109	69
Income tax expense	(52)	(5)	(57)	(35)
Profit after tax	36	16	52	34
Non-controlling interests	(6)		(6)	
Net attributable profit for the year	30	16	46	34
Abridged statement of financial position				
Total assets	2 134	427	2 561	2 043
Capital and reserves, including non-controlling interests	432	93	525	481
Interest-bearing borrowings	739	219	958	691
Non-interest-bearing liabilities	963	115	1 078	871
Total equity and liabilities	2 134	427	2 561	2 043

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 2012					
Cost	7 360	3 846	445	160	11 811
Accumulated depreciation and impairment	1 100	2 404	189	38	3 731
	6 260	1 442	256	122	8 080
Net book value at beginning of year	5 174	1 002	195	179	6 550
Net acquisition of subsidiaries and businesses	731	297	15		1 043
Additions	520	539	203	50	1 312
Proceeds on disposal	(114)	(47)	(100)	(143)	(404)
Depreciation	(97)	(333)	(66)	(11)	(507)
Impairment charge	(45)	(1)			(46)
Profit on disposal	13		5		18
Currency adjustments	109	18	4		131
Fair value adjustments on discontinued operations*	4			15	19
Reclassifications	(35)	(33)		32	(36)
Net book value at end of year	6 260	1 442	256	122	8 080

** The current year's results of discontinued operations are insignificant and are no longer disclosed separately.*

6. Property, plant and equipment continued

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Aircraft Rm	Total Rm
At 30 June 2011					
Cost	5 850	2 565	325	267	9 007
Accumulated depreciation and impairment	676	1 563	130	88	2 457
	5 174	1 002	195	179	6 550
Net book value at beginning of year	4 903	880	158	42	5 983
Reclassification from assets held for sale	12	2		180	194
Net acquisition of subsidiaries and businesses	41	52	33		126
Additions	406	380	165	15	966
Proceeds on disposal	(181)	(44)	(105)	(64)	(394)
Depreciation	(59)	(271)	(60)	(5)	(395)
Impairment charge	(20)				(20)
Profit/(loss) on disposal	27	(8)	6	11	36
Currency adjustments	45	11	(2)		54
Net book value at end of year	5 174	1 002	195	179	6 550

A schedule of land and buildings is available for inspection by members or their authorised agents at the registered office of the company.

Certain property, plant and equipment have been encumbered as security for interest-bearing borrowings (note 21).

The total value of property, plant and equipment held under capitalised finance leases included above is R84 million (2011: R120 million).

	2012 Rm	2011 Rm
7. Transport fleet		
Cost	8 659	6 485
Accumulated depreciation and impairment	4 323	2 858
	4 336	3 627
Net book value at beginning of year	3 627	3 399
Net acquisition of subsidiaries and businesses	418	160
Additions	1 045	778
Proceeds on disposal	(232)	(248)
Depreciation	(601)	(519)
Impairment charge	(3)	(3)
Profit on disposal	8	21
Currency adjustments	48	39
Fair value adjustments on discontinued operations*	(5)	
Reclassifications	31	
Net book value at end of year	4 336	3 627

* *The current year's results of discontinued operations are insignificant and are no longer disclosed separately.*

Certain transport fleet assets have been encumbered as security for interest-bearing borrowings (note 21).

The total value of transport fleet assets held under capitalised finance leases included above is R147 million (2011: R47 million).

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

	2012 Rm	2011 Rm
8. Vehicles for hire		
Cost	2 995	2 592
Accumulated depreciation and impairment	674	535
	2 321	2 057
Net book value at beginning of year	2 057	2 237
Net acquisition of subsidiaries and businesses	50	46
Additions	2 472	2 055
Proceeds on disposal	(1 615)	(1 716)
Depreciation	(646)	(568)
Profit on disposal	3	3
Net book value at end of year	2 321	2 057
Certain vehicles for hire have been encumbered as security for interest-bearing borrowings (note 21).		
9. Deferred tax		
Movement of deferred tax (assets) liabilities		
Net balance at beginning of year	(112)	(2)
Reclassification from assets held for sale		(20)
Transferred through the income statement		
– Current tax	(128)	(124)
– Under/(over) provisions in prior years	66	(8)
– Tax rate adjustment	3	2
– Capital gains tax		12
– Deferred capital gains tax rate adjustment	45	
Deferred tax recognised in other comprehensive income	(16)	
Arising on acquisitions and disposals of businesses	327	29
Currency adjustments	(8)	(1)
Balance at end of year	177	(112)
Analysis of deferred tax (assets) liabilities		
– Property, plant and equipment	94	74
– Transport fleet	576	514
– Vehicles for hire	114	53
– Inventories	(107)	(87)
– Tax losses	(265)	(220)
– Provisions and maintenance contracts	(581)	(511)
– Capital gains tax	217	160
– Intangible assets	241	39
– Other	(112)	(134)
	177	(112)
Deferred tax comprises		
– Assets	(930)	(661)
– Liabilities	1 107	549
	177	(112)
Unused tax losses available for offset against future profits	(1 778)	(1 353)
Deferred tax asset recognised in respect of such losses	947	786
Remaining tax losses not recognised as deferred tax assets due to unpredictability of future profit streams	(831)	(567)

	2012 Rm	2011 Rm
10. Investments and loans		
Investments		
Listed at market value	1 816	1 409
Unlisted at fair value	413	637
	2 229	2 046
The above are categorised as follows:		
– Held for trading		
– Investments designated at fair value through profit or loss	1 689	1 399
– Fixed and negotiable deposits designated at fair value through profit or loss	529	633
– Available-for-sale	11	14
	2 229	2 046
A schedule of investments is available for inspection by members or their authorised agents at the registered office of the company.		
Loans – at amortised cost	204	367
Total investments and loans	2 433	2 413
Effective interest rates		
Loans	5,0% – 11,0%	1,2% – 14,0%
For a maturity analysis for investments and loans refer to note 38.		
11. Non-current financial assets		
Reinsurance debtors – held at amortised cost	242	244
12. Inventories		
New vehicles	4 349	3 559
Used vehicles	2 886	2 559
Spares, accessories and finished goods	1 343	1 066
New and used aircraft	82	84
Fast moving consumer goods	217	146
Fuel and oil	69	55
Merchandise	155	65
Work in progress	117	55
	9 218	7 589
Inventories carried at net realisable value included above	2 972	3 088
Net amount of inventory write-down expensed in the income statement	104	27
Certain inventories have been encumbered as security for interest-bearing borrowings (note 21).		
13. Trade and other receivables		
Trade receivables	8 640	6 817
– Gross receivables	8 985	7 227
– Provision for doubtful debts	(345)	(410)
Prepayments and other receivables	465	311
Derivative financial instruments – hedging instruments	170	2
	9 275	7 130

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

		2012 Rm	2011 Rm
14.	**Cash resources**		
	Deposits and funds at call	2 518	2 795
	Cash on hand and at bank	1 027	736
		3 545	3 531
	Effective interest rates	0,03% – 4,8%	0,06% – 7,5%
15.	**Share capital and share premium**		
	Authorised share capital		
	394 999 000 (2011: 394 999 000) ordinary shares of 4 cents each	15	15
	50 000 000 (2011: 50 000 000) deferred ordinary shares of 4 cents each	2	2
	15 000 000 (2011: 15 000 000) preferred ordinary shares of 4 cents each	1	1
	1 000 (2011: 1 000) redeemable preference shares of 4 cents each		
	40 000 000 (2011: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
		20	20
	Issued share capital		
	209 843 029 (2011: 208 826 352) ordinary shares of 4 cents each	8	8
	14 110 992 (2011: 15 012 609) deferred ordinary shares of 4 cents each	1	1
	4 540 041 (2011: 4 540 041) non-redeemable, non-participating preference shares of 4 cents each (see note 19)		
	Share capital	9	9
	Share premium – issued during the year	13	
	Share capital and share premium	22	9

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 2011.
- not more than five million non-redeemable, non-participating preference shares.

Deferred ordinary shares

The deferred ordinary shares convert to ordinary shares when certain predetermined growth rates in headline earnings are achieved during the period July 2004 to June 2018.

To the extent that the deferred ordinary shares have not converted by 2018 then 500 000 deferred ordinary shares will convert annually until the converted deferred ordinary shares equate to 10,1% of total ordinary shares in issue net of shares repurchased.

The salient features of the conversion are:

For the financial years ended up until 30 June 2018:

- Deferred ordinary shares will convert on a non-cumulative basis as follows:
  If headline earnings per share growth over the previous financial year equals or exceeds:
  - 10% then 500 000 deferred ordinary shares will convert into ordinary shares
  - 11% then 750 000 deferred ordinary shares will convert into ordinary shares
  - 12% then 1 000 000 deferred ordinary shares will convert into ordinary shares
  - 13% then 1 250 000 deferred ordinary shares will convert into ordinary shares

If headline earnings per share growth over the previous financial year is lower than 10% there will be no conversion of deferred ordinary shares into ordinary shares.

Thereafter:

- To the extent that there are deferred ordinary shares that have not converted into ordinary shares, 500 000 of the remaining deferred ordinary shares will convert annually until the converted deferred ordinary shares equate to 10,1% of the total ordinary shares in issue net of shares repurchased.

To the end of the current financial year 8 644 397 (2011: 7 742 780) deferred ordinary shares were converted into ordinary shares.

The maximum of 1 250 000 shares will convert in July 2012, however, as the company has repurchased shares the conversion is limited to 1 131 910 shares.

15. Share capital and share premium *continued*

Group share schemes

Total rights authorised and currently allocated in terms of group share schemes	Number of rights 2012	2011
Share Appreciation Rights Scheme	**11 631 363**	18 503 389
Deferred Bonus Plan	**111 930**	223 072
Total rights currently allocated in terms of group share schemes	**11 743 293**	18 726 461

Share scheme details are as follows:	2012 Number of rights	2012 Weighted average exercise price (Rand)	2011 Number of rights	2011 Weighted average exercise price (Rand)
Imperial Bonus Rights Scheme#				
Rights to ordinary shares granted at the beginning of year			209 000	150,08
Rights to ordinary shares forfeited during the year			(209 000)	150,08
# This scheme has been discontinued.				
Share Appreciation Rights Scheme				
Rights granted at beginning of year	**18 503 389**	**63,15**	17 645 806	58,43
Rights allocated during the year	**3 016 508**	**170,57**	1 468 388	116,59
Rights exercised during the year	**(9 575 863)**	**49,46**		
Rights forfeited during the year	**(312 671)**	**61,01**	(610 805)	55,06
Unexercised rights at end of year	**11 631 363**	**102,01**	18 503 389	63,15
Deferred Bonus Plan				
Rights granted at beginning of year	**223 072**		323 030	
Rights exercised during the year	**(150 706)**		(210 091)	
Rights forfeited during the year	**(68 715)**		(105 912)	
Prior year rights carried forward	**3 651**		7 027	
Rights allocated during the year	**108 279**		216 045	
Unexercised rights at end of year	**111 930**		223 072	

Share Appreciation Rights Scheme – details of rights by year of grant	Number of rights	Average exercise price (Rand)	Expiry date
Grant date			
June 2008	565 042	49,46	May 2015
June 2009	3 962 220	55,32	June 2016
June 2010	2 654 764	96,71	June 2017
June 2011	1 432 829	116,59	June 2018
June 2012	3 016 508	170,57	June 2019
Total unexercised rights at end of year	11 631 363		
Total weighted average exercise price		102,01	

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). Upon vesting of the shares in terms of the rules of the Share Schemes, the shares held as shares repurchased will be utilised for settlement of the company's obligations. No further dilution is expected, as there are hedges in place for the balance of the shares.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

15. Share capital and share premium continued

Deferred Bonus Plan – details of rights still unexercised by year of grant#	Number of rights	Expiry date
Grant date		
June 2010	3 651	September 2014
June 2011	108 279	September 2015
Total unexercised rights at end of year	111 930	

Deferred Bonus Plan – details of rights taken up#	Number of rights	Vesting date
Rights taken up		
July 2008	191 777	September 2011
August 2009	194 697	September 2012
August 2010	210 091	September 2013
September 2011	150 706	September 2014

 # 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.

Directors' and prescribed officers' interests in issued share capital

At year-end the aggregate shareholdings of the directors and prescribed officers in the issued ordinary share capital of the company are detailed below.

	2012		2011	
Director/prescribed officer	Beneficial number of shares	Non-beneficial number of shares	Beneficial number of shares	Non-beneficial number of shares
Non-executive directors				
MJ Leeming		4 928		4 928
RJA Sparks	40 000		40 000	
Y Waja	927		927	
	40 927	4 928	40 927	4 928
Executive directors				
OS Arbee	119 052		36 266	
HR Brody	191 203		64 942	
MP de Canha	1 512 160		1 107 812	
RL Hiemstra	45 135		48 492	
AH Mahomed	74 869		63 796	
M Swanepoel	53 744		46 104	
	1 996 163		1 367 412	
Prescribed officers				
DD Gnodde			15 206	
PB Michaux	32 269		24 536	
JJ Strydom	28 476			
	60 745		39 742	
	2 097 835	4 928	1 448 081	4 928

	2012 Rm	2011 Rm
16. Shares repurchased		
7 864 456 (2010: 23 864 456) ordinary shares	**445**	(1 816)
16 000 000 ordinary shares at R125,00 each were cancelled during 2011		2 000
Valuation reserve reallocation relating to the share cancellation		261
7 864 456 (2011: 7 864 456) ordinary shares	**445**	445
Consolidation of 5 864 944 Imperial shares held by Lereko Mobility (Pty) Limited as shares repurchased	**(665)**	(665)
13 729 400 (2011: 13 729 400) ordinary shares	**(220)**	(220)

Consolidation of Lereko Mobility (Pty) Limited

The preferred ordinary shares in Imperial Holdings Limited and Eqstra Holdings Limited held by Lereko Mobility (Pty) Limited converted into ordinary shares on 30 September 2010. Part of these shares were sold on the open market and the proceeds were used to settle Lereko Mobility (Pty) Limited's funding obligations to third parties. It is likely that the remaining shares will be delivered to Imperial Holdings Limited and Eqstra Holdings Limited to settle Lereko Mobility (Pty) Limited's vendor funding obligations to Imperial Holdings Limited and Eqstra Holdings Limited respectively. As it is likely that the remaining Imperial Holdings Limited shares will revert back to Imperial, Lereko Mobility (Pty) Limited has been consolidated and these shares are treated as shares repurchased.

Ordinary shares cancelled

Imperial Corporate Services (Pty) Limited, a wholly owned subsidiary of Imperial Holdings Limited, held 23 864 456 shares as treasury shares. Sixteen million of these shares were sold to Imperial Holdings Limited in the prior year and subsequently cancelled. As an intra-group transaction this had no significant financial effect on the group's results, financial position or cash flows other than transaction costs that are normally incurred in transactions of this nature.

	2012 Rm	2011 Rm
17. Other reserves		
Share-based payment reserve	**(112)**	(122)
Hedging reserve	**343**	(50)
Statutory reserve	**152**	285
Foreign currency translation reserve	**259**	54
Premium paid on purchase of non-controlling interests	**(145)**	(62)
Valuation reserve	**6**	6
	503	111

Refer to the statement of changes in equity for the detailed analysis of the movements in other reserves.

The fair values for the share-based payment reserves were 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:

	2012	2011	2010	2009	2008
Share Appreciation Rights Scheme					
Volatility (%)	**30,80**	33,30	33,00	40,00	35,00
Weighted average share price (Rand)	**170,57**	116,59	96,71	55,32	50,90
Weighted average exercise price (Rand)	**170,57**	116,59	96,71	55,32	49,48
Weighted average fair value (Rand)	**43,24**	36,14	33,23	19,48	15,20
Expected life (years)	**4,26**	3,24	3,29	3,25	3,28
Average risk-free rate (%)	**5,85**	7,13	7,44	8,35	12,37
Expected dividend yield (%)	**3,28**	3,60	2,76	2,76	5,68
Deferred Bonus Plan					
Volatility (%)	**30,80**	33,30	33,00	40,00	35,00
Weighted average share price (Rand)	**170,57**	116,59	96,71	55,32	50,90
Weighted average exercise price (Rand)					
Weighted average fair value (Rand)	**153,56**	103,17	88,31	50,58	42,25
Expected life (years)	**3,20**	3,24	3,29	3,25	3,28
Average risk-free rate (%)	**5,85**	7,13	7,44	8,35	12,37
Expected dividend yield (%)	**3,28**	3,60	2,76	2,76	5,68

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 expiry date.

The current year's movement charged to the income statement is reflected in note 27.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

	2012 Rm	2011 Rm
18. Foreign currency translation reserve		
Balance at beginning of year	54	33
Movements in translation reserve		
Intangible assets	(1)	11
Investments, loans, associates and joint ventures	15	1
Property, plant and equipment	131	54
Transport fleet	48	39
Deferred tax	8	1
Inventories	119	9
Current tax	(6)	(3)
Trade and other receivables	118	(87)
Cash resources	102	6
Non-controlling interests	(4)	(5)
Retirement benefit obligations	(10)	(10)
Interest-bearing borrowings	(182)	(86)
Insurance, investment, maintenance and warranty contracts	(3)	4
Non-current financial liabilities	(2)	(2)
Provisions for liabilities and charges	(14)	(5)
Trade and other payables	(114)	94
Balance at end of year	259	54
19. 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 Limited under specialist securities – preference shares sector.

These shares were entitled to a preference dividend being 75% 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.

At a meeting of shareholders held on 16 August 2012, shareholders approved an amendment to the terms of the preference shares, increasing the dividend rate from 75% of the prime rate to 82,5% of the prime rate. The increase approximated to the potential benefit to the company resulting from the obligation of secondary tax on companies (STC) falling away, effective from the dividend payable on 1 October 2012.

The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R32 million (2011: R32 million) based on current rates of interest and included as part of financing cost.

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 the income statement. 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 Pension Funds Act, 1956.

	2012 Rm	2011 Rm
Total cost charged to the income statement	420	367

20. Retirement benefit obligations continued

Defined benefit plans

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

	2012 %	2011 %
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	**3,75**	4,90
– Projected pension payment increase	**2,00**	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 2012. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2013.		

	2012 Rm	2011 Rm
The amounts, included in staff costs, recognised in the group income statement in respect of the plans are as follows:		
Current service cost	**7**	2
Actuarial profit		1
Expected return on plan assets	**(1)**	
Interest costs	**20**	11
	26	14
The amount included in the statement of financial position arising from the group's obligations are as follows:		
Unfunded obligations	**590**	233
Movements in the liability in the current year were as follows:		
Balance at beginning of year	**233**	222
Acquisition of subsidiaries and businesses	**342**	
Payments to retired employees	**(23)**	(13)
Plan assets transferred	**2**	
Currency adjustments	**10**	10
Amounts charged to income	**26**	14
Balance at end of year	**590**	233

	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Present value of defined benefit obligation liability	**652**	258	246	232	269
(Deficit)/surplus	**(62)**	(25)	(24)	24	17
Net liability recognised on the statement of financial position	**590**	233	222	256	286
In addition the following net experience adjustments were incurred	**(5)**	(3)	(7)	1	(11)

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

	2012 Rm	2011 Rm
21. Interest-bearing borrowings		
Long term		
– Loans secured by mortgage bonds over fixed property	86	89
– Liabilities under capitalised finance leases	174	131
– Instalment sale creditors secured by assets	105	97
– Corporate bonds	6 069	6 477
– Listed on the Bond Exchange of South Africa		
– Held at fair value – IC 02– matured in May 2012		518
– Held at amortised cost – IPL 4 – maturing in March 2014	1 532	1 531
– Held at amortised cost – IPL 5 – maturing in September 2015	500	499
– Held at amortised cost – IPL 6 – maturing in September 2017	1 536	1 535
– Listed on the gilt edged and fixed interest market of the London Stock Exchange		
– Held at amortised cost – Eurobond – maturing in April 2013	877	825
– Held at fair value – Eurobond – maturing in April 2013	1 624	1 569
– Syndicated bank term loan	2 482	
– Unsecured loans	115	109
	9 031	6 903
Short term		
– Unsecured loans, call borrowings and bank overdrafts	716	605
Total borrowings	9 747	7 508
Less: Current portion of interest-bearing borrowings	3 649	1 206
Long-term borrowings	6 098	6 302
Total borrowings are categorised as follows:		
– Designated as fair value through profit or loss	1 624	2 087
– Amortised cost	8 123	5 421
	9 747	7 508

Interest rate analysis	Current year effective rates %	2012 Rm	2011 Rm
Fixed			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	4,0 – 10,0	160	135
– Capitalised finance leases	16,0	40	48
– Corporate bond – IPL 4	9,1	1 532	1 531
– Corporate bond – IPL 6	9,8	1 536	1 535
– Eurobond	4,9	877	825
– Syndicated bank term loan	3,8	2 482	
– Unsecured loans	2,0 – 6,0	48	104
– Unsecured loans	4,0 – 9,0	48	19
– Unsecured loans	6,0 – 10,0	30	2
Variable linked			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	8,0 – 11,0	165	134
– Corporate bond – IC 02	6,1 – 6,3		518
– Corporate bond – IPL 5	7,5 – 7,6	500	499
– Eurobond	5,7 – 6,7	1 624	1 569
– Unsecured loans	6,0 – 11,0	35	45
– Unsecured loans	4,0 – 8,0	45	9
– Unsecured loans	22,0 – 24,0	13	12
– Floorplan – unsecured loans	4,0 – 11,0	507	495
– Call borrowings	5,8 – 6,3	81	1
– Bank overdrafts	3,0 – 6,0	24	27
		9 747	7 508

For interest-rate swap arrangements please refer to note 38.

21. Interest-bearing borrowings continued

Capitalised finance leases	More than five years Rm	One to five years Rm	Less than one year Rm	2012 Rm	2011 Rm
Total minimum lease payments	33	100	60	193	164
Less: Amounts representing finance charges	3	7	9	19	33
Present value of minimum lease payments	30	93	51	174	131

Summary of long-term borrowings by currency and year of redemption or repayment	2017 and onwards Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm	2011 Rm
SA Rand	1 548	505	17	1 607	289	3 966	4 423
British Pound					67	67	82
Euro	1 351	334	337	340	2 886	5 248	2 642
Australian Dollar					377	377	345
Other	4	9	18	27	31	89	16
	2 903	848	372	1 974	3 650	9 747	7 508

The syndicated bank term loan repayments are 6,25% every six months starting in September 2012 (one year after commencement) and 50% on the termination date in September 2016.

Details of encumbered assets	Debt secured		Net book value of assets encumbered	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Property, plant and equipment	126	138	72	89
Transport fleet	177	610	200	1 375
Vehicles for hire	61	87	69	110
Inventories	377	344	352	320
	741	1 179	693	1 894

The above totals for the prior year includes fleets financed through Imperial Capital Limited which has a security structure for the lenders to that entity.

Borrowing facilities	2012 Rm	2011 Rm
Total facilities established	9 053	8 576
Less: Total borrowings, excluding corporate bonds, floorplans and loans from non-controlling interests	3 008	576
Unutilised borrowing capacity	6 045	8 000

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

22. Insurance, investment, maintenance and warranty contracts

	2012 Rm	2011 Rm
Long-term insurance funds	585	557
Short-term insurance funds	481	479
Maintenance and warranty contracts	2 156	1 429
	3 222	2 465

For a maturity analysis for insurance, investment, maintenance and warranty contracts refer to note 38.

See Annexure C for details on insurance funds.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

	2012 Rm	2011 Rm
23. Non-current financial liabilities		
Cross currency and interest-rate swap instruments	270	288
Contingent consideration	73	17
Loans payable	5	18
	348	323

For a maturity analysis for non-current financial liabilities refer to note 38.

	Leave pay Rm	Bonuses Rm	Warranty and after sales Rm	Insurance claims Rm	Long service payments Rm	Dis-mantling and environ-mental risk Rm	Other Rm	Total Rm
24. Provisions for liabilities and other charges								
At 30 June 2012								
Balance at beginning of year	306	236	137	208	25	103	343	1 358
Amounts added	281	271	29	166	6	114	145	1 012
Unused amounts reversed	(8)	(16)	(1)	(2)	(2)	(8)		(37)
Charged to income	273	255	28	164	4	106	145	975
Amounts utilised	(234)	(192)	(90)	(157)	(7)	(121)	(306)	(1 107)
Net acquisitions of subsidiaries and businesses	15	2			76	266	53	412
Currency adjustments	7			1		13	(7)	14
Balance at end of year	367	301	75	216	98	367	228	1 652
Payable in less than one year	356	299	70	111	17	166	158	1 177
Payable in one to five years	11	2	5	97	34	92	50	291
Payable in more than five years				8	47	109	20	184
	367	301	75	216	98	367	228	1 652
At 30 June 2011								
Balance at beginning of year	263	232		167	13	106	261	1 042
Reclassification			53				(53)	
Reclassification from liabilities directly associated with assets classified as held for sale	2						187	189
Amounts added	224	164	112	169	8	100	69	846
Unused amounts reversed	(6)	(4)	(2)	(9)		(10)	(12)	(43)
Charged to income	218	160	110	160	8	90	57	803
Amounts utilised	(197)	(175)	(26)	(121)	(1)	(97)	(143)	(760)
Net acquisitions of subsidiaries and businesses	16	20		3	4		36	79
Currency adjustments	4	(1)		(1)	1	4	(2)	5
Balance at end of year	306	236	137	208	25	103	343	1 358
Payable in less than one year	301	236	137	202	9	54	308	1 247
Payable in one to five years	5			1	5	3	32	46
Payable in more than five years				5	11	46	3	65
	306	236	137	208	25	103	343	1 358

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

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

	2012 Rm	2011 Rm
25. Trade and other payables		
Trade payables and other accruals	12 102	9 879
Deferred income	68	140
Derivative financial instruments	64	97
	12 234	10 116
26. Revenue		
26.1 An analysis of the group's revenue is as follows:		
Sale of goods	46 881	38 182
Rendering of services	30 953	23 849
Gross premiums received	2 875	2 558
Other	121	78
	80 830	64 667
Revenue includes:		
26.2 Revenue received by subsidiaries from the group's associates and joint ventures		
Sale of goods	25	22
Rendering of services	105	125
Other	5	
	135	147
Revenue excludes:		
26.3 Revenue between subsidiaries		
Sale of goods	1 768	1 350
Rendering of services	780	325
Gross premiums received	59	137
Other	20	
	2 627	1 812
27. Net operating expenses		
Purchase of goods	43 302	34 162
Changes in inventories, before acquisition and disposal of businesses	(1 202)	(468)
Cost of outside services	10 884	8 433
Reinsurance, claims and premium costs	1 843	1 974
Staff costs	10 591	8 591
Staff share-based costs	112	122
Other operating income	(1 145)	(812)
Other operating costs	9 017	6 644
	73 402	58 646
The above costs include:		
Auditors' remuneration		
– Audit fees	54	50
– Consulting services	3	2
	57	52
Rental and operating lease charges		
– Property	814	665
– Plant and equipment	118	60
– Vehicles	80	14
– Transport fleet	187	46
– Other	8	16
	1 207	801

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

		2012 Rm	2011 Rm
27.	**Net operating expenses** continued		
	Additional lease charges contingent upon turnover		
	– Property	29	1
		29	1
	Net operating expenses includes:		
	Consultancy and other technical fees	118	32
	Investment income	(186)	(209)
	Interest income	(143)	(172)
	Analysis of dividends received by investment type		
	– Investments designated as fair value through profit or loss	(15)	(26)
	– Available-for-sale investments	(28)	(11)
	Analysis of fair value gains on investments		
	– Gains on investments designated as fair value through profit and loss	(83)	(76)
28.	**Depreciation, amortisation, impairments and recoupments**		
	Depreciation and amortisation		
	Total amortisation of intangible assets	176	57
	Less: Amortisation of intangibles arising on business combinations	(128)	(15)
	– Intangible assets	48	42
	– Property, plant and equipment	507	395
	– Transport fleet	601	519
	– Vehicles for hire	646	568
		1 802	1 524
	Impairments		
	– Intangible assets		1
	– Plant and equipment	1	
	– Transport fleet	3	3
		1 806	1 528
	Recoupments		
	– Plant and equipment	(5)	(9)
	– Transport fleet	(8)	(21)
	– Vehicles for hire	(3)	(3)
		1 790	1 495
	Impairment of properties, net of recoupments		
	Recoupments from sale of properties	13	27
	Impairment of properties	(45)	(20)
		(32)	7
	Properties in less marketable areas have been impaired.		

		2012 Rm	2011 Rm
29.	**Exceptional items**		
	Impairment of goodwill	(123)	(52)
	Net (loss)/gain on disposal and rationalisation of investments in subsidiaries, associates and joint ventures	(1)	6
	Fair value adjustments on discontinued operations	112	
	Gross exceptional items	(12)	(46)
	Tax expense	(3)	(1)
	After tax exceptional items	(15)	(47)
	Attributable to non-controlling interests	11	1
	Attributable to Imperial Holdings' shareholders	(4)	(46)

	2012 Rm	2011 Rm
30. Financing cost		
Non-financial services businesses		
Interest paid on financial liabilities not at fair value through profit or loss	622	559
Interest paid on financial liabilities designated as fair value through profit or loss	114	147
Foreign exchange loss on monetary items	88	62
Fair value gains arising from interest-bearing borrowings and interest-rate swap instruments	(88)	(71)
Finance cost including fair value gains and losses	736	697
Finance income on financial assets not fair valued through profit or loss	(55)	(143)
	681	554
31. Income tax expense		
South African normal tax		
– Current	1 285	1 131
– Prior year overprovisions	(183)	(12)
	1 102	1 119
Foreign tax		
– Current	137	150
– Prior year underprovisions	55	1
	192	151
Deferred tax		
– Current	(128)	(124)
– Prior year under/(over)provisions	66	(8)
– Tax rate adjustment	3	2
	(59)	(130)
Secondary and withholding taxes	90	108
Capital gains tax		
– Current	12	12
– Deferred		12
– Deferred tax rate adjustment	45	
	57	24
Income tax expense	1 382	1 272
Reconciliation of tax rates:	%	%
Profit before tax, excluding income from associates and joint ventures		
– effective tax rate	29,3	30,7
Income tax effect of:		
– Foreign tax differential	0,1	(0,4)
– Tax assets not recognised	(1,6)	(1,1)
– Disallowable charges/capital losses	(2,6)	(2,4)
– Exempt/capital income	4,7	3,9
– Secondary tax on companies	(1,9)	(2,6)
– Capital gains tax	(0,3)	(0,6)
– Tax rate adjustments	(1,0)	
– Prior year net overprovisions	1,3	0,5
	28,0	28,0
32. Earnings per share		
Basic earnings per share is calculated by dividing the net profit attributable to equity holders of Imperial Holdings by the weighted average number of ordinary shares in issue during the year.		
Net profit attributable to equity holders of Imperial Holdings – basic earnings	2 980	2 562
Saving of finance costs by associate on sale of Imperial shares	21	
Diluted earnings	3 001	2 562
Weighted average number of ordinary shares (million)	192,0	190,3
Basic earnings per share (cents)	1 552	1 346

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

	2012 Rm	2011 Rm
32. Earnings per share continued		
For fully diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the dilutive effect of the deferred ordinary shares, potential shares under the share schemes and the group's share of Imperial shares that may be sold by an associate.		
Weighted average number of ordinary shares (million)	192,0	190,3
Adjusted for weighted average potential ordinary shares (million)	11,6	12,0
Weighted average number of ordinary shares for diluted earnings (million)	203,6	202,3
Diluted earnings per share (cents)	1 474	1 266
Headline earnings and diluted headline earnings per share is calculated as follows:		
Diluted earnings	3 001	2 562
Impairment of assets	49	24
Profit on disposal of assets	(29)	(60)
Exceptional items	12	46
Exceptional items included in income from associates and joint ventures	19	17
Gain on sale of available-for-sale financial instrument, included in income from associates and joint ventures	(19)	
Tax	9	15
– Exceptional items	3	1
– Profit on disposal of assets	7	15
– Impairment of assets	(1)	(1)
Non-controlling interests	(14)	4
– Exceptional items	(11)	(1)
– Impairment of assets	(5)	
– Profit on disposal of assets	2	5
Headline earnings – diluted	3 028	2 608
Saving of finance costs by associate on sale of Imperial shares	(21)	
Headline earnings – basic	3 007	2 608
Weighted average number of ordinary shares (million)	192,0	190,3
Basic headline earnings per share (cents)	1 566	1 370
Weighted average number of ordinary shares for diluted earnings (million)	203,6	202,3
Diluted headline earnings per share (cents)	1 487	1 289
Core earnings reconciliation^		
Headline earnings – basic	3 007	2 608
Saving of finance costs by associate on sale of Imperial shares	21	
Headline earnings – diluted	3 028	2 608
Amortisation of intangible assets arising on business combinations, other than goodwill	128	15
Fair value gain on Lereko Mobility (Pty) Limited call option		(279)
Business acquisition costs	51	15
Headline earnings from discontinued operations	(34)	(7)
Capital gains tax on post acquisition earnings of associates disposed	2	1
Tax	(47)	(4)
– Amortisation of intangible assets arising on business combinations	(38)	(4)
– Business acquisition costs	(9)	
Non-controlling interests	10	
– Amortisation of intangible assets arising on business combinations	(1)	
– Business acquisition costs	(1)	
– Discontinued operations	12	
Core earnings – diluted (carried forward)	3 138	2 349

^ Core earnings excludes significant non-operational items of income and expenditure from reported headline earnings.

	2012 Rm	2011 Rm
32. Earnings per share continued		
Core earnings – diluted (brought forward)	**3 138**	2 349
Saving of finance costs by associate on sale of Imperial shares	**(21)**	
Core earnings – basic	**3 117**	2 349
Weighted average number of ordinary shares (million)	**192,0**	190,3
Basic core earnings per share (cents)	**1 623**	1 234
Weighted average number of ordinary shares for diluted earnings (million)	**203,6**	202,3
Diluted core earnings per share (cents)	**1 541**	1 161
33. Notes to the consolidated statement of cash flows		
33.1 Cash generated by operations before capital expenditure on rental assets		
Profit before net financing costs	**5 405**	4 700
Adjustments for non-cash and other movements		
Amortisation of intangible assets, net of recoupments	**176**	57
Depreciation of property, plant and equipment	**507**	395
Depreciation of transport fleet, net of recoupments	**593**	498
Depreciation of vehicles for hire, net of recoupments	**643**	565
Exceptional items	**17**	46
Profit on disposal of property, plant and equipment	**(18)**	(36)
Fair value gains on investments	**(83)**	(76)
Impairment of assets	**49**	24
Foreign exchange (gains) losses	**(44)**	15
Fair value adjustments	**25**	(2)
Impairment of non-current financial assets	**3**	
Fair value gain on Lereko Mobility (Pty) Limited call option		(279)
Recognition of share-based costs	**112**	122
Net movement in insurance, investments, maintenance and warranty contracts	**757**	345
Business acquisition costs	**51**	
Increase in retirement benefit obligations	**5**	1
Cash generated by operations before changes in working capital	**8 198**	6 375
Working capital movements		
Increase in inventories	**(893)**	(346)
Decrease/(increase) in trade and other receivables	**352**	(392)
(Decrease)/increase in trade and other payables and provisions	**(217)**	440
	7 440	6 077
33.2 Acquisition of subsidiaries and businesses		
Goodwill	**1 757**	757
Other intangible assets	**872**	125
Investments, loans, associates and joint ventures	**55**	29
Property, plant and equipment	**1 045**	126
Transport fleet	**467**	160
Vehicles for hire	**50**	46
Non-current financial assets	**16**	
Inventories	**383**	232
Trade and other receivables	**2 097**	539
Cash resources	**312**	130
Non-controlling interests	**(58)**	(51)
Net deferred tax liabilities	**(338)**	(29)
Retirement benefit obligations	**(342)**	
Interest-bearing borrowings	**(1 566)**	(232)
Non-current financial liabilities	**(1)**	(2)
Provisions for liabilities and other charges	**(414)**	(79)
Trade and other payables	**(2 078)**	(566)
Net current tax liabilities	**(16)**	(7)
	2 241	1 178
Less:		
Contingent consideration	**(76)**	(79)
Fair value of previously held interest	**(13)**	(26)
Fair value of assets transferred	**(5)**	
Business acquisition costs	**51**	
Cash resources acquired	**(312)**	(130)
Cash flow on acquisition	**1 886**	943

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

	2012 Rm	2011 Rm
33. Notes to the consolidated statement of cash flows continued		
33.3 Disposal of subsidiaries and businesses		
Goodwill	6	
Investments, loans, associates and joint ventures	3	
Property, plant and equipment	2	
Transport fleet	49	
Inventories	13	
Trade and other receivables	38	
Cash resources	12	
Non-controlling interests	(22)	
Net deferred tax liabilities	(11)	
Interest-bearing borrowings	(40)	
Provisions for liabilities and other charges	(2)	
Trade and other payables	(34)	
	14	
Less: Cash resources disposed	(12)	
Profit on disposal of subsidiaries and businesses	16	
Cash flow on disposal	18	
33.4 Net replacement capital expenditure – excluding rental assets		
Expenditure		
– Intangible assets	(84)	(43)
– Plant and equipment	(792)	(558)
– Transport fleet	(609)	(473)
	(1 485)	(1 074)
Proceeds on disposals		
– Intangible assets	1	9
– Plant and equipment	290	150
– Transport fleet	232	248
	523	407
Net expenditure		
– Intangible assets	(83)	(34)
– Plant and equipment	(502)	(408)
– Transport fleet	(377)	(225)
	(962)	(667)
33.5 Cash and cash equivalents		
Cash resources	3 545	3 531
Short-term loans and overdrafts	(716)	(605)
	2 829	2 926

	2012 Rm	2011 Rm
34. Dividends		
Ordinary shares		
Interim		
– In the current year a dividend of 300 cents per share was paid on 26 March 2012	606	
– In the prior year a dividend of 220 cents per share was paid on 28 March 2011		445
Final		
– A dividend of 380 cents per share is payable on 1 October 2012	772	
– In the prior year a dividend of 260 cents per share was paid on 26 September 2011		521
35. Commitments		
Capital expenditure commitments to be incurred		
Contracted	694	567
Authorised by directors but not contracted	418	440
	1 112	1 007

The expenditure is substantially for the replacement of transport vehicles and the construction of buildings to be used by the group. Expenditure 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	2012 Rm	2011 Rm
Operating lease payables					
– Property	588	980	497	2 065	2 003
– Vehicles		10	7	17	13
– Plant and equipment	45	46	31	122	112
– Transport fleet	75	476	250	801	124
	708	1 512	785	3 005	2 252
Operating lease receivables					
– Property		57	88	145	160
– Vehicles	1	203	96	300	197
– Plant and equipment		2	2	4	
	1	262	186	449	357

	2012 Rm	2011 Rm
36. Contingent liabilities		
A subsidiary has pledged assets relating to the funders of discontinued operations amounting to R19 million.	19	29
A subsidiary has contingent liabilities in respect of suretyships issued to creditors amounting to R7 million.	7	10
Subsidiary companies have received summons for claims amounting to R20 million. The group and its legal advisers believe that these claims are unlikely to succeed.	20	22

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.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

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.

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 Annexure A.

Shareholders

The top 10 shareholders of the company at 30 June 2012 were as follows:

	Share class	Number of shares (000)	% of issued voting capital
Public Investment Corporation	Ordinary	27 295	12,6
Lynch Family Holdings	Ordinary	8 652	4,0
Ukhamba Holdings	Ordinary	8 644	4,0
Ukhamba Holdings	Deferred ordinary	14 111	6,5
Coronation Asset Management	Ordinary	6 637	3,1
Acadian Asset Management	Ordinary	6 530	3,0
BlackRock Inc	Ordinary	6 477	3,0
Investec Asset Management	Ordinary	6 285	2,9
Prudential Portfolio Managers	Ordinary	5 888	2,7
Lereko Mobility	Ordinary	5 865	2,7
Abax Investments	Ordinary	5 723	2,6

A director has shareholdings in certain subsidiaries and receives dividends.

Associates and joint ventures

Details of investments in principal associates and joint ventures are disclosed in Annexure B.

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

	2012 Rm	2011 Rm
Purchase of goods and services from associates and joint ventures	**737**	651
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.		
Key management personnel remuneration comprises:		
Non-executive directors' fees	**5**	5
Short-term employee benefits	**890**	797
Long-term employee benefits	**61**	51
Termination benefits	**7**	1
	963	854
Number of key management personnel	**623**	561
The net gains on share options amounted to R552 million (2011: Rnil).		
The group has many different operations, retail outlets and service centres where the group staff may be transacting.		
Often these transactions are minor and difficult to monitor. Key management are required 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:	**37**	37
The group received insurance premiums on an arm's length basis from the group pension and provident funds to the amount of:	**68**	57
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:	**9**	11

38. Financial instruments

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.

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.

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 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.

At the year-end the settlement dates on open forward contracts ranged up to 12 months. 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.

Notes to the consolidated annual financial statements continued

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38. Financial instruments continued

Currency risk continued

The group has entered into certain forward exchange contracts that relate to specific statement of financial position items at 30 June and specific foreign commitments not yet due. The details of these contracts are as follows:

	Foreign amount (million)	Average exchange rate	Contract value Rm	Marked to market Rm
Foreign currency				
2012				
Imports				
US Dollar	**411**	**7,47**	**3 067**	**3 362**
Euro	**243**	**10,39**	**2 519**	**2 560**
British Pound	**7**	**12,85**	**96**	**97**
Japanese Yen	**10 089**	**0,10**	**1 009**	**1 058**
Other			**191**	**127**
			6 882	**7 204**
2011				
Imports				
US Dollar	507	7,13	3 616	3 495
Euro	265	9,86	2 612	2 638
British Pound	2	13,00	26	25
Japanese Yen	7 576	0,09	647	647
Other				1
			6 901	6 806

Fair value is calculated as the difference between the contracted value and the value to maturity.

The translation impact on the group's investment in overseas subsidiaries of a 10% devaluation of the Rand would have a R359 million (2011: R240 million) impact on group after tax equity, and vice versa for a 10% appreciation of the Rand. 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/losses on translation of foreign denominated financial assets and liabilities translated at spot rate are offset by equivalent gains/losses in currency derivatives.

Divisional currency risk

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, Poland and Sweden. These translation exposures are recognised directly in equity through the translation reserve and only booked to the income statement when the subsidiary is sold. No net investment hedges are in place.

Logistics southern Africa

The risk in this division is limited with certain small 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.

Distributorships

The group's major currency exposure exists in this division. Risk exposures result from vehicles, spare parts, equipment and aircraft 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 motor vehicle 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 booked to the income statement when the subsidiary is sold.

Automotive retail

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 that 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.

38. Financial instruments *continued*

Divisional currency risk *continued*

Financial services

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.

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 and 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 process 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.

The financial services division, in addition to its short-term deposits, has fixed rate investments, such as 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 group's remaining periods and notional principal amounts comprise the following interest-rate swap instruments:

	2012 Rm	2011 Rm
Pay fixed receive floating		
Less than one year	252	
One to five years	2 506	215
Pay floating receive fixed		
Less than one year	1 813	500
One to five years		1 813

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 R18 million (2011: R10 million) effect on group after tax profit and equity.

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 R22 million (2011: R20 million) effect on group after tax profit and a R22 million (2011: R20 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

Financial services

The financial services division is maintaining a conservative exposure to the equity markets. The equity portfolio consists of high-quality securities. The risk is monitored by the investment committee reviewing performance of the portfolios taking 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.

Short-term insurance

Risks arise from the divisions' investments in the equity markets. Portfolio managers are mandated to achieve maximum returns in terms of their specific asset mix on investment portfolios in the short term. As such these investments are classified as held for trading and fair valued through profit or loss.

Life assurance

Risks arise from the divisions' investments in the equity markets. The nature of the life business is long term. As such, portfolio managers are mandated to maintain liquidity in the portfolio on a long-term basis, and thus the equities are not traded with a view on short-term profit taking, but are monitored with a view to maintaining long-term liquidity over claims which may arise. The portfolios within this business are thus designated at fair value through profit or loss.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

38. Financial instruments continued

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 2012. None of the financial instruments below were given as collateral for any security provided.

The group only enters into long-term financial instruments 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 high 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 debtors 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.

	2012 Rm	2011 Rm
Trade and other receivables that are neither past due nor impaired	7 107	5 276

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.

Past due trade receivables

Included in trade receivables are debtors 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 debtors is set out below.

Past due trade receivables	2012 Rm	2011 Rm
Less than 1 month	951	827
Between 1 – 3 months	337	326
More than 3 months	195	300
Past due more than 1 year	50	88
	1 533	1 541

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.

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	2012 Rm	2011 Rm
Set out below is a summary of the movement in the provision for doubtful debts for the year:		
Balance at the beginning of the year	410	385
Amounts reversed during the year	(8)	(20)
Increase in allowance recognised in profit or loss	21	65
Amounts written off during the year	(78)	(20)
Balance at the end of the year	345	410

38. Financial instruments continued

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.

Car rental and tourism

Risk exposures arise from the granting of credit to customers. Credit is granted to corporate clients after credit checks have been performed. The division maintains credit limits for these clients, which are reviewed periodically. Monthly collections are performed on outstanding amounts. Credit risk is minimised as credit is not usually granted to individual clients.

Distributorships

Risk exposures arise from the supply of vehicles 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 customers, the vehicle is required to be fully financed before delivery, thereby mitigating credit risk to the division.

Automotive retail

Risk exposures arise from the granting of credit to customers for parts and spares. The risk is managed by monthly reviews of debtors 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 customers, the vehicles are required to be fully financed before delivery, thereby mitigating credit risk to the division.

Financial services

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 to the company annual financial statements.

There were no guarantees provided by banks to secure financing during 2012 and 2011.

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 built 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 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 assets and financial liabilities are as follows:

	Carrying amount Rm	Total contractual cash flow Rm	Less than one year Rm	One to five years Rm	More than five years Rm
2012					
Maturity profile of financial assets					
Investments	2 229	2 229	1 827	402	
Loans receivable	204	204	37	79	88
Non-current financial assets	242	242	103	27	112
Trade and other receivables	9 105	9 105	9 105		
Current derivative financial assets	170	170	170		
Cash resources	3 545	3 545	3 545		
Total financial assets	15 495	15 495	14 787	508	200
Percentage profile – financial assets		100%	95%	3%	1%
Maturity profile of financial liabilities					
Interest-bearing borrowings*	9 747	11 380	3 525	5 341	2 514
Insurance, investment, maintenance and warranty contracts	3 222	3 222	510	2 140	572
Non-current financial liabilities	348	348	224	124	
Trade payables and accruals	12 102	12 102	12 102		
Current derivative financial liabilities	64	64	64		
Total financial liabilities	25 483	27 116	16 425	7 605	3 086
Percentage profile – financial liabilities		100%	61%	28%	11%

**This excludes an amount of R441 million non-redeemable, non-participating preference shares (note 19).*

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

38. Financial instruments continued

Liquidity risk continued

Fair value of financial instruments by category	Carrying value 2012 Rm	Fair value 2012 Rm	Carrying value 2011 Rm	Fair value 2011 Rm
Financial assets				
Investments and loans				
– Designated as fair value through profit or loss	2 218	2 218	2 032	2 032
– Available-for-sale	11	11	14	14
– Loans and receivables at amortised cost	204	204	367	367
Non-current financial assets				
– Reinsurance debtors – held at amortised cost	242	242	244	244
Trade and other receivables				
– Derivative instruments – hedge accounted	170	170	2	2
– Trade receivables – amortised cost	8 640	8 640	6 817	6 817
Cash resources	3 545	3 545	3 531	3 531
Financial liabilities				
Non-redeemable, non-participating preference shares	441	427	441	413
Interest-bearing borrowings				
– Designated as fair value through profit or loss	1 624	1 624	2 087	2 087
– Borrowings at amortised cost	8 123	8 129	5 421	5 418
Insurance, investment, maintenance and warranty contracts at amortised cost	3 222	3 222	1 036	1 036
Non-current financial liabilities				
– Derivative instruments – fair value through profit or loss	270	270	288	288
– Contingent consideration – at amortised cost	73	73	17	17
– Loans – at amortised cost	5	5	18	18
Trade and other payables				
– Derivative instruments – hedge accounted	64	64	97	97
– Trade payables and accruals – amortised cost	12 102	12 102	9 879	9 879

The directors consider that the carrying amounts of cash resources, trade and other receivables and trade and other payables approximate their fair value due to the short-term maturities of these assets and liabilities.

The fair values of financial assets represent the market value of quoted investments and other traded instruments. For non-listed investments and other non-traded financial assets fair value is calculated using discounted cash flows with market assumptions, unless the carrying value is considered to approximate fair value.

The fair values of financial liabilities is determined by reference to quoted market prices for similar issues, where applicable, otherwise the carrying value approximates the fair value.

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

There were no financial assets or liabilities that did not qualify for derecognition during the year.

	2012 Rm	2011 Rm
Financial instruments designated as fair value through profit or loss		
Investments designated as fair value through profit or loss		
Carrying value of investments designated as fair value through profit or loss	2 218	2 032
Maximum exposure to credit risk at reporting date	2 218	2 032
Included in the statement of changes in equity are the following adjustments relating to financial instruments:		
Amounts included in the hedging reserve		
– Effective portion of change in fair value of cash flow hedge	170	(72)
– Amount removed from equity on matured contracts	273	107
Total movement on hedging reserve	443	35

38. Financial instruments continued

Liquidity risk continued

Fair value hierarchy disclosures

Valuation methodology

The table below shows the group's financial assets and liabilities that are recognised and subsequently measured at fair value analysed by valuation technique. The classification is based on the lowest level input that is significant to the fair value measured in its entirety.

	Valuations with reference to quoted prices in an active market Level 1 Rm	Valuations based on observable inputs Level 2 Rm	Valuations based on unobservable inputs Level 3 Rm	Total carried at fair value Rm
2012				
Available-for-sale financial assets				
Investments			11	11
Financial assets designated at fair value through profit or loss				
Foreign exchange contract assets		170		170
Investments	1 816	372	30	2 218
Total financial assets	1 816	542	41	2 399
Financial liabilities designated at fair value through profit or loss				
Eurobond			1 624	1 624
Foreign exchange contract liabilities		64		64
Cross currency and interest-rate swap liabilities		60	210	270
Total financial liabilities		124	1 834	1 958
2011				
Available-for-sale financial assets				
Investments			14	14
Financial assets designated at fair value through profit or loss				
Foreign exchange contract assets		2		2
Investments	1 409	583	40	2 032
Total financial assets	1409	585	54	2 048
Financial liabilities designated at fair value through profit or loss				
Corporate bond			518	518
Eurobond			1 569	1 569
Foreign exchange contract liabilities		97		97
Cross currency and interest-rate swap liabilities		36	252	288
Total financial liabilities		133	2 339	2 472

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2012

38. Financial instruments continued

Liquidity risk continued

Movements on financial assets and liabilities subsequently measured at fair value using valuations based on unobservable inputs (level 3)

A reconciliation of the opening balances to closing balances is set out below.

Level 3 financial instruments only	Opening balance Rm	Fair value gains, losses and interest Rm	Purchases Rm	Disposals Rm	Settlements Rm	Reclassifications Rm	Closing balance Rm
2012							
Available-for-sale financial assets							
Investments	14		6			(9)	11
Financial assets designated at fair value through profit or loss							
Investments	40			(10)			30
Total financial assets	54		6	(10)		(9)	41
Financial liabilities designated at fair value through profit or loss							
Corporate bond	518	27			(545)		
Eurobond	1 569	130			(75)		1 624
Cross currency and interest-rate swap liabilities	252	(28)			(14)		210
Total financial liabilities	2 339	129			(634)		1 834
2011							
Available-for-sale financial assets							
Investments	6		8				14
Financial assets designated at fair value through profit or loss							
Lereko call option	387	279				(666)	
Investments	71		10	(41)			40
Total financial assets	464	279	18	(41)		(666)	54
Financial liabilities designated at fair value through profit or loss							
Corporate bond	522	29			(33)		518
Eurobond	1 572	69			(72)		1 569
Cross currency and interest-rate swap liabilities	256	52			(56)		252
Total financial liabilities	2 350	150			(161)		2 339

Valuation narration disclosures

Level 1 – Valuations based on observable inputs include:

Financial instruments valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. This category includes highly liquid government and other bonds and active listed equities.

Level 2 – Valuations based on observable and unobservable inputs include:

Financial instruments valued using inputs other than quoted prices as described above for level 1 but which are observable for the asset or liability, either directly or indirectly, such as:

- quoted price for similar assets or liabilities in an active market;
- quoted price for identical or similar assets or liabilities in inactive markets;
- valuation model using observable inputs; and
- valuation model using inputs derived from/corroborated by observable market data.

Level 3 – Valuations based on unobservable inputs include:

Financial instruments valued using inputs that are not based on observable market data (unobservable data) such as an entity's own assumptions about market participants in pricing the asset or liability.

38. Financial instruments *continued*

Valuation narration disclosures *continued*

In determining the value of level 3 financial instruments the following are the principal inputs that can require judgement:

(i) *Volatility*

Volatility is a key input in the valuation of options across all asset classes. For some asset classes volatility is unobservable.

(ii) *Credit spreads*

Credit spreads are key inputs in the valuation of credit default swaps, credit linked notes and debt instruments or liabilities. For some issuers or tenors, credit spreads are unobservable.

(iii) *Yield curves*

Yield curves are key inputs in the valuation of certain debt instruments. For some debt instruments yield curves are unobservable.

(iv) *Future earnings and marketability discounts*

Future earnings and marketability discounts are key inputs in the valuation of certain private equity investments. Forecast earnings and marketability discounts are unobservable for some investments.

(v) *Discount rates*

Discount rates are key inputs in the valuation of certain private equity investments. Discount rates are unobservable for some investments.

The following summary sets out the principal instruments whose valuation may involve judgemental inputs:

Debt instruments held as assets

These instruments are valued based on valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

Equity investments held as assets

The fair value of these investments is determined using appropriate valuation methodologies which are dependent on the cash flow analysis.

Derivatives

Derivative contracts can be exchange traded or traded over-the-counter (OTC). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit spreads, equity prices and commodity prices or indices on these assets. Fair values of derivatives are obtained from quoted market prices, dealer price quotations, discounted cash flow and option pricing models.

- **Cross-currency swap**

  The cross-currency swap was taken out to hedge the currency and interest rate risk on the intercompany loan repayable in Euros. The interest rate used to discount cash flows on the cross-currency swap was 5,57% based on the quoted swap rate for a 10-month loan of 5,42% and holding the credit risk margin constant.

- **Interest-rate swap**

  The ZAR denominated interest-rate swaps were settled in the current year.

Deposits, debt securities in issue and borrowed funds

Deposits, debt securities in issue and borrowed funds are valued using discounted cash flow models, applying rates currently offered for issuances with similar characteristics. Where these instruments include embedded derivatives, the embedded derivative component is valued using the methodology for derivatives as detailed above.

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 2012 is 0,9:1 (2011: 0,7:1). Our insurance businesses have externally imposed regulatory capital requirements as set out in Annexure C.

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.

	2012 Rm	2011 Rm
Interest-bearing borrowings*	10 188	7 949
Less: Cash resources	3 545	3 531
Net debt	6 643	4 418
Total shareholders' equity	15 889	13 016
Gearing ratio	41,8%	33,9%

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

Company statement of financial position

at 30 June

	Notes	2012 Rm	2011 Rm
ASSETS			
Interest in subsidiaries	2	**9 546**	7 633
Investment in associates and joint ventures	3	**1 097**	780
Investments	4	**161**	135
Trade and other receivables		**16**	19
Cash resources	5		530
Total assets		**10 820**	9 097
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	6	**22**	9
Other reserves		**331**	331
Retained earnings		**9 622**	7 941
Total shareholders' equity		**9 975**	8 281
Liabilities			
Non-redeemable, non-participating preference shares	7	**441**	441
Deferred tax liabilities	8	**191**	145
Trade and other payables		**184**	198
Current tax liabilities		**29**	32
Total liabilities		**845**	816
Total equity and liabilities		**10 820**	9 097

Company income statement and statement of other comprehensive income

for the year ended 30 June

	Notes	2012 Rm	2011 Rm
Revenue	9	**2 600**	3 080
Fair value gain on Lereko Mobility (Pty) Limited call option		**298**	324
Other fair value gains		**27**	9
Operating expenses		**(16)**	(20)
Exceptional items	10	**(22)**	143
Profit before net financing costs		**2 887**	3 536
Interest paid	11	**(33)**	(32)
Interest income	11	**99**	41
Profit before tax		**2 953**	3 545
Income tax expense	12	**(99)**	(82)
Net attributable profit for the year		**2 854**	3 463
Other comprehensive income			
Total comprehensive income for the year		**2 854**	3 463

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 2010	10	312	7 586	7 908
Total comprehensive income for the year			3 463	3 463
Purchase and cancellation of 16 000 000 ordinary shares from wholly owned subsidiary	(1)		(2 007)	(2 008)
Repurchase and cancellation of 1 465 719 ordinary shares from open market			(156)	(156)
Share-based equity transferred to retained earnings on vesting		19	(19)	
Dividend of 200 cents per ordinary share in September 2010			(424)	(424)
Dividend of 267,5 cents per preferred ordinary share in September 2010			(39)	(39)
Dividend of 220 cents per ordinary share in March 2011			(463)	(463)
Balance at 30 June 2011	**9**	**331**	**7 941**	**8 281**
Total comprehensive income for the year			**2 854**	**2 854**
Issue of 115 060 ordinary shares	**13**			**13**
Dividend of 260 cents per ordinary share in September 2011			**(544)**	**(544)**
Dividend of 300 cents per ordinary share in March 2012			**(629)**	**(629)**
Balance at 30 June 2012	**22**	**331**	**9 622**	**9 975**

Company statement of cash flows

for the year ended 30 June

	Note	2012 Rm	2011 Rm
Cash flows from operating activities			
Cash generated by operations	15	**2 573**	3 093
Net interest received		**66**	9
Tax paid		**(56)**	(72)
		2 583	3 030
Cash flows from investing activities			
(Additions)/disposals of investments and loans to subsidiaries, associated companies and joint ventures		**(1 927)**	679
Additions to investments		**(26)**	(89)
		(1 953)	590
Cash flows from financing activities			
Issue of 115 060 ordinary shares		**13**	
Repurchase and cancellation of ordinary shares from subsidiary			(2 000)
Cost incurred on cancellation of shares repurchased			(8)
Repurchase and cancellation of ordinary shares			(156)
Dividends paid		**(1 173)**	(926)
		(1 160)	(3 090)
Net (decrease)/increase in cash and cash equivalents		**(530)**	530
Cash and cash equivalents at beginning of year		**530**	
Cash and cash equivalents at end of year			530

Notes to the company annual financial statements

for the year ended 30 June

		2012 Rm	2011 Rm
1.	**Accounting policies**		
	Accounting policies, significant judgements and estimates and impact of new unissued standards and the adoption of new and revised standards		
	Please refer to notes 1, 2 and 3 of the group annual financial statements, where applicable.		
2.	**Interest in subsidiaries**		
	Shares at cost or valuation, net of impairments	6 825	5 898
	Indebtedness by subsidiaries, net of impairments	2 721	1 735
		9 546	7 633
	Details of the company's principal subsidiaries are reflected in Annexure A.		
3.	**Investment in associates and joint ventures**		
	Unlisted shares at cost	86	87
	Impairments	(12)	(12)
		74	75
	Indebtedness by associates and joint ventures	14	(6)
	Lereko Mobility (Pty) Limited call option	1 009	711
		1 097	780
	Valuation of shares in associates and joint ventures		
	Unlisted shares at directors' valuation	149	257
	Details of the company's associates and joint ventures are reflected in Annexure B.		
	Lereko Mobility (Pty) Limited call option asset		
	Balance at beginning of the year	711	387
	Fair value adjustment through profit or loss	298	324
	Balance at end of the year	1 009	711
	In September 2010, 14 516 617 preferred ordinary shares owned by Lereko Mobility (Pty) Limited were converted into ordinary shares. Lereko Mobility (Pty) Limited 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 Mobility (Pty) Limited call option asset is held at fair value and the fair value adjustment is recorded in profit or loss for the current year.		
4.	**Investments**		
	Unlisted shares at fair value and available-for-sale	161	135
5.	**Cash resources**		
	Deposits and funds on call		530
6.	**Share capital and share premium**		
	Authorised share capital		
	394 999 000 (2011: 394 999 000) ordinary shares of 4 cents each	15	15
	50 000 000 (2011: 50 000 000) deferred ordinary shares of 4 cents each	2	2
	15 000 000 (2011: 15 000 000) preferred ordinary shares of 4 cents each	1	1
	1 000 (2011: 1 000) redeemable preference shares of 4 cents each		
	40 000 000 (2011: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
		20	20
	Issued share capital		
	209 843 029 (2011: 208 826 352) ordinary shares of 4 cents each	8	8
	14 110 992 (2011: 15 012 609) deferred ordinary shares of 4 cents each	1	1
	4 540 041 (2011: 4 540 041) non-redeemable, non-participating preference shares of 4 cents each (refer to note 7).		
	Share capital	9	9
	Share premium – issued during the year	13	
	Share capital and share premium	22	9

Refer to note 15 of the group annual financial statements for further details regarding the deferred ordinary shares, the preferred ordinary shares, the share schemes and directors' interest in share capital.

	2012 Rm	2011 Rm
7. 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 Limited under specialist securities – preference shares sector.

These shares were entitled to a preference dividend being 75% 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.

At a meeting of shareholders held on 16 August 2012, shareholders approved an amendment to the terms of the preference shares, increasing the dividend rate from 75% of the prime rate to 82,5% of the prime rate. The increase approximated to the potential benefit to the company resulting from the obligation of secondary tax on companies (STC) falling away, effective from the dividend payable on 1 October 2012.

The coupon is payable semi-annually in 1 April and 1 October and annually this amounts to R32 million (2011: R32 million) based on current rates of interest and includes part of financing cost.

	2012 Rm	2011 Rm
8. Deferred tax liability		
Movement in deferred tax		
Balance at beginning of year	**145**	145
Tax rate adjustment	**46**	
Balance at end of year	**191**	145
Analysis of deferred tax		
– Capital gains tax	**191**	145
9. Revenue		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries	**2 594**	3 077
Fees received	**6**	
Preference dividends received		3
	2 600	3 080
10. Exceptional items		
Profit/(loss) on sale of subsidiaries and businesses	**4**	(74)
(Impairments)/impairment reversals of investments in subsidiaries, loans to subsidiaries and associates	**(26)**	217
	(22)	143
11. Net financing cost		
Interest paid	**33**	32
Interest income	**(99)**	(41)
	(66)	(9)

Notes to the company annual financial statements continued

for the year ended 30 June 2012

	2012 Rm	2011 Rm
12. Income tax expense		
Tax charge		
South African normal tax		
– Current income tax	29	10
– Deferred tax rate adjustment	46	
Current capital gains tax		1
Secondary tax on companies	24	71
	99	82
Reconciliation of tax rate:	%	%
Profit before tax – effective rate	3,4	2,3
Tax effect of:		
– Secondary tax on companies	(0,8)	(2,0)
– Disallowable charges	(0,7)	(1,0)
– Exempt income	24,9	26,1
– Fair value adjustment on Lereko Mobility (Pty) Limited call option	2,8	2,6
– Tax rate adjustment	(1,6)	
	28,0	28,0

13. Dividends

Refer to note 34 of the group annual financial statements.

	2012 Rm	2011 Rm
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:	3 123	334
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:	82	
The company has guaranteed the obligations to investors in the commercial paper and corporate bond issues	6 069	7 349
15. Cash generated by operations		
Profit before net financing costs	2 887	3 536
Exceptional items	22	(143)
Fair value gain on Lereko Mobility (Pty) Limited call option	(298)	(324)
Other fair value gains	(27)	(9)
Working capital movements		
– Decrease/(increase) in trade and other receivables	3	(9)
– (Decrease)/increase in trade and other payables	(14)	42
	2 573	3 093

Annexure A

Interest in principal subsidiaries and new business combinations

Company	Nature of business	Place of incorporation	Interest owned directly or indirectly (%)	Ordinary shares in issue	Book value of interest – Shares at cost less impairments 2012 Rm	Shares at cost less impairments 2011 Rm	Indebtedness less impairments 2012 Rm	Indebtedness less impairments 2011 Rm
Imperial Holdings International Cooperation U.A.	Note 2	Netherlands	100		**2 176**	1 376		
Imperial Group (Pty) Limited	Note 3	South Africa	100	165	**1 400**	1 400	**1 357**	1 449
Associated Motor Holdings (Pty) Limited	Note 4	South Africa	90	500 000	**46**	46		
Regent Insurance Company Limited	Insurance	South Africa	100	2 939 800	**456**	456		
Regent Life Assurance Company Limited	Life insurance	South Africa	100	2 125 000	**145**	145		
Imperial Capital Limited	Note 5	South Africa	100	100				
Imperilog Limited	Note 6	South Africa	100	51 015 305	**108**	114		
Boundlesstrade 154 (Pty) Limited	Note 7	South Africa	90	200	**54**	54		
Jurgens Ci (Pty) Limited	Note 8	South Africa	100	1 000	**151**	151		
Alert Engine Parts (Pty) Limited	Note 9	South Africa	100	7 500	**88**	88		
Midas (Pty) Limited	Note 10	South Africa	75	1 000	**410**	410		
CIC Holdings Limited	Note 11	Namibia	100	252 188 081	**724**	724		
Other, including indirect interest					**1 067**	934	**1 364**	286
					6 825	5 898	**2 721**	1 735

1. General information in respect of subsidiaries is set out in respect of only those subsidiaries, the financial position of which are material for a proper appreciation of the affairs of the group. A full list of subsidiaries and associated companies is available on request at the company's registered offices.
2. Imperial Holdings International Cooperation U.A is the holding company of Imperial Mobility International BV and its subsidiaries, which conducts integrated logistics solutions and vehicle sales.
3. Business conducted by Imperial Group (Pty) Limited comprises vehicle rental, motor trading, tourism, automotive components, property investments, transportation, sale of motor components, panelbeating and group services.
4. Business conducted by Associated Motor Holdings (Pty) Limited comprises motor vehicle importation, dealership sales and after-sales services, and industrial equipment.
5. Imperial Capital Limited owns and finances assets to group companies.
6. Business conducted by Imperilog Limited comprises transport logistics.
7. Boundlesstrade 154 (Pty) Limited has a joint venture in a motor vehicle distributorship and a subsidiary for golf carts.
8. Jurgens Ci (Pty) Limited is the manufacturer and distributor of leisure caravans and camping equipment.
9. Alert Engine Parts (Pty) Limited is a wholesaler and retailer of motor vehicle engine parts.
10. Midas (Pty) Limited is a wholesaler and retailer of auto parts.
11. CIC Holdings Limited, a previously JSE-listed entity operates in the fast moving consumer goods industry.

Annexure A continued

Interest in principal subsidiaries and new business combinations continued

Company	Nature of business	Place of incorporation	Interest owned directly or indirectly (%)	Ordinary shares in issue	Book value of interest: Shares at cost less impairments 2012 Rm	Shares at cost less impairments 2011 Rm	Indebtedness less impairments 2012 Rm	Indebtedness less impairments 2011 Rm
Principal subsidiaries of Imperial Mobility International BV								
Imperial Logistics International GmbH and subsidiaries	Note 1	Germany	100	4	1 680	1 347		
Wijgula and subsidiary	Note 1	Netherlands	100	73 440	219	206		
Rijnaarde B.V.	Note 1	Netherlands	100	10 000	63	59		
Imperial De Grave and subsidiaries	Note 1	Netherlands	100	5 000	57	54		
Lehnkering Group	Note 1	Germany	100	5	1 871			
Imperial Mobility Finance Belgium GCV	Note 2	Belgium	100	81 800 000	850	802		
Imperial Mobility Deutschland Beteiligungs GmbH	Note 2	Germany	100	1	185	174		
Imperial Mobility UK Co and subsidiaries	Note 3	United Kingdom	100	103	375	354		
Associated Motors Australia (Pty) Limited	Note 4	Australia	90	81	276	260		
Principal subsidiaries of Associated Motor Holdings (Pty) Limited								
Imperial Car Imports (Pty) Limited	Note 5	South Africa	100	10 000	6	6	163	163
Hyundai Auto South Africa (Pty) Limited	Note 5	South Africa	100	1 000	100	100	(208)	(459)
Imperial Daihatsu (Pty) Limited	Note 5	South Africa	99,9	10 000 000	11	11	52	19
Kia Motors SA (Pty) Limited	Note 5	South Africa	100	25 000			(113)	(91)
Accordian Investments (Pty) Limited	Note 5	South Africa	60	45 000 000	25		15	
KMSA Holdings (Pty) Limited	Note 6	South Africa	75	10 000	4	4	52	47
Uvundlu Investments (Pty) Limited	Note 7	South Africa	75	2 050	140	110	245	119

1. Engaged in transport and logistics.
2. Financing.
3. Engaged in commercial vehicle sales, and after – sales services.
4. Engaged in dealership sales and after – sales services.
5. Importer and retailer of motor vehicles, parts and accessories.
6. Importer and retailer of motorcycles, parts and accessories.
7. Distributor of industrial equipment.

Annexure A continued

New business combinations

Subsidiaries and businesses acquired	Nature of business	Operational segment	Date acquired	Interest acquired (%)	Purchase consideration transferred Rm
Lehnkering Group	Logistics	Logistics	January 2012	100	1 892
Transport Holdings Botswana Group	Transport logistics	Logistics	March 2012	80	66
Accordian Investments (Pty) Limited	Distributor and importer	Distributorships	July 2011	60	(11)
Watts Truck Centre Limited (Gloucester)	Vehicle sales and services	Automotive retail	February 2012	100	26
Bobcat Group	Industrial equipment	Distributorships	June 2012	67,5	19
Individual immaterial business combinations					249
Total purchase consideration transferred					2 241

Reason for the acquisitions

The Lehnkering Group, was acquired to expand the international logistics business and to benefit from synergies within the shipping business.

To expand our logistics business within Africa we acquired a further 40% interest in Transport Holdings Botswana Group, a previously held associate in which we held 40%.

To expand our distribution business we acquired a further 20% interest in Accordian Investments (Pty) Limited, a previously held associate in which we held 40%.

Watts Truck Centre Limited (Gloucester), was acquired to expand our automotive retail business within the United Kingdom.

Bobcat Group, was acquired to expand our distribution business.

Impact of the acquisitions on the results of the group	Total Rm	Lehnkering Group Rm	Transport Holdings Botswana Group Rm	Accordian Investments (Pty) Limited Rm	Watts Truck Centre Limited (Gloucester) Rm	Bobcat Group Rm	Individually immaterial acquisitions Rm
From the dates of acquisition, the acquired businesses contributed:							
Revenue	4 214	2 993	121	464	119		517
Attributable profit	111	96	3		1		11
Had all the acquisitions been consolidated from 1 July 2011 the income statement would have included:							
Revenue	7 817	5 867	313	464	317	223	633
Attributable profit	214	180	13		3	4	14

Annexure A continued

New business combinations continued

Fair value of assets acquired and liabilities assumed at date of acquisition:	**Total Rm**	**Lehnkering Group Rm**	**Transport Holdings Botswana Group Rm**	**Accordian Investments (Pty) Limited Rm**	**Watts Truck Centre Limited (Gloucester) Rm**	**Bobcat Group Rm**	**Individually immaterial acquisitions Rm**
Assets							
Intangible assets	872	857	3			1	11
Investments, loans, associates and joint ventures	55	40	3				12
Property, plant and equipment	1 045	935	11	2	4	11	82
Transport fleet	467	245	54				168
Vehicles for hire	50					47	3
Non-current financial assets	16	11					5
Deferred tax assets	97	91			2		4
Inventories	383	98	3	142	56	70	14
Tax in advance	28	25				2	1
Trade and other receivables	2 097	1 807	70	57	38	39	86
Loans due by group entities	52	40				12	
Cash resources	312	256	19		8	3	26
	5 474	4 405	163	201	108	185	412
Liabilities							
Retirement benefit obligations	342	342					
Interest-bearing borrowings	1 476	1 161	32	118		35	130
Deferred tax liabilities	435	395	11			5	24
Non-current financial liabilities	1						1
Trade and other payables and provisions	2 492	2 055	60	112	106	87	72
Loans due to group entities	142	8		16		39	79
Current tax liabilities	44	39	1				4
	4 932	4 000	104	246	106	166	310
Acquirees' carrying amount at acquisition	542	405	59	(45)	2	19	102
Less: Non-controlling interests	(58)		(28)	18		(6)	(42)
Net assets acquired	484	405	31	(27)	2	13	60
Purchase consideration transferred	2 241	1 892	66	(11)	26	19	249
– Cash	2 147	1 892	52	2	26	6	169
– Contingent consideration	76					13	63
– Fair value of other assets transferred	5			5			
– Fair value of previously held interest	13		14	(18)			17
Excess of purchase price over net assets acquired	1 757	1 487	35	16	24	6	189

Trade and other receivables acquired had gross contractual amounts of R2 110 million of which R13 million was doubtful. None of the goodwill is expected to be deductible for tax purposes. Non-controlling interests have been calculated based on their proportionate share in net assets.

Details of contingent consideration

The contingent consideration requires the group to pay the vendors an additional total amount of R76 million over three years if the entities' net profit after tax exceeds certain earnings targets.

Acquisition costs

Acquisition costs amounting to R51 million has been excluded from the purchase consideration and have been recognised as an expense during the year.

Annexure B

Interest in principal associated companies and joint ventures

Company	Nature of business	Place of incorporation	Carrying value (including loans) 2012 Rm	Carrying value (including loans) 2011 Rm	% owned 2012 %	% owned 2011 %
Associates						
Renault South Africa (Pty) Limited	Vehicle distributor	South Africa	**221**	221	**49,0**	49,0
Ukhamba Holdings (Pty) Limited	Investment company	South Africa	**65**	99	**46,9**	46,9
Pragma Group	IT solutions for asset management	South Africa	**49**	45	**34,4**	34,4
MiX Telematics Limited*	Vehicle telematics	South Africa	**242**	191	**28,0**	25,6
NGK Spark Plugs (Pty) Limited	Autoparts	South Africa	**36**	32	**25,0**	25,0
Other associates			**193**	105		
Joint ventures						
Colbro Masvingo (Pty) Limited	Logistics	Zimbabwe	**50**	55	**50,0**	50,0
Other joint ventures			**33**	22		
			889	770		

* *Listed on the Johannesburg Securities Exchange, with a year-end of 31 March. At 30 June 2012, the group held 183 803 260 shares in MiX Telematics Limited, the price at 30 June 2012 was R2,65 per share.*

Annexure C

Additional information on insurance businesses

1. Accounting policies

Insurance and investment contracts

Long-term insurance operations

The long-term insurance operations issue contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

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).

All policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in PGN 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 represent 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 PGN 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.

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 although this generally does not occur with the current investment contracts being written.

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 statement of comprehensive income.

Insurance results

Long-term insurance operations

Profits or losses are determined in accordance with the guidance note on Financial Soundness Valuations (PGN 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 PGN 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 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.

IBNR

For the short-term operations, these are calculated on both a best estimate and 75th percentile to be consistent with past reserving practices as well as the expected requirements under Solvency Assessment and Management (SAM). For the long-term operations, these are calculated on the 90th percentile.

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 after the deduction of any deferred acquisition costs.

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.

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. Premiums receivable in respect of group schemes that are due after the year-end date, are ignored. However where the operating ratios exceeds 100%, a deficiency reserve is 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 trade and other payables. 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.

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. Preferences 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.

Annexure C continued

Additional information on insurance businesses continued

	2012 Rm	2011 Rm
2. Other investments and loans		
(note 10 to the consolidated annual financial statements)		
2.1 Financial assets held at fair value		
Balance at beginning of the year	2 032	1 907
Additions	1 733	2 956
Disposals	(1 633)	(2 904)
Fair value adjustment	83	76
Currency adjustments	3	(3)
Balance at end of year	2 218	2 032
2.2 Reconciliation to consolidated annual financial statements		
Financial assets at fair value – insurance businesses	2 218	2 032
Financial assets at fair value – other operations	11	14
	2 229	2 046
3. Insurance assets and liabilities		
3.1 Liabilities under insurance contracts		
Short-term operations		
Outstanding claims, including claims incurred but not reported		
Balance at beginning of year	623	583
Claims settled in the year	(1 161)	(995)
Claims incurred during the year	1 171	1 035
Balance at end of year	633	623
Outstanding claims*	485	473
Incurred but not reported	148	150
Balance at end of year	633	623

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

	2012 Rm	2011 Rm
3.2 Unearned premium provision		
Balance at beginning of year	479	534
Premiums written during the year	2 194	2 038
Premiums earned during the year	(2 192)	(2 093)
Balance at end of year	481	479
3.3 Long-term operations		
Balance at beginning of the year	453	465
Transfer to statement of comprehensive income	18	(9)
Currency adjustments	(6)	(3)
Balance at end of year	465	453

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 PGN 104, plus additional discretionary margins determined by the statutory actuary.

3. Insurance assets and liabilities *continued*

3.3 Long-term operations *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%. For dread disease the margin is 15%
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
Expenses	Individual Life business has an additional 10% discretionary margin
Extended lives mortality	An additional 7,5% margin was added
All other decrements	For credit life an additional 10% margin was added

Negative reserves were eliminated on a policy-by-policy basis for all policies that had three or more premiums in arrears. For some of the cell captive arrangements, all negative reserves were 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 Actuarial Society of South Africa.

(b) Morbidity

Disability and dread 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

Separate investment returns were derived for the annuity and non-annuity business. Furthermore, for the non-annuity business, separate interest rates were determined for the individual life and credit life classes of business since they have a different liability profile and discounted mean term. The returns were based on the current bond yields of appropriate term and long-term differentials between bonds, cash and equities. The assumptions were based on the long-term rates and notional matching portfolio of assets. Allowance was made for mismatches. In cases where bond yield information was not available (for example in Lesotho), approximate methods were used based on the market information available.

Annexure C continued

Additional information on insurance businesses continued

3. Insurance assets and liabilities continued

3.3 Long-term operations continued

(e) Investment returns continued

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

South Africa

Credit life: 4,29% (2011: 5,87%)

Individual life: 5,99% (2011: 7,68%)

Disabled annuity business: 7.17% (2011: 8,7%)

With profit annuity business: 7,27% (2011: 8,8%)

Botswana: 4,28% (2011: 5,65%)

Lesotho: 6,83% (2011: 8,37%)

Lesotho future reversionary bonus: 5% (2011: 5%)

(f) For with-profits business a Bonus Smoothing Reserve was established, being surplus assets that belong to policyholders and are available to smooth future bonuses. From time to time, the BSR may go negative if asset values fall below the value of the underlying liabilities. This implies that there is an expectation that future bonuses will be less than what future investment earnings alone will justify.

(g) 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.

(h) 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 South Africa. All assumptions include compulsory margins.

The economic assumptions were reviewed in the light of the recent level of interest and inflation rates. Generally interest, inflation and future bonus (where relevant) assumptions were reduced.

As a result of these economic changes, the actuarial liabilities reduced by R21,9 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 an increase in actuarial liabilities of R28 million.
- The withdrawal assumptions were adjusted to reflect the recent lapse experience. This resulted in a decrease in actuarial liabilities of R0,042 million.
- Decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in a decrease to actuarial liabilities of R9,2 million.

As a result of these non-economic changes, the actuarial liabilities increased by R18,8 million.

Methodology changes to the modelling of expenses and commission resulted in an increase to actuarial liabilities of R11,8 million.

The provision of R2,8 million held for the LOA minimum surrender was released in compliance with the prescribed time period.

The overall impact of all the above changes was an increase in the actuarial liabilities of R5,9 million.

Regarding Botswana, the value of liabilities as at 30 June 2012 increased by P3,12 million as a result of changes to valuation assumptions.

The main assumption changes causing this increase were as follows:

- The renewal expense assumptions were amended in the light of the most recent expense investigation. This resulted in an increase of P2,5 million.
- The economic assumptions were amended to reflect the current economic environment. This resulted in an increase of reserves of P0,8 million.

Regarding Lesotho, the changes detailed below were made to the assumptions. As a result the BSR decreased by approximately M17,4 million.

- The renewal expense assumptions were amended in the light of the most recent expense investigation. This resulted in an increase of M1,8 million.
- The economic assumptions were amended to reflect the current economic environment. This resulted in an increase of reserves of M15,6 million.

3. Insurance assets and liabilities continued

3.3 Long-term operations continued

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 2012 Rm	Change in liability 2011 Rm
Worsening of mortality	10% worse claims	36,5	32,4
Lowering of investment returns	15% lower returns	(0,6)	0,3
Worsening of base renewal expense level	10% higher expenses	24,3	23,7
Worsening of expense inflation	10% higher expense inflation	3,1	6,4
Worsening of lapse rate	25% higher withdrawals	35,4	28,8

The 2012 withdrawal sensitivity has increased relative to last year. This is due to the build up of policies relating to the funeral product within the individual life business class. Due to their long-term nature and large negative reserves, they are relatively more sensitive to a change in lapse assumption.

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 – eg change in interest rate and inflation.

		2012 Rm	2011 Rm
3.4	**Financial liabilities under investment contracts – long-term operations**		
	Balance at beginning of year	104	94
	Deposits	28	17
	Payments	(9)	(8)
	Fair value adjustment	(3)	1
	Balance at end of year	120	104
3.5	**Reconciliation to consolidated annual financial statements**		
	Insurance and investment contracts		
	(note 22 to the consolidated annual financial statements)		
	Short-term operations – unearned premium provisions (see 3.2)	481	479
	Long-term operations: Liabilities under insurance contracts (see 3.3)	465	453
	Long-term operations: Liabilities under investment contracts (see 3.4)	120	104
		1 066	1 036
3.6	**Reinsurers' share of liabilities under insurance contracts**		
	(note 11 to the consolidated annual financial statements)		
	Balance at beginning of year	244	206
	Movement in reinsurer's share of insurance liabilities	(2)	38
	Balance at end of year	242	244
3.7	**Insurance claims provisions**		
	(note 24 to the consolidated annual financial statements)		
	Short-term operations – IBNR (See 3.1)	148	150
	Long-term operations – outstanding claims provisions	47	40
	Other operations – outstanding claims provisions	21	18
		216	208

Annexure C continued

Additional information on insurance businesses continued

	2012 Rm	2011 Rm
4. Revenue		
(note 26 to the consolidated annual financial statements)		
Premium income		
Long-term operations		
Individual and credit life premium income		
Single premiums	71	60
Reinsurance		(1)
Net premium income	71	59
Recurring premiums	497	410
Reinsurance	(22)	(32)
Net premium income	475	378
Group life premium income		
Recurring premiums	172	181
Reinsurance	(51)	(49)
Net life premium income	121	132
Net premium income from long-term operations	667	569
Short-term operations		
Gross premiums written	2 135	1 907
Reinsurance	(214)	(234)
Net premium income from short-term operations	1 921	1 673
Total net premium income	2 588	2 242
Total gross premium income	2 875	2 558

Gross premium of R59 million (2011: R137 million) that relates to business within the group has been eliminated from the short-term operations gross premium above.

Short-term insurance results

The short-term insurance operations reported an insurance result excluding investment returns of R97 million in 2012 (2011: R246 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 use 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.

5. Management of insurance-specific risks continued

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

Long-term operations

The capital adequacy requirement 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 2012 the capital adequacy requirement is R93,7 million and the ratio of excess assets to capital adequacy requirements is 3,6 (2011: R85,4 million, capital adequacy ratio 3,89).

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). The returns submitted by the company to the regulator showed that the company met the minimum capital requirements at the year-end date.

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.

5. Management of insurance-specific risks continued

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 ALM 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 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 operation's 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 judgements 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 recognised as income in line with the expiring risk profile of the policies. 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 D

Summary of employment equity report

Summary of global workforce	2012	2 011
South African (including foreign nationals)	37 186	34 757
Non-South African	10 513	6 141
Total workforce	**47 699**	40 898

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

	Male				Female				Foreign nationals		Total	Total
Occupational levels	A	C	I	W	A	C	I	W	M	F	2012	2011
Permanent staff												
Top management	7	2	11	168	6	3	5	16	2	1	**221**	225
Senior management	19	15	39	407	9	3	24	125	5		**646**	604
Professionally qualified and experienced specialists and mid-management	203	169	275	1 346	122	87	119	719	12	2	**3 054**	2 734
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2 392	882	767	2 790	671	303	222	1 405	42	12	**9 486**	8 271
Semi-skilled and discretionary decision-making	8 999	1 731	582	1 050	1 648	658	331	1 508	127	5	**16 639**	15 731
Unskilled and defined decision-making	4 214	569	79	85	908	126	17	21	28	1	**6 048**	6 319
	15 834	**3 368**	**1 753**	**5 846**	**3 364**	**1 180**	**718**	**3 794**	**216**	**21**	**36 094**	33 884
Non-permanent staff	**589**	**96**	**47**	**100**	**134**	**33**	**6**	**42**	**42**	**3**	**1 092**	873
	16 423	**3 464**	**1 800**	**5 946**	**3 498**	**1 213**	**724**	**3 836**	**258**	**24**	**37 186**	34 757

Note: A = Africans; C = Coloureds; I = Indians; W = Whites

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

Corporate information

Directors

Non-executive

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

Executive

HR Brody (Chief Executive), BAcc (Hons), CA (SA)
OS Arbee, BAcc, CA(SA), HDip Tax
MP de Canha
RL Hiemstra, BCompt (Hons), CA(SA)
AH Mahomed (Deputy Chief Executive), BCompt (Hons), CA(SA), HDip Tax
GW Riemann (German)
M Swanepoel, BCom Acc (Hons)

Executive committee

HR Brody (Chairman), M Akoojee, OS Arbee, MP de Canha, BJ Francis, RL Hiemstra, AH Mahomed, PB Michaux, M Mosola, JJ Strydom, M Swanepoel

Audit committee

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

Remuneration and nomination committee

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

Risk committee

Y Waja (Chairman), H Adler, OS Arbee, HR Brody, S Engelbrecht, BJ Francis, R Haman, RL Hiemstra, MJ Leeming, PB Michaux, G Rudman, JJ Strydom

Social, ethics and sustainability committee

MV Moosa (Chairman), OS Arbee, MP de Canha, BJ Francis, TS Gcabashe, PB Michaux, M Mosola, M Swanepoel, A Tugendhaft, RA Venter

Assets and liabilities committee

HR Brody (Chairman), RL Hiemstra, MJ Leeming, AH Mahomed, R Mumford, WF Reitsma, M Swanepoel

Group internal audit executive

G Nzalo, BCom, CA(SA), CIA

Group treasurer

WF Reitsma, BTech Banking, MCom, FIBSA, FIFM

Group legal adviser and company secretary

RA Venter, BCom, LLB, LLM

Group risk executive

BJ Francis, BCompt (Hons), CIA

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Group head: sustainability

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JSE information

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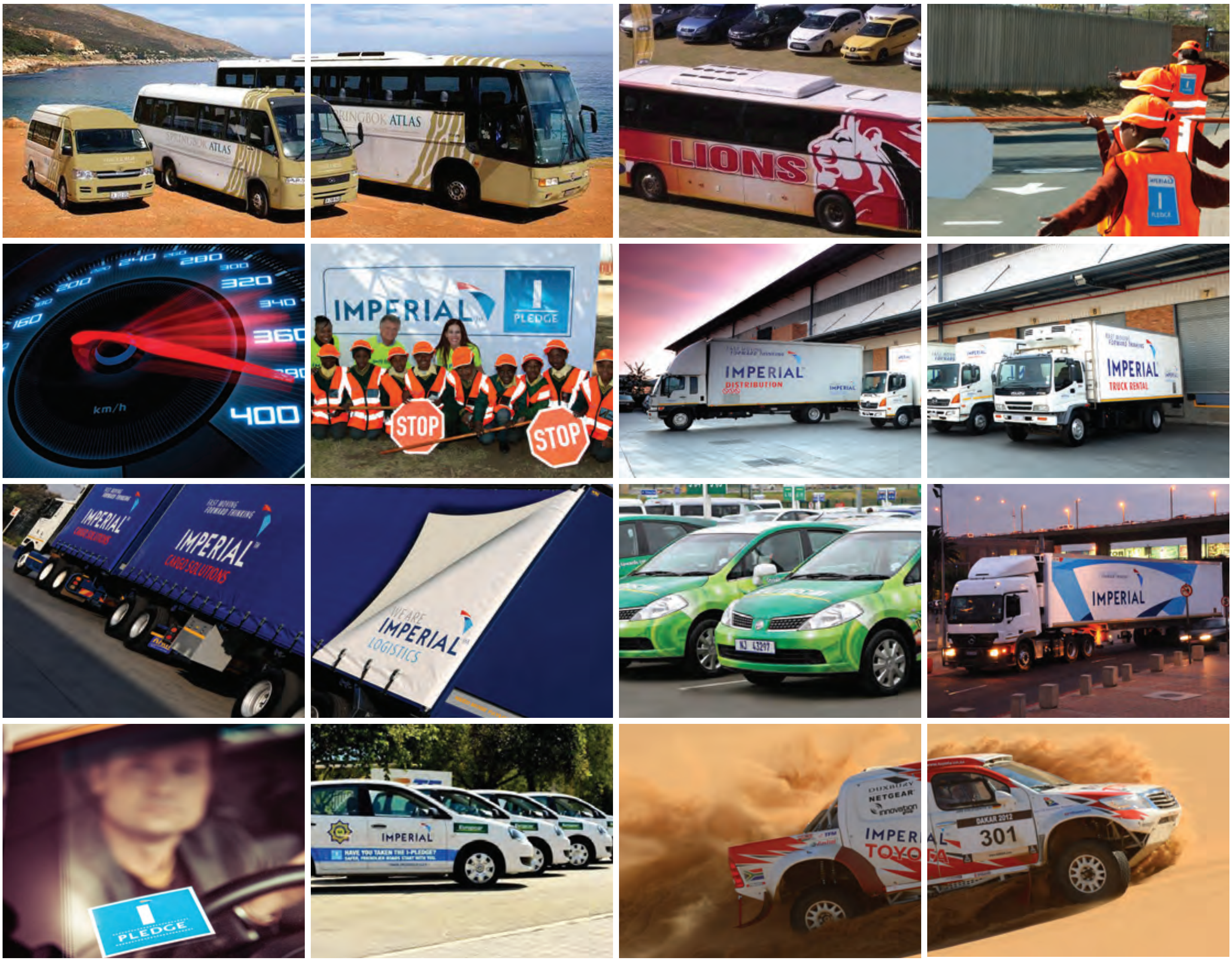
Preference share code: IPLP
ISIN: ZAE000088076

Shareholders' diary

Final dividend: 1 October 2012
Annual general meeting: 31 October 2012
Interim results released: February 2013
Interim dividend: March 2013
Final results released: August 2013
Final dividend: September 2013



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