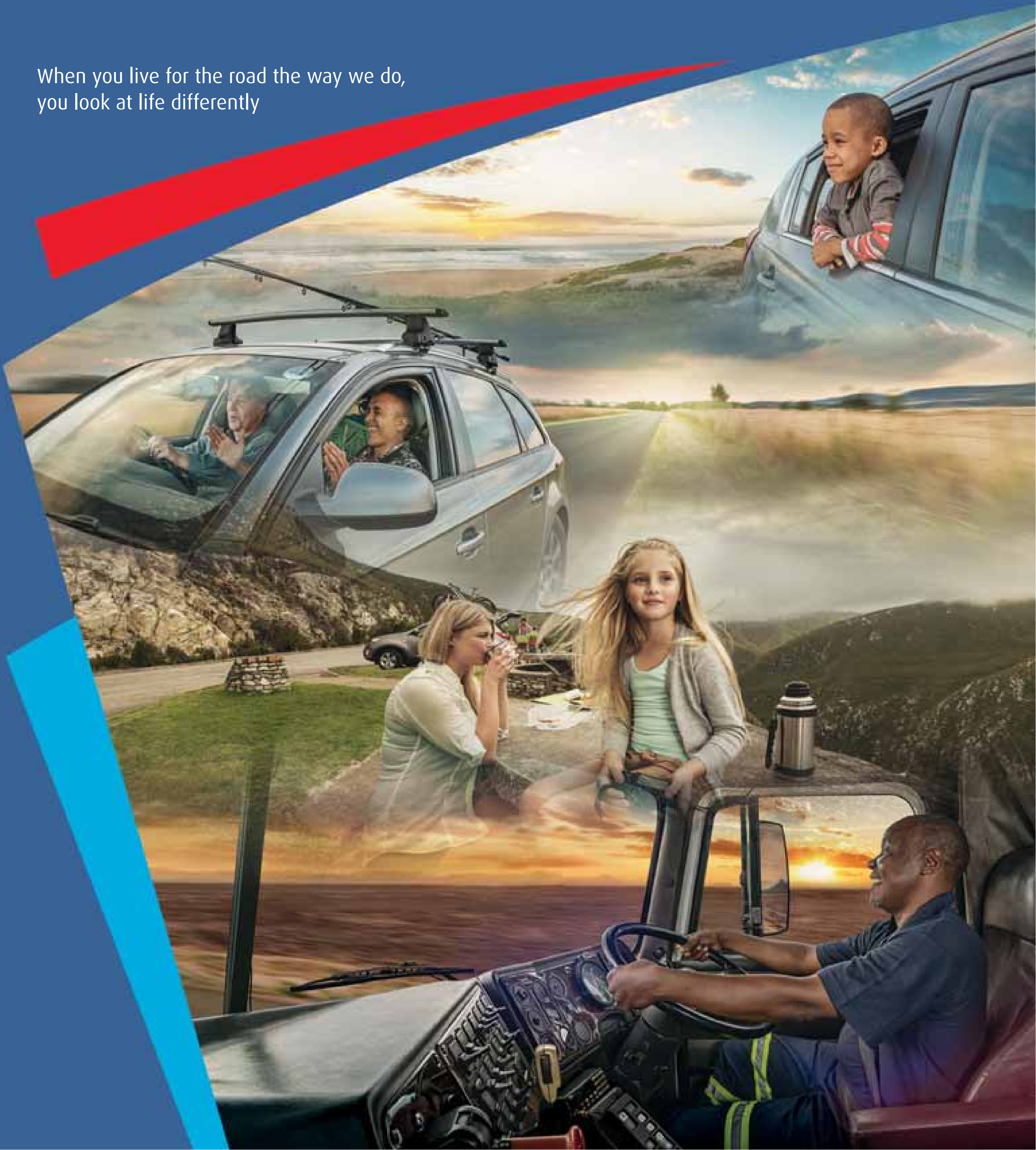
IMPERIAL™

FAST MOVING FORWARD THINKING

Imperial Holdings Limited
Annual Financial Statements 2013

When you live for the road the way we do,
you look at life differently



Annual financial statements

Contents

These annual financial statements were published on 30 September 2013

Directors' responsibility for financial reporting

for the year ended 30 June 2013

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The annual financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board in issue and effective for the group at 30 June 2013 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the South African Companies Act, 2008. The group's independent external auditor, 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 102 which are available on the group's website at www.imperial.co.za were approved by the board of directors on 20 August 2013 and are signed on their behalf by:

TS Gcabashe
Chairman

HR Brody
Chief executive

OS Arbee
Financial director

Preparer of annual financial statements

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

R Mumford
General manager group finance

20 August 2013

Certificate by company secretary

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2013, 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

20 August 2013

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 102, which comprise the statements of financial position as at 30 June 2013, the statements of profit or loss, the statements of comprehensive income, the statements of changes in equity, the statements of cash flows, and the notes comprising a summary of significant accounting policies for the year then ended and other explanatory information.

Directors' responsibility for the annual financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate 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 financial statements present fairly, in all material respects, the consolidated and separate financial position of Imperial Holdings Limited as at 30 June 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2013, we have read the audit committee report and the directors' report for the purpose of identifying whether there are material inconsistencies between those reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited 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 AF Mackie
Partner

20 August 2013

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

Report of the audit committee

for the year ended 30 June 2013

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

Members of the audit committee and attendance at meetings

The audit committee consists of the non-executive directors listed below and meets at least four times per annum in accordance with its charter. All members act independently as described in the Act. The members of the committee in respect of the year ended 30 June 2013 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 31 October 2012.

The same members are being recommended by the board for appointment for the financial year ending 30 June 2014, and their appointments are being submitted to shareholders for approval at the next AGM on 7 November 2013. The abridged curricula vitae of the members are included on pages 26 to 27 of the integrated report, which is available on the group's website at www.imperial.co.za.

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

Member	Number of meetings attended
MJ Leeming (Chairman) (Member since 2002)	4
P Langeni (Member since 2005)	4
RJA Sparks (Member since 2006)	4
Y Waja (Member since 2008)	4

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

Role of the audit committee

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

The committee:

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

Execution of functions during the year

The committee is satisfied that, for the 2013 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.

Report of the audit committee continued

for the year ended 30 June 2013

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

Financial statements

The committee among other matters:

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

External audit

The committee among other matters:

- nominated Deloitte & Touche and Mr AF Mackie as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 30 June 2013, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- obtained an annual confirmation from the auditor that its independence was not impaired;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its subsidiaries;
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- approved non-audit services with Deloitte & Touche in accordance with its policy;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act No 26 of 2005, and determined that there were none; and
- nominated the external auditor and the designated auditor for each subsidiary company, for re-appointment in 2014.

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

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

Internal audit

The audit committee:

- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter;
- considered the reports of the internal auditor and external auditor on the group's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings; and
- based on the above, the committee formed the opinion that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

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

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

Risk management and information technology (IT) governance

The committee:

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

Legal and regulatory requirements

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

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

Expertise and experience of financial director and the finance function

As required by 3.84(h) of the Johannesburg Stock Exchange (JSE) Listings Requirements, the audit committee has satisfied itself that the new group financial director, Mr OS Arbee, has the appropriate expertise and experience.

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

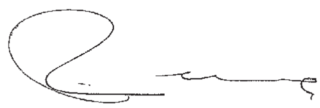
Subsidiary companies

The functions of the committee are also performed for each subsidiary company of Imperial Holdings Limited that has not appointed an audit committee, on the basis that the committee delegates the performance of such functions to 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's divisions.

Integrated report

Following the review by the committee of the annual financial statements of Imperial Holdings Limited for the year ended 30 June 2013, the committee is of the view that in all material respects they comply with the relevant provisions of the Act and International Financial Reporting Standards, and fairly present the consolidated and separate financial position at that date and the results of operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the integrated report and the sustainability information reported therein.

Having achieved its objectives, the committee has recommended the annual financial statements and the integrated report for the year ended 30 June 2013 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.



MJ Leeming
Chairman
20 August 2013

Directors' report
for the year ended 30 June 2013

Nature of business
Imperial is a diversified industrial services and retail group with activities spanning logistics, vehicle distribution and retail, car rental, parts and industrial products distribution and financial services.

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

Financial performance
The net attributable profit for the year amounted to R3 294 million (2012: R2 980 million). Basic headline earnings per share for the year was 1 804 cents (2012: 1 566 cents).

The results for the year are set out in the consolidated statement of profit or loss on page 19 of this report.

Share capital
The authorised and issued share capital is detailed in note 17 and the shares repurchased in note 18 to the annual financial statements on pages 56 to 58.

The number of shares in issue on 30 June 2013 were as follows:

	Company	Shares repurchased	Net
Ordinary shares			
The movements in the ordinary shares were as follows:			
Ordinary shares at beginning of year	209 843 029	(7 864 456)	201 978 573
Deferred ordinary shares converted to ordinary shares	1 131 910		1 131 910
Ordinary shares issued during the year*	1 861 850		1 861 850
Ordinary shares repurchased and cancelled during the year	(4 003 074)		(4 003 074)
Ordinary shares at end of year	208 833 715	(7 864 456)	200 969 259
Deferred ordinary shares			
The movement in the number of deferred ordinary shares were as follows:			
Deferred ordinary shares at beginning of year	14 110 992		14 110 992
Converted into ordinary shares	(1 131 910)		(1 131 910)
Deferred ordinary shares at end of year	12 979 082		12 979 082
Total issued share capital	221 812 797	(7 864 456)	213 948 341
Non-redeemable, non-participating preference shares			
Opening and closing balance	4 540 041		4 540 041

Shares bought back in 2010 and issued in settlement of share incentive scheme obligations.

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

Directors and secretary
The names of the directors and secretary who presently hold office are set on page 104 of this report.

In accordance with the articles of association Messrs OS Arbee, HR Brody, MP de Canha, RL Hiemstra, GW Riemann and M Swanepoel retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election and their re-election is recommended by the board.

Mr RL Hiemstra retired as an executive director on 30 September 2012 but remained on the board as a non-executive director. Mr AH Mahomed retired from the board on 30 June 2013. Mrs SL Botha resigned as a director on 5 September 2013.

The aggregate interest of the directors and prescribed officers in the issued ordinary share capital of the company is disclosed in the remuneration committee report on page 17.

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

Imperial Holdings Share Appreciation Rights, Deferred Bonus and Conditional Share Plan Schemes
Details of the rights granted in terms of the schemes are set out in note 17 to the annual financial statements on pages 57 to 58.

Dividends

Details of the dividends declared are set out in note 36 to the annual financial statements on page 70.

Subsidiaries

Details of the company's principal subsidiaries are reflected in Annexure A to the annual financial statements on page 89.

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

	2013 Rm	2012 Rm
Profits	3 077	2 895
Losses	178	226

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

Businesses acquired by the group	Nature of business	Percentage interest
RTT Health Sciences	Africa Logistics	100
Orwell Trucks Limited	UK Truck retail	100
KWS Carriers (Pty) Ltd	Africa Logistics	60
MDS Logistics Plc (associate)	Africa Logistics	49

Special resolutions

The company passed the following special resolutions at a general meeting held on 16 August 2012:
— Amending the preference share terms in the Memorandum of Incorporation.

The company passed the following special resolutions at its annual general meeting held on 31 October 2012:
— Granting to the directors of the company general authority for the acquisition by the company or any subsidiary, of ordinary shares in the company.
— Granting to the directors of the company specific authority for the acquisition by the company of its own ordinary shares from a wholly owned subsidiary of the company, Imperial Corporate Services (Pty) Ltd.
— Granting to the directors of the company specific authority to provide financial assistance to related and inter-related parties as contemplated in section 45 of the Companies Act, 2008 (the Act).
— Approving the directors' fees payable from 1 July 2012 to the date of the next annual general meeting in 2013.

The company passed the following special resolutions at a general meeting held on 15 March 2013:
— Adopting a new Memorandum of Incorporation in terms of the Act.

Subsidiaries of the company passed special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group, as follows:
— Granting to the directors of the companies specific authority to provide financial assistance to related and inter-related parties as contemplated in section 45 of the Act.
— Granting to the companies authority to make distributions as contemplated in section 46 of the Act.
— Approving directors' fees payable from 1 July 2012 to 30 June 2013.
— Adopting a new Memorandum of Incorporation.
— Changing the capital structure of Regent Insurance Company Limited and Regent Life Assurance Company Limited.

Events subsequent to year-end

In terms of the Ukhamba Black Economic Empowerment transaction 1 122 377 deferred ordinary shares have converted to ordinary shares. These shares were listed on the JSE on 2 September 2013.

The group sold its Tourism division to Cullinan Holdings Limited (Cullinan) for a consideration of R90 million, payable in 81,8 million Cullinan shares, subject to Competition Commission approval.

The group increased its shareholding in Renault South Africa (Pty) Ltd from 49% to 60%, subject to Competition Commission approval.

Accounting policies and new and revised standards

These are outlined in notes 1 to 3 on pages 28 to 45.

Remuneration committee report

for the year ended 30 June 2013

Chairman's message

South Africa experienced a challenging year and the economic and social pressures in our society and the world have placed the spotlight firmly on remuneration and related remuneration practices in business. Imperial is not immune to these pressures which highlights the need for a balanced remuneration policy which remunerates executives and employees fairly, without losing sight of the changes in the market and the social circumstances in the countries in which we operate.

We have taken cognisance of stakeholder feedback and have this year endeavoured to further improve on the disclosure in our previous remuneration report. 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.

Our reports in past years aimed to give stakeholders a transparent view of executive remuneration in our group and we will continue doing so. We trust that this report will provide adequate and relevant information and invite stakeholders to interact with us if the disclosures contained in this report can be further enhanced to provide meaningful insight.

RJA Sparks
Chairman of the committee
20 August 2013

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;
- 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 RJA Sparks (Chairman), SL Botha, TS Gcabashe, P Langeni and A Tugendhaft, all of whom are non-executive directors. The board reconsidered the position of chairman of the committee, which was in the past chaired by the board chairman, and decided to appoint Roddy Sparks as chairman from 28 February 2013 in light of the recommendation in the King Code of Corporate Governance (King III) that the remuneration committee should have a chairman who is not also the board chairman. Thulani Gcabashe remains as a member of the committee.

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 and performance are discussed. No director is able to decide his or her own remuneration.

The committee had three meetings during the past financial year.

The table below details attendance of committee meetings during the year:

Member	Number of meetings attended
RJA Sparks* (Chairman)	3
SL Botha*#	2
TS Gcabashe*	3
P Langeni*	2
A Tugendhaft	3

* *Independent.*
\# *Resigned 5 September 2013.*

Our remuneration policy

Our remuneration policy was approved by shareholders at the annual general meeting held on 31 October 2012 and is again being submitted to shareholders at the annual general meeting to be held on 7 November 2013 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.
- 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; and
- 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. The last of these arrangements, payable to RL Hiemstra, matured in September 2012. The retention bonus paid to RL Hiemstra was subject to him remaining in the continuous employ of the group until 2 July 2011.

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 2013

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.

No participant may hold more than 1% of the allocated rights.

The Share Appreciation Rights Scheme (SAR)

Selected participants receive annual grants of SARs, 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 and remaining employed with the group for the vesting period. 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 (core EPS), relative to the growth in core EPS or headline earnings per share (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 SARs, 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 minimum EPS and ROIC target thresholds are set at a level which takes into account performance of the group but also the important objective of retention of key staff during times when business conditions are challenging.*

***The target percentage of ROIC is expressed as WACC plus 4% for the SAR allocated in 2013.*

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 grants of CRP rights, which are conditional rights to receive a cash payment. Vesting of rights is subject to performance conditions being met. The performance conditions and performance period are determined by the board 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 in 2011 and 2012 are the achievement of specified divisional and group targets relating to growth in profit before interest and tax (PBIT), relative to a performance period target and return on invested capital (ROIC) of the participant's division 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.

No allocations were made under the CRP this year.

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 long-term incentive schemes. Non-executive directors may not be awarded rights in any of the incentive schemes.

A total of 11 216 355 share appreciation rights remain unexercised in terms of the SAR scheme at an average price of R148,05 per share. A total of 432 234 DBP rights have been taken up and remain unvested and a further 119 363 have been allocated this year and 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. In respect of the 2009 award, Imperial bought back shares which were then utilised in respect of shares that had to be delivered in the past financial year.

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, pension or provident fund contributions, medical insurance, death and disability insurance. The provision of these benefits is considered to be market competitive for executive positions.

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.

Remuneration committee report continued

for the year ended 30 June 2013

Directors' and prescribed officers' service contracts

Directors' and prescribed officers' contracts are all terminable with between one and three months' notice, with the exception of that of GW Riemann and MP de Canha who are employed on fixed-term contracts that both terminate at the earliest on 30 June 2014.

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. The group has decided to maintain a structure where directors' fees are not split between membership and attendance fees, as the group has not had significant instances of non-attendance of meetings.

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*	R394 000
— Deputy chairman*	R198 000
— Board member	R198 000
— Assets and liabilities committee chairman*	R104 000
— Assets and liabilities committee member	R69 500
— Audit committee chairman*	R227 000
— Audit committee member	R114 000
— Risk committee chairman*	R107 000
— Risk committee member	R72 000
— Remuneration and nomination committee chairman*	R104 000
— Remuneration and nomination committee member	R69 500
— Social, ethics and sustainability committee chairman*	R104 000
— Social, ethics and sustainability committee member	R69 500

**Paid in addition to a member's 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 7 November 2013, 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 2013 until the next annual general meeting of the company as follows:

— Chairman*	from	R394 000	to	R742 000
— Deputy chairman*	from	R198 000	to	R371 000
— Board member	from	R198 000	to	R212 000
— Assets and liabilities committee chairman*	from	R104 000	to	R135 000
— Assets and liabilities committee member	from	R69 500	to	R90 000
— Audit committee chairman*	from	R227 000	to	R280 000
— Audit committee member	from	R114 000	to	R140 000
— Risk committee chairman*	from	R107 000	to	R135 000
— Risk committee member	from	R72 000	to	R90 000
— Remuneration and nomination committee chairman*	from	R104 000	to	R135 000
— Remuneration and nomination committee member	from	R69 500	to	R90 000
— Social, ethics and sustainability committee chairman *	from	R104 000	to	R135 000
— Social, ethics and sustainability committee member	from	R69 500	to	R90 000

**Paid in addition to a member's fee.*

In arriving at the proposed fees, cognisance was taken of market trends and the increased responsibilities of non-executive directors in terms of increased legal and governance requirements. An extensive review of comparative fees paid to chairmen and deputy chairmen of peer companies revealed a substantial discrepancy between the fees paid by Imperial compared to peer companies. In order to remain competitive the board therefore decided to recommend that the chairman's fee and deputy chairman's fee be increased to the 50th percentile of the fees paid by peer companies. In determining the peer group used for this comparison, dual listed companies were excluded. Non-SA-based directors were also excluded from the comparison. Similarly, in light of the increased responsibilities of committees and the growth in size and complexity of the group, it is proposed to increase committee fees at a rate higher than inflation.

Non-executive directors also receive fees for services on divisional boards and financial and risk review committees.

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 2013:

	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Other benefits (Note 1) R'000	Directors' fees R'000	Subsidiary/ associate and subcommittee fees R'000	2013 Total R'000	2012 Total R'000	Expected value of long-term incentive awards made in 2013 R'000 (Note 2)	Expected value of long-term incentive awards made in 2012 R'000 (Note 2)
Non-executive directors										
SL Botha					198	123	321	186		
ST Dingaan (Note 3)					198	439	637	595		
S Engelbrecht					198	118	316	252		
TS Gcabashe					592	208	800	780		
RL Hiemstra (Note 4)					198	28	226			
P Langeni					198	219	417	439		
MJ Leeming					198	542	740	691		
V Moosa					198	174	372	347		
RJA Sparks					198	497	695	559		
A Tugendhaft					396	139	535	499		
Y Waja					198	622	820	765		
Total					2 770	3 109	5 879	5 113		
Executive directors										
OS Arbee	3 628	4 200	597	360			8 785	8 128	3 531	2 752
HR Brody	5 802	5 315	928				12 045	10 716	4 814	3 796
MP de Canha	4 113	4 900	628	159			9 800	14 171	3 322	3 093
RL Hiemstra (Note 4)	1 286		208	4 034			5 528	8 098		
AH Mahomed (Retired 30 June 2013)	5 194	5 246	836				11 276	10 187		3 596
GW Riemann (Note 5)	5 486	12 450	1 502	1 143		331	20 912	16 353		
M Swanepoel	3 675	3 500	730	180			8 085	7 787	3 118	2 655
Total	29 184	35 611	5 429	5 876		331	76 431	75 440	14 785	15 892
Total all directors	29 184	35 611	5 429	5 876	2 770	3 440	82 310		14 785	
Total all directors June 2012	28 896	33 875	5 497	6 868	2 340	3 077		80 553		15 892
Prescribed officers (Note 6)										
DD Gnodde								7 855		
PB Michaux	2 433	3 015	521	197			6 166	5 525	2 475	1 938
JJ Strydom	2 735	2 500	275				5 510	4 410	2 203	1 727
Total prescribed officers	5 168	5 515	796	197			11 676	17 790	4 678	3 665
Total prescribed officers June 2012	6 535	4 975	1 035	5 245				17 790		3 665
Total June 2013	34 352	41 126	6 225	6 073	2 770	3 440	93 986	98 343	19 463	19 557

1. *Other benefits – These include the fringe benefit value of company cars and motor car allowances and long-term performance-based retention payments.*
2. *This represents the expected value of all long-term incentive awards made in the reporting year, which expected value is calculated using a Black-Scholes valuation model and assuming that 50% of the HEPS performance target and 62,5% of the ROIC performance target will be reached.*
3. *R438 726 is paid by Ukhamba Holdings in respect of its chairman's fees.*
4. *RL Hiemstra served as an executive director until 30 September 2012 and part of his reported remuneration relates to that period.*
5. *Overseas based – GW Riemann is employed in Germany and his salary is paid in Euro, based on the market conditions in that country.*
6. *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 2013

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

	Commence-ment date	Price on commence-ment date (R)	Number of rights*	Number of rights exercised	Number of rights remaining	Vesting date
Executive directors						
OS Arbee	18 June 2009	55,32	91 507	91 507		
	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
	11 June 2013	195,20	77 582		77 582	15 September 2016
HR Brody	18 June 2009	55,32	154 700	154 700		
	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
	11 June 2013	195,20	101 869		101 869	15 September 2016
MP de Canha	18 June 2009	55,32	100 186	100 186		
	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
	11 June 2013	195,20	68 215		68 215	15 September 2016
AH Mahomed	5 June 2008	49,46	456 850		456 850+	
	18 June 2009	55,32	143 761		143 761++	
	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	18 June 2009	55,32	83 578	83 578		
	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
	11 June 2013	195,20	68 641		68 641	15 September 2016
Non-executive director						
RL Hiemstra**	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
Prescribed officers						
PB Michaux	18 June 2009	55,32	49 915	49 915		
	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
	11 June 2013	195,20	51 092		51 092	15 September 2016
JJ Strydom	18 June 2009	55,32	75 744	75 744		
	2 June 2010	96,71	25 264		25 264	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
	11 June 2013	195,20	50 000		50 000	15 September 2016

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

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

\+ *Lapses 15 May 2015.*

++ *Lapses 18 June 2016.*

Participation in the Deferred Bonus Plan

	Allocation date	Number of rights allocated	Number of shares committed to the plan+	Balance available to be taken up	Vested during the year	Balance remaining	Vesting date
Executive directors							
OS Arbee	5 June 2008	5 977	2 219		2 219		
			7 758			7 758	15 September 2013
	18 June 2009	10 545	10 545		10 545		
	2 June 2010	6 961	6 961			6 961	16 September 2013
	14 June 2011	10 406	10 406			10 406	7 September 2014
	13 June 2012	9 044	6 727			6 727	26 August 2015
	11 June 2013	5 872		5 872			15 September 2016
HR Brody	5 June 2008	18 072	8 106		8 106		
			9 966			9 966	15 September 2013
	18 June 2009	15 280	15 280		15 280		
	2 June 2010	9 858	9 858			9 858	16 September 2013
	14 June 2011	12 089	12 089			12 089	7 September 2014
	13 June 2012	12 798	8 064			8 064	26 August 2015
	11 June 2013	7 449		7 449			15 September 2016
MP de Canha	5 June 2008	14 714	2 788		2 788		
			11 926			11 926	15 September 2013
	18 June 2009	11 545	11 545		11 545		
	2 June 2010	7 448	7 448			7 448	16 September 2013
	14 June 2011	12 486	10 712			10 712	7 September 2014
	13 June 2012	9 677	8 064			8 064	26 August 2015
	11 June 2013	6 276		6 276			15 September 2016
AH Mahomed	5 June 2008	21 979	8 243		8 243		
			13 736			13 736	15 September 2013
	18 June 2009	14 200	14 200		14 200		
	2 June 2010	9 161	9 161			9 161	16 September 2013
	14 June 2011	11 783	11 783			11 783	7 September 2014
	13 June 2012	8 003	8 003			8 003	26 August 2015
M Swanepoel	5 June 2008	9 959	6 636		6 636		
			3 323			3 323	15 September 2013
	18 June 2009	9 631	9 631		9 631		
	2 June 2010	6 589	6 589			6 589	16 September 2013
	14 June 2011	9 641	9 641			9 641	7 September 2014
	13 June 2012	6 156	6 156			6 156	26 August 2015
	11 June 2013	5 164		5 164			15 September 2016
Non-executive director**							
RL Hiemstra	5 June 2008	17 066	8 074		8 074		
			8 902			8 902	15 September 2013
	18 June 2009	10 785	10 785		10 785		
	2 June 2010	6 958	6 958			6 958	16 September 2013
	14 June 2011	10 406	10 406			10 406	7 September 2014

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

+ The number of shares committed to the plan 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 2013

Participation in the Deferred Bonus Plan continued

	Allocation date	Number of rights allocated	Number of shares committed to the plan+	Balance available to be taken up	Vested during the year	Balance remaining	Vesting date
Prescribed officers							
PB Michaux	5 June 2008	11 911	3 680		3 680		
			8 231			8 231	15 September 2013
	18 June 2009	4 867	4 867		4 867		
	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			4 793	26 August 2015
	11 June 2013	4 634		4 634			15 September 2016
JJ Strydom	5 June 2008	1 364	1 364			1 364	15 September 2013
	2 June 2010	2 602	2 602			2 602	16 September 2013
	14 June 2011	4 039	4 039			4 039	7 September 2014
	13 June 2012	3 957	3 957			3 957	26 August 2015
	11 June 2013	3 689		3 689			15 September 2016

+ 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 exercised during the year

	2013 R'000	2012 R'000
Executive directors		
OS Arbee	**15 791**	35 098
HR Brody	**26 037**	39 542
MP de Canha	**16 522**	22 763
RL Hiemstra#	**16 485**	41 483
AH Mahomed	**4 264**	5 565
M Swanepoel	**14 468**	26 021
Prescribed officers		
DD Gnodde		10 083
PB Michaux	**8 047**	11 387
JJ Strydom	**10 256**	7 780

#Non-executive from 1 October 2012.

Directors' and prescribed officers' interests in shares

Director/prescribed officer	2013 Beneficial number of shares	2013 Non-beneficial number of shares	2012 Beneficial number of shares	2012 Non-beneficial number of shares
Non-executive directors				
SL Botha	5 000			
RL Hiemstra	33 820		45 135	
MJ Leeming		4 928		4 928
RJA Sparks	40 000		40 000	
Y Waja	927		927	
	79 747	4 928	86 062	4 928
Executive directors				
OS Arbee	74 842		119 052	
HR Brody	91 709		191 203	
MP de Canha	1 627 775		1 512 160	
AH Mahomed	69 878		74 869	
M Swanepoel	26 160		53 744	
	1 890 364		1 951 028	
Prescribed officers				
PB Michaux	26 442		32 269	
JJ Strydom	43 776		28 476	
	70 218		60 745	
Total	2 040 329	4 928	2 097 835	4 928

Approval

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

Consolidated statement of financial position

at 30 June 2013

	Notes	2013 Rm	2012 Rm
ASSETS			
Goodwill and intangible assets	5	**5 206**	4 234
Investment in associates and joint ventures	6	**1 317**	889
Property, plant and equipment	7	**9 257**	8 080
Transport fleet	8	**4 626**	4 336
Vehicles for hire	9	**2 465**	2 321
Deferred tax assets	10	**1 014**	930
Investments and loans	11	**3 218**	2 433
Non-current financial assets	12	**227**	242
Inventories	13	**11 492**	9 218
Tax in advance		**439**	195
Trade and other receivables	14	**10 437**	9 275
Cash resources	15	**1 844**	3 545
Assets classified as held for sale	16	**94**	
Total assets		**51 636**	45 698
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	17	**382**	22
Shares repurchased	18	**(220)**	(220)
Other reserves	19	**1 032**	503
Retained earnings		**15 219**	14 361
Attributable to owners of Imperial		**16 413**	14 666
Non-controlling interests		**1 300**	1 223
Total equity		**17 713**	15 889
Liabilities			
Non-redeemable, non-participating preference shares	21	**441**	441
Retirement benefit obligations	22	**757**	590
Interest-bearing borrowings	23	**5 573**	6 098
Insurance, investment, maintenance and warranty contracts	24	**3 970**	3 222
Deferred tax liabilities	10	**1 498**	1 107
Non-current financial liabilities	25	**419**	348
Provisions for liabilities and other charges	26	**1 689**	1 652
Trade and other payables	27	**14 082**	12 234
Current tax liabilities		**453**	468
Current portion of interest-bearing borrowings	23	**4 995**	3 649
Liabilities directly associated with assets classified as held for sale	16	**46**	
Total liabilities		**33 923**	29 809
Total equity and liabilities		**51 636**	45 698

Consolidated statement of profit or loss

for the year ended 30 June 2013

	Notes	2013 Rm	2012 Rm
Revenue	28	**92 382**	80 830
Net operating expenses	29	**(84 225)**	(73 402)
Profit from operations before depreciation and recoupments		**8 157**	7 428
Depreciation, amortisation, impairments and recoupments	30	**(2 070)**	(1 790)
Operating profit		**6 087**	5 638
Recoupments from sale of properties, net of impairments	30	**8**	(32)
Amortisation of intangible assets arising on business combinations	30	**(254)**	(128)
Foreign exchange gains and losses		**103**	16
Fair value gains and losses on foreign exchange derivatives		**(79)**	(26)
Remeasurement of contingent considerations		**66**	
Realised gain on disposal of available-for-sale investment		**10**	
Business acquisition costs		**(15)**	(51)
Exceptional items	31	**(178)**	(12)
Profit before net financing costs		**5 748**	5 405
Finance cost including fair value gains and losses	32	**(840)**	(736)
Finance income	32	**96**	55
Income from associates and joint ventures	6	**86**	46
Profit before tax		**5 090**	4 770
Income tax expense	33	**(1 404)**	(1 382)
Net profit for the year		**3 686**	3 388
Net profit attributable to:			
Owners of Imperial		**3 294**	2 980
Non-controlling interests		**392**	408
		3 686	3 388
Earnings per share (cents)	34		
– Basic		**1 719**	1 552
– Diluted		**1 650**	1 474

Consolidated statement of comprehensive income

for the year ended 30 June 2013

	2013 Rm	2012 Rm
Net profit for the year	**3 686**	3 388
Other comprehensive income – to be subsequently reclassified to profit or loss	**708**	653
Exchange gains arising on translation of foreign operations	**731**	210
– Movement in translation reserve	**720**	210
– Share of associates' and joint ventures movement in translation reserve	**11**	
Movement in valuation reserve		
– Fair value gain on available-for-sale investments	**10**	19
– Reclassification of gain on disposal of available-for-sale investment	**(10)**	
– Realisation of available-for-sale investment by associate		(19)
Movement in hedge accounting reserve	**(23)**	443
– Movement in hedge accounting reserve	**(21)**	409
– Share of associates' and joint ventures movement in hedge accounting reserve		18
– Income tax relating to hedge accounting reserve movements	**(2)**	16
Total comprehensive income for the year	**4 394**	4 041
Total comprehensive income attributable to:		
Owners of Imperial	**3 969**	3 578
Non-controlling interests	**425**	463
	4 394	4 041

Consolidated statement of cash flows

for the year ended 30 June 2013

	Notes	2013 Rm	Restated 2012 Rm
Cash flows from operating activities			
Cash receipts from customers		**91 916**	81 248
Cash paid to suppliers and employees		**(84 725)**	(73 808)
Cash generated by operations before capital expenditure on rental assets	35.1	**7 191**	7 440
Expansion capital expenditure – rental assets		**(332)**	(352)
Net replacement capital expenditure – rental assets		**(584)**	(505)
– Expenditure		**(2 330)**	(2 120)
– Proceeds		**1 746**	1 615
Cash generated by operations		**6 275**	6 583
Interest paid		**(840)**	(736)
Interest received		**96**	55
Tax paid		**(1 394)**	(1 522)
		4 137	4 380
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	35.2	**(666)**	(1 886)
Disposal of subsidiaries and businesses	35.3	**127**	18
Expansion capital expenditure – excluding rental assets		**(1 350)**	(773)
– Property		**(996)**	(406)
– Transport fleet		**(354)**	(367)
Net replacement capital expenditure – excluding rental assets	35.4	**(811)**	(962)
– Intangible assets		**(109)**	(83)
– Plant and equipment		**(465)**	(502)
– Transport fleet		**(237)**	(377)
Dividend received from Ukhamba Holdings (Pty) Ltd			387
Net movement in other associates and joint ventures		**(321)**	(94)
Net movement in investments, loans and non-current financial instruments		**(771)**	(63)
		(3 792)	(3 373)
Cash flows from financing activities*			
Hedge cost premium paid		**(117)**	(105)
Ordinary shares repurchased and cancelled		**(742)**	
Dividends paid		**(1 755)**	(1 350)
Change in non-controlling interests		**(9)**	(177)
Capital raised from non-controlling interests		**28**	
Repayment of IC 02 corporate bond			(522)
Proceeds on the Euro syndicated bank term loan raised			2 482
Repayment of Eurobond		**(2 690)**	
Proceeds on the issue of IPL 7 corporate bond		**750**	
Net increase (decrease) in other interest-bearing borrowings		**672**	(1 534)
		(3 863)	(1 206)
Net decrease in cash and cash equivalents		**(3 518)**	(199)
Effects of exchange rate changes on cash resources in a foreign currency		**209**	102
Cash and cash equivalents at beginning of year		**2 829**	2 926
Cash and cash equivalents at end of year	35.5	**(480)**	2 829

* *There has been no cash flow for the shares issued relating to the share schemes settlements.*

Consolidated statement of changes in equity

for the year ended 30 June 2013

	Share capital and share premium Rm	Shares repurchased Rm	Share-based payment reserve Rm	Hedge accounting reserve Rm
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) Ltd in excess of its carrying value				
115 060 ordinary shares issued at premium	13			
Movement in statutory reserve				
Share-based equity reserve charged to profit or loss			107	
Share-based equity reserve transferred to retained earnings on vesting			39	
Share-based equity reserve hedging cost utilisation			(136)	
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 acquisition of businesses, net of disposals				
Net decrease in non-controlling interests				
Non-controlling interest share of dividends				
Balance at 30 June 2012	**22**	**(220)**	**(112)**	**343**
Net attributable profit for the year				
Total other comprehensive income				**(26)**
Transfer of reserves on disposal of assets				
Total comprehensive income for the year				**(26)**
Movements in statutory reserve				
Repurchase and cancellation of 4 003 074 ordinary shares from open market at an average price of R185,29				
1 861 850 ordinary shares issued in settlement of share incentive scheme obligations	**360**		**(271)**	
Share-based equity reserve charged to profit or loss			**113**	
Share-based equity reserve transferred to retained earnings on vesting			**196**	
Share-based equity reserve hedging cost utilisation			**(193)**	
Dividend of 380 cents per ordinary share in October 2012				
Dividend of 380 cents per ordinary share in April 2013				
Realisation on disposal of subsidiaries				
Non-controlling interests disposed, net of acquisitions and shares issued				
Net increase in non-controlling interests				
Non-controlling interest share of dividends				
Balance at 30 June 2013	**382**	**(220)**	**(267)**	**317**

	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 owners of Imperial Rm	Non-controlling interests Rm	Total equity Rm
	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			
						107	5	112
					(39)			
						(136)	(2)	(138)
					(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
					3 294	3 294	392	3 686
		701		10		685	33	718
				(10)		(10)		(10)
		701			3 294	3 969	425	4 394
	21				(21)			
					(742)	(742)		(742)
						89	(14)	75
						113	3	116
					(196)			
						(193)	2	(191)
					(743)	(743)		(743)
					(735)	(735)		(735)
			(1)		1			
							(64)	(64)
			(11)			(11)	2	(9)
							(277)	(277)
	173	960	(157)	6	15 219	16 413	1 300	17 713

Segment financial position#

at 30 June

	Group	Group	LOGISTICS Africa (including South Africa)		International	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm
Business segmentation						
Assets						
Goodwill and intangible assets	**5 206**	4 234	**1 261**	882	**3 174**	2 720
Investments, associates and joint ventures	**4 009**	2 786	**407**	53	**124**	83
Property, plant and equipment	**9 257**	8 080	**1 440**	1 264	**2 057**	1 709
Transport fleet	**4 626**	4 336	**3 330**	3 303	**1 339**	1 078
Vehicles for hire	**2 465**	2 321				
Non-current financial assets	**227**	242				
Inventories	**11 492**	9 218	**343**	294	**178**	120
Trade and other receivables	**10 437**	9 275	**3 842**	3 356	**2 818**	2 275
Cash resources in financial services businesses	**724**	1 083				
Operating assets	**48 443**	41 575	**10 623**	9 152	**9 690**	7 985
Deferred tax assets	**1 014**	930				
Loans to associates and other investments	**526**	536				
Tax in advance	**439**	195				
Cash resources	**1 120**	2 462				
Assets classified as held for sale	**94**					
Total assets per statement of financial position	**51 636**	45 698				
Liabilities						
Retirement benefit obligations	**757**	590			**757**	590
Insurance, investment, maintenance and warranty contracts	**3 970**	3 222				
Trade and other payables and provisions	**15 771**	13 886	**4 229**	3 656	**2 901**	2 394
Non-current financial liabilities	**419**	348	**203**	102	**22**	21
Operating liabilities	**20 917**	18 046	**4 432**	3 758	**3 680**	3 005
Non-redeemable, non-participating preference shares	**441**	441				
Interest-bearing borrowings	**10 568**	9 747				
Deferred tax liabilities	**1 498**	1 107				
Current tax liabilities	**453**	468				
Liabilities directly associated with assets classified as held for sale	**46**					
Total liabilities per statement of financial position	**33 923**	29 809				
Geographic segmentation						
Operating assets	**48 443**	41 575	**10 623**	9 152	**9 690**	7 985
– South Africa	**32 180**	28 662	**8 177**	7 354		
– Rest of Africa	**3 726**	2 866	**2 445**	1 798		
– Rest of world	**12 537**	10 047	**1**		**9 690**	7 985
Operating liabilities	**20 917**	18 046	**4 432**	3 758	**3 680**	3 005
– South Africa	**14 457**	13 191	**3 664**	3 221		
– Rest of Africa	**1 494**	1 178	**768**	537		
– Rest of world	**4 966**	3 677			**3 680**	3 005
Interest-bearing borrowings	**10 568**	9 747	**3 175**	2 485	**3 735**	3 731
– South Africa	**5 650**	3 503	**2 423**	2 013		
– Rest of Africa	**993**	632	**756**	471		
– Rest of world	**3 925**	5 612	**(4)**	1	**3 735**	3 731
Gross capital expenditure	**5 331**	4 913	**1 043**	1 287	**441**	344
– South Africa	**4 667**	4 315	**939**	1 110		
– Rest of Africa	**152**	209	**104**	177		
– Rest of world	**512**	389			**441**	344
Gross capital expenditure	**5 331**	4 913	**1 043**	1 287	**441**	344
Less: Proceeds on disposal	**(2 254)**	(2 252)	**(319)**	(290)	**(41)**	(32)
Net capital expenditure	**3 077**	2 661	**724**	997	**400**	312

** Other Segments includes Car Rental and Autoparts. The comparatives also include NAC and Tourism.*
 # The segment information has been restated (refer to note 4).

	AUTOMOTIVE AND INDUSTRIAL						FINANCIAL SERVICES					
	Distribution, Retail and Allied Services		Automotive Retail		Other Segments*		Insurance		Other Financial Services		Head Office and Eliminations	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm
	163	168	**242**	129	**341**	303	**53**	30	**4**	2	**(32)**	
	97	61	**52**	7	**64**	72	**2 906**	2 208	**386**		**(27)**	302
	2 789	2 307	**2 079**	1 704	**566**	764	**135**	139	**7**	4	**184**	189
											(43)	(45)
	595	402			**1 725**	1 783			**305**	665	**(160)**	(529)
							227	242				
	6 556	5 130	**3 117**	2 357	**984**	1 120			**395**	346	**(81)**	(149)
	1 718	1 402	**977**	856	**737**	858	**243**	241	**324**	216	**(222)**	71
							724	1 083				
	11 918	9 470	**6 467**	5 053	**4 417**	4 900	**4 288**	3 943	**1 421**	1 233	**(381)**	(161)
	95	82					**1 283**	1 066	**2 592**	2 074		
	3 507	2 744	**2 883**	2 297	**1 140**	1 166	**1 152**	1 242	**231**	490	**(272)**	(103)
	9	4		1	**24**	12					**161**	208
	3 611	2 830	**2 883**	2 298	**1 164**	1 178	**2 435**	2 308	**2 823**	2 564	**(111)**	105
	11 918	9 470	**6 467**	5 053	**4 417**	4 900	**4 288**	3 943	**1 421**	1 233	**(381)**	(161)
	10 620	8 414	**5 067**	4 363	**4 376**	4 849	**3 241**	3 008	**1 421**	1 233	**(722)**	(559)
	186	83	**7**		**41**	50	**1 047**	935				
	1 112	973	**1 393**	690		1					**341**	398
	3 611	2 830	**2 883**	2 298	**1 164**	1 178	**2 435**	2 308	**2 823**	2 564	**(111)**	105
	3 384	2 652	**1 955**	1 850	**1 154**	1 152	**1 792**	1 736	**2 823**	2 564	**(315)**	16
	72	46	**2**		**10**	25	**643**	572			**(1)**	(2)
	155	132	**926**	448		1					**205**	91
	3 998	2 317	**1 459**	858	**1 285**	1 795	**201**		**(2 056)**	(1 314)	**(1 229)**	(125)
	3 378	1 562	**1 173**	739	**1 239**	1 757	**201**		**(2 056)**	(1 314)	**(708)**	(1 254)
	185	123	**6**		**46**	38						
	435	632	**280**	119							**(521)**	1 129
	1 054	445	**518**	321	**1 494**	1 696	**26**	35	**421**	796	**334**	(11)
	1 012	425	**468**	295	**1 470**	1 667	**24**	34	**421**	796	**333**	(12)
	21	1			**24**	29	**2**	1			**1**	1
	21	19	**50**	26								
	1 054	445	**518**	321	**1 494**	1 696	**26**	35	**421**	796	**334**	(11)
	(210)	(145)	**(85)**	(93)	**(915)**	(1 012)	**(1)**	(9)	**(683)**	(515)		(156)
	844	300	**433**	228	**579**	684	**25**	26	**(262)**	281	**334**	(167)

Segment profit or loss#

for the year ended 30 June

	Group	Group	LOGISTICS Africa (including South Africa)		International	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Business segmentation						
Revenue						
– Sale of goods	**52 544**	46 881	**3 770**	3 362		
– Rendering of services	**36 665**	30 953	**14 153**	13 012	**15 426**	11 128
– Gross premiums received	**3 049**	2 875				
– Other	**124**	121			**121**	119
	92 382	80 830	**17 923**	16 374	**15 547**	11 247
Inter-segment revenue			**95**	83	**27**	
	92 382	80 830	**18 018**	16 457	**15 574**	11 247
Operating expenses including cost of sales	**(84 588)**	(73 671)	**(16 446)**	(14 980)	**(14 340)**	(10 320)
Investment income	**192**	186				
Fair value gains on investments	**171**	83				
Depreciation, amortisation and impairments	**(2 089)**	(1 806)	**(655)**	(576)	**(494)**	(334)
Recoupments (excluding properties)	**19**	16	**3**	9	**19**	5
Operating profit	**6 087**	5 638	**920**	910	**759**	598
Recoupments from sale of properties, net of impairments	**8**	(32)	**3**	6		2
Amortisation of intangible assets arising on business combinations	**(254)**	(128)	**(55)**	(29)	**(185)**	(96)
Foreign exchange gains and losses	**103**	16	**3**	1	**(2)**	(1)
Fair value gains and losses on foreign exchange derivatives	**(79)**	(26)		1		1
Remeasurement of contingent considerations	**66**		**64**		**(4)**	
Realised gain on disposal of available-for-sale investment	**10**				**10**	
Business acquisition costs	**(15)**	(51)	**(13)**			(47)
Profit before net finance cost and exceptional items	**5 926**	5 417	**922**	889	**578**	457
Net finance cost including fair value gains and losses	**(744)**	(681)	**(275)**	(229)	**(179)**	(93)
Income from associates and joint ventures	**86**	46	**11**	12	**25**	17
Profit before tax and exceptional items	**5 268**	4 782	**658**	672	**424**	381
Exceptional items	**(178)**	(12)				
Profit before tax	**5 090**	4 770				
Geographic segmentation						
Revenue	**92 382**	80 830	**18 018**	16 457	**15 574**	11 247
– South Africa	**64 413**	59 311	**13 444**	12 741		
– Rest of Africa	**5 608**	4 656	**4 565**	3 716		
– Rest of world	**22 361**	16 863	**9**		**15 574**	11 247
Operating profit	**6 087**	5 638	**920**	910	**759**	598
– South Africa	**4 827**	4 669	**698**	756		
– Rest of Africa	**397**	298	**224**	154		
– Rest of world	**863**	671	**(2)**		**759**	598
Net finance cost including fair value gains and losses	**744**	681	**275**	229	**179**	93
– South Africa	**476**	489	**236**	205		
– Rest of Africa	**58**	33	**39**	24		
– Rest of world	**210**	159			**179**	93

** Other Segments includes Car Rental, Autoparts, NAC and Tourism.*
 # The segment information has been restated (refer to note 4).

Operational segment reporting

For management purposes, the group is organised into seven segments making up the three major operating pillars – Logistics, Automotive and Industrial, and Financial Services. These pillars are the basis on which the group reports its primary segment information.

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

Logistics

- Africa (including South Africa) – Provides complete logistics solutions including transportation, warehousing, container handling and related value-added services within Africa.
- International – Provides complete logistics solutions including transportation, warehousing, inland waterway shipping, container handling, manufacturing and packaging of materials and related value-added services within Europe.

AUTOMOTIVE AND INDUSTRIAL						FINANCIAL SERVICES					
Distribution, Retail and Allied Services		Automotive Retail		Other Segments*		Insurance		Other Financial Services		Head Office and Eliminations	
2013 Rm	2012 Rm	2013 Rm	2012 Rm	2013 Rm	2012 Rm	2013 Rm	2012 Rm	2013 Rm	2012 Rm	2013 Rm	2012 Rm
22 465	20 214	20 143	17 193	6 149	6 082					17	30
1 879	1 513	1 905	1 749	2 750	3 032	125	93	418	391	9	35
						3 049	2 875				
						3	2				
24 344	21 727	22 048	18 942	8 899	9 114	3 177	2 970	418	391	26	65
1 338	1 070	654	618	294	208	110	142	533	496	(3 051)	(2 617)
25 682	22 797	22 702	19 560	9 193	9 322	3 287	3 112	951	887	(3 025)	(2 552)
(23 256)	(20 543)	(21 959)	(18 888)	(7 950)	(8 066)	(3 080)	(2 903)	(571)	(528)	3 014	2 557
						166	160	147	111	(121)	(85)
						171	83				
(192)	(136)	(93)	(98)	(545)	(541)	(34)	(33)	(92)	(114)	16	26
(6)	3	1	(1)	1						1	
2 228	2 121	651	573	699	715	510	419	435	356	(115)	(54)
(1)	(43)		(22)	20			6			(14)	19
(4)	(4)	(7)		(2)						(1)	1
12	(31)		2	7	13					83	32
6	2			1	3					(86)	(33)
3				3							
	(1)	(2)							(2)		(1)
2 244	2 044	642	553	728	731	510	425	435	354	(133)	(36)
(191)	(153)	(122)	(111)	(153)	(194)	(13)		(1)	(1)	190	100
7	9			22	21	(1)	2	39	30	(17)	(45)
2 060	1 900	520	442	597	558	496	427	473	383	40	19
25 682	22 797	22 702	19 560	9 193	9 322	3 287	3 112	951	887	(3 025)	(2 552)
22 116	19 479	19 231	17 017	9 038	9 140	2 677	2 607	951	887	(3 044)	(2 560)
327	313	10		96	122	610	505				
3 239	3 005	3 461	2 543	59	60					19	8
2 228	2 121	651	573	699	715	510	419	435	356	(115)	(54)
2 189	2 074	585	538	685	704	352	290	435	356	(117)	(49)
1	4			14	11	158	129				
38	43	66	35							2	(5)
191	153	122	111	153	194	13		1	1	(190)	(100)
154	117	113	104	147	192	13		1	1	(188)	(130)
13	7			6	2						
24	29	9	7							(2)	30

Automotive and Industrial
- Distribution, Retail and Allied Services – This segment imports and distributes a range of passenger, commercial vehicles, industrial equipment and motorcycles and includes vehicle dealerships in South Africa and Australia.
- 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) and commercial vehicle dealerships in the United Kingdom. It also manufactures and sells caravans and canopies.
- Other Segments – The Car Rental business consists of vehicle rental operations spanning the domestic corporate sector, domestic and international leisure sectors, with extensive support services. This segment also includes the sale of pre-owned vehicles. The Autoparts business is involved in wholesaling and distributing vehicle parts and accessories.

Financial Services
- Insurance – 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 and includes cell captive arrangements.
- Other Financial Services – Comprises the sale of warranty and maintenance products associated with the automotive market, income from joint ventures on the sale of financial services and commission factoring operations.

Notes to the consolidated annual financial statements

for the year ended 30 June 2013

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 accept for the adoption of new and amended statements and interpretations as disclosed in note 2.

1.1 Statement of compliance

The consolidated annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2013 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

1.2 Basis of measurement

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

1.3 Insurance

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

1.4 Consolidation

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

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

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

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

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

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

Changes in the group's ownership interest in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for in equity.

Any difference between the amount by which non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly to the premium paid on purchase of non-controlling interests reserve in equity.

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

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

Consolidation of Lereko Mobility (Pty) Ltd (Lereko)

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

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

1.5 Business combinations

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

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

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

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

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

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

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

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

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

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

1.6 Foreign currencies

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

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

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

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

Exchange differences arising are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity (attributed to non-controlling interests as appropriate).

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

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

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

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

1. Accounting policies continued

1.7 Investment in associates

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

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

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

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

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

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

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

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

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

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

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

Ukhamba Holdings (Pty) Ltd (Ukhamba)

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

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

1.8 Interests in joint ventures

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

1.9 Goodwill

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

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

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

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

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

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

1.10 Intangible assets

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

Intangible assets are not revalued.

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

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

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

An impairment loss is recognised immediately in profit or loss.

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

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

1. Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.12 Inventories

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

Vehicles 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.

1.13 Leases

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

The group as lessor

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

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

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

Assets leased under operating leases are included under the appropriate category of assets in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar items of property, plant and equipment.

The group as lessee

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

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

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

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

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

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

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

1.14 Incentive schemes

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

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

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

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

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

Details of the group's share incentive schemes are included in the remuneration committee report set out on pages 8 to 17.

1.15 Retirement benefit obligations

Defined contribution plans

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

1. Accounting policies continued

1.15 Retirement benefit obligations continued

Defined benefit plans

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

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

Actuarial gains and losses that exceed 10% of the present value of the defined benefit obligation at the end of the prior year are amortised over the expected average remaining working lives of the participating employees.

1.16 Provisions

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

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

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

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

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

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.

Insurance claims

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

Dismantling and environmental risk

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

Onerous contracts

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

Contingent consideration in business combinations

The contingent consideration in a business combination is initially measured at its acquisition-date fair value and subsequently remeasured to the best estimate of the consideration required to settle the obligation. The remeasurement of the contingent consideration is recognised in profit or loss.

1.17 Income taxes

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

Dividends tax

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 Service (SARS). As this tax is levied on the shareholders and not the company, it does not form part of the tax expense recognised in profit or loss or in other comprehensive income. Dividends are reflected gross of tax.

1.18 Non-current assets held for sale

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

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

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

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

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

1.19 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.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

1. Accounting policies continued

1.19 Revenue recognition continued

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

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

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

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

1.20 Interest and dividend income

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

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

1.21 Borrowing costs

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

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

1.22 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 an action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Government includes government agencies and similar bodies, whether local, national or international.

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

No value is recognised where government provides general industry assistance.

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

1.23 Exceptional items

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

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

1.24 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease basic earnings per share. The effect of anti-dilutive potential ordinary shares is excluded from the calculation of diluted earnings per share.

Headline earnings per share and core earnings per share

The presentation of headline earnings per share is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 3/2012 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

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

1.25 Share issue costs, treasury shares and dividend payments

Share issue costs

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

Shares repurchased

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

Dividend payments to owners of Imperial

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

Dividend payments to preference shareholders

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

1.26 Events after the reporting period

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

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

1.27 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.

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

The segment result is presented as segment profit before exceptional items after net finance costs, income from associates and joint ventures.

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

1.28 Financial instruments

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

Initial measurement of financial assets and financial liabilities

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

1. Accounting policies continued

1.28 Financial instruments continued

Subsequent measurement of financial assets

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

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

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

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

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

Subsequent measurement of financial liabilities

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

Hedge accounting

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

Put arrangements over non-controlling interests

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

Cash resources

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

1.29 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 these 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.

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.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

1. Accounting policies continued

1.29 Significant accounting judgements and estimates continued

Income taxes

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

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the 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 reinsurance debtors, inventory and trade and other receivables. The operating cycles for these assets are generally not more than 12 months.

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

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

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

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

Liabilities

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

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

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 of discontinued operations become immaterial they are no longer shown separately and are included in continuing operations.

Provision for doubtful debts

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

Provision against inventory

Inventory is counted at least once a year and any shortages and obsolete inventory identified is 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.

Share-based payments

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

Retirement benefit obligations

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

2. Application of new and revised International Financial Reporting Standards

The following amendments to International Financial Reporting Standards have been applied in the current reporting period:

Amendments to IAS 1 – *Presentation of items of other comprehensive income*

The amendment to IAS 1 requires items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

IAS 1 introduced new terminology for the statement of comprehensive income and income statement. As a result the group's 'income statement' is renamed the 'statement of profit or loss'.

The above amendments have been applied retrospectively and there is no impact on the statement of financial position and therefore there is no requirement to present a third statement of financial position.

Amendments to IAS 12 – *Deferred tax – Recovery of underlying assets*

The group has applied the amendments to IAS 12 – *Deferred Tax: Recovery of underlying asset*s in the current reporting period.

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

The application of the amendment had no significant impact on the group's results and financial position.

IAS 34 – *Interim financial reporting – Disclosure of significant event and transaction*

The amendments to IAS 34 increased the disclosure requirements for significant events and transactions within the interim financial report.

The application of this amendment results in additional disclosures with no impact on the group's result or financial position.

Application of new headline earnings circular

The group adopted Circular 3/2012 – Headline Earnings, as issued by the South African Institute of Chartered Accountants (SAICA).

The circular introduced two amendments firstly to ensure better alignment of the tax treatment of a remeasurement and secondly to provide clarity relating to compensation from third parties for items of property, plant and equipment that were impaired, lost or given up.

The application of the amendments had no significant impact on the group's computation of headline earnings.

3. New and revised International Financial Reporting Standards in issue but not yet effective

The group has not applied the following new and revised (or amended) International Financial Reporting Standards that have been issued but are not yet effective:

Pronouncement	Title	Effective date
IFRS 7 (amendments)	**IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*** The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The group anticipates that the application of the amendments to IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.	Annual periods beginning on or after 1 January 2013
IFRS 7 (amendments)	**IFRS 7 – *Disclosures – Transfers of financial assets*** This amendment increases the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. The group anticipates that the application of this amendment may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.	Annual periods beginning on or after 1 January 2013
IAS 32 (amendments)	**IAS 32 – *Financial Instruments – Presentation*** The amendments to IAS 32 clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The group anticipates that the application of the amendments to IAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.	Annual periods beginning on or after 1 January 2013
IFRS 10 (amended)	**IFRS 10 – *Consolidated Financial Statements*** IFRS 10 replaces parts of IAS 27 – *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and introduces a single control model for consolidation. IFRS 10 provides guidance on when a subsidiary should be consolidated. It builds on the control guidance that existed in IAS 27 – *Consolidated and Separate Financial Statements* and SIC 12 – *Consolidation – Special Purpose Entities*, adding additional context, explanation and application guidance that is consistent with the definition of control. IFRS 10 requires assessment of whether the investor has the power to direct the relevant activities of an entity so as to obtain benefits. These entities are consolidated by the investor. Once it has been determined under IFRS 10 that an entity should be consolidated, the actual consolidation principles remain the same as under IAS 27. SIC 12 – *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. The group is in the process of assessing the impact of the standard on its results, financial position and cash flows. Initial assessments indicate that the effects of this change are unlikely to be significant.	Annual periods beginning on or after 1 January 2013

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

3. New and revised International Financial Reporting Standards in issue but not yet effective continued

Pronouncement	Title	Effective date
IFRS 11 (amended)	**IFRS 11 – *Joint Arrangements*** IFRS 11 replaces IAS 31 – *Joint Ventures*. Where joint arrangements exist the investor is required to assess whether the joint arrangement is a joint operation or a joint venture, based on the legal structure of the investee and the investor's rights to and obligations for the underlying assets and liabilities of the investee. Joint operations are accounted for in the financial statements of the investor by including the investor's share of the assets, liabilities, income and expenses of the investee, while joint ventures are accounted for using the equity method of accounting. The group is in the process of assessing the impact of the standard on its results, financial position and cash flows. Initial assessments indicate that the effects of this change are unlikely to be significant.	Annual periods beginning on or after 1 January 2013
IFRS 12 (amended)	**IFRS 12 – *Disclosure of Interests in Other Entities*** Disclosure requirements on subsidiaries, joint arrangements, associates and involvement in unconsolidated structured entities are prescribed in IFRS 12. The disclosure requirements in IFRS 12 are more extensive than those in the current standards. The adoption of IFRS 12 is not expected to have an impact on the group's results, financial position or cash flows but may result in more disclosures.	Annual periods beginning on or after 1 January 2013
IFRS 13 (amended)	**IFRS 13 – *Fair Value Measurement*** IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other International Financial Reporting Standards require or permit fair value measurements and disclosures about fair value measurements. It does not specify when an asset, liability or equity instrument must be measured at fair value, but when one of the other standards requires fair value measurement the guidance of IFRS 13 is applied to determine that fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit market based measure (i.e. the price to sell an asset or transfer a liability) rather than an entry price (i.e. price to buy an asset or incur a liability). The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. The application of IFRS 3 may result in changes to the measurement of certain of the group's assets and liabilities although initial assessments indicate these are unlikely to be significant. The group anticipates that the application of the new standard may result in more extensive disclosures in the financial statements.	Annual periods beginning on or after 1 January 2013
IAS 19 (amended)	**IAS 19 – *Employee Benefits*** The amendments to IAS 19 require all actuarial gains and losses to be recognised immediately through other comprehensive income so that the net pension asset or liability reflects the full value of the plan deficit or surplus. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. Based on the group's preliminary assessment, when it applies the amendments to IAS 19 for the first time, the profit after tax for the year ended 30 June 2013 would be increased by R2 million and other comprehensive income for the said year would be reduced by R137 million (1 July 2012: decrease in retained earnings of R43 million) with the corresponding adjustments being recognised in the retirement benefit obligation and income tax liability. (See note 22.)	Annual periods beginning on or after 1 January 2013

3. New and revised International Financial Reporting Standards in issue but not yet effective continued

Pronouncement	Title	Effective date
IAS 32 (amended)	**Amendments to IAS 32* – *Financial Instruments: Presentation*** The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 – *Income Taxes*. The group anticipates that the amendments to IAS 32 will have no effect on the group's consolidated financial statements as the group has already adopted this treatment.	Annual periods beginning on or after 1 January 2014
IAS 16 (amended)	**Amendments to IAS 16* – *Property, Plant and Equipment*** The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The group anticipates that the amendments to IAS 16 will not have a significant effect on the consolidated financial statements.	Annual periods beginning on or after 1 January 2014
IFRS 9 (amended)	**IFRS 9 – *Financial Instruments*** IFRS 9 introduced new requirements for the classification and measurement of financial assets and contains the following key requirements: Financial assets (within the scope of IAS 39) are to be carried at amortised cost or fair value. Receivables whose contractual cash flows are solely payments of principal and interest are generally measured at amortised cost. All other receivables and equity investments are measured at their fair value. In addition, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. For financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the change in the fair value that is attributable to changes in the credit risk of that liability, be presented in other comprehensive income, unless it creates a mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The group anticipates that the application of IFRS 9 may have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. The group is in the process of assessing the impact of the standard on its results, financial position and cash flows.	Annual periods beginning on or after 1 January 2015

Annual improvements to International Financial Reporting Standards issued in May 2012.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

4. Restatement and representation of comparative information

Restatement of the consolidated statement of cash flows

Net financing cost paid

Net financing cost paid in the prior year has been restated to distinguish between interest paid and interest received.

The restatement had no impact on cash flows from operating activities.

Currency adjustments on cash resources

In the prior year the effects of exchange rate changes on cash resources held in a foreign currency were included in the repayment of interest-bearing borrowings. The effects of exchange rate changes on cash resources held in a foreign currency are now shown separately on the statement of cash flows.

The result of the restatement is as follows:

	2012 Rm
Decrease in interest-bearing borrowings as originally stated	(1 432)
Effects of exchange rate changes on cash resources in a foreign currency	(102)
Decrease in interest-bearing borrowings – restated	(1 534)

Representation of the segment report

The executive committee, being the operating chief decision-making body, has changed the basis in which the various businesses within the group are now being reported because of the changes to the executive management of the group. As a result 'Logistics Africa (including South Africa)', 'Logistics International', 'Distribution, Retail and Allied Services', 'Insurance' and 'Other Financial Services' are now reported as separate segments. Autoparts and NAC are reclassified out of Distributorships and shown with Car Rental and Tourism in 'Other Segments'. Automotive Retail remained unchanged.

The restatement had no impact on the group's financial position or results and there is no requirement to present a third statement of financial position.

The effect of the restatements is as follows:

	Operating assets 2012 Rm	Operating liabilities 2012 Rm
Segment – financial position		
LOGISTICS		
Now disclosed separately as Africa (Including South Africa) Logistics	9 152	3 758
Now disclosed separately as International Logistics	7 985	3 005
Total as originally reported for Logistics in 2012	17 137	6 763
AUTOMOTIVE AND INDUSTRIAL		
As reported originally in Distributorships in 2012	11 561	3 628
Autoparts reclassified to Other Segments	(1 423)	(568)
NAC reclassified to Other Segments	(668)	(230)
Total now remaining in Distribution, Retail and Allied Services	9 470	2 830
Autoparts reclassified from Distributorships	1 423	568
NAC reclassified from Distributorships	668	230
Car Rental and Tourism reclassified in total	2 809	380
Total now reported in Other Segments	4 900	1 178
FINANCIAL SERVICES		
Now disclosed separately as Insurance	3 943	2 308
Now disclosed separately as Other Financial Services	1 233	2 564
Total as originally reported for Financial Services in 2012	5 176	4 872

4. Restatement and representation of comparative information continued

Restatement of the segment report continued

	Revenue 2012 Rm	Operating profit 2012 Rm	Profit before tax and exceptional items 2012 Rm
Segment – profit or loss			
LOGISTICS			
Now disclosed separately as Africa (Including South Africa) Logistics	16 457	910	672
Now disclosed separately as International Logistics	11 247	598	381
Total as originally reported for Logistics in 2012	27 704	1 508	1 053
AUTOMOTIVE AND INDUSTRIAL			
As reported originally in Distributorships in 2012	28 318	2 456	2 211
Autoparts reclassified to Other Segments	(4 134)	(278)	(277)
NAC reclassified to Other Segments	(1 387)	(57)	(34)
Total now remaining in Distribution, Retail and Allied Services	22 797	2 121	1 900
Autoparts reclassified from Distributorships	4 134	278	277
NAC reclassified from Distributorships	1 387	57	34
Car Rental and Tourism reclassified in total	3 801	380	247
Total now reported in Other Segments	9 322	715	558
FINANCIAL SERVICES			
Now disclosed separately as Insurance	3 112	419	427
Now disclosed separately as Other Financial Services	887	356	383
Total as originally reported for Financial Services in 2012	3 999	775	810

5. Goodwill and intangible assets

	Goodwill Rm	Computer software Rm	Customer lists and contracts Rm	Other intangibles Rm	Total Rm
At 30 June 2013					
Cost	4 747	497	1 509	124	6 877
Accumulated amortisation and impairment	821	341	454	55	1 671
	3 926	156	1 055	69	5 206
Net book value at beginning of year	3 238	95	799	102	4 234
Net acquisition of subsidiaries and businesses	331	9	288	20	648
Additions		105	7	4	116
Proceeds on disposal		(7)			(7)
Impairment charge	(139)	(2)	(1)		(142)
Amortisation		(56)	(257)	(6)	(319)
Profit on disposal		3			3
Reclassification		1	50	(51)	
Currency adjustments	496	9	169		674
Reclassification to assets classified as held for sale		(1)			(1)
Net book value at end of year	3 926	156	1 055	69	5 206

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

5. Goodwill and intangible assets continued

	Goodwill Rm	Computer software Rm	Customer lists and contracts Rm	Other intangibles Rm	Total Rm
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

Expenditure on acquired patents, trademarks, licences, customer lists and computer software is amortised on a straight-line basis over the assets estimated useful lives between 2 to 10 years. Goodwill is not amortised.

Significant cash-generating units (CGUs)	Goodwill carrying amount 2013 Rm	Discount rate applied to cash flow 2013 %	Discount rate applied to cash flow 2012 %	Growth rate used to extrapolate cash flows %
Africa Logistics (Including South Africa)				
CIC Holdings Limited	468	10,36	9,21	2
Imperial Health Sciences (previously RTT Health Sciences)	194	10,36		2
International Logistics				
Panopa Group	438	8,96	9,37	1,5
Neska Group	131	8,96	9,37	1,5
Reederei Group	682	8,96	9,37	1,5
Lehnkering Group	967	8,96	9,37	1,5
Lubcke Marine	52	8,96	9,37	1,5
Rijnaarde BV	78	8,96	9,37	1,5
Distribution, Retail and Allied Services				
Uvundlu Investments (Pty) Ltd	56	9,30	9,50	5
E-Z-Go Golf Carts	55	9,85	11,00	2
Automotive Retail				
Beekman Super Canopies (Pty) Ltd	76	9,30	9,84	2
Orwell Trucks Limited	52	9,30		2
Other Segments				
Midas Group (Pty) Ltd	202	9,30	9,99	2
Significant CGUs	3 451			
Other CGUs	475			
	3 926			

5. Goodwill and intangible assets continued

Goodwill impairment testing

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

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

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

Basis for value in use calculations

Cash flow projections

The value in use is calculated using the forecasted cash inflows and outflows which are expected to be derived from continuing use of the CGU and its ultimate disposal. Cash flow projections for financial forecasts are based on expected revenue, operating margins, working capital requirements and capital expenditure, which are approved by senior management. The assumptions used in deriving at the cash flows are based on past experience and adjusted for any expected changes for the individual CGUs.

These cash flow projections cover a five-year forecast period, which are then extrapolated into perpetuity using applicable growth rates. Growth rates applied are determined based on future trends within the industry, geographic location and past experience within the operating divisions. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates.

Discount rate applied

The discount rate applied to the cash flow projections is calculated using the weighted average cost of capital which is adjusted for risk and is applied to calculate the present value of the forecasted cash flows.

Goodwill impairments

During the current year the group impaired goodwill amounting to R139 million in the following segments:

- Africa (Including South Africa) Logistics – R107 million of goodwill was impaired as a result of contracts lost, warranty profits not being achieved and CGUs not making sufficient profits.
- Other Segments – R32 million of goodwill relating to warranty profits not being achieved and the recoverability of goodwill relating to the businesses being sold.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

	2013 Rm	2012 Rm
6. Investment in associates and joint ventures		
Listed shares at cost	**221**	207
Unlisted shares at cost	**529**	223
Share of post-acquisition reserves (net of impairments)	**222**	126
Carrying value of shares	**972**	556
Indebtedness by associates and joint ventures	**345**	333
– Less than one year	**17**	33
– More than one year	**328**	300
	1 317	889
Valuation of shares		
Listed shares at fair value	**664**	487
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	**171**	196
Utilisation of unrecognised losses during the year	**(20)**	(25)
Cumulative unrecognised losses at end of year	**151**	171

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

The group's effective share of the summarised statement of profit or loss and summarised statement of financial position items in respect of associates and joint ventures are as follows:

	Associates Rm	Joint ventures Rm	Total 2013 Rm	Total 2012 Rm
Summarised statement of profit or loss				
Revenue	**2 326**	**521**	**2 847**	2 352
Profit before net financing cost	**126**	**18**	**144**	143
Net finance cost	**(51)**	**(10)**	**(61)**	(58)
Income from associates and joint ventures	**22**		**22**	24
Profit before tax	**97**	**8**	**105**	109
Income tax expense	**(13)**		**(13)**	(57)
Profit after tax	**84**	**8**	**92**	52
Non-controlling interests	**(4)**	**(2)**	**(6)**	(6)
Net attributable profit for the year	**80**	**6**	**86**	46
Summarised statement of financial position				
Total assets	**2 006**	**242**	**2 248**	2 561
Capital and reserves, including non-controlling interests	**779**	**82**	**861**	525
Interest-bearing borrowings	**734**	**110**	**844**	958
Non-interest-bearing liabilities	**493**	**50**	**543**	1 078
Total equity and liabilities	**2 006**	**242**	**2 248**	2 561

The group's share of deferred tax relating to estimated tax losses not recognised due to the unpredictability of future profit streams amount to R74 million (2012: R83 million).

The group's share of contingent liabilities of associates and joint ventures amounts to R18 million (2012: R21 million).

7. Property, plant and equipment

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Aircraft Rm	Total Rm
At 30 June 2013					
Cost	**8 819**	**4 508**	**451**		**13 778**
Accumulated depreciation and impairment	**1 394**	**2 923**	**204**		**4 521**
	7 425	**1 585**	**247**		**9 257**
Net book value at beginning of year	**6 260**	**1 442**	**256**	**122**	**8 080**
Net (disposal) acquisition of subsidiaries and businesses	**(31)**	**39**	**6**	**(127)**	**(113)**
Additions	**1 054**	**445**	**156**	**7**	**1 662**
Proceeds on disposal	**(58)**	**(27)**	**(116)**		**(201)**
Depreciation	**(130)**	**(433)**	**(69)**	**(2)**	**(634)**
Impairment charge	**(14)**	**(6)**			**(20)**
Profit (loss) on disposal	**22**	**(3)**	**6**		**25**
Currency adjustments	**338**	**164**	**6**		**508**
Reclassifications	**(16)**	**(34)**	**3**		**(47)**
Reclassification to assets classified as held for sale		**(2)**	**(1)**		**(3)**
Net book value at end of year	**7 425**	**1 585**	**247**		**9 257**
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

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

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

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 amounting to R32 million (2012: R72 million), (refer to note 23).

The total value of property, plant and equipment held under capitalised finance leases included above is R35 million (2012: R84 million).

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

	2013 Rm	2012 Rm
8. Transport fleet		
Cost	**9 808**	8 659
Accumulated depreciation and impairment	**5 182**	4 323
	4 626	4 336
Net book value at beginning of year	**4 336**	3 627
Net acquisition of subsidiaries and businesses	**72**	418
Additions	**891**	1 045
Proceeds on disposal	**(300)**	(232)
Depreciation	**(704)**	(601)
Impairment charge	**(4)**	(3)
Profit on disposal	**20**	8
Currency adjustments	**268**	48
Fair value adjustments on disposal group		(5)
Reclassifications	**47**	31
Net book value at end of year	**4 626**	4 336

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

Certain transport fleet assets have been encumbered as security for interest-bearing borrowings amounting to R274 million (2012: R200 million), (refer to note 23).

The total value of transport fleet assets held under capitalised finance leases included above is R197 million (2012: R147 million).

	2013 Rm	2012 Rm
9. Vehicles for hire		
Cost	**3 130**	2 995
Accumulated depreciation and impairment	**665**	674
	2 465	2 321
Net book value at beginning of year	**2 321**	2 057
Net (disposal) acquisition of subsidiaries and businesses	**(35)**	50
Additions	**2 662**	2 472
Proceeds on disposal	**(1 746)**	(1 615)
Depreciation	**(673)**	(646)
(Loss) profit on disposal	**(7)**	3
Reclassification to assets classified as held for sale	**(54)**	
Reclassifications	**(3)**	
Net book value at end of year	**2 465**	2 321

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

Certain vehicles for hire have been encumbered as security for interest-bearing borrowings amounting to R48 million (2012: R69 million), (refer to note 23).

	2013 Rm	2012 Rm
10. Deferred tax		
Movement of deferred tax (assets) liabilities		
Net balance at beginning of year	177	(112)
Charged to profit or loss		
– Current year	110	(128)
– Prior year underprovisions	63	66
– Impairment charge	38	
– Tax rate adjustment	1	3
– Capital gains tax	(21)	45
Recognised in other comprehensive income	2	(16)
Arising on acquisitions and disposals of businesses	68	327
Currency adjustments	45	(8)
Reclassification to assets classified as held for sale	1	
Net balance at end of year	484	177
Analysis of deferred tax (assets) liabilities		
– Intangible assets	265	241
– Property, plant and equipment	158	94
– Transport fleet	599	576
– Vehicles for hire	101	114
– Investments	75	
– Inventories	(159)	(107)
– Provisions and maintenance funds	(586)	(581)
– Tax losses	(160)	(265)
– Capital gains tax	196	217
– Other	(5)	(112)
	484	177
Deferred tax comprises		
– Assets	(1 014)	(930)
– Liabilities	1 498	1 107
	484	177
Unrecognised tax losses		
Unused tax losses available for offset against future profits	(1 537)	(1 778)
Deferred tax asset recognised in respect of such losses	570	947
Remaining tax losses not recognised	(967)	(831)

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

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

		2013 Rm	2012 Rm
11.	**Investments and loans**		
	Investments		
	Listed at fair value	**2 194**	1 816
	Unlisted at fair value	**843**	413
		3 037	2 229
	The above are categorised as follows:		
	– Held for trading		
	– Investments designated at fair value through profit or loss	**2 166**	1 689
	– Fixed and negotiable deposits designated at fair value through profit or loss	**857**	529
	– Available-for-sale	**14**	11
		3 037	2 229
	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	**181**	204
	Total investments and loans	**3 218**	2 433
	Effective interest rates on loans	**5,0% – 9,0%**	5,0% – 11,0%
	Maturity analysis of investments and loans		
	– Maturing within one year	**595**	433
	– Maturing after one year but within five years	**349**	212
	– Maturing after five years	**94**	88
		1 038	733
	Investments realisable at short notice	**2 180**	1 700
		3 218	2 433
	For further disclosures refer to note 40.		
12.	**Non-current financial assets**		
	Reinsurance receivables – held at amortised cost	**227**	242
	For further disclosures refer to note 40.		
13.	**Inventories**		
	New vehicles	**6 183**	4 349
	Used vehicles	**3 215**	2 886
	Spares, accessories and finished goods	**1 436**	1 343
	New and used aircraft		82
	Fast moving consumer goods	**266**	217
	Fuel and oil	**90**	69
	Merchandise	**191**	155
	Work in progress	**111**	117
		11 492	9 218
	Inventories carried at net realisable value included above	**3 550**	2 972
	Net amount of inventory write-down expensed in profit or loss	**62**	104
	Certain inventories have been encumbered as security for interest-bearing borrowings amounting to R435 million (2012: R352 million), (refer to note 23).		

	2013 Rm	2012 Rm
14. Trade and other receivables		
Trade receivables	9 519	8 640
– Gross receivables	9 856	8 985
– Provision for doubtful debts	(337)	(345)
Prepayments and other receivables	607	465
Derivative financial instruments – hedging instruments	311	170
	10 437	9 275
For further disclosures refer to note 40.		
15. Cash resources		
Deposits and funds at call	810	2 518
Cash on hand and at bank	1 034	1 027
	1 844	3 545
Effective interest rates	0,08% – 4,5%	0,03% – 4,8%
For further disclosures refer to note 40.		

16. Assets classified as held for sale

Tourism disposal group

The tourism division had become subscale in the context of Imperial and consequently the group has disposed of its travel, tourism and coach charter businesses subject to approval by the Competition Commission of South Africa.

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

	2013 Rm	2012 Rm
Assets		
Intangible assets	1	
Property, plant and equipment	3	
Vehicles for hire	54	
Deferred tax assets	1	
Tax in advance	1	
Trade and other receivables	30	
Cash resources	4	
Assets classified as held for sale	94	
Liabilities		
Trade and other payables and provisions	46	
Liabilities held for sale	46	

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

	2013 Rm	2012 Rm
17. Share capital and share premium		
Authorised share capital		
394 999 000 (2012: 394 999 000) ordinary shares of 4 cents each	**15**	15
50 000 000 (2012: 50 000 000) deferred ordinary shares of 4 cents each	**2**	2
15 000 000 (2012: 15 000 000) preferred ordinary shares of 4 cents each	**1**	1
1 000 (2012: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2012: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each*	**2**	2
	20	20
Issued and fully paid share capital		
208 833 715 (2012: 209 843 029) ordinary shares of 4 cents each	**8**	8
12 979 082 (2012: 14 110 992) deferred ordinary shares of 4 cents each	**1**	1
	9	9
Share premium		
Balance at beginning of year	**13**	
Ordinary shares issued during the year	**360**	13
	373	13
Share capital and premium	**382**	22

For non-redeemable, non-participating preference shares in issue refer to note 21.

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 2012;
- not more than five million of the non-redeemable, non-participating preference shares.

Ordinary shares

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

Deferred ordinary shares

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

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 9 776 307 (2012: 8 644 397) deferred ordinary shares have been converted into ordinary shares.

A maximum of 1 250 000 shares would have converted in July 2013, however, as the company has repurchased shares the conversion is limited to 1 122 377 shares.

17. Share capital and share premium continued

Group share schemes

Total rights authorised and currently allocated in terms of group share schemes	Number of rights 2013	2012
Share Appreciation Rights Scheme	**11 216 355**	11 631 363
Deferred Bonus Plan	**119 363**	111 930
Total rights currently allocated in terms of group share schemes	**11 335 718**	11 743 293

Share scheme details are as follows:	2013 Number of rights	2013 Weighted average exercise price (Rand)	2012 Number of rights	2012 Weighted average exercise price (Rand)
Share Appreciation Rights Scheme				
Rights granted at beginning of year	**11 631 363**	**102,01**	18 503 389	63,15
Rights allocated during the year	**3 933 387**	**195,20**	3 016 508	170,57
Rights exercised during the year	**(3 900 620)**	**55,32**	(9 575 863)	49,46
Rights forfeited during the year	**(447 775)**	**127,96**	(312 671)	61,01
Unexercised rights at end of year	**11 216 355**	**148,05**	11 631 363	102,01

Share scheme details are as follows:	Number of rights 2013	2012
Deferred Bonus Plan		
Rights granted at beginning of year	**111 930**	223 072
Rights exercised during the year	**(111 930)**	(150 706)
Rights forfeited during the year		(68 715)
Prior year rights carried forward		3 651
Rights allocated during the year	**119 363**	108 279
Unexercised rights at end of year	**119 363**	111 930

Share Appreciation Rights Scheme – details of rights by year of grant	Number of rights	Average exercise price (Rand)	Expiry date
Grant date			
June 2008	**557 233**	**49,46**	**May 2015**
June 2009	**315 837**	**55,32**	**June 2016**
June 2010	**2 362 869**	**96,71**	**June 2017**
June 2011	**1 300 662**	**116,59**	**June 2018**
June 2012	**2 746 367**	**170,57**	**June 2019**
June 2013	**3 933 387**	**195,20**	**June 2020**
Total unexercised rights at end of year	**11 216 355**		
Total weighted average price		**148,05**	

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 2009 allocation of the Share Appreciation Rights in terms of the rules of the Share Schemes, shares repurchased have been issued for settlement of the company's obligations. The remaining rights are fully hedged.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

17. 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 2013	**119 363**	**September 2016**
Total unexercised rights at end of year	**119 363**	

Deferred Bonus Plan – details of rights taken up and not vested#	Number of rights	Vesting date
Rights taken up		
August 2010	**187 541**	**September 2013**
September 2011	**135 632**	**September 2014**
September 2012	**109 061**	**September 2015**

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

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

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

	2013	2012	2011	2010
Share Appreciation Rights Scheme				
Volatility (%)	**29,50**	30,80	33,30	33,00
Weighted average share price (Rand)	**195,20**	170,57	116,59	96,71
Weighted average exercise price (Rand)	**195,20**	170,57	116,59	96,71
Weighted average fair value (Rand)	**47,02**	43,24	36,14	33,23
Expected life (years)	**4,32**	4,26	3,24	3,29
Average risk-free rate (%)	**6,50**	5,85	7,13	7,44
Expected dividend yield (%)	**3,89**	3,28	3,60	2,76
Deferred Bonus Plan				
Volatility (%)	**29,50**	30,80	33,30	33,00
Weighted average share price (Rand)	**195,20**	170,57	116,59	96,71
Weighted average exercise price (Rand)				
Weighted average fair value (Rand)	**171,89**	153,56	103,17	88,31
Expected life (years)	**3,27**	3,20	3,24	3,29
Average risk-free rate (%)	**6,50**	5,85	7,13	7,44
Expected dividend yield (%)	**3,89**	3,28	3,60	2,76

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

The current year's movement charged to profit or loss is reflected in note 29.

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 outlined in the remuneration committee report on page 17.

	2013 Rm	2012 Rm
18. Shares repurchased		
7 864 456 (2012: 7 864 456) ordinary shares	**445**	445
Consolidation of 5 864 944 (2012: 5 864 944) Imperial shares held by Lereko as shares repurchased*	**(665)**	(665)
13 729 400 (2012: 13 729 400) ordinary shares	**(220)**	(220)

**For the accounting treatment refer to accounting policy 1.4 on page 28.*

		2013 Rm	2012 Rm
19.	**Other reserves**		
	Share-based payment reserve (refer to note 17)	**(267)**	(112)
	Hedge accounting reserve	**317**	343
	Statutory reserve	**173**	152
	Foreign currency translation reserve	**960**	259
	Premium paid on purchase of non-controlling interests	**(157)**	(145)
	Valuation reserve	**6**	6
		1 032	503

Income tax relating to the share-based payment transaction has been recognised directly in equity.

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

		2013 Rm	2012 Rm
20.	**Foreign currency translation reserve**		
	Balance at beginning of year	**259**	54
	Movements in translation reserve		
	Goodwill and intangible assets	**674**	(1)
	Investments, loans, associates and joint ventures	**83**	15
	Property, plant and equipment	**508**	131
	Transport fleet	**268**	48
	Deferred tax	**(45)**	8
	Inventories	**167**	119
	Current tax	**(15)**	(6)
	Trade and other receivables	**679**	118
	Cash resources	**209**	102
	Non-controlling interests	**(30)**	(4)
	Retirement benefit obligations	**(146)**	(10)
	Interest-bearing borrowings	**(857)**	(182)
	Insurance, investment, maintenance and warranty contracts	**(10)**	(3)
	Non-current financial liabilities	**(29)**	(2)
	Provisions for liabilities and charges	**(139)**	(14)
	Trade and other payables	**(616)**	(114)
	Balance at end of year	**960**	259
21.	**Non-redeemable, non-participating preference shares**		
	Non-redeemable, non-participating preference shares at cost	**441**	441

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

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

The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R32 million (2012: R32 million), which is included as part of finance cost in profit or loss.

22. Retirement benefit obligations

Defined contribution plans

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

	2013 Rm	2012 Rm
Total cost charged to profit or loss	**597**	420

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

22. 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.

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

	2013 %	2012 %
– Discount rate	**2,80**	3,75
– 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 2013. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2014.

	2013 Rm	2012 Rm
The amounts, included in staff costs, recognised in profit or loss in respect of the plans are as follows:		
Current service cost	**14**	7
Actuarial loss	**3**	
Expected return on plan assets	**(1)**	(1)
Interest costs	**33**	20
	49	26
The amount included on the statement of financial position arising from the group's obligations are as follows:		
Unfunded obligations	**757**	590
Movements in the liability in the current year were as follows:		
Balance at beginning of year	**590**	233
Acquisition of subsidiaries and businesses		342
Payments to retired employees	**(32)**	(23)
Plan assets transferred	**4**	2
Currency adjustments	**146**	10
Amounts charged to profit or loss	**49**	26
Balance at end of year	**757**	590

	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
Present value of defined benefit obligation liability	**1 014**	652	258	246	232
(Deficit) surplus	**(257)**	(62)	(25)	(24)	24
Net liability recognised on the statement of financial position	**757**	590	233	222	256
In addition, the following net experience adjustments were incurred		(5)	(3)	(7)	1

The deficit to the actuarial liability increased due to a reduction in the discount rates arising from changes in market interest rates.

Profit or loss has been debited with the required amount in applying the corridor approach to build up the deficit over the remaining service life.

The adoption of amendments to IAS 19 – *Employee Benefits*, as outlined in note 3, will result in a deficit being recognised in other comprehensive income.

		2013 Rm	2012 Rm
23. Interest-bearing borrowings			
Long term			
– Loans secured by mortgage bonds over fixed property		93	86
– Liabilities under capitalised finance leases		173	174
– Instalment sale creditors secured by assets		50	105
– Corporate bonds		4 330	6 069
Listed on the Bond Exchange of South Africa			
– Held at amortised cost – IPL 4 – maturing in March 2014		1 533	1 532
– Held at amortised cost – IPL 5 – maturing in September 2015		500	500
– Held at amortised cost – IPL 6 – maturing in September 2017		1 536	1 536
– Held at amortised cost – IPL 7 – maturing in April 2018		761	
Listed on the gilt-edged and fixed-interest market of the London Stock Exchange			
– Held at amortised cost – Eurobond – matured			877
– Held at fair value – Eurobond – matured			1 624
– Syndicated bank term loan		3 257	2 482
– Unsecured loans		337	115
		8 240	9 031
Short term			
– Unsecured loans, call borrowings and bank overdrafts		1 633	716
– Commercial paper		695	
Total borrowings		10 568	9 747
Less: Current portion of interest-bearing borrowings		4 995	3 649
Long-term borrowings		5 573	6 098
Total borrowings are categorised as follows:			
– Designated as fair value through profit or loss			1 624
– Amortised cost		10 568	8 123
		10 568	9 747
Interest rate analysis	**Current year effective rates (%)**		
Fixed			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	4,0 – 10,0	154	160
– Capitalised finance leases	16,0	28	40
– Corporate bonds – IPL 4	9,1	1 533	1 532
– Corporate bonds – IPL 6	9,8	1 536	1 536
– Eurobond	4,9		877
– Syndicated bank term loan	3,8	2 618	2 482
– Unsecured loans	3,0 – 4,0	8	48
– Unsecured loans	4,0	22	48
– Unsecured loans	6,0 – 10,0		30
Variable linked			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	8,0 – 11,0	134	165
– Corporate bonds – IPL 5	7,2 – 7,6	500	500
– Corporate bonds – IPL 7	6,5 – 6,7	761	
– Eurobond	5,7 – 6,7		1 624
– Syndicated bank term loan	1,6 – 2,9	639	
– Unsecured loans	5,0 – 9,0	144	35
– Unsecured loans	4,0 – 8,0	51	45
– Unsecured loans	5,7 – 8,0	12	13
– Floorplan – unsecured loans	4,0 – 11,0	696	507
– Commercial paper	5,2 – 5,3	695	
– Notice loans	5,0 – 5,5	142	
– Call borrowings	4,5 – 7,0	867	81
– Bank overdrafts	4,0 – 6,0	28	24
		10 568	9 747

For interest-rate swap arrangements and further disclosures refer to note 40.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

23. Interest-bearing borrowings continued

Capitalised finance leases	More than five years Rm	One to five years Rm	Less than one year Rm	2013 Rm	2012 Rm
Total minimum lease payments	28	76	92	196	193
Amounts representing finance charges	(2)	(8)	(13)	(23)	(19)
Present value of minimum lease payments	26	68	79	173	174

Summary of long-term borrowings by currency and year of redemption or repayment	2018 and onwards Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
SA Rand	2 429	1	506	162	3 235	6 333	3 966
British Pound					176	176	67
Euro	879	402	407	754	1 083	3 525	5 248
Australian Dollar					452	452	377
Other	1	6	8	18	49	82	89
	3 309	409	921	934	4 995	10 568	9 747

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

Details of encumbered assets	Debt secured 2013 Rm	Debt secured 2012 Rm	Net book value of assets encumbered 2013 Rm	Net book value of assets encumbered 2012 Rm
Property, plant and equipment (refer to note 7)	29	126	32	72
Transport fleet (refer to note 8)	249	177	274	200
Vehicles for hire (refer to note 9)	39	61	48	69
Inventories (refer to note 13)	452	377	435	352
	769	741	789	693

Borrowing facilities	2013 Rm	2012 Rm
Total facilities established	10 870	9 053
Less: Utilised	4 990	3 008
Unutilised borrowing capacity	5 880	6 045

In terms of the Memorandum of Incorporation the borrowing powers of the group are unlimited.

For further disclosures refer to note 40.

24. Insurance, investment, maintenance and warranty contracts

	2013 Rm	2012 Rm
Long-term insurance funds	713	585
Short-term insurance funds	570	481
Maintenance and warranty contracts	2 687	2 156
	3 970	3 222
Maturity analysis of insurance, investment, maintenance and warranty contracts		
– Maturing within one year	905	510
– Maturing after one year but within five years	2 445	2 140
– Maturing after five years	620	572
	3 970	3 222

See Annexure C for details on insurance funds.

	2013 Rm	2012 Rm
25. Non-current financial liabilities		
Cross currency and interest-rate swap liabilities	**172**	270
Contingent consideration	**214**	73
Loans payable	**33**	5
	419	348

For a maturity analysis and further disclosures refer to note 40.

	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
26. Provisions for liabilities and other charges								
At 30 June 2013								
Balance at beginning of year	**367**	**301**	**75**	**216**	**98**	**367**	**228**	**1 652**
Amounts added	**283**	**237**		**164**	**62**	**15**	**242**	**1 003**
Unused amounts reversed	**(11)**	**(35)**		**(1)**	**(3)**	**(14)**	**(39)**	**(103)**
Charged to profit or loss	**272**	**202**		**163**	**59**	**1**	**203**	**900**
Amounts utilised	**(234)**	**(223)**		**(177)**	**(61)**	**(52)**	**(172)**	**(919)**
Net acquisitions of subsidiaries and businesses	**2**	**9**					**28**	**39**
Currency adjustments	**21**	**1**		**2**	**22**	**81**	**12**	**139**
Reclassification to liabilities directly associated with assets held for sale	**(2)**	**(2)**						**(4)**
Reclassifications			**(75)**	**(10)**			**(33)**	**(118)**
Balance at end of year	**426**	**288**		**194**	**118**	**397**	**266**	**1 689**
Maturing in less than one year	**425**	**288**		**124**	**31**	**188**	**185**	**1 241**
Maturing in one to five years	**1**			**56**	**54**	**98**	**73**	**282**
Maturing in more than five years				**14**	**33**	**111**	**8**	**166**
	426	**288**		**194**	**118**	**397**	**266**	**1 689**

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

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.

	2 013 Rm	2 012 Rm
27. Trade and other payables		
Trade payables and other accruals	**14 001**	12 102
Deferred income	**81**	68
Derivative financial instruments		64
	14 082	12 234

For further disclosures refer to note 40.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

	2013 Rm	2012 Rm
28. Revenue		
28.1 An analysis of the group's revenue is as follows:		
Sale of goods	**52 544**	46 881
Rendering of services	**36 665**	30 953
Gross premiums received	**3 049**	2 875
Other	**124**	121
	92 382	80 830
Revenue includes:		
28.2 Revenue received by subsidiaries from the group's associates and joint ventures		
Sale of goods	**7**	25
Rendering of services	**74**	105
Other		5
	81	135
Revenue excludes:		
28.3 Revenue between subsidiaries		
Sale of goods	**1 974**	1 768
Rendering of services	**1 092**	780
Gross premiums received	**40**	59
Other	**3**	20
	3 109	2 627
29. Net operating expenses		
Purchase of goods	**48 779**	43 302
Changes in inventories, before acquisition and disposal of businesses	**(2 136)**	(1 202)
Cost of outside services	**12 509**	10 884
Reinsurance, claims and premium costs	**1 928**	1 843
Staff costs	**12 708**	10 591
Staff share-based costs	**116**	112
Other operating income	**(1 411)**	(1 145)
Other operating costs	**11 732**	9 017
	84 225	73 402
The above costs include:		
Auditors' remuneration		
– Audit fees	**58**	54
– Consulting services	**2**	3
	60	57
Rental and operating lease charges		
– Property	**1 039**	814
– Plant and equipment	**175**	118
– Vehicles	**70**	80
– Transport fleet	**346**	187
– Other	**18**	8
	1 648	1 207
Additional lease charges contingent upon turnover		
– Property	**28**	29
	28	29
Net operating expenses include:		
Consultancy and other technical fees	**157**	118
Investment income	**(192)**	(186)
Interest income	**(132)**	(143)
Dividends received by investment type		
– Investments designated as fair value through profit or loss	**(29)**	(15)
– Available-for-sale investments	**(31)**	(28)
Fair value gains on investments		
– Gains on investments designated as fair value through profit or loss	**(171)**	(83)

	2013 Rm	2012 Rm
30. Depreciation, amortisation, impairments and recoupments		
Depreciation and amortisation		
Intangible assets	65	48
Total amortisation of intangible assets	319	176
Less: Amortisation of intangible assets arising on business combinations	(254)	(128)
Property, plant and equipment	634	507
Transport fleet	704	601
Vehicles for hire	673	646
	2 076	1 802
Impairments		
Intangible assets	3	
Plant and equipment	6	1
Transport fleet	4	3
	2 089	1 806
Recoupments		
Intangible assets	(3)	
Plant and equipment	(3)	(5)
Transport fleet	(20)	(8)
Vehicles for hire	7	(3)
	2 070	1 790
Recoupments from sale of properties, net of impairments		
Recoupments from sale of properties	22	13
Impairment of properties	(14)	(45)
	8	(32)
Properties in less marketable areas have been impaired.		
31. Exceptional items		
Impairment of goodwill	(139)	(123)
Net loss on disposal and rationalisation of investments in associates and joint ventures	(7)	(11)
Net loss on disposal and rationalisation of subsidiaries	(32)	10
Fair value adjustments on discontinued operations		112
Gross exceptional items	(178)	(12)
Tax expense	(8)	(3)
Net exceptional items	(186)	(15)
Attributable to non-controlling interests		11
Attributable to owners of Imperial	(186)	(4)
32. Financing cost		
Interest paid on financial liabilities not at fair value through profit or loss	769	622
Interest paid on financial liabilities designated as fair value through profit or loss	71	114
Foreign exchange loss on monetary items	254	88
Fair value gains arising from interest-bearing borrowings and interest-rate swap instruments	(254)	(88)
Finance cost including fair value gains and losses	840	736
Finance income on financial assets not fair valued through profit or loss	(96)	(55)
	744	681

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

	2013 Rm	2012 Rm
33. Income tax expense		
South African normal tax		
– Current	**1 054**	1 285
– Prior year overprovisions	**(59)**	(183)
	995	1 102
Foreign tax		
– Current	**206**	137
– Prior year (over) underprovisions	**(8)**	55
– Tax rate adjustment	**(2)**	
	196	192
Deferred tax		
– Current	**110**	(128)
– Prior year underprovisions	**63**	66
– Impairment charge	**38**	
– Tax rate adjustment	**1**	3
	212	(59)
Withholding and secondary taxes	**9**	90
Capital gains tax		
– Current	**13**	12
– Deferred	**24**	
– Prior year overprovision of deferred tax	**(45)**	
– Deferred tax rate adjustment		45
	(8)	57
Income tax expense	**1 404**	1 382
Reconciliation of tax rates:	**%**	%
Profit before tax, excluding income from associates and joint ventures – effective tax rate	**28,1**	29,3
Income tax effect of:		
– Foreign tax differential	**0,2**	0,1
– Tax assets not recognised and deferred tax impairments	**(2,0)**	(1,6)
– Disallowable charges and capital losses	**(6,8)**	(2,6)
– Exempt and capital income	**8,4**	4,7
– Withholding and secondary taxes	**(0,2)**	(1,9)
– Capital gains tax	**(0,7)**	(0,3)
– Tax rate adjustment		(1,0)
– Prior year net overprovisions	**1,0**	1,3
	28,0	28,0

The decrease in the effective tax rate was caused primarily by the abolition of secondary tax on companies (STC).

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

	2013 Rm	2012 Rm
34. Earnings per share		
Ordinary shares		
Net profit attributable to owners of Imperial – basic earnings	**3 294**	2 980
Saving of finance costs by associate on potential sale of Imperial shares	**43**	21
Diluted earnings	**3 337**	3 001
Weighted average number of ordinary shares in issue (million)	**191,6**	192,0
Basic earnings per share (cents)	**1 719**	1 552
Weighted average number of ordinary shares (million)	**191,6**	192,0
Adjusted for weighted average potential ordinary shares resulting from:		
– Conversion of deferred ordinary shares to ordinary shares (million)	**5,9**	7,5
– Potential disposal of shares held by an associate (million)	**4,6**	2,8
– Potential ordinary shares to be delivered in terms of share schemes (million)	**0,1**	1,3
Weighted average number of ordinary shares for diluted earnings (million)	**202,2**	203,6
Diluted earnings per share (cents)	**1 650**	1 474
Headline earnings and diluted headline earnings per share is calculated as follows:		
Diluted earnings	**3 337**	3 001
Impairment of property, plant and equipment (IAS 36)	**24**	49
Impairment of intangible assets (IAS 36)	**3**	
Profit on disposal of property, plant and equipment (IAS 16)	**(38)**	(29)
Profit on disposal of intangible assets (IAS 38)	**(3)**	
Exceptional items	**178**	12
Exceptional items included in income from associates and joint ventures	**(14)**	19
Realised gain on disposal of available-for-sale investments (IAS 39)	**(10)**	
Realised gain on disposal of available-for-sale investments, included in income from associates and joint ventures (IAS 39)		(19)
Other headline earnings adjustments included in income from associates and joint ventures	**1**	
Tax effects on remeasurements	**18**	9
– Exceptional items	**8**	3
– Profit on disposal of property, plant and equipment	**9**	7
– Profit on disposal of intangible assets	**1**	
– Realised gain on disposal of available-for-sale investments	**3**	
– Impairment charge of property, plant and equipment	**(2)**	(1)
– Impairment charge of intangible assets	**(1)**	
Non-controlling interests in remeasurements	**3**	(14)
– Exceptional items		(11)
– Impairment charge of property, plant and equipment	**(1)**	(5)
– Impairment charge of intangible assets		
– Profit on disposal of property, plant and equipment	**4**	2
Headline earnings – diluted	**3 499**	3 028
Saving of finance costs by associate on potential sale of Imperial shares	**(43)**	(21)
Headline earnings – basic	**3 456**	3 007
Weighted average number of ordinary shares in issue (million)	**191,6**	192,0
Basic headline earnings per share (cents)	**1 804**	1 566
Weighted average number of ordinary shares for diluted earnings (million)	**202,2**	203,6
Diluted headline earnings per share (cents)	**1 730**	1 487

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

	2013 Rm	2012 Rm
34. Earnings per share continued		
Core earnings reconciliation		
Headline earnings – basic	3 456	3 007
Saving of finance costs by associate on potential sale of Imperial shares	43	21
Headline earnings – diluted	3 499	3 028
Amortisation of intangible assets arising on business combinations	254	128
Business acquisition costs	15	51
Remeasurement of contingent considerations	(66)	
Headline earnings from discontinued operations		(34)
Capital gains tax on post-acquisition earnings of associates disposed		2
Core earnings adjustments included in income from associates and joint ventures	3	
Tax effects of core earnings adjustments	(77)	(47)
– Amortisation of intangible assets arising on business combinations	(77)	(38)
– Business acquisition costs		(9)
Non-controlling interests in core earnings adjustments	(1)	10
– Amortisation of intangible assets arising on business combinations	(1)	(1)
– Business acquisition costs		(1)
– Headline earnings from discontinued operations		12
Core earnings – diluted	3 627	3 138
Saving of finance costs by associate on potential sale of Imperial shares	(43)	(21)
Core earnings – basic	3 584	3 117
Weighted average number of ordinary shares in issue (million)	191,6	192,0
Basic core earnings per share (cents)	1 871	1 623
Weighted average number of ordinary shares for diluted earnings (million)	202,2	203,6
Diluted core earnings per share (cents)	1 794	1 541
35. Notes to the consolidated statement of cash flows		
35.1 Cash generated by operations before capital expenditure on rental assets		
Profit before net financing costs	5 748	5 405
Amortisation of intangible assets, net of recoupments	62	176
Amortisation of intangible assets arising on business combinations	254	
Depreciation of property, plant and equipment	634	507
Depreciation of transport fleet, net of recoupments	684	593
Depreciation of vehicles for hire, net of recoupments	680	643
Profit on disposal of property, plant and equipment	(25)	(18)
Impairment of assets	27	49
Exceptional items	178	17
Fair value gains on investments	(171)	(83)
Foreign exchange gains	(92)	(44)
Fair value gains	118	25
Impairment of non-current financial assets		3
Gain on disposal of available-for-sale financial assets	(10)	
Recognition of share-based costs	116	112
Net movement in insurance, investments, maintenance and warranty contracts	622	757
Remeasurement of contingent considerations	(66)	
Business acquisition costs	15	51
Increase in retirement benefit obligations	21	5
Cash generated by operations before changes in working capital	8 795	8 198
Working capital movements		
Increase in inventories	(2 289)	(893)
(Increase) decrease in trade and other receivables	(448)	352
Increase (decrease) in trade and other payables and provisions	1 133	(217)
	7 191	7 440

35. Notes to the consolidated statement of cash flows continued

35.2 Acquisition of subsidiaries and businesses

	2013 Rm	2012 Rm
Goodwill	**331**	1 757
Intangible assets	**323**	872
Investments, loans, associates and joint ventures		55
Property, plant and equipment	**95**	1 045
Transport fleet	**72**	467
Vehicles for hire		50
Non-current financial assets		16
Inventories	**151**	383
Trade and other receivables	**442**	2 097
Cash resources	**49**	312
Non-controlling interests	**(21)**	(58)
Net deferred tax liabilities	**(70)**	(338)
Retirement benefit obligations		(342)
Interest-bearing borrowings	**(73)**	(1 566)
Non-current financial liabilities	**(8)**	(1)
Provisions for liabilities and other charges	**(56)**	(414)
Trade and other payables	**(454)**	(2 078)
Net current tax liabilities	**(5)**	(16)
Purchase consideration transferred	**776**	2 241
Contingent consideration	**(75)**	(76)
Fair value of previously held interest	**(1)**	(13)
Fair value of assets transferred		(5)
Business acquisition costs	**15**	51
Cash resources acquired	**(49)**	(312)
Cash flow on acquisition	**666**	1 886

35.3 Disposal of subsidiaries and businesses

	2013 Rm	2012 Rm
Goodwill		6
Intangible assets	**6**	
Investments, loans, associates and joint ventures	**173**	3
Property, plant and equipment	**208**	2
Transport fleet		49
Vehicles for hire	**35**	
Inventories	**180**	13
Trade and other receivables	**497**	38
Cash resources	**21**	12
Non-controlling interests	**(113)**	(22)
Net deferred tax liabilities	**(2)**	(11)
Net current tax liabilities	**(3)**	
Interest-bearing borrowings	**(526)**	(40)
Provisions for liabilities and other charges	**(17)**	(2)
Trade and other payables	**(279)**	(34)
Net assets disposed	**180**	14
Cash resources disposed	**(21)**	(12)
(Loss) profit on disposal of subsidiaries and businesses	**(32)**	16
Cash flow on disposal	**127**	18

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

	2013 Rm	2012 Rm
35. Notes to the consolidated statement of cash flows continued		
35.4 Net replacement capital expenditure – excluding rental assets		
Expenditure		
– Intangible assets	**(116)**	(84)
– Plant and equipment	**(608)**	(792)
– Transport fleet	**(537)**	(609)
	(1 261)	(1 485)
Proceeds on disposals		
– Intangible assets	**7**	1
– Plant and equipment	**143**	290
– Transport fleet	**300**	232
	450	523
Net expenditure		
– Intangible assets	**(109)**	(83)
– Plant and equipment	**(465)**	(502)
– Transport fleet	**(237)**	(377)
	(811)	(962)
35.5 Cash and cash equivalents		
Cash resources	**1 844**	3 545
Cash resources included in assets classified as held for sale	**4**	
Short-term loans and overdrafts	**(2 328)**	(716)
	(480)	2 829

36. Dividends

Ordinary shares

Interim

– In the current year a dividend of 380 cents per share was paid on 2 April 2013

– In the prior year a dividend of 300 cents per share was paid on 26 March 2012

Final

– A dividend of 440 cents per share is payable on 30 September 2013

– In the prior year a dividend of 380 cents per share was paid on 1 October 2012

Dividends are reflected gross of tax.

37. Commitments

	2013 Rm	2012 Rm
Capital expenditure commitments to be incurred		
Contracted	**624**	694
Authorised by directors but not contracted	**311**	418
	935	1 112

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

	More than five years Rm	One to five years Rm	Less than one year Rm	2013 Rm	2012 Rm
Operating lease payables					
Property	**879**	**1468**	**712**	**3 059**	2 065
Vehicles		**12**	**10**	**22**	17
Plant and equipment	**3**	**34**	**58**	**95**	122
Transport fleet	**64**	**907**	**593**	**1 564**	801
	946	**2 421**	**1 373**	**4 740**	3 005
Operating lease receivables					
Property		**29**	**41**	**70**	145
Vehicles	**3**	**298**	**145**	**446**	300
Plant and equipment		**2**	**2**	**4**	4
	3	**329**	**188**	**520**	449

	2013 Rm	2012 Rm
38. Contingent liabilities		
A subsidiary pledged assets relating to the funders of discontinued operations amounting to R19 million.		19
A subsidiary has contingent liabilities in respect of suretyships issued to creditors amounting to R7 million.		7
Subsidiary companies have received summons for claims amounting to R13 million. The group and its legal advisers believe that these claims are unlikely to succeed.	13	20
The group has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of associates, for facilities in the normal course of business to the extent that they are used. The utilisation of facilities was:	71	
Guarantees issued by Imperial Logistics International GmbH	130	
As part of the NAC sale Imperial Holdings has issued a guarantee to secure vendor funding for five years for R80 million.	80	
Except for the above claims, there is no current or pending litigation that is considered likely to have a material adverse effect on the group.		

39. 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 2013 were as follows:	Share class	Number of shares (000)	% of issued voting capital
Public Investment Corporation Limited	Ordinary	28 353	13,3
JP Morgan Asset Management	Ordinary	13 243	6,2
Lazard Asset Management LLC Group	Ordinary	10 538	4,9
Ukhamba Holdings (Pty) Ltd	Ordinary	9 776	4,6
Ukhamba Holdings (Pty) Ltd	Deferred ordinary	12 979	6,1
Lynch Family Holdings	Ordinary	8 597	4,0
Black Rock Inc	Ordinary	8 444	3,9
Acardian Asset Management	Ordinary	7 976	3,7
Investec Asset Management	Ordinary	7 476	3,5
Lereko Mobility (Pty) Ltd	Ordinary	5 929	2,8

A director has shareholdings in certain subsidiaries and receives dividends.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

39. Related party transactions continued

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 28.2.

	2013 Rm	2012 Rm
Purchase of goods and services from associates and joint ventures	**1 054**	737
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	**981**	890
Long-term employee benefits	**61**	61
Termination benefits	**2**	7
	1 049	963
Number of key management personnel	**603**	623
The net gains on share options amounted to R390 million (2012: R552 million).		
The group has many different operations, retail outlets and service centres where the group staff may be transacting.		
Key management has 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:	**38**	37
The group received insurance premiums on an arm's length basis from the group pension and provident funds to the amount of:	**70**	68
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:	**13**	9

40. 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.

40. Financial instruments continued

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, and may adversely impact 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, while 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 from authorised dealers in foreign exchange up to 75% of forecast annual sales can be covered. The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units within the group's hedging policies and guidelines. Trade-related import exposures are managed through the use of natural hedges arising from foreign assets as well as forward exchange contracts.

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

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

Foreign currency	Foreign amount (million)	Average exchange rate	Contract value Rm	Marked to market Rm
2013				
Imports				
US Dollar	**197**	**9,16**	**1 805**	**1 987**
Euro	**120**	**11,49**	**1 378**	**1 574**
Pound Sterling	**12**	**15,13**	**189**	**194**
Japanese Yen	**7 446**	**0,10**	**731**	**761**
Other			**5**	**5**
			4 108	**4 521**
Interest-bearing borrowings				
Japanese Yen	**3 633**	**0,14**	**525**	**422**
			4 633	**4 943**
2012				
Imports				
US Dollar	411	7,47	3 067	3 362
Euro	243	10,39	2 519	2 560
Pound Sterling	7	12,85	96	97
Japanese Yen	10 089	0,10	1 009	1 058
Other			191	127
			6 882	7 204

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

The impact from a 10% movement in the valuation of the Rand would approximately have a R30 million impact on group's equity. The 10% sensitivity rate is based on management's assessment of a reasonable possible change in foreign exchange rates over the foreseeable future.

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

40. Financial instruments continued

Divisional currency risk

Africa Logistics

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.

International Logistics

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 profit or loss when the subsidiary is sold. No net investment hedges are in place.

Distribution, Retail and Allied Services and parts

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

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 those countries, and exposure to currency risk results from translation into our presentation currency (ZAR). This division is also exposed to certain small transactions in foreign currencies, which result in foreign currency denominated creditors. In order to mitigate the risks which arise from this exposure, forward exchange contracts are taken to hedge this exposure.

Insurance

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

Interest rate risk

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

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

The group's treasury follows a centralised cash management 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 23.

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 negotiable certificate of deposits (NCDs), gilts and bonds. The risk is mitigated by the use of fund managers under the guidance of the investment committee, which has ultimate responsibility for the investment portfolio's risk profile and related decisions.

The group's remaining periods and notional principal amounts comprise the following interest-rate swap instruments:

	2013 Rm	2012 Rm
Pay fixed receive floating		
Less than one year		252
One to five years	172	2 506
Pay floating receive fixed		
Less than one year		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 R12 million (2012: R18 million) effect on group after-tax profit and equity.

40. Financial instruments continued

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 R38 million (2012: R22 million) effect on group after-tax profit and a R38 million (2012: R22 million) impact on equity. The sensitivity is based on management's assessment of a reasonable move in equity prices over the foreseeable future.

Divisional equity price risk

Insurance

The insurance division has limited its exposure to equities to minimise the volatility that the equity price risk brings to the group's statement of profit or loss. The equity portfolio consists of high-quality securities. The risk is monitored by the investment committee reviewing performance of the portfolio taking 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.

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 2013. None of the financial assets below were given as collateral for any security provided.

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

Cash resources

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

Trade accounts receivable

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

	2013 Rm	2012 Rm
Trade and other receivables that are neither past due nor impaired	**7 460**	7 107

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

Past due trade receivables	2013 Rm	2012 Rm
Less than 1 month	**1 442**	951
Between 1 – 3 months	**384**	337
More than 3 months	**170**	195
Past due more than 1 year	**63**	50
	2 059	1 533

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.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

40. Financial instruments continued

Provision for doubtful debts for trade receivables

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

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

Provision for doubtful debts for trade receivables	2013 Rm	2012 Rm
Set out below is a summary of the movement in the provision for doubtful debts for the year:		
Balance at beginning of year	345	410
Amounts reversed to profit or loss	(3)	(8)
Increase in allowance recognised in profit or loss	29	21
Amounts written off during the year	(34)	(78)
Balance at end of year	337	345

Divisional credit risk

Africa and International 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.

Distribution, Retail and Allied Services

Risk exposures arise from the supply of vehicles and equipment to external dealerships and customers. Where vehicles are supplied to external dealerships, these are generally covered by a dealer floorplan with a bank, and will usually settle within credit terms, and exposure to credit risk is therefore minimised. When dealing with external 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 review of trade receivables ageing. The risk is mitigated by stringent background checks and credit limits being imposed on all new customers, continuous review of credit limits, as well as taking legal action against defaulting customers. Where our dealerships are transacting with external customers, the vehicles are required to be fully financed before delivery, thereby mitigating credit risk to the division.

Other Segments

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.

Insurance

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

Guarantees

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

There were no guarantees provided by banks to secure financing during 2013 and 2012.

Liquidity risk

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

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

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised committed borrowing facilities are maintained. Unutilised borrowing facilities are reflected in note 23.

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.

40. Financial instruments continued

Contractual maturities (which include 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
2013					
Maturity profile of financial assets					
Non-current financial assets	227	227	78	13	136
Trade and other receivables	10 126	10 126	10 126		
Current derivative financial assets	311	311	311		
Cash resources	1 844	1 844	1 844		
	12 508	12 508	12 359	13	136
Percentage profile – financial assets		100%	99%		1%
Maturity profile of financial liabilities					
Interest-bearing borrowings*	10 568	11 800	4 146	7 654	
Non-current financial liabilities	419	419	31	356	32
Trade payables and accruals	14 001	14 001	14 001		
	24 988	26 220	18 178	8 010	32
Percentage profile – financial liabilities		100%	69%	31%	

**Excludes R441 million non-redeemable, non-participating preference shares (note 21).*

Fair value of financial instruments by category	Carrying value 2013 Rm	Fair value 2013 Rm	Carrying value 2012 Rm	Fair value 2012 Rm
Financial assets				
Investments and loans				
– Designated as fair value through profit or loss	3 023	3 023	2 218	2 218
– Available-for-sale	14	14	11	11
– Loans and receivables – amortised cost	181	181	204	204
Non-current financial assets				
– Reinsurance receivables – amortised cost	227	227	242	242
Trade and other receivables				
– Derivative instruments – fair value	311	311	170	170
– Trade receivables – amortised cost	9 519	9 519	8 640	8 640
Cash resources	1 844	1 844	3 545	3 545
Financial liabilities				
Non-redeemable, non-participating preference shares	441	402	441	427
Interest-bearing borrowings				
– Designated as fair value through profit or loss			1 624	1 624
– Borrowings – amortised cost	10 568	10 653	8 123	8 129
Non-current financial liabilities				
– Derivative instruments – fair value	172	172	270	270
– Contingent consideration – fair value	214	214	73	73
– Loans – at amortised cost	33	33	5	5
Trade and other payables				
– Derivative instruments – hedge accounted			64	64
– Trade payables and accruals – amortised cost	14 001	14 001	12 102	12 102

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

40. Financial instruments continued

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 periods.

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

Financial instruments designated as fair value through profit or loss	2013 Rm	2012 Rm
Investments designated as fair value through profit or loss		
Carrying value of investments designated as fair value through profit or loss	**3 023**	2 218
Maximum exposure to market risk at reporting date	**3 023**	2 218
Included in the statement of comprehensive income are the following adjustments relating to hedge accounting:		
– Effective portion of change in fair value of cash flow hedge	**134**	170
– Amount removed from equity on matured contracts	**(157)**	273
	(23)	443

Fair value hierarchy disclosures

Valuation methodology

The table below shows the group's financial assets and liabilities that are carried 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
2013				
Available-for-sale financial assets				
Investments			14	14
Financial assets designated at fair value through profit or loss				
Foreign exchange contracts		311		311
Investments	2 194	714	115	3 023
	2 194	1 025	129	3 348
Financial liabilities designated at fair value through profit or loss				
Cross currency and interest-rate swap liabilities		172		172
Contingent consideration			214	214
		172	214	386

40. Financial instruments continued

	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 contracts		170		170
Investments	1 816	372	30	2 218
	1 816	542	41	2 399
Financial liabilities designated at fair value through profit or loss				
Eurobond			1 624	1 624
Foreign exchange contracts		64		64
Cross currency and interest rate swap liabilities		60	210	270
		124	1 834	1 958

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

Level 3 financial instruments only	Opening balance Rm	Fair value gains, losses and interest Rm	Purchases/ acquisitions Rm	Disposals Rm	Settlements Rm	Translation Rm	Reclassifications Rm	Closing balance Rm
2013								
Available-for-sale financial assets								
Investments	**11**	**10**	**1**	**(12)**		**4**		**14**
Financial assets designated at fair value through profit or loss								
Investments	**30**	**1**	**114**	**(30)**				**115**
	41	**11**	**115**	**(42)**		**4**		**129**
Financial liabilities designated at fair value through profit or loss								
Eurobond	**1 624**	**189**			**(1 813)**			
Cross currency and interest rate swap liabilities	**210**	**(188)**			**(22)**			
Contingent consideration	**180**	**(66)**	**148**		**(49)**	**1**		**214**
	2 014	**(65)**	**148**		**(1 884)**	**1**		**214**
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
	54		6	(10)			(9)	41
Financial liabilities designated at fair value through profit or loss								
Corporate bonds	518	27			(545)			
Eurobond	1 569	130			(75)			1 624
Cross currency and interest rate swap liabilities	252	(28)			(14)			210
	2 339	129			(634)			1 834

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

40. Financial instruments continued

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.

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 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.

— 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.

40. Financial instruments continued

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 2013 is 1,2:1 (2012: 0,9:1). 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.

	2013 Rm	2012 Rm
Interest-bearing borrowings*	11 009	10 188
Less: Cash resources	1 844	3 545
Net debt	9 165	6 643
Total equity	17 713	15 889
Gearing ratio (%)	51,7	41,8

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

Company statement of financial position

at 30 June 2013

	Notes	2013 Rm	2012 Rm
ASSETS			
Interest in subsidiaries	2	**9 396**	9 546
Investment in associates and joint ventures	3	**1 328**	1 097
Investments	4	**222**	161
Trade and other receivables		**14**	16
Total assets		**10 960**	10 820
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	5	**382**	22
Other reserves		**331**	331
Retained earnings		**9 523**	9 622
Total equity		**10 236**	9 975
Liabilities			
Non-redeemable, non-participating preference shares	6	**441**	441
Deferred tax liabilities	7	**146**	191
Trade and other payables		**109**	184
Current tax liabilities		**28**	29
Total liabilities		**724**	845
Total equity and liabilities		**10 960**	10 820

Company statement of comprehensive income

for the year ended 30 June 2013

	Notes	2013 Rm	2012 Rm
Revenue	8	**2 010**	2 600
Fair value gain on Lereko Mobility (Pty) Ltd call option		**235**	298
Other fair value gains		**61**	27
Operating expenses		**(270)**	(16)
Exceptional items	9	**118**	(22)
Profit before net financing income		**2 154**	2 887
Finance cost	10	**(32)**	(33)
Finance income	10	**113**	99
Profit before tax		**2 235**	2 953
Income tax expense	11	**3**	(99)
Net profit and total comprehensive income for the year		**2 238**	2 854

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

Company statement of changes in equity

for the year ended 30 June 2013

	Share capital and share premium Rm	Valuation reserve Rm	Retained earnings Rm	Total Rm
Balance at 30 June 2011	9	331	7 941	8 281
Total comprehensive income for the year			2 854	2 854
115 060 ordinary shares issued at premium	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**
Total comprehensive income for the year			**2 238**	**2 238**
1 861 850 ordinary shares issued in settlement of share incentive scheme obligations	**360**			**360**
Repurchase and cancellation of 4 003 074 ordinary shares from the open market at an average price of R185,29			**(742)**	**(742)**
Dividend of 380 cents per ordinary share in October 2012			**(802)**	**(802)**
Dividend of 380 cents per ordinary share in April 2013			**(793)**	**(793)**
Balance at 30 June 2013	**382**	**331**	**9 523**	**10 236**

Company statement of cash flows

for the year ended 30 June 2013

	Note	2013 Rm	Restated* 2012 Rm
Cash flows from operating activities			
Cash generated by operations	15	**1 667**	2 573
Interest paid		**(32)**	(33)
Interest received		**113**	99
Tax paid		**(43)**	(56)
		1 705	2 583
Cash flows from investing activities			
Disposals (additions) of investments and loans to subsidiaries, associated companies and joint ventures		**272**	(1 927)
Additions to investments			(26)
		272	(1 953)
Cash flows from financing activities			
Issue of 1 861 850 (2012: 115 060) ordinary shares		**360**	13
Repurchase and cancellation of 4 003 074 ordinary shares from the open market		**(742)**	
Dividends paid		**(1 595)**	(1 173)
		(1 977)	(1 160)
Net decrease in cash and cash equivalents			(530)
Cash and cash equivalents at beginning of year			530
Cash and cash equivalents at end of year			

Net interest received has been restated to distinguish between interest paid and interest received and has no effect on cash flows from operating activities and on the statement of financial position.

Notes to the company annual financial statements

for the year ended 30 June 2013

		2013 Rm	2012 Rm
1.	**Accounting policies**		
	Accounting policies, significant judgements and estimates and impact of new unissued standards and the adoption of new and revised standards.		
	Refer to notes 1, 2 and 3 of the group annual financial statements, where applicable.		
2.	**Interest in subsidiaries**		
	Shares at cost or valuation, net of impairments	6 743	6 825
	Indebtedness by subsidiaries, net of impairments	2 653	2 721
		9 396	9 546
	Details of the company's principal subsidiaries are reflected in Annexure A.		
3.	**Investment in associates and joint ventures**		
	Unlisted shares at cost	80	86
	Impairments	(12)	(12)
		68	74
	Indebtedness by associates and joint ventures	16	14
	Lereko Mobility (Pty) Ltd call option	1 244	1 009
		1 328	1 097
	Lereko Mobility (Pty) Ltd (Lereko) call option		
	Balance at beginning of year	1 009	711
	Fair value adjustment through profit or loss	235	298
	Balance at end of year	1 244	1 009
	In September 2010, 14 516 617 preferred ordinary shares owned by Lereko were converted into ordinary shares. Lereko sold 8 651 673 ordinary shares to settle its third party funding obligation. The remaining 5 864 944 number of shares will be used to settle its obligation to Imperial Holdings Limited.		
	The Lereko call option asset is held at fair value and the fair value adjustment is recorded in profit or loss for the current year.		
4.	**Investments**		
	Unlisted shares at fair value and available-for-sale	222	161
5.	**Share capital and share premium**		
	Authorised share capital		
	394 999 000 (2012: 394 999 000) ordinary shares of 4 cents each	15	15
	50 000 000 (2012: 50 000 000) deferred ordinary shares of 4 cents each	2	2
	15 000 000 (2012: 15 000 000) preferred ordinary shares of 4 cents each	1	1
	1 000 (2012: 1 000) redeemable preference shares of 4 cents each		
	40 000 000 (2012: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each*	2	2
		20	20
	Issued and fully paid share capital		
	208 833 715 (2012: 209 843 029) ordinary shares of 4 cents each	8	8
	12 979 082 (2012: 14 110 992) deferred ordinary shares of 4 cents each	1	1
	Share premium		
	Balance at beginning of year	13	
	Issued during the year	360	13
		373	13
	Share capital and premium	382	22

**For non-redeemable, non-participating preference shares in issue refer to note 6.*

Refer to note 17 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.

		2013 Rm	2012 Rm
6.	**Non-redeemable, non-participating preference shares**		
	Non-redeemable, non-participating preference shares at cost	**441**	441

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

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

The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R32 million (2012: R32 million), which is included as part of finance cost in profit or loss.

		2013 Rm	2012 Rm
7.	**Deferred tax liability**		
	Movement in deferred tax		
	Balance at beginning of year	**191**	145
	Tax rate adjustment		46
	Prior year overprovision	**(45)**	
		146	191
	Analysis of deferred tax		
	– Capital gains tax	**146**	191
8.	**Revenue**		
	An analysis of the company's revenue is as follows:		
	Dividends from subsidiaries	**1 926**	2 594
	Fees received	**84**	6
		2 010	2 600
9.	**Exceptional items**		
	Profit on sale of subsidiaries and businesses	**124**	4
	Impairments of investments in subsidiaries, loans to subsidiaries and associates	**(6)**	(26)
		118	(22)
10.	**Net financing income**		
	Interest paid	**32**	33
	Interest received	**(113)**	(99)
		(81)	(66)
11.	**Income tax expense**		
	South African normal tax		
	– Current	**34**	29
	Capital gains tax		
	– Current	**8**	
	– Prior year overprovision of deferred tax	**(45)**	
	– Deferred tax rate adjustment		46
	Secondary tax on companies		24
		(3)	99
	Reconciliation of tax rate:	**%**	%
	Profit before tax – effective tax rate	**(0,1)**	3,4
	Tax effect of:		
	– Secondary tax on companies		(0,8)
	– Disallowable charges and capital losses	**(2,3)**	(0,7)
	– Exempt income	**25,8**	24,9
	– Fair value adjustment on Lereko Mobility (Pty) Ltd call option	**2,9**	2,8
	– Capital gains tax	**(0,3)**	
	– Tax rate adjustment		(1,6)
	– Prior year overprovision	**2,0**	
		28,0	28,0

Notes to the company annual financial statements continued

for the year ended 30 June 2013

	2013 Rm	2012 Rm
12. Directors' fees		
Refer to the group remuneration report.		
13. Dividends		
Refer to note 36 of the group annual financial statements.		
14. Contingent liabilities		
The company has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of subsidiaries, for facilities in the normal course of business to the extent that they are used. The year-end utilisation of facilities was:	**4 364**	3 123
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:	**71**	82
As part of the NAC sale Imperial Holdings has issued a guarantee to secure vendor funding for five years for:	**80**	
The company has guaranteed the obligations to the investors in the commercial paper and corporate bond issues of:	**5 025**	6 069
15. Cash generated by operations		
Profit before net financing costs	**2 154**	2 887
Exceptional items	**(118)**	22
Fair value gain on Lereko Mobility (Pty) Ltd call option	**(235)**	(298)
Other fair value gains	**(61)**	(27)
Working capital movements		
– Decrease in trade and other receivables	**2**	3
– Decrease in trade and other payables	**(75)**	(14)
	1 667	2 573

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 2013 Rm	Shares at cost less impairments 2012 Rm	Indebtedness less impairments 2013 Rm	Indebtedness less impairments 2012 Rm
Imperial Holdings International Cooperation U.A.	Note 2	Netherlands	100		**2 176**	2 176		
Imperial Group Limited	Note 3	South Africa	100	165	**1 400**	1 400	**1 322**	1 357
Associated Motor Holdings (Pty) Ltd	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		
Boundlesstrade 154 (Pty) Ltd	Note 5	South Africa	90	200	**75**	54		
Jurgens Ci (Pty) Ltd	Note 6	South Africa	100	1 000	**147**	151		
Alert Engine Parts (Pty) Ltd	Note 7	South Africa	100	7 500	**88**	88		
Midas (Pty) Ltd	Note 8	South Africa	75	1 000	**410**	410		
CIC Holdings Limited	Note 9	Namibia	100	252 188 081	**724**	724		
Other, including indirect interest					**1 076**	1 175	**1 331**	1 364
					6 743	6 825	**2 653**	2 721

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 companies' registered offices.
2. Business conducted by Imperial Holdings International Cooperation U.A. and its subsidiaries comprises integrated logistics solutions and vehicle sales.
3. Business conducted by Imperial Group Limited comprises vehicle rental, motor trading, automotive components, property investments, transportation, sale of motor components, panelbeating and group services.
4. Business conducted by Associated Motor Holdings (Pty) Ltd comprises motor vehicle importation, dealership sales and after-sales services, and industrial equipment.
5. Boundlesstrade 154 (Pty) Ltd has an associate which is a motor vehicle distributorship and a subsidiary which supplies golf carts.
6. Jurgens Ci (Pty) Ltd is the manufacturer and distributor of leisure caravans and camping equipment.
7. Alert Engine Parts (Pty) Ltd is a wholesaler and retailer of motor vehicle engine parts.
8. Midas (Pty) Ltd is a wholesaler and retailer of auto parts.
9. 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

					Book value of interest			
					Shares at cost less impairments		Indebtedness less impairments	
Company	Nature of business	Place of incorporation	Interest owned directly or indirectly (%)	Ordinary shares in issue	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Principal subsidiaries of Imperial Holdings International Cooperation U.A.								
Imperial Logistics International GmbH	See note 1	Germany	100	4	**2 107**	1 680		
Wijgula	See note 1	Netherlands	100	73 440	**274**	219		
Rijnaarde B.V.	See note 1	Netherlands	100	10 000	**79**	63		
Imperial De Grave	See note 1	Netherlands	100	5 000	**71**	57		
Lehnkering Group	See note 1	Germany	100	5	**2 347**	1 871		
Imperial Mobility Finance Belgium GCV	See note 2	Belgium	100	81 800 000	**1 066**	850		
Imperial Mobility Deutschland Beteiligungs GmbH	See note 2	Germany	100	1	**232**	185		
Imperial Mobility UK	See note 3	United Kingdom	100	103	**471**	375		
Associated Motors Australia (Pty) Ltd	See note 4	Australia	90	27 000 081	**630**	276		
Principal subsidiaries of Associated Motor Holdings (Pty) Limited								
Imperial Car Imports (Pty) Ltd	See note 5	South Africa	100	5 000	**6**	6	**171**	163
Hyundai Auto South Africa (Pty) Ltd	See note 5	South Africa	100	1 000	**100**	100	**688**	(208)
Imperial Daihatsu (Pty) Ltd	See note 5	South Africa	99,9	10 000 000	**11**	11	**(3)**	52
Kia Motors SA (Pty) Ltd	See note 5	South Africa	100	25 000			**79**	(113)
Accordian Investments (Pty) Ltd	See note 5	South Africa	60	45 000 000	**25**	25	**15**	15
KMSA Holdings (Pty) Ltd	See note 6	South Africa	75	10 000	**4**	4	**89**	52
Uvundlu Investments (Pty) Ltd	See note 7	South Africa	75	2 050	**140**	140	**464**	245

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 motor cycles, parts and accessories.
7. Distributor of industrial equipment.

New business combinations

Subsidiaries and businesses acquired	Nature of business	Operational segment	Date acquired	Interest acquired (%)	Purchase consideration transferred Rm
RTT Health Sciences	Supply chain services	Logistics – Africa (including South Africa)	January 2013	100	515
Orwell Trucks Limited	Vehicle sales and services	Automotive Retail	February 2013	100	118
KWS Carriers (Pty) Ltd	Commodities transport	Logistics – Africa (including South Africa)	April 2013	60	48
Individually immaterial business combinations					95
Total purchase consideration transferred					**776**

Reason for the acquisitions

— RTT Health Sciences, one of Africa's leading pharmaceutical and healthcare supply chain service providers, was acquired to complement our logistics business within South Africa to extend our footprint in Africa.

— Orwell Trucks Limited was acquired to expand our Automotive Retail business in the United Kingdom and complement our truck franchise.

— KWS Carriers (Pty) Ltd was acquired to expand the commodity's transportation business within our Logistics division in South Africa.

Impact of the acquisitions on the results of the group	Total Rm	RTT Health Sciences Rm	Orwell Trucks Limited Rm	KWS Carriers (Pty) Ltd Rm	Individually immaterial acquisitions Rm
From the dates of acquisition, the acquired businesses contributed:					
Revenue	**1 514**	697	324	246	247
Net profit as reported by entity	**67**	31	6	9	21
Funding costs and amortisation of intangible assets arising on the business combinations	**(34)**	(22)	(7)	(3)	(2)
Net profit	**33**	9	(1)	6	19

Had all the acquisitions been consolidated from 1 July 2012, the group's revenue and net profit would have been R94 240 million and R3 710 million respectively, with the new acquisitions contributing additional revenue of R1 858 million and net profit of R24 million. The net profit of R24 million has been reduced by the funding costs of R3 million on the cash consideration and by the amortisation of intangible assets arising on the business combinations of R30 million.

Annexure A continued

New business combinations continued

Fair value of assets acquired and liabilities assumed at date of acquisition:	Total Rm	RTT Health Sciences Rm	Orwell Trucks Limited Rm	KWS Carriers (Pty) Ltd Rm	Individually immaterial acquisitions Rm
Assets					
Intangible assets	**323**	220	35	41	27
Property, plant and equipment	**95**	55	14	6	20
Transport fleet	**72**			53	19
Deferred tax assets	**1**				1
Inventories	**151**	14	113	1	23
Trade and other receivables	**442**	264	51	62	65
Cash resources	**49**	15	27		7
	1 133	568	240	163	162
Liabilities					
Deferred tax liabilities	**71**	36	8	15	12
Interest-bearing borrowings	**73**		22	29	22
Non-current financial liabilities	**8**				8
Trade and other payables and provisions	**510**	234	137	80	59
Current tax liabilities	**5**	1	2		2
	667	271	169	124	103
Acquirees' carrying amount at acquisition	**466**	297	71	39	59
Less: Non-controlling interests	**(21)**			(4)	(17)
Net assets acquired	**445**	297	71	35	42
Purchase consideration transferred	**776**	515	118	48	95
– Cash	**700**	515	110	12	63
– Contingent consideration	**75**		8	36	31
– Fair value of previously held interest	**1**				1
Excess of purchase consideration over net assets acquired	**331**	218	47	13	53

Trade and other receivables acquired had gross contractual amounts of R452 million of which R10 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 of net assets.

Details of contingent consideration

The contingent consideration requires the group to pay the vendors an additional total amount of R75 million over three years if the acquired businesses' net profit exceeds certain earnings targets.

Acquisition costs

Acquisition costs for acquisitions concluded during the year amounted to R7 million and have been recognised as expenses in profit or loss within business acquisition costs.

Annexure B

Interest in principal associated companies and joint ventures

Company	Nature of business	Place of incorporation	Carrying value (including loans) 2013 Rm	Carrying value (including loans) 2012 Rm	% owned 2013 %	% owned 2012 %
Associates						
Renault South Africa (Pty) Ltd	Vehicle distributor	South Africa	**221**	221	**49,0**	49,0
Ukhamba Holdings (Pty) Ltd	Investment company	South Africa	**67**	65	**46,9**	46,9
Pragma Group	IT solutions for asset management	South Africa	**50**	49	**34,4**	34,4
MiX Telematics Limited*	Vehicle telematics	South Africa	**286**	242	**28,7**	28,0
NGK Spark Plugs (Pty) Ltd	Autoparts	South Africa	**38**	36	**25,0**	25,0
MDS Logistics Plc	Logistics	Nigeria	**263**		**49,0**	
Gruber GmbH & Co. KG	Logistics	Germany	**49**		**50,0**	
Ariva Rentals (Pty) Ltd	Financing	South Africa	**45**	10	**50,0**	50,0
Other associates			**212**	183		
Joint ventures						
Colbro Masvingo (Pty) Ltd	Logistics	Zimbabwe	**55**	50	**50,0**	50,0
Other joint ventures			**31**	33		
			1 317	889		

Listed on the Johannesburg Securities Exchange, with a year-end of 31 March. At 30 June 2013, the group held 189 803 260 shares in MiX Telematics Limited, and the price at 30 June 2013 was R3,50 per share.

Annexure C

Additional information on insurance businesses

1. Accounting policies

Insurance and investment contracts

Classification of contracts

Long-term insurance operations

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

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

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

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

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

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

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

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

Short-term insurance operations

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

Reinsurance of long-term and short-term insurance operations

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

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

Revenue recognition

Long-term insurance operations

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than group schemes. Premium receivable in respect of group schemes that is due after the year-end date is ignored. However, where the operating ratios exceed 100%, a deficiency reserve would be established to offset any expected losses up until the next renewal date. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in 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 less provisions raised for cash-backs.

Insurance results
Long-term insurance operations
Profits or losses are determined in accordance with the guidance note on Financial Soundness Valuations (SAP 104) and International Financial Reporting Standards. The underlying philosophy of the Financial Soundness Valuation is to recognise profits over the term of each insurance contract. In the valuation of liabilities, provision is made for:
- the best estimate of future experience;
- compulsory margins prescribed in SAP 104; and
- discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

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

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

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

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

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

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

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

Annexure C continued

Additional information on insurance businesses continued

Deferred acquisition costs

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

Cell captives

The group operates cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. 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.

	2013 Rm	2012 Rm
2. Other investments and loans		
(note 11 to the consolidated annual financial statements)		
2.1 Financial assets held at fair value		
Balance at beginning of year	**2 218**	2 032
Additions	**2 126**	1 733
Disposals	**(1 630)**	(1 633)
Fair value adjustment	**171**	83
Currency adjustments	**23**	3
Balance at end of year	**2 908**	2 218
2.2 Reconciliation to consolidated annual financial statements		
Financial assets at fair value – insurance businesses	**2 908**	2 218
Financial assets at fair value – other operations	**129**	11
	3 037	2 229
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	**633**	623
Claims settled in the year	**(1 221)**	(1 161)
Claims incurred during the year	**1 231**	1 171
Balance at end of year	**643**	633
Outstanding claims*	**513**	485
Incurred but not reported	**130**	148
Balance at end of year	**643**	633
**This amount is reflected in trade and other payables.*		
3.2 Unearned premium provision		
Balance at beginning of year	**481**	479
Premiums written during the year	**2 232**	2 194
Premiums earned during the year	**(2 233)**	(2 192)
Transfer from maintenance funds	**90**	
Balance at end of year	**570**	481
3.3 Long-term operations		
Balance at beginning of year	**465**	453
Transfer from statement of comprehensive income	**99**	18
Arising from translation of foreign liabilities	**5**	(6)
Balance at end of year	**569**	465

Process used to decide on long-term insurance assumptions

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

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

3. Insurance assets and liabilities continued

3.3 Long-term operations 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
Extended lives mortality	An additional 7,5% margin was added
Lapses	20% margin in year one and two and 50% thereafter in respect of the Clicks portfolio
All other decrements	For credit life an additional 10% margin was added

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

The assumptions used for insurance contracts are as follows:

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

(a) Mortality

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

(b) Morbidity

Disability and dread 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

Investment return assumptions are derived by country, then by product groups with homogeneous discounted mean terms. In Botswana, and similarly for Lesotho, one investment return assumption was applied across all products, due to the homogeneity of the discounted mean term across the policy book in each country. For South Africa specifically, 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:	4,86% (2012: 4,29%)
Individual Life:	6,58% (2012: 5,99%)
Disabled Annuity business:	7,58% (2012: 7,17%)
With-profit Annuity business:	7,68% (2012: 7,27%)
Botswana:	4,32% (2012: 4,28%)
Lesotho:	6,81% (2012: 6,83%)
Lesotho future reversionary bonus:	5,00% (2012: 5,00%)

(f) For with-profits business a Bonus Smoothing Reserve (BSR) 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 Life South Africa. All assumptions include compulsory margins.

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

As a result of these economic changes, the actuarial liabilities increased by R28,1 million.

The non-economic assumptions were also reviewed as follows:

- As the expense experience has stabilised, the discretionary margin on the individual life per policy expenses was released. This resulted in a decrease in actuarial liabilities of R20,3 million.
- The withdrawal assumptions were adjusted within the individual life portfolio to reflect the recent lapse experience. This resulted in an increase in actuarial liabilities of R3,6 million.

As a result of these non-economic changes, the actuarial liabilities decreased by R16,7 million.

Methodology changes to the modelling of savings management charges and allocation rates as well as the mortality rates of the disability annuitants resulted in an increase to actuarial liabilities of R8,7 million.

The elimination of negative reserves belonging to a subset of the individual life book resulted in an increase in actuarial liabilities of R12,2 million.

The overall impact of all the above changes was an increase in the actuarial liabilities of R32,4 million.

Regarding Botswana, the value of liabilities as at 30 June 2013 reduced by P117 000 as a result of changes to valuation assumptions.

The main assumptions changes causing this increase were as follows:

- The economic assumptions were amended to reflect the current economic environment. This resulted in a decrease in reserves of P117 000.

Regarding Lesotho, the changes detailed below were made to the assumptions. As a result the BSR of the with-profits business decreased by approximately M4,6 million and the without-profit reserves decreased by M0,6 million.

- The economic assumptions were amended to reflect the current economic environment. This resulted in an increase in reserves of M4,5 million.
- The withdrawal assumptions were amended to reflect current experience. This resulted in an increase in reserves of M1 million.
- Decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in a decrease in reserves of M1,5 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 2013 Rm	Change in liability 2012 Rm
Worsening of mortality	10% worse claims	**42,3**	36,5
Lowering of investment returns	15% lower returns	**(0,9)**	(0,6)
Worsening of base renewal expense level	10% higher expenses	**25,8**	24,3
Worsening of expense inflation	10% higher expense inflation	**4,9**	3,1
Worsening of lapse rate	25% higher withdrawals	**38,8**	35,4

The 2013 withdrawal and mortality 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 changes in lapse and mortality assumptions.

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

		2013 Rm	2012 Rm
3.4	**Financial liabilities under investment contracts – long-term operations**		
	Balance at beginning of year	**120**	104
	Deposits	**11**	28
	Payments	**(3)**	(9)
	Fair value adjustment	**16**	(3)
	Balance at end of year	**144**	120
3.5	**Reconciliation to consolidated annual financial statements**		
	Insurance and investment contracts		
	(note 24 to the consolidated annual financial statements)		
	Short-term operations: Unearned premium provisions (See 3.2)	**570**	481
	Long-term operations	**713**	585
	Liabilities under insurance contracts (See 3.3)	**569**	465
	Liabilities under investment contracts (See 3.4)	**144**	120
		1 283	1 066
3.6	**Reinsurer's share of liabilities under insurance contracts (note 12 to the consolidated annual financial statements)**		
	Balance at beginning of year	**242**	244
	Movement in reinsurer's share of insurance liabilities	**(15)**	(2)
	Balance at end of year	**227**	242
3.7	**Insurance claims provisions (note 26 to the consolidated annual financial statements)**		
	Short-term operations: IBNR (See 3.1):	**130**	148
	Long-term operations: Outstanding claims provisions	**45**	47
	Other operations: Outstanding claims provisions	**19**	21
		194	216

Annexure C continued

Additional information on insurance businesses continued

		2013 Rm	2012 Rm
4.	**Revenue**		
	(note 28 to the consolidated annual financial statements)		
	Premium income		
	Long-term operations		
	Individual and Credit Life premium income		
	Gross single premiums	**106**	71
	Net recurring premiums	**524**	475
	Gross recurring premiums	**550**	497
	Reinsurance	**(26)**	(22)
	Group life premium income		
	Net life premium income	**133**	121
	Gross recurring premiums	**201**	172
	Reinsurance	**(68)**	(51)
	Net premium income from long-term operations	**763**	667
	Short-term operations		
	Net premium income from short-term operations	**2 000**	1 921
	Gross premiums written	**2 192**	2 135
	Reinsurance	**(192)**	(214)
	Total net premium income	**2 763**	2 588
	Total gross premium income	**3 049**	2 875

Gross premium of R40 million (2012: R59 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 R115 million in 2013 (2012: R97 million).

5. Management of insurance-specific risks

Insurance risk

Long-term insurance operations

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

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

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

Short-term operations

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

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

5. Management of insurance-specific risks continued

Capital adequacy and solvency risk

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

Long-term operations

The capital adequacy requirement 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 2013, the capital adequacy requirement is R106,1 million and the ratio of excess assets to capital adequacy requirements is 3.2 (2012: R93,7 million, capital adequacy ratio 3.6).

Short-term operations

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

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 the operational and financial structures within these businesses. The group has sufficient resources to address the impact of legislation timeously and efficiently.

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

Financial risk

Long-term insurance operations

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

The long-term insurance operations manage these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the 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 modelling 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.

Annexure C continued

Additional information on insurance businesses continued

5. Management of insurance-specific risks continued

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 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	2013	2012
South African (including foreign nationals)	39 259	37 186
Non-South African	11 748	10 513
Total workforce	51 007	47 699

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

Occupational levels	Male A	Male C	Male I	Male W	Female A	Female C	Female I	Female W	Foreign nationals M	Foreign nationals F	Total 2013	Total 2012
Permanent staff												
Top management	4	1	8	129	5	3	4	11	2		167	221
Senior management	20	12	40	363	8	2	24	103	4		576	646
Professionally qualified and experienced specialists and mid-management	254	173	275	1 409	132	95	134	804	5	1	3 282	3 054
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2 800	1 092	794	2 704	998	425	271	1 524	32	3	10 643	9 486
Semi-skilled and discretionary decision-making	8 943	1 713	579	930	2 061	755	300	1 295	28	7	16 611	16 639
Unskilled and defined decision-making	4 159	624	78	79	1 022	154	8	22	8		6 154	6 048
	16 180	3 615	1 774	5 614	4 226	1 434	741	3 759	79	11	37 433	36 094
Non-permanent staff	1 312	162	53	52	126	67	17	31	6		1 826	1 092
	17 492	3 777	1 827	5 666	4 352	1 501	758	3 790	85	11	39 259	37 186

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
T Dingaan, BProc, LLB, LLM, HDip (Tax)
S Engelbrecht*, BSc, MBL, MDP (Insead)
RL Hiemstra, BCompt (Hons), CA(SA)
P Langeni*, BCom (Accounting)
MJ Leeming*, BCom, MCom, FCMA, FIBSA, AMP (Harvard)
MV Moosa, BSc
RJA Sparks*, BCom (Hons), CA(SA), MBA
A Tugendhaft (Deputy chairman), BA, LLB
Y Waja*, BCom, CA(SA)
* *Independent*

Executive

HR Brody (Chief Executive), BAcc (Hons), CA(SA)
OS Arbee (Chief Financial Officer), BAcc, CA(SA), HDip (Tax)
MP de Canha
GW Riemann (German)
M Swanepoel, BCom (Accounting) (Hons)

Executive committee

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

Audit committee

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

Remuneration and nomination committee

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

Risk committee

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

Social, ethics and sustainability committee

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

Assets and liabilities committee

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

Group internal audit executive

G Nzalo, BCom, CA(SA), CIA

Group treasurer

WF Reitsma, BTech Banking, MCom, FIBSA, FIFM

Group legal adviser and company secretary

RA Venter, BCom, LLB, LLM

Group risk executive

BJ Francis, BCompt (Hons), CIA

Group head of sustainability

MR Sharfuddin, BBA, IMP (Insead)

Business address and registered office

Imperial Place
Jeppe Quondam
79 Boeing Road East
Bedfordview
2007

Postal address and contact numbers

PO Box 3013
Edenvale
1610

Telephone +27 (0)11 372 6500
Facsimile +27 (0)11 372 6550

Name and registration number

Imperial Holdings Limited
1946/021048/06

Share transfer secretaries

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107

Telephone +27 (0)11 370 5000
Facsimile +27 (0)11 370 5487

Website

www.imperial.co.za

Email

info@ih.co.za

JSE information

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

Shareholders' diary

Final dividend payment:	30 September 2013
Annual general meeting:	7 November 2013
Interim results released:	26 February 2014
Interim dividend payment:	31 March 2014
Final results released:	27 August 2014
Final dividend payment:	29 September 2014

BASTION GRAPHICS

Business address
Imperial Place
Jeppe Quondam
79 Boeing Road East
Bedfordview
2007

Postal address
PO Box 3013
Edenvale
1610
South Africa

www.imperial.co.za

Logistics | Automotive Distribution & Retail | Car Rental | Financial Services