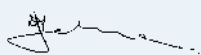


The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the AC 500 standards issued by the Accounting Practices Board and the requirements of the South African Companies Act, 2008. The group's independent external auditors, Deloitte & Touche, have audited the annual financial statements and their unmodified report appears on page 2.

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

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

The audited annual financial statements set out on pages 3 to 101 which are also available on the group website at [www.imperial.co.za](http://www.imperial.co.za), were approved by the board of directors on 23 August 2011 and are signed on their behalf by:



**TS Gcabashe**  
Chairman



**HR Brody**  
Chief executive



**AH Mahomed**  
Financial director

## Preparer of annual financial statements

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



**R Mumford**  
General manager group finance

23 August 2011

## Certificate by company secretary

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2011, 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

23 August 2011

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

2

**Imperial Holdings Limited**  
Annual Financial Statements 2011

We have audited the consolidated annual financial statements and annual financial statements of Imperial Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, the consolidated and separate income statements, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 3 to 101.

## **Directors' responsibility for the annual financial statements**

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

## **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual 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 financial statements present fairly, in all material respects, the consolidated and separate financial position of Imperial Holdings Limited as at 30 June 2011, 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.



**Deloitte & Touche**  
Registered Auditors

**MJ Comber**  
Partner

23 August 2011

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

National Executive: GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax & Legal Services), L Geeringh (Consulting), L Bam (Corporate Finance), JK Mazzocco (Human Resources), CR Beukman (Finance), TJ Brown (Clients), NT Mtoba (Chairman of the Board), MJ Comber (Deputy Chairman of the Board)

A full list of partners and directors is available on request.

### 3 Report of the audit committee

Imperial Holdings Limited  
Annual Financial Statements 2011

for the year ended 30 June 2011

The audit committee has pleasure in submitting this report, as required by the South African Companies Act, No 71 of 2008 (the Act).

#### Functions of the audit committee

The audit committee has adopted formal terms of reference, delegated by the board of directors, as its audit committee charter.

The committee is satisfied that, in respect of the financial year, it has performed all the functions required to be performed by an audit committee as set out in the Companies Act, 2008 and the committee's terms of reference.

The audit committee has discharged the functions in terms of its charter and ascribed to it in terms of the Act as follows:

- Reviewed the interim, preliminary and year-end annual financial statements and integrated annual report, culminating in a recommendation to the board to adopt them. In the course of its review the committee:
  - took appropriate steps to ensure the annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), AC500 standards issued by the Accounting Practices Board or its successor, and in the manner required by the Act;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - dealt with any concerns or complaints on accounting policies, internal audit, the auditing or content of annual financial statements, and internal financial controls; and
  - reviewed matters that could have a significant impact on the organisation's annual financial statements.
- Reviewed external audit reports on the annual financial statements.
- Reviewed the board-approved internal audit charter.
- Reviewed and approved the internal audit plan.
- Reviewed internal audit and risk management reports and, where relevant, made recommendations to the board.
- Evaluated the effectiveness of risk management, controls and governance processes.
- Satisfied itself that the external auditors, Deloitte & Touche, are independent of the group and that the appointment of Mr MJ Comber as the designated auditor and IFRS adviser is in compliance with the Auditing Profession Act, 2005 and the Listings Requirements of the JSE Limited.
- Approved audit fees and engagement terms of the external auditor.
- Determined the nature and extent of allowable non-audit services and approved contract terms for non-audit services by the external auditor.

#### Members of the audit committee and attendance at meetings

The audit committee consists of the non-executive directors listed below. All members act independently as described in the Act. During the year under review, four meetings were held.

The audit committee, appointed by the board in respect of the year ended 30 June 2011, comprised Mr MJ Leeming (chairman), Ms P Langeni, Mr RJA Sparks and Mr Y Waja, all of whom are independent non-executive directors of the company.

#### Internal audit

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

Based on the internal audit work performed in terms of the approved combined internal audit plan for the year, the scope of work, the results of tests, and the overall audit opinion ratings for the audited areas, together with feedback on follow-up audits, internal audit concluded that nothing came to its attention to indicate that there was any material breakdown in the system of internal control in the group during the year to render the control environment ineffective.

From the results of the risk management maturity self assessment conducted during the year, at divisional and group level, internal audit was satisfied with the roll-out and implementation of risk management across the group, and the degree to which management had embraced risk management.

As recommended in King III, group internal audit documented a review of the group's internal financial controls and concluded that nothing came to its attention to indicate significant internal financial control design deficiencies or to indicate that such controls were ineffective during the period reviewed.

#### Attendance

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

#### Confidential meetings

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

#### Independence of the external auditor

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

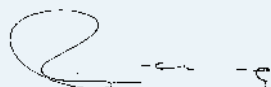
#### Expertise and experience of financial director and the finance function

As required by the JSE Listings Requirement 3.84(h), the audit committee has satisfied itself that the financial director, Mr AH Mahomed, has the appropriate expertise and experience.

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

#### Discharge of responsibilities

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



**MJ Leeming**  
Chairman

23 August 2011

## 5 Directors' report

Imperial Holdings Limited  
Annual Financial Statements 2011

for the year ended 30 June 2011

### Nature of business

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

### Financial performance

The net attributable profit for the year amounted to R2 562 million (2010: R2 021 million). The headline earnings per share for the year was 1 370 cents (2010: 992 cents).

The results for the year are set out in the consolidated income statement on page 16 of this report.

### Share capital

The authorised and issued share capital is detailed in note 16 to the consolidated annual financial statements on page 48.

The number of shares in issue on 30 June 2011 were as follows:

	Company	Shares repurchased	Net
<b>Ordinary shares</b>			
The movements in the ordinary shares were as follows:			
Ordinary shares at the beginning of the year	210 892 364	(23 864 456)	187 027 908
Deferred ordinary shares converted to ordinary shares	883 090		883 090
Preferred ordinary shares converted to ordinary shares	14 516 617		14 516 617
Ordinary shares repurchased and cancelled	(1 465 719)		(1 465 719)
Ordinary shares transferred from treasury and cancelled	(16 000 000)	16 000 000	
Ordinary shares at the end of the year	208 826 352	(7 864 456)	200 961 896
<b>Deferred ordinary shares</b>			
The movement in the number of deferred ordinary shares was as follows:			
Balance brought forward	15 895 699		15 895 699
Converted into ordinary shares	(883 090)		(883 090)
Balance carried forward	15 012 609		15 012 609
Total issued share capital	223 838 961	(7 864 456)	215 974 505
<b>Non-redeemable, non-participating preference shares</b>			
Balance brought and carried forward	4 540 041		4 540 041

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

### Directors and secretary

The names of the directors and secretary who presently hold office are set out on page 103 of this report.

In accordance with the articles of association Messrs TS Gcabashe, A Tugendhaft and S Engelbrecht retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The aggregate interest of the directors and prescribed officers in the issued ordinary share capital of the company is disclosed in note 16 to the consolidated annual financial statements on page 51.

**Imperial Holdings Share Appreciation Rights, Deferred Bonus and Conditional Share Plan Schemes**

Details of the rights granted in terms of the schemes are set out note 16 to the consolidated annual financial statements on page 49.

**Dividends**

Details of the dividends declared are set out in note 34 to the consolidated annual financial statements on page 65.

**Subsidiaries**

Details of the company's principal subsidiaries are reflected in Annexure A to the consolidated annual financial statements on page 86.

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

	2011 Rm	2010 Rm
Profits	2 470	1 718
Losses	327	171

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

Subsidiaries acquired by the group	Nature of business	Percentage interest
CIC Holdings Limited	FMCG industry	100
E-Z-GO Golf Carts	Golf carts distribution	100
EWC Express SA (Pty) Limited	Express logistics	80
Danmar Autobody	Panelshops	100
Graffiti Designs (Pty) Limited	Signage and advertising	60

**Special Resolutions**

The company passed the following special resolution at its annual general meeting held on 3 November 2010:

- Granting to the directors of the company general authority for the acquisition by the company or any subsidiary, of ordinary shares in the company.

The company passed the following special resolution at a general meeting held on 6 December 2010:

- Granting to the directors of the company specific authority for the acquisition by the company of treasury shares from a wholly owned subsidiary of the company, Imperial Corporate Services (Pty) Limited.

None of the subsidiaries of the company passed any special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group.

**Events subsequent to year-end**

In terms of the Ukhamba black economic empowerment transaction, 901 617 deferred ordinary shares have converted to ordinary shares. These shares were listed on the JSE Limited on 1 September 2011.

The company passed the following special resolution at a general meeting held on 8 August 2011:

- Granting to the directors of the company authority in terms of section 45 of the Companies Act, 2008 to provide financial assistance to related and inter-related companies.

**Accounting policies**

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

The accounting policies are outlined in note 1 and 2 starting on page 25, with the changes in note 3 starting on page 39.

### Role of the remuneration and nomination committee and terms of reference

The remuneration and nomination committee (the committee) is responsible to assist the board to ensure that:-

- The company remunerates directors and executives fairly and responsibly.
- The disclosure of directors' remuneration is accurate and transparent.
- The board has the appropriate composition for it to execute its duties effectively.
- Directors are appointed through a formal process.
- Induction and ongoing training and development of directors take place.
- Formal succession plans for the board, chief executive officer and senior management appointments are in place.

The duties of the committee include providing the board with advice and guidance regarding:

- The establishment and implementation of remuneration policies in relation to the remuneration of non-executive directors, executive directors and other executives' remuneration.
- Approval of the general composition of remuneration packages and the criteria for and amounts of bonus and incentive awards of executives.
- Significant changes to the group pension and provident funds and medical aid schemes.
- The administration of share-based incentive schemes.
- Increases to non-executive directors' fees.
- The development and implementation of formal succession plans for the board, chief executive officer and senior management appointments.
- The establishment of a formal process for the appointment of directors and the identification of suitable members of the board.

### Membership of the committee

The members of the committee during the year were Mr TS Gcabashe (chairman), Ms P Langeni, Mr JR McAlpine, Mr RJA Sparks and Mr A Tugendhaft, all of whom are non-executive directors. Mr McAlpine retired as a member of the committee and as a member of the board on 30 June 2011.

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

The committee had four meetings during the past financial year.

### Remuneration policy

#### Principles of executive remuneration

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. The policy is framed around the following key principles:

- Total rewards are set at levels that are responsible and competitive within the relevant market.
- Total 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 four principal elements:

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

#### Base salary

The base salary of each executive is subject to annual review and is set to be responsible and competitive with reference to external market practice in similar companies, which are comparable in terms of size, market sector, business complexity and international scope. Company performance, individual performance and changes in responsibilities are also taken into account when determining annual base salaries.

#### 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 the 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 they operate and include:

- Headline earnings per share and divisional operating profit growth targets.
- Return on invested capital targets.
- Black economic empowerment.
- Discretionary elements.

In respect of certain key individuals, long-term retention arrangements have been entered into, linked to individual and business performance, which arrangements mature between 2011 and 2013.

#### Share incentive schemes

Three long-term share incentive plans were approved by shareholders on 18 April 2008. Participation in the schemes by executives is based on criteria set by the committee. The schemes embody the following elements:

##### The Share Appreciation Rights Scheme (SAR)

Selected participants receive annual grants of share appreciation rights, which are conditional rights to receive Imperial shares equal to the value of the difference between the exercise price and the grant price. Vesting of rights is subject to performance conditions being met. The performance conditions and performance period are determined by the board on an annual basis in respect of each new grant of rights. The performance targets employed in the SAR issued to date are the achievement of specified targets set by the committee for growth in the company's headline earnings per share (HEPS), relative to the growth in HEPS for a selected peer group of 20 JSE listed companies and the return on invested capital (ROIC) of Imperial Holdings compared to its weighted average cost of capital, over a three year performance period.

For each grant of SAR, 50% of the SAR awards are subject to the achievement of the HEPS performance condition and 50% of the SAR awards are subject to the achievement of the ROIC performance condition.

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

**Eligibility**

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

A total of 18 503 389 share appreciation rights remain unexercised in terms of the SAR scheme at an average price of R63,15 per share. A total of 819 637 DBP rights have been allocated of which 596 565 have been taken up and remain unvested. No rights have been allocated in terms of the CSP.

**Retirement schemes**

Executives participate in contributory retirement schemes which include pension and provident funds established by the group.

**Other benefits**

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

**Other matters affecting remuneration of executives****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.

**Non-executive directors**

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 fees paid by comparable companies, responsibilities taken by the non-executive directors and considerations relating to the retention and attraction of high-calibre individuals.

**Directors' fees for the past year**

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

– Chairman	R346 000 (2010: R231 000)
– Deputy chairman	R173 250 (2010: R119 000)
– Board member	R173 250 (2010: R154 000)
– Assets and liabilities committee	R61 000 (2010: R57 000)
– Audit committee chairman	R181 500 (2010: R161 250)
– Audit committee member	R91 000 (2010: R81 000)
– Risk committee	R63 000 (2010: R57 000)
– Remuneration and nomination committee	R61 000 (2010: R57 000)
– Social, ethics and sustainability committee	R61 000 (2010: R57 000)

Chairmen of boards and committees receive a chairman's fee in addition to a member fee.

Unless otherwise stated, the chairmen of committees received a chairman's fee of one and a half times a member's fee in addition to their 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 new year**

At the annual general meeting on 1 November 2011, members will be requested to approve the following non-executive directors' remuneration by special resolution in terms of section 66(9) of the Companies Act, 2008 (Act 71 of 2008), as amended, granting authority to pay fees for services as directors, which shall be valid with effect from 1 July 2011 until the next annual general meeting of the company as follows:

– Chairman	R368 500
– Deputy chairman	R185 000
– Board member	R185 000
– Assets and liabilities committee	R65 000
– Audit committee	R106 700
– Audit committee chairman	R212 300
– Risk committee	R67 000
– Remuneration and nomination committee	R65 000
– Social, ethics and sustainability committee	R65 000

Chairmen of boards and committees receive a chairman's fee in addition to a member's fee. Unless otherwise stated, chairmen of committees receive a chairman's fee of one and a half times a normal member's fee in addition to their member's fee. Non-executive directors also receive fees for services on divisional boards and financial and risk review committees. In arriving at the proposed fees, cognisance was taken of market trends and the increased responsibilities of non-executive directors in terms of new legal, governance and JSE requirements.

**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 2011.

Name	Retirement and medical contributions				Directors' fees	Subsidiaries/associates and sub-committee fees	2011 Total	2010 Total
	Salary R'000	Bonus R'000	contributions R'000	Other benefits (Note 1) R'000				
<b>Non-executive directors</b>								
T Dingaan (note 2)					173	385	558	252
S Engelbrecht					173	63	236	154
TS Gcabashe					519	213	732	585
P Langeni					173	270	443	401
MJ Leeming					173	444	617	553
JR McAlpine					173	215	388	351
V Moosa					173	153	326	297
RJA Sparks					173	339	512	379
A Tugendhaft					346	122	468	387
Y Waja					173	480	653	577
<b>Sub-total</b>					<b>2 249</b>	<b>2 684</b>	<b>4 933</b>	<b>3 936</b>

**Notes**

1. Other benefits – These include the fringe benefit value of company cars and motor car allowances and long-term retention payments.

2. R385 000 paid by Ukhamba Holdings in respect of its chairman's fees..

Name	Salary R'000	Bonus R'000	Retirement and medical contri- butions R'000	Other benefits (Note 1) R'000	Directors' fees R'000	Sub- sidiaries/ associates and sub- committee fees R'000	2011 Total R'000	2010 Total R'000
<b>Executive directors</b>								
OS Arbee	3 338	3 400	550	1 204			8 492	7 059
HR Brody	4 901	3 950	796	90			9 737	9 281
MP de Canha	3 511	3 800	568	277			8 156	7 521
RL Hiemstra	3 371	3 400	551	170			7 492	6 922
AH Mahomed	4 359	3 850	711	308			9 228	8 797
GW Riemann (note 2)	4 242	6 597	1 147	269	277		12 532	12 810
M Swanepoel	3 198	3 150	640	244			7 232	6 537
<b>Sub-total</b>	<b>26 920</b>	<b>28 147</b>	<b>4 963</b>	<b>2 562</b>	<b>277</b>		<b>62 869</b>	<b>58 927</b>
<b>Total all directors</b>	<b>26 920</b>	<b>28 147</b>	<b>4 963</b>	<b>2 562</b>	<b>2 526</b>	<b>2 684</b>	<b>67 802</b>	
<b>Total all directors – June 2010</b>	<b>25 628</b>	<b>26 435</b>	<b>5 074</b>	<b>1 483</b>	<b>2 120</b>	<b>2 123</b>		<b>62 863</b>
<b>Prescribed officers (note 3)</b>								
DD Gnodde	2 723	3 000	424	56			6 203	
P Michaux	2 091	2 620	387	46			5 144	
<b>Total prescribed officers</b>	<b>4 814</b>	<b>5 620</b>	<b>811</b>	<b>102</b>			<b>11 347</b>	
<b>Grand total</b>	<b>31 734</b>	<b>33 767</b>	<b>5 774</b>	<b>2 664</b>	<b>2 526</b>	<b>2 684</b>	<b>79 149</b>	

**Notes**

1. Other benefits – These include the fringe benefit value of company cars and motor car allowances and long-term retention payments.

2. Overseas based – GW Riemann is employed in Germany and his salary is paid in Euro, based on the market conditions in that country.

3. 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.

**Directors' and prescribed officers' service contracts**

Directors' and prescribed officers' contracts are all terminable on one month's notice, with the exception of that of GW Riemann, who is employed on a fixed-term contract that terminates on 30 June 2012.

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.

**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 bonus rights scheme**

All rights in terms of the bonus rights scheme expired without vesting.

## Participation in the share appreciation rights scheme

Name	Commence- ment date	Price on commencement date (R)	Number of rights*	Number of rights remaining	Vesting date
<b>Directors</b>					
OS Arbee	5 June 2008	49,46	369 031	369 031	15 September 2011
	18 June 2009	55,32	91 507	91 507	15 September 2012
	2 June 2010	96,71	56 333	56 333	16 September 2013
	14 June 2011**	116,59	23 377	23 377	7 September 2014
HR Brody	5 June 2008	49,46	529 904	529 904	15 September 2011
	18 June 2009	55,32	154 700	154 700	15 September 2012
	2 June 2010	96,71	92 540	92 540	16 September 2013
	14 June 2011**	116,59	35 750	35 750	7 September 2014
MP de Canha	5 June 2008	49,46	369 033	369 033	15 September 2011
	18 June 2009	55,32	100 186	100 186	15 September 2012
	2 June 2010	96,71	60 275	60 275	16 September 2013
	14 June 2011**	116,59	25 011	25 011	7 September 2014
RL Hiemstra	5 June 2008	49,46	369 031	369 031	15 September 2011
	18 June 2009	55,32	93 590	93 590	15 September 2012
	2 June 2010	96,71	56 306	56 306	16 September 2013
	14 June 2011**	116,59	23 377	23 377	7 September 2014
AH Mahomed	5 June 2008	49,46	506 850	506 850	15 September 2011
	18 June 2009	55,32	143 761	143 761	15 September 2012
	2 June 2010	96,71	85 996	85 996	16 September 2013
	14 June 2011**	116,59	33 223	33 223	7 September 2014
M Swanepoel	5 June 2008	49,46	369 032	369 031	15 September 2011
	18 June 2009	55,32	83 578	83 578	15 September 2012
	2 June 2010	96,71	53 323	53 323	16 September 2013
	14 June 2011**	116,59	23 377	23 377	7 September 2014
<b>Prescribed officers</b>					
DD Gnodde	18 June 2009	55,32	26 118	26 118	15 September 2012
	2 June 2010	96,71	18 140	18 140	16 September 2013
	14 June 2011**	116,59	18 297	18 297	7 September 2014
P Michaux	5 June 2008	49,46	157 262	157 262	15 September 2011
	18 June 2009	55,32	49 915	49 915	15 September 2012
	2 June 2010	96,71	30 750	30 750	16 September 2013
	14 June 2011**	116,59	12 200	12 200	7 September 2014

\* The number of rights that will eventually vest is subject to the achievement of performance conditions linked to HEPS 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.

\*\* The value at commencement date of the share appreciation rights awarded on 14 June 2011 was R36,14 per share, as contemplated in terms of section 30(6)(e) of the Companies Act, 2008.

## Participation in the deferred bonus plan

			Number of shares committed to the plan <sup>†</sup>	Number of rights forfeited	Balance available to be taken up	Vesting date
Name	Allocation date	Number of rights allocated				
Directors						
OS Arbee	5 June 2008	30 969	8 447	12 545		15 September 2011
			2 219			15 September 2012
			7 758			15 September 2013
	18 June 2009	10 545	10 545			15 September 2012
	2 June 2010	6 961	6 961			16 September 2013
HR Brody	14 June 2011 <sup>‡</sup>	11 671			11 671	7 September 2014
	5 June 2008	45 096	18 732	8 292		15 September 2011
			8 106			15 September 2012
			9 966			15 September 2013
	18 June 2009	15 280	15 280			15 September 2012
2 June 2010	9 858	9 858	16 September 2013			
MP de Canha	14 June 2011 <sup>‡</sup>	16 526			16 526	7 September 2014
	5 June 2008	30 967	16 253			15 September 2011
			2 788			15 September 2012
			11 926			15 September 2013
	18 June 2009	11 545	11 545			15 September 2012
2 June 2010	7 448	7 448	16 September 2013			
RL Hiemstra	14 June 2011 <sup>‡</sup>	12 486			12 486	7 September 2014
	5 June 2008	30 969	13 773	220		15 September 2011
			8 074			15 September 2012
			8 902			15 September 2013
	18 June 2009	10 785	10 785			15 September 2012
2 June 2010	6 958	6 958	16 September 2013			
AH Mahomed	14 June 2011 <sup>‡</sup>	11 671			11 671	7 September 2014
	5 June 2008	43 150	18 456	2 715		15 September 2011
			8 243			15 September 2012
			13 736			15 September 2013
	18 June 2009	14 200	14 200			15 September 2012
2 June 2010	9 161	9 161	16 September 2013			
M Swanepoel	14 June 2011 <sup>‡</sup>	15 358			15 358	7 September 2014
	5 June 2008	30 968	19 925	1 084		15 September 2011
			6 636			15 September 2012
			3 323			15 September 2013
	18 June 2009	9 631	9 631			15 September 2012
2 June 2010	6 589	6 589	16 September 2013			
	14 June 2011 <sup>‡</sup>	11 671			11 671	7 September 2014
Prescribed officers						
DD Gnodde	2 June 2010	15 206	15 206		9 135	16 September 2013
	14 June 2011 <sup>‡</sup>	9 135				7 September 2014
P Michaux	5 June 2008	18 476	4 591	1 974		15 September 2011
			3 680			15 September 2012
			8 231			15 September 2013
	18 June 2009	4 867	4 867			15 September 2012
	2 June 2010	3 167	3 167			16 September 2013
	14 June 2011 <sup>‡</sup>	5 251			5 251	7 September 2014

<sup>†</sup> 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.

<sup>‡</sup> The value at commencement date of the DBP rights awarded on 14 June 2011 was R103,77 per share, as contemplated in terms of section 30(6)(e) of the Companies Act, 2008.

**Benefits received on loans from the share trusts with a lower rate of interest being charged during the previous year:**

	2011 R'000	2010 R'000
OS Arbee		2 680
HR Brody		2 680
MP de Canha		2 680
RL Hiemstra		2 680
AH Mahomed		1 245

**The net gains on share schemes exercises by directors\***

	2011 R'000	2010 R'000
OS Arbee		3 376
HR Brody		3 376
MP de Canha		3 376
RL Hiemstra		3 376
AH Mahomed		1 856

\* These gains represent tax arising from the SAR awards that vested.

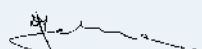
**Directors' and prescribed officers' interest in shares**

Director/prescribed officer	2011		2010	
	Beneficial number of shares	Non-beneficial number of shares	Beneficial number of shares	Non-beneficial number of shares
<b>Non-executive directors</b>				
MJ Leeming		4 928		928
RJA Sparks	40 000		40 000	
Y Waja	927		927	
	40 927	4 928	40 927	928
<b>Executive directors</b>				
OS Arbee	36 266		21 547	
HR Brody	64 942		45 118	
MP de Canha	1 107 812		1 046 904	
RL Hiemstra	48 492		32 633	
AH Mahomed	63 796		40 899	
M Swanepoel	46 104		36 192	
	1 367 412		1 223 293	
<b>Prescribed officers</b>				
DD Gnodde	15 206			
P Michaux	24 536			
	39 742			
	1 448 081	4 928	1 264 220	928

**Approval**

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

Signed on behalf of the board of directors



**TS Gcabashe**

Chairman of the committee

23 August 2011

	Notes	2011 Rm	Re- presented 2010 Rm	Re- presented 2009 Rm
<b>ASSETS</b>				
Intangible assets	4	1 823	1 006	901
Investments in associates and joint ventures	5	770	1 190	2 334
Property, plant and equipment	6	6 550	5 983	5 976
Transport fleet	7	3 627	3 399	3 483
Vehicles for hire	8	2 057	2 237	1 653
Deferred tax assets	9	661	658	645
Investments and loans	10	2 413	2 021	1 136
Non-current financial assets	11	244	206	203
Inventories	12	7 589	6 809	5 592
Tax in advance		138	126	154
Trade and other receivables	13	7 130	6 165	5 633
Cash resources	14	3 531	3 199	4 655
Assets classified as held for sale	15		747	950
Final instalment on sale of Imperial Bank Limited			477	
<b>Total assets</b>		<b>36 533</b>	<b>34 223</b>	<b>33 315</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	16	9	10	10
Shares repurchased	17	(220)	(1 816)	(1 816)
Other reserves	18a	111	433	280
Retained earnings		12 073	12 513	11 300
Attributable to Imperial Holdings' shareholders		11 973	11 140	9 774
Non-controlling interests		1 043	806	587
<b>Total shareholders' equity</b>		<b>13 016</b>	<b>11 946</b>	<b>10 361</b>
<b>Liabilities</b>				
Non-redeemable, non-participating preference shares	19	441	441	441
Retirement benefit obligations	20	233	222	256
Interest-bearing borrowings	21	6 302	4 709	7 655
Insurance, investment, maintenance and warranty contracts	22	2 465	2 124	2 162
Deferred tax liabilities	9	549	656	652
Non-current financial liabilities	23	323	312	157
Provisions for liabilities and other charges	24	1 358	1 042	996
Trade and other payables	25	10 116	9 050	7 536
Current tax liabilities		524	335	501
Current portion of interest-bearing borrowings	21	1 206	3 124	2 139
Liabilities directly associated with assets classified as held for sale	15		262	459
<b>Total liabilities</b>		<b>23 517</b>	<b>22 277</b>	<b>22 954</b>
<b>Total equity and liabilities</b>		<b>36 533</b>	<b>34 223</b>	<b>33 315</b>

## Consolidated income statement

for the year ended 30 June

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Imperial Holdings Limited

Annual Financial Statements 2011

	Notes	2011 Rm	Re- presented 2010 Rm
<b>Revenue</b>	26	<b>64 667</b>	53 438
Net operating expenses	27	(58 646)	(48 771)
<b>Profit from operations before depreciation and recoupments</b>		<b>6 021</b>	4 667
Depreciation, amortisation, impairments and recoupments	28	(1 495)	(1 379)
<b>Operating profit</b>		<b>4 526</b>	3 288
Recoupments from sale of properties, net of impairments	28	7	51
Amortisation of intangible assets arising on business combinations		(15)	
Foreign exchange (losses) gains		(33)	49
Fair value losses on foreign exchange derivatives		(18)	(38)
Impairment reversals of share scheme loans			24
Gain on early settlement of European bond			27
Fair value gain on Lereko call option		279	78
Exceptional items	29	(46)	58
<b>Profit before net financing costs</b>		<b>4 700</b>	3 537
Finance cost including fair value gains and losses	30	(697)	(761)
Finance income	30	143	164
Income from associates and joint ventures	5	34	174
<b>Profit before tax</b>		<b>4 180</b>	3 114
Income tax expense	31	(1 272)	(911)
<b>Profit from continuing operations</b>		<b>2 908</b>	2 203
<b>Discontinued operations</b>			59
– Trading profit from operations	15		29
– Fair value profit on discontinuation	15		30
<b>Net profit for the year</b>		<b>2 908</b>	2 262
<b>Net profit attributable to:</b>			
Equity holders of Imperial Holdings Limited		2 562	2 021
Non-controlling interests		346	241
		<b>2 908</b>	2 262
<b>Earnings per share</b>	32		
<b>Basic earnings per share (cents)</b>			
Continuing operations		1 346	1 015
Discontinued operations			32
		<b>1 346</b>	1 047
<b>Diluted earnings per share (cents)</b>			
Continuing operations		1 266	962
Discontinued operations			29
		<b>1 266</b>	991
<b>Preferred ordinary shares (cents)</b>			
– Basic			535



	2011 Rm	Re-presented 2010 Rm
<b>Net profit for the year</b>	<b>2 908</b>	<b>2 262</b>
<b>Other comprehensive income:</b>		
Exchange gains (losses) arising on translation of foreign operations	26	(184)
Fair value gain on Lereko Mobility call option		244
Movement in hedge accounting reserves	35	22
– Movement in hedge accounting reserves	39	22
– Share of other associates and joint ventures hedging reserve	(4)	
Fair value gains on available for sale financial assets		(21)
– Net fair value gains on available for sale financial assets		15
– Share of other associates and joint ventures valuation reserve		(37)
Income tax relating to components of other comprehensive income		1
<b>Total comprehensive income for the year</b>	<b>2 969</b>	<b>2 323</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of Imperial Holdings Limited	2 618	2 085
Non-controlling interests	351	238
	<b>2 969</b>	<b>2 323</b>

## Consolidated statement of cash flows

for the year ended 30 June

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Imperial Holdings Limited

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	Notes	2011 Rm	Re- presented 2010 Rm
<b>Cash flows from operating activities</b>			
Cash receipts from customers		64 275	53 617
Cash paid to suppliers and employees		(58 198)	(48 864)
<b>Cash generated by operations before capital expenditure on rental assets*</b>	33a	6 077	4 753
Expansion capital expenditure – rental assets#		(157)	(521)
Net replacement capital expenditure – rental assets#		(174)	(367)
– Expenditure		(1 900)	(1 489)
– Proceeds		1 726	1 122
<b>Cash generated by operations^</b>		5 746	3 865
Net financing costs		(563)	(658)
Tax paid		(1 221)	(1 075)
		3 962	2 132
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries and businesses	33b	(943)	(389)
Disposal of subsidiaries and businesses	33c		(26)
Expansion capital expenditure – excluding rental assets		(530)	(442)
– Property		(225)	(149)
– Transport fleet		(305)	(293)
Net replacement capital expenditure – excluding rental assets	33d	(667)	(463)
– Intangible assets		(34)	(31)
– Plant and equipment		(408)	(234)
– Transport fleet		(225)	(198)
Proceeds from sale of Imperial Bank Limited		477	1 374
Net movement in other associates and joint ventures		78	(271)
Net movement in investments, loans and non-current financial instruments		(15)	(778)
		(1 600)	(995)
<b>Cash flows from financing activities</b>			
Hedge cost premium paid		(205)	(5)
Repurchase of ordinary shares for hedging of share schemes			(200)
Repurchase of ordinary shares		(156)	
Cost incurred on cancellation of shares repurchased		(8)	
Dividends paid		(983)	(653)
Change in non-controlling interests		(51)	(29)
Repayment of IPL 3 and IC 01 corporate bonds		(2 026)	
Proceeds from the issuance of IPL 5 and IPL 6 corporate bonds		2 034	
Decrease in other interest-bearing borrowings		(225)	(697)
		(1 620)	(1 584)
<b>Net increase (decrease) in cash and cash equivalents</b>		742	(447)
Cash and cash equivalents at beginning of year		2 184	2 631
<b>Cash and cash equivalents at end of year</b>	33e	2 926	2 184
<b>Analysis of cash generated by operations</b>			
* Cash generated by operations before net capital expenditure on rental assets			4 443
– Continuing operations			310
– Discontinued operations			4 753
#Net capital expenditure on rental assets			(955)
– Continuing operations			67
– Discontinued operations			(888)
^Cash generated by operations			3 488
– Continuing operations			377
– Discontinued operations			3 865

	Share capital Rm	Shares repurchased Rm	Share-based payment reserve Rm	Hedging reserve Rm
<b>Balance at 30 June 2009</b>	10	(1 816)	(146)	(103)
Net attributable profit for the year				
Exchange losses arising on translation of foreign operations				
Revaluation of Lereko Mobility call option				
Movement in hedge accounting reserve				18
Net unrealised losses on investments				
Total comprehensive income for the year				18
Movement in statutory reserves				
Non-controlling interests arising on acquisitions and disposals of businesses				
Net decrease in non-controlling interests				
Share-based equity reserve utilisation			(57)	
Movement in share-based equity reserve			134	
Repurchase and cancellation of 2 123 775 ordinary shares				
Dividend of 120 cents per ordinary share in September 2009				
Dividend of 267,5 cents per preferred ordinary share in September 2009				
Dividend of 150 cents per ordinary share in March 2010				
Dividend of 267,5 cents per preferred ordinary share in March 2010				
Non-controlling interests share of dividends				
<b>Balance at 30 June 2010</b>	10	(1 816)	(69)	(85)
Net attributable profit for the year				
Total other comprehensive income				35
Total comprehensive income for the year				35
Movement in statutory reserves				
Share-based equity reserve transferred to retained earnings on vesting			30	
Share-based equity reserve utilisation including hedging cost			(205)	
Share-based equity reserve charged to the income statement			122	
Consolidation of 5 864 944 Imperial shares held by Lereko Mobility as shares repurchased		(665)		
Repurchase and cancellation of 16 000 000 ordinary shares from wholly owned subsidiary	(1)	2 000		
Share cancellation expenses				
Reserve reallocation		261		
Repurchase and cancellation of 1 465 719 ordinary shares from open market				
Dividend of 200 cents per ordinary share in September 2010				
Dividend of 267,5 cents per preferred ordinary share in September 2010				
Dividend of 220 cents per ordinary share in March 2011				
Non-controlling interests arising on acquisitions of businesses				
Net decrease in non-controlling interests				
Non-controlling interests share of dividends				
<b>Balance at 30 June 2011</b>	9	(220)	(122)	(50)

Other reserves							
Statutory reserve Rm	Foreign currency translation reserve Rm	Premium paid on purchase of non-controlling interests Rm	Valuation reserve Rm	Retained earnings Rm	Attributable to Imperial Holdings' shareholders Rm	Non-controlling interests Rm	Total Rm
227	210		92	11 300	9 774	587	10 361
	(177)		244	2 021	2 021 (177) 244 18 (21)	241 (7) 4	2 262 (184) 244 22 (21)
38	(177)		223	2 021 (38)	2 085	238	2 323
		(26)			(26) (57) 134 (200) (214) (39) (278) (39)	69 (3) (2)	69 (29) (57) 132 (200) (214) (39) (278) (39) (83)
265	33	(26)	315	12 513	11 140	806	11 946
	21			2 562	2 562 56	346 5	2 908 61
20	21		(309)	2 562 (20) (30)	2 618	351	2 969
					(205)		(205)
					122	(4)	118
				309	(665)		(665)
				(1 999) (8) (261)	(8)		(8)
				(156) (368)	(156) (368)		(156) (368)
				(39) (430)	(39) (430)		(39) (430)
		(36)			(36)	51 (15) (146)	51 (51) (146)
285	54	(62)	6	12 073	11 973	1 043	13 016

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at 30 June

	Group 2011 Rm	Group 2010 Rm	Logistics 2011 Rm	Logistics 2010 Rm	Car Rental and Tourism 2011 Rm	Car Rental and Tourism <sup>^</sup> 2010 Rm
<b>BUSINESS SEGMENTATION</b>						
<b>Assets</b>						
Intangible assets	1 823	1 006	1 191	536	85	29
Investments, associates and joint ventures	2 548	2 362	99	88	7	9
Property, plant and equipment	6 550	5 983	1 858	1 680	436	310
Transport fleet	3 627	3 399	3 673	3 452		
Vehicles for hire	2 057	2 237			1 713	1 894
Non-current financial assets	244	206				
Inventories	7 589	6 809	254	87	398	343
Trade and other receivables	7 130	6 165	4 233	3 490	309	237
Cash in financial services businesses	1 247	1 339				
<b>Operating assets</b>	<b>32 815</b>	<b>29 506</b>	<b>11 308</b>	<b>9 333</b>	<b>2 948</b>	<b>2 822</b>
Deferred tax assets	661	658				
Loans to associates and other investments	635	849				
Tax in advance	138	126				
Cash resources	2 284	1 860				
Assets classified as held for sale		747				
Final instalment on sale of Imperial Bank Limited		477				
<b>Total assets per statement of financial position</b>	<b>36 533</b>	<b>34 223</b>				
<b>Liabilities</b>						
Retirement benefit obligations	233	222	233	222		
Insurance, investment, maintenance and warranty contracts	2 465	2 124				
Trade and other payables and provisions	11 474	10 092	4 213	3 687	426	499
Non-current financial liabilities	323	312	25	19		
Non-interest-bearing liabilities	14 495	12 750	4 471	3 928	426	499
Non-redeemable, non-participating preference shares	441	441				
Interest-bearing borrowings	7 508	7 833				
Deferred tax liabilities	549	656				
Current tax liabilities	524	335				
Liabilities directly associated with assets classified as held for sale		262				
<b>Total liabilities per statement of financial position</b>	<b>23 517</b>	<b>22 277</b>				
<b>GEOGRAPHIC SEGMENTATION</b>						
<b>Operating assets</b>	<b>32 815</b>	<b>29 506</b>	<b>11 308</b>	<b>9 333</b>	<b>2 948</b>	<b>2 822</b>
– South Africa	26 811	24 795	7 377	6 383	2 904	2 769
– Rest of Africa	1 454	755	962	285	44	53
– Rest of world	4 550	3 956	2 969	2 665		
<b>Non-interest-bearing liabilities</b>	<b>14 495</b>	<b>12 750</b>	<b>4 471</b>	<b>3 928</b>	<b>426</b>	<b>499</b>
– South Africa	12 101	10 805	2 792	2 595	409	469
– Rest of Africa	605	279	370	58	17	30
– Rest of world	1 789	1 666	1 309	1 275		
<b>Interest-bearing borrowings</b>	<b>7 508</b>	<b>7 833</b>	<b>2 541</b>	<b>2 235</b>	<b>1 429</b>	<b>1 278</b>
– South Africa	4 227	4 861	1 833	1 624	1 449	1 287
– Rest of Africa	320	219	239	126	(20)	(9)
– Rest of world	2 961	2 753	469	485		
<b>Gross capital expenditure</b>	<b>3 843</b>	<b>3 511</b>	<b>1 155</b>	<b>1 003</b>	<b>1 540</b>	<b>1 852</b>
– South Africa	3 383	3 160	830	710	1 529	1 826
– Rest of Africa	103	129	89	101	11	26
– Rest of world	357	222	236	192		
Gross capital expenditure	3 843	3 511	1 155	1 003	1 540	1 852
Less: Proceeds on disposal	(2 315)	(1 651)	(360)	(345)	(1 175)	(855)
<b>Net capital expenditure</b>	<b>1 528</b>	<b>1 860</b>	<b>795</b>	<b>658</b>	<b>365</b>	<b>997</b>

\* Financial services was previously named Insurance and now also includes the financial services businesses from Distributorships, Car Rental and Tourism, Automotive Retail and Head Office and Eliminations.

<sup>^</sup> These segments have been re-presented taking the financial services aspects out of these divisions and including them within the Financial Services division.

	Distributor- ships 2011 Rm	Distributor- ships^ 2010 Rm	Automotive Retail 2011 Rm	Automotive Retail^ 2010 Rm	Financial Services* 2011 Rm	Financial Services* 2010 Rm	Head Office and Elimi- nations 2011 Rm	Head Office and Elimi- nations^ 2010 Rm
	394	286	119	127	29	26	5	2
	62	46	7	(11)	2 230	2 096	143	134
	2 289	2 088	1 654	1 731	124	123	189	51
	263	124			498	603	(46)	(53)
					244	206	(417)	(384)
	4 619	4 359	2 112	1 826	230	219	(24)	(25)
	1 383	1 361	748	698	478	434	(21)	(55)
					1 247	1 339		
	9 010	8 264	4 640	4 371	5 080	5 046	(171)	(330)
	33	21			2 432	2 099		4
	3 513	3 065	2 009	1 703	1 369	1 334	(56)	(196)
	17						281	293
	3 563	3 086	2 009	1 703	3 801	3 433	225	101
	9 010	8 264	4 640	4 371	5 080	5 046	(171)	(330)
	8 093	7 525	4 043	3 844	4 684	4 684	(290)	(410)
	49	56			396	362	3	(1)
	868	683	597	527			116	81
	3 563	3 086	2 009	1 703	3 801	3 433	225	101
	3 400	2 939	1 663	1 450	3 630	3 283	207	69
	34	32			171	150	13	9
	129	115	346	253			5	23
	2 002	2 863	772	1 023	(916)	(448)	1 680	882
	1 337	2 340	685	946	(916)	(448)	(161)	(888)
	101	102						
	564	421	87	77			1 841	1 770
	726	516	222	239	185	37	15	(136)
	688	503	188	222	182	36	(34)	(137)
					3	1		1
	38	13	34	17			49	
	726	516	222	239	185	37	15	(136)
	(384)	(226)	(144)	(158)	(218)	(9)	(34)	(58)
	342	290	78	81	(33)	28	(19)	(194)

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Annual Financial Statements 2011

for the year ended 30 June

	Total Group 2011 Rm	Continuing Operations 2010 Rm	Logistics 2011 Rm	Logistics 2010 Rm	Car Rental and Tourism 2011 Rm	Car Rental and Tourism <sup>^</sup> 2010 Rm
<b>BUSINESS SEGMENTATION</b>						
<b>Revenue</b>						
– Sales of goods	38 182	30 433	2 294	855	1 162	998
– Rendering of services	23 849	20 474	18 209	15 673	2 071	1 905
– Gross premiums received	2 558	2 471				
– Other	78	60	72	59	5	1
	64 667	53 438	20 575	16 587	3 238	2 904
Inter-segment revenue			61	99	75	37
	64 667	53 438	20 636	16 686	3 313	2 941
Operating expenses including cost of sales	58 931	49 082	18 782	14 921	2 485	2 163
Investment income	(209)	(214)				
Fair value (gains) losses on investments	(76)	(97)				
Depreciation, amortisation and impairments	1 528	1 396	743	725	477	397
Recoupments (excluding properties)	(33)	(17)	(25)	(21)		(1)
<b>Operating profit</b>	<b>4 526</b>	<b>3 288</b>	<b>1 136</b>	<b>1 061</b>	<b>351</b>	<b>382</b>
Recoupments from sale of properties, net of impairments	7	51	37	31		
Amortisation of intangible assets arising on business combinations	(15)		(15)			
Foreign exchange (losses) gains	(33)	49	(6)	2		(1)
Fair value (losses) gains on foreign exchange derivatives	(18)	(38)				
Impairment reversals of share scheme loans		24				
Gain on early settlement of European bond		27				
Fair value gain on Lereko call option	279	78				
<b>Profit before net financing costs and exceptional items</b>	<b>4 746</b>	<b>3 479</b>	<b>1 152</b>	<b>1 094</b>	<b>351</b>	<b>381</b>
Net financing costs including fair value gains and losses	(554)	(597)	(216)	(195)	(141)	(88)
Income from associates and joint ventures	34	174	17	18	1	1
<b>Profit before tax and exceptional items</b>	<b>4 226</b>	<b>3 056</b>	<b>953</b>	<b>917</b>	<b>211</b>	<b>294</b>
Income tax excluding tax on exceptional items	(1 271)	(764)	(360)	(244)	(61)	(82)
<b>Profit after tax before exceptional items</b>	<b>2 955</b>	<b>2 292</b>	<b>593</b>	<b>673</b>	<b>150</b>	<b>212</b>
<b>GEOGRAPHIC SEGMENTATION</b>						
<b>Revenue</b>	<b>64 667</b>	<b>53 438</b>	<b>20 636</b>	<b>16 686</b>	<b>3 313</b>	<b>2 941</b>
– South Africa	50 330	41 838	11 333	9 783	3 171	2 769
– Rest of Africa	3 120	1 106	2 455	525	142	172
– Rest of world	11 217	10 494	6 848	6 378		
<b>Operating profit</b>	<b>4 526</b>	<b>3 288</b>	<b>1 136</b>	<b>1 061</b>	<b>351</b>	<b>382</b>
– South Africa	3 922	2 730	644	702	324	337
– Rest of Africa	239	182	142	61	27	45
– Rest of world	365	376	350	298		
<b>Net financing costs</b>	<b>554</b>	<b>597</b>	<b>216</b>	<b>195</b>	<b>141</b>	<b>88</b>
– South Africa	474	501	194	177	138	82
– Rest of Africa	27	27	17	13	3	6
– Rest of world	53	69	5	5		

\* Financial services was previously named Insurance and now also includes the financial services businesses from Distributorships, Car Rental and Tourism, Automotive Retail and Head Office and Eliminations.

<sup>^</sup> These segments have been re-presented taking the financial services aspects out of these divisions and including them within the Financial Services division.

#### Operational segmental reporting

For management purposes, the group is organised into five major operating divisions – Logistics, Car Rental and Tourism, Distributorships, Automotive Retail and Financial Services. These divisions are the basis on which the group reports its primary segment information.

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

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

	Distributor-ships 2011 Rm	Distributor-ships <sup>^</sup> 2010 Rm	Automotive Retail 2011 Rm	Automotive Retail <sup>^</sup> 2010 Rm	Financial Services* 2011 Rm	Financial Services* 2010 Rm	Head Office and Elimi- nations 2011 Rm	Head Office and Elimi- nations <sup>^</sup> 2010 Rm
	19 656	15 148	15 013	13 453			57	(21)
	1 466	955	1 496	1 395	589	502	18	44
				1	2 558	2 471	1	(1)
	21 122	16 103	16 509	14 849	3 147	2 973	76	22
	825	789	641	694	262	290	(1 864)	(1 909)
	21 947	16 892	17 150	15 543	3 409	3 263	(1 788)	(1 887)
	19 986	15 893	16 545	15 103	2 848	2 792	(1 715)	(1 790)
		2			(253)	(261)	44	47
	124	79	99	94	(76)	(99)	(48)	(34)
	(7)	4	9	1	133	135	(7)	
	1 844	914	497	345	760	696	(62)	(110)
			(2)	(1)		6	(28)	15
	5	6	1		(1)	(1)	(32)	43
	(26)	3					8	(41)
							279	24
	1 823	923	496	344	759	701	165	36
	(199)	(214)	(109)	(134)			111	34
	18	(8)		(10)	18	14	(20)	159
	1 642	701	387	200	777	715	256	229
	(466)	(194)	(109)	(56)	(203)	(189)	(72)	1
	1 176	507	278	144	574	526	184	230
	21 947	16 892	17 150	15 543	3 409	3 263	(1 788)	(1 887)
	19 120	14 315	15 410	13 838	3 155	3 033	(1 859)	(1 900)
	268	178			254	230	1	1
	2 559	2 399	1 740	1 705			70	12
	1 844	914	497	345	760	696	(62)	(110)
	1 813	878	461	322	692	617	(12)	(126)
	1	(3)			68	79	1	
	30	39	36	23			(51)	16
	199	214	109	134			(111)	(34)
	169	190	105	131			(132)	(79)
	7	7						1
	23	17	4	3			21	44

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

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

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

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

**Automotive Retail** – consists of a large network of motor vehicle and commercial vehicle dealerships in South Africa and representing most of the major original equipment manufacturers (OEMs). Also manufactures and sells caravans and canopies.

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



**1. Accounting policies**

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated annual financial statements are set out below and are consistent in all material respects with those applied during the previous year, except for those changes which have occurred as a result of the adoption of new and amended International Financial Reporting Standards (IFRS) standards and interpretations as disclosed in note 3.

**1.1 Basis of preparation**

The consolidated annual financial statements are stated in South African rands and are prepared in accordance with the recognition and measurement criteria of IFRS and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2011 and the AC 500 standards as issued by the Accounting Practices Board or its successor. The consolidated annual financial statements are prepared on the historical-cost basis, modified by the restatement of certain financial instruments to fair value and insurance liabilities in accordance with actuarial valuations.

**1.2 Insurance**

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

**1.3 Consolidation**

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

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The excess of the aggregate of the consideration transferred, the non-controlling interest and the acquisition date fair value of previously held equity interest over the fair value of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is below the fair values of the identifiable net assets acquired (i.e. bargain purchase), then the difference is credited to profit or loss in the period of acquisition. Any premium or bargain purchase amounts that arise from increases in the ownership interest of existing subsidiaries are recognised directly in equity. Any surplus or deficit amounts from decreases in the ownership in an existing subsidiary that do not result in a loss of control are recognised directly in equity.

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

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

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

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

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

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

**1.4 Segment information**

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

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

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

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

### 1.5 Foreign currencies

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

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

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

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

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

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

### 1.6 Investment in associates

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

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

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

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

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

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

**1. Accounting policies** continued**1.7 Investment in joint ventures**

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

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

**1.8 Goodwill**

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

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

Goodwill written off to reserves under SA GAAP prior 26 June 2000 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

**1.9 Other intangible assets**

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

**1.10 Impairment of tangible and intangible assets excluding goodwill**

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately.

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

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

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

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

All other assets are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of each component of an asset to its residual value over its estimated useful life as follows:

Buildings	20 years
Equipment and furniture	3 to 10 years
Motor vehicles	3 to 5 years
Transport fleet	3 to 12 years
Vehicles for hire	2 to 5 years

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

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

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

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

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

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

#### 1.12 Capitalised borrowing costs

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

#### 1.13 Inventories

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

Vehicles and aircraft	Specific cost
Caravans, spares and accessories	Weighted average cost
Fuel, oil and merchandise	First in, first out
Fast moving consumer goods	First in, first out

Work in progress includes direct costs and a proportion of overheads, but excludes interest expense.

#### 1.14 Financial instruments

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

##### Equity and debt security instruments

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

**1. Accounting policies** continued**1.14 Financial instruments** continued**Equity and debt security instruments** continued

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

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

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

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

**Loans receivable**

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

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

**Trade and other receivables**

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

**Cash resources**

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

**Loans payable**

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

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

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

**Trade payables**

Trade payables are stated at their nominal value.

**Derivative instruments**

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

The group designates certain derivatives as hedging instruments and they are classified as:

- fair value hedge: a hedge to cover exposure to changes in fair value of recognised asset and liability;
- cash flow hedge: hedges a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
- hedges of a net investment in a foreign operation.

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

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

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

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

Where there is a cash flow hedge and the firm commitment or forecast transaction that it is hedging results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that result in the recognition of a financial asset or financial liability amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

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

#### **Fair value calculations**

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

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

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

#### **Derecognition**

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

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

### **1.15 Leases**

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

#### **The group as lessor**

##### ***Finance leases***

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

##### ***Operating leases***

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

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

**1. Accounting policies** *continued***1.15 Leases** *continued***The group as lessee****Finance leases**

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

**Operating leases**

Operating lease costs are recognised in the income statement over the lease term on the straight-line basis. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**1.16 Share-based payments**

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

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

**1.17 Retirement benefit obligations**

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

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

**1.18 Provisions**

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

**Leave pay provision**

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

**Bonus provision**

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

**Warranty and after-sales services**

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

**Insurance claims**

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

**Other provisions**

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

**1.19 Tax**

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

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

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

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

**1.20 Revenue recognition**

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

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

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

Revenue from vehicle maintenance plans is recognised only to the extent of the value of parts and services provided, with the balance being recognised at the end of the vehicle maintenance plan.

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

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

**1.21 Interest and dividend income in financial services businesses**

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

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

**1.22 Government grants and assistance**

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



**1. Accounting policies** *continued***1.22 Government grants and assistance** *continued*

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 at the statement of financial position date is presented as deferred income.

No value is recognised where government provides general industry assistance.

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

**1.23 Exceptional items**

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

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

**1.24 Significant accounting judgements and estimates**

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

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

**Insurance companies**

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

**Residual values and useful lives**

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

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

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

**Income taxes**

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

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the statement of financial position date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the group operates could limit the ability of the group to obtain tax deductions in future periods.

#### **Contingent liabilities**

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

#### **Revenue recognition**

Revenue from vehicle maintenance plans is recognised only to the extent of the value of parts and services provided, with the balance recognised at the end of the plan.

#### **Statement of financial position presentation based on liquidity**

Management believes that the statement of financial position format based on liquidity 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 such that some asset categories on the statement of financial position are held as trading at the same time they qualify as fleet assets.

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

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

Management classifies a component of the group as a discontinued operation if it:

- represents a separate major line of business or geographical area of operation;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- or
- is a subsidiary acquired exclusively with a view to resale as a discontinued operation.

A non-current asset classified as held for sale (or disposal group) is measured at the lower of its carrying amount and fair value less costs to sell.

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

#### **Provision for bad debts**

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

#### **Provision against inventory**

Inventory is counted at least once a year and any shortages and obsolete stock identified are written off immediately. An allowance is made for slow moving and obsolete inventory based on historical trends.

#### **Fair value of financial instruments**

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

**1. Accounting policies** *continued***1.24 Significant accounting judgements and estimates** *continued***Asset impairments**

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

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

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

**Lereko Mobility (Pty) Limited (Lereko)**

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

**2. Impact of new and amended standards and interpretations**

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

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

The amendments to this IFRS include the accounting policy changes in the year of adoption, the revaluation basis as deemed cost, the use of deemed cost for operations subject to rate regulation and guidance for entities emerging from severe hyperinflation.

The amendments should have no significant impact on the group's results, and first become applicable for the financial year ending 30 June 2012.

**IFRS 3 – Business combinations**

The amendments to this IFRS include clarification of the measurement of non-controlling interests, additional guidance on un-replaced and voluntary share-based payment awards and consequential amendments resulting from IFRS 9 – *Financial instruments*.

The amendment should have no significant impact on the group's results, and first become applicable to financial year ending 30 June 2012, the amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

**IFRS 4 – Insurance contracts**

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

The group is in the process of assessing the impact on the group's results, with the amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

**IFRS 7 – Financial instruments: Disclosures**

There are amendments to this IFRS, resulting from the annual improvement project relating to the clarification of disclosures and the enhanced disclosure relating to transfers of financial assets, and from IFRS 9 – *Financial instruments*.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2012 and the amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

#### **IFRS 8 – Operating segments**

There are consequential amendments to this IFRS, resulting from the changes in IAS 24 – *Related party disclosures* (as revised in 2009) to clarify that entities must apply judgement to determine whether the government and entities under its control are considered as a single customer.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2012.

#### **IFRS 9 – Financial instruments**

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

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

#### **IFRS 10 – Consolidated financial statements**

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

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

#### **IFRS 11 – Joint arrangements**

IFRS 11 is a new standard with the objective of reducing the types of joint arrangements to two: joint operations and joint ventures, and classification based on rights and obligations rather than legal structure. It also eliminates the policy choice of proportionate consolidation for joint ventures.

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

#### **IFRS 12 – Disclosure of interests in other entities**

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

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

#### **IFRS 13 – Fair value measurement**

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

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

**2. Impact of new and amended standards and interpretations** continued**IAS 1 – Presentation of financial statements**

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

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial years ending 30 June 2012 and 30 June 2013 and the amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

**IAS 2 – Inventories**

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

The amendment should have no significant impact on the group's results and are applicable for the financial year ending 30 June 2014.

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

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

The amendment should have no significant impact on the group's results, and first becomes applicable when it applies IFRS 9 – *Financial instruments* from the financial year ending 30 June 2014.

**IAS 12 – Income taxes**

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

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2013 and the amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

**IAS 18 – Revenue**

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

The amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014, and are not expected to have a significant impact on the group.

**IAS 19 – Employee benefits**

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

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

**IAS 21 – The effects of change in foreign exchange rates**

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

The amendment should have no significant impact on the group's results, and first becomes applicable when it applies IFRS 9 – *Financial instruments* from the financial year ending 30 June 2014.

**IAS 24 – Related parties**

There were amendments to simplify the definitions, clarify intended meaning and eliminate inconsistencies.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2012 and must be applied retrospectively.

**IAS 27 – Separate financial statements**

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

The amendments first become applicable for the financial year ending 30 June 2014.

**IAS 28 – Investments in associates and joint ventures**

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

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

**IAS 31 – Investments in joint ventures**

IAS 31 will be replaced by IFRS 11 – *Joint arrangements*.

The amendment first becomes applicable for the financial year ending 30 June 2014.

**IAS 32 – Financial instruments presentation**

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

The amendment should have no significant impact on the group's results, and becomes effective for the financial year ending 30 June 2014.

**IAS 34 – Interim financial reporting**

There are consequential amendments to this statement, resulting from the annual improvement project, clarifying the disclosure requirements around significant events and transactions including financial instruments.

The amendments first become applicable to the group for the financial year ending 30 June 2012, and are not expected to have any significant impact on the group.

**IAS 36 – Impairment of assets**

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

The amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014, and are not expected to have a significant impact on the group.

**IAS 39 – Financial instruments: Recognition and measurement**

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

The group is in the process of assessing the impact on the group's results, and first becomes applicable for the financial year ending 30 June 2014.

**IFRIC 10 – Interim financial reporting and impairment**

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

The amendment should have no significant impact on the group's results, and first becomes applicable when it applies IFRS 9 – *Financial instruments* from the financial year ending 30 June 2014.

**IFRIC 12 – Service concession arrangements**

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

The amendment should have no significant impact on the group's results, and first becomes applicable when it applies IFRS 9 – *Financial instruments* for the financial year ending 30 June 2014.

**IFRIC 13 – Customer loyalty programmes**

There are consequential amendments to this interpretation, resulting from the annual improvement project, relating to the fair value of award credits.

The interpretation should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2012.

**IFRIC 14 – The limit on a defined benefit asset, minimum funding requirements and their interaction**

This interpretation has been amended in relation to the voluntary prepaid contributions.

The interpretation should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2012.

**3. Re-presentation of comparatives and the adoption of new and amended standards and interpretations**  
**Combined statement of comprehensive income**

In the prior year a combined statement of comprehensive income was reported and this has now been re-presented into a separate income statement and statement of comprehensive income.

**New financial services segment**

The group sells financial services products in a number of its segments.

A new financial services division is being reported combining the results of insurance operations, the sale of warranty and maintenance products, income from joint ventures on the sale of financial services, cell captive arrangements and factoring of premium finance operations. This qualifies as a reportable segment in terms of IFRS 8 – *Operating segments*.

Previously these operations were reported in the car rental and tourism, distributorships, automotive retail, insurance and head office segments.

The insurance segment has been renamed financial services and now includes all of the above operations. These reallocations have been re-presented for the prior period. None of this has had an impact on group earnings.

The new financial services segment results in the following reclassifications:

<b>Consolidated statement of financial position</b>	2010 Rm	2009 Rm
Insurance and investment contracts*	1 093	1 356
Deferred revenue reallocated	1 031	806
Insurance, investment, maintenance and warranty contracts – as re-presented	2 124	2 162
Trade and other payables*	10 081	8 342
Deferred revenue reallocated	(1 031)	(806)
Trade and other payables – as re-presented	9 050	7 536

In terms of IAS 1 – *Presentation of financial statements*, these re-presentations require that the 2009 statement of financial position be presented showing the impact with related notes. The notes that have been impacted are notes 22 and 25, these notes include the revised 2009 financial information. All other notes for 2009 remain the same.

**Consolidated income statement and consolidated statement of comprehensive income**

No impact.

**Consolidated statement of cash flows**

There is no impact on the consolidated statement of cash flows except for note 33a detailed below.

	2010 Rm
Net movement in insurance funds*	(257)
Reallocation of deferred income balance	225
Net movement in insurance, investment, maintenance and warranty contracts – as re-presented	(32)
Increase in trade payables*	1 312
Reallocation of deferred income balance	(225)
Increase in trade payables and provisions – as re-presented	1 087

\*As previously reported.

The above reclassification had no impact on cash generated by operations.

The deferred revenue relates to obligations to provide services for warranty and maintenance products that extend beyond the end of the financial year.

30 June 2010 Segment information – financial position	Total Rm	Logistics Rm	Car Rental and Tourism Rm	Distributor- ships Rm	Automotive Retail Rm	Financial Services Rm	Head Office Rm
<b>Operating assets</b>							
Operating assets*	29 506	9 333	2 835	8 947	4 381	3 891	119
Reallocation of financial services			(13)	(683)	(10)	1 155	(449)
Operating assets – as re-presented	29 506	9 333	2 822	8 264	4 371	5 046	(330)
<b>Operating liabilities</b>							
Operating liabilities*	12 750	3 928	499	3 878	1 707	2 243	495
Reallocation of financial services				(792)	(4)	1 190	(394)
Operating liabilities – as re-presented	12 750	3 928	499	3 086	1 703	3 433	101
<b>Segment information – income statement</b>							
Profit before tax and exceptional items*	3 056	917	307	946	206	506	174
Reallocation of financial services			(13)	(245)	(6)	209	55
Profit before tax and exceptional items – as re-presented	3 056	917	294	701	200	715	229

\*As previously reported.

#### New and amended accounting standards and interpretations

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

- IFRS 2 – *Share-based payment* – Amendment relating to group cash-settled share-based payment transactions
- IFRS 3 – *Business combinations* – Amendments resulting from May 2010 annual improvements to IFRS
- IFRS 5 – *Non-current assets held for sale and discontinued operations* – Amendments resulting from April 2009 improvements to IFRS
- IFRS 8 – *Operating segments* – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 1 – *Presentation of financial statements* – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 7 – *Statement of cash flows* – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 17 – *Leases* – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 27 – *Consolidated and separate financial statements* – Amendments resulting from May 2010 annual improvements to IFRS
- IAS 32 – *Financial instruments presentations* – Amendments relating to classification of rights issues
- IAS 36 – *Impairment of assets* – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 39 – *Financial instruments recognition and measurement* – Amendments resulting from April 2009 annual improvements to IFRS
- IFRIC 19 – *Extinguishing financial liabilities with equity instruments*

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



	Goodwill Rm	Computer software Rm	Other intangibles Rm	Total Rm
<b>4. Intangible assets</b>				
<b>At 30 June 2011</b>				
– Cost	2 162	318	228	2 708
– Accumulated amortisation and impairment	559	255	71	885
	1 603	63	157	1 823
Net book value at beginning of year	883	51	72	1 006
Net acquisition of subsidiaries and businesses	757	2	123	882
Additions		41	2	43
Proceeds on disposal			(9)	(9)
Impairment charge	(52)		(1)	(53)
Amortisation		(31)	(26)	(57)
Currency adjustments	15		(4)	11
<b>Net book value at end of year</b>	<b>1 603</b>	<b>63</b>	<b>157</b>	<b>1 823</b>
<b>At 30 June 2010</b>				
– Cost	1 390	275	115	1 780
– Accumulated amortisation and impairment	507	224	43	774
	883	51	72	1 006
Net book value at beginning of year	759	75	67	901
Net acquisition of subsidiaries and businesses	284		7	291
Additions		32	3	35
Proceeds on disposal		(4)		(4)
Impairment charge	(108)	(2)		(110)
Amortisation		(44)	(5)	(49)
Loss on disposal		(3)		(3)
Currency adjustments	(52)	(3)		(55)
<b>Net book value at end of year</b>	<b>883</b>	<b>51</b>	<b>72</b>	<b>1 006</b>

**Goodwill impairment testing**

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

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

**Value in use**

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

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

**Fair value less costs to sell**

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

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

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

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

## 4. Intangible assets continued

Significant cash generating units (CGU)	Carrying amount 2011 Rm	Basis for determining recoverable amount	Discount rate applied to cash flow %	Growth rate used to extrapolate cash flows %
Imperial Logistics International GmbH	269	Value in use	10,91	2,0 – 5,0
Midas Group (Pty) Limited	185	Value in use	10,56	2,0
Beekman Super Canopies (Pty) Limited	76	Value in use	9,75	2,0
Rijnaarde BV	58	Value in use	9,08	2,8
Uvundlu Investments (Pty) Limited	56	Value in use	9,00	2,0
E-Z-GO Golf Carts	55	Value in use	9,00	2,0
CIC Holdings Limited	401	Value in use	9,51	3,5

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

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

## 5. Investments in associates and joint ventures

	2011 Rm	2010 Rm
Listed shares at cost	177	176
Unlisted shares at cost	211	220
Share of post-acquisition reserves (net of impairments)	108	75
Goodwill written off	(3)	(22)
Carrying value of shares	493	449
Indebtedness by associates and joint ventures	277	354
Call option (Lereko Mobility)		387
	770	1 190
<b>Valuation of shares</b>		
Listed shares at market value	227	200
Unlisted shares at directors' valuation	302	268
The directors' valuation has been established by reference to the group's share of the net assets of the associates and joint ventures.		
<b>Unrecognised share of losses of associates and joint ventures exceeding the group's interest in the associate and joint venture</b>		
Cumulative unrecognised losses at beginning of year	220	221
Utilisation of unrecognised losses during year	(24)	(1)
Cumulative unrecognised losses at end of year	196	220

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

for the year ended 30 June 2011

**5. Investment in associates and joint ventures** continued

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

	Associates Rm	Joint ventures Rm	Total 2011 Rm	Total 2010 Rm
<b>Abridged income statement</b>				
Revenue	2 038	449	2 487	2 954
Profit before net financing costs	84	31	115	330
Net finance cost	(39)	(12)	(51)	(59)
Income from associates and joint ventures	5		5	18
Profit before taxation	50	19	69	289
Income tax expense	(30)	(5)	(35)	(115)
<b>Net profit for the year</b>	<b>20</b>	<b>14</b>	<b>34</b>	<b>174</b>
<b>Abridged statement of financial position</b>				
<b>Total assets</b>	<b>1 813</b>	<b>230</b>	<b>2 043</b>	<b>2 560</b>
Capital and reserves, including non-controlling interests	434	47	481	443
Interest-bearing borrowings	587	104	691	1 516
Non-interest-bearing liabilities	792	79	871	601
<b>Total equity and liabilities</b>	<b>1 813</b>	<b>230</b>	<b>2 043</b>	<b>2 560</b>

**6. Property, plant and equipment**  
**At 30 June 2011**

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

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Aircraft Rm	Total Rm
<b>6. Property, plant and equipment</b> <i>continued</i> <b>At 30 June 2010</b>					
– Cost	5 475	2 253	271	51	8 050
– Accumulated depreciation and impairment	572	1 373	113	9	2 067
	4 903	880	158	42	5 983
Net book value at beginning of year	4 801	932	214	29	5 976
Net acquisition of subsidiaries and businesses	16	20	17		53
Additions	350	276	101	17	744
Proceeds on disposal	(201)	(39)	(121)		(361)
Depreciation	(50)	(269)	(53)	(4)	(376)
Impairment charge	(31)				(31)
Profit (loss) on disposal	82	(1)	2		83
Currency adjustments	(64)	(39)	(2)		(105)
<b>Net book value at end of year</b>	<b>4 903</b>	<b>880</b>	<b>158</b>	<b>42</b>	<b>5 983</b>

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 has been encumbered as security for interest-bearing borrowings (note 21).

	<b>2011 Rm</b>	2010 Rm
The total value of property, plant and equipment held under capitalised finance leases included above	<b>120</b>	133
<b>7. Transport fleet</b>		
– Cost	<b>6 485</b>	6 039
– Accumulated depreciation and impairment	<b>2 858</b>	2 640
	<b>3 627</b>	3 399
Net book value at beginning of year	<b>3 399</b>	3 483
Net acquisition of subsidiaries and businesses	<b>160</b>	14
Additions	<b>778</b>	722
Proceeds on disposal	<b>(248)</b>	(231)
Depreciation	<b>(519)</b>	(495)
Impairment charge	<b>(3)</b>	(6)
Profit on disposal	<b>21</b>	18
Currency adjustments	<b>39</b>	(106)
<b>Net book value at end of year</b>	<b>3 627</b>	3 399
The total value of transport assets held under capitalised finance leases included above	<b>47</b>	52

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

	2011 Rm	2010 Rm
<b>8. Vehicles for hire</b>		
– Cost	2 592	2 722
– Accumulated depreciation and impairment	535	485
	2 057	2 237
Net book value at beginning of year	2 237	1 653
Net acquisition of subsidiaries and businesses	46	104
Additions	2 055	2 010
Disposals	(1 716)	(1 055)
Depreciation	(568)	(476)
Profit on disposal	3	1
<b>Net book value at end of year</b>	<b>2 057</b>	<b>2 237</b>
Certain vehicles for hire have been encumbered as security for interest-bearing borrowings (note 21).		
<b>9. Deferred tax</b>		
<b>Movement of deferred tax (assets) and liabilities</b>		
Net balance at beginning of year	(2)	7
Reclassification from assets held for sale	(20)	
Transferred through the income statement		
– Current	(124)	(3)
– Over provisions in prior years	(8)	(11)
– Capital gains tax	12	10
Deferred tax recognised in other comprehensive income		(1)
Arising on acquisition and disposal of businesses	29	1
Tax rate adjustment	2	
Currency adjustments	(1)	(5)
<b>Balance at end of year</b>	<b>(112)</b>	<b>(2)</b>
<b>Analysis of deferred tax (assets) and liabilities</b>		
– Property, plant and equipment	74	51
– Transport fleet	514	548
– Vehicles for hire	53	65
– Inventories	(87)	(99)
– Taxation losses	(220)	(253)
– Provisions	(390)	(255)
– Capital gains	160	148
– Other	(216)	(207)
	(112)	(2)
<b>Deferred tax comprises</b>		
– Assets	(661)	(658)
– Liabilities	549	656
	(112)	(2)
Unused tax losses available for offset against future profits	(1 353)	(1 302)
Deferred tax asset recognised in respect of such losses	786	904
Remaining tax losses not recognised as deferred tax assets due to unpredictability of future profit streams	(567)	(398)

	2011 Rm	2010 Rm
<b>10. Investments and loans</b>		
<b>Investments</b>		
Listed at market value	1 409	1 082
Unlisted at fair value	637	831
	2 046	1 913
<b>The above are categorised as follows :</b>		
– Held for trading	2 032	1 907
– Designated at fair value through profit or loss	1 399	1 153
– Fixed and negotiable deposits designated at fair value through profit or loss	633	754
– Available for sale	14	6
	2 046	1 913
A schedule of investments is available for inspection by members or their authorised agents at the registered office of the company.		
<b>Loans – at amortised cost</b>	367	108
<b>Total investments and loans</b>	2 413	2 021
<b>Maturity analysis of loans</b>		
– Maturing within one year	131	26
– Maturing after one year but within five years	227	78
– Maturing after five years	9	4
	367	108
Effective interest rates		
Loans	1,2% – 14,0%	5,0% – 10,0%
<b>11. Non-current financial assets</b>		
Reinsurance debtors – held at amortised cost	244	206
<b>12. Inventories</b>		
New vehicles	3 559	3 247
Used vehicles	2 559	2 310
Spares, accessories and finished goods	1 066	965
New and used aircraft	84	119
Fast moving consumer goods	146	
Fuel and oil	55	57
Merchandise	65	63
Work in progress	55	48
	7 589	6 809
Inventories carried at net realisable value included above	3 088	2 944
Net amount of inventory writedown expensed in the income statement	27	104
Certain inventories have been encumbered as security for interest-bearing borrowings (note 21).		
<b>13. Trade and other receivables</b>		
Trade receivables	6 817	6 020
– Gross receivables	7 227	6 405
– Doubtful debt provision	(410)	(385)
Prepayments and other receivables	311	129
Derivative financial instruments – hedging instruments	2	16
	7 130	6 165
<b>14. Cash resources</b>		
Deposits and funds at call	2 795	2 010
Cash on hand and at bank	736	1 189
	3 531	3 199
Effective interest rates	0,06% – 7,5%	1,5% – 6,0%

**15. Discontinued operations**

The current year's results of discontinued operations are insignificant and are no longer disclosed separately. The trading profit after tax for the current year was R7 million loss (2010: R29 million profit) and is included in head office and eliminations in the segment income statement.

The assets held for sale totalling R383 million (2010: R747 million) and liabilities of R132 million (2010: R262 million) have been reclassified to the respective categories of assets and liabilities on the statement of financial position and are included under head office and eliminations on the segment financial position.

	Total discontinued operations 2010 Rm	Commercial vehicles 2010 Rm	Aviation 2010 Rm
<b>The results of the discontinued operations in the prior year:</b>			
<b>Revenue</b>	361	115	246
<b>Operating (loss) profit</b>	(5)	5	(10)
Impairment reversals of share scheme loans	2		2
<b>(Loss) profit before net financing cost</b>	(3)	5	(8)
Net finance cost	(25)	(7)	(18)
<b>Loss before tax</b>	(28)	(2)	(26)
Income tax expense	(57)		(57)
<b>Trading profit (loss) after tax</b>	29	(2)	31
Fair value profit on discontinuation	30		30
<b>Net profit (loss) for the year</b>	59	(2)	61
<b>The major classes of assets and liabilities of the discontinued operations classified as held for sale were as follow:</b>			
<b>Assets</b>			
Investments in associates and joint ventures	10	10	
Property, plant and equipment	14	11	3
Aviation assets	202		202
Inventories	72	56	16
Trade and other receivables	127	30	97
<b>Operating assets</b>	425	107	318
Deferred tax asset	20		
Other non-current financial assets	291		
Cash resources	11		
<b>Assets classified as held for sale</b>	747		
<b>Liabilities</b>			
Provisions for liabilities and other charges	211	70	141
Trade and other payables	51	16	35
<b>Liabilities directly associated with assets classified as held for sale</b>	262	86	176
<b>Net assets directly associated with discontinued operations</b>	485		

**Commercial vehicles**

Commercial Vehicle Holdings relinquished its distribution rights for International and DAF trucks due to our conclusion that this business model led to mispricing and overstocking. This led to the decision to discontinue this line of business.

**Aviation**

This business, which included Safair, Safair Lease Finance, Naturelink and the Air Contractors Group, was considered by the board as capital-intensive and not giving the required returns. Air Contractors and the Safair Group have been sold and Naturelink is being wound down.

	2011 Rm	2010 Rm
<b>16. Share capital</b>		
<b>Authorised share capital</b>		
394 999 000 (2010: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2010: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2010: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2010: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2010: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
	20	20
<b>Issued share capital</b>		
208 826 352 (2010: 210 892 364) ordinary shares of 4 cents each	8	8
15 012 609 (2010: 15 895 699) deferred ordinary shares of 4 cents each	1	1
Nil (2010: 14 516 617) preferred ordinary shares of 4 cents each		1
4 540 041 (2010: 4 540 041) non-redeemable, non-participating preference shares of 4 cents each (see note 19)		
	9	10

#### 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 million ordinary shares and issue not more than five million non-redeemable, non-participating preference shares at their discretion.

#### 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 treasury shares.

The salient features of the conversion are:

#### During the first seven years:

- Base headline earnings hurdles established to calculate the number of deferred ordinary shares converted have been amended with the unbundling of the Leasing and Capital Equipment division (Eqstra Holdings Limited).
- With effect from the financial period ended 30 June 2008 the base headline hurdle for Imperial has been revised to R2 178 million.
- The amount will be escalated annually at a compound growth rate of 13% until 2011.
- A portion of earnings in excess of the base headline earnings hurdles would equate to the notional value that is attributed to Ukhamba Holdings, the holders of the deferred ordinary shares.
- The portion attributable to Ukhamba will be calculated as follows:
  - Earnings within a 13% to 15% growth rate on the previous year's base headline earnings hurdle: 25% attributed to Ukhamba.
  - Earnings within a 15% to 17% growth rate on the previous year's base headline earnings hurdle: 50% attributed to Ukhamba.
  - Earnings in excess of 17% growth rate on the previous year's base headline earnings hurdle: 75% attributed to Ukhamba.
- At the end of each financial year, the amount calculated as value attributed to Ukhamba will be translated into a number of ordinary shares based on a five-month volume-weighted average share price.
- It will be this number of shares that will become ordinary shares on an annual basis.
- The maximum number of deferred ordinary shares that can convert in any one year is 2,5% of the weighted number of ordinary shares in issue.
- Earnings above a 10% growth rate on the previous years base headline earnings hurdle will give rise to a minimum of 1 million ordinary shares being converted, reduced by the ratio of the current ordinary shares in issue net of treasury shares over the ordinary shares in issue net of treasury shares at the start date of the transaction.



**16. Share capital** continued**During the next seven years:**

- To the extent that there remain deferred ordinary shares that have not converted into ordinary shares then the remaining 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 treasury shares.

To the end of the current financial year 7 742 780 (2010: 6 859 690) deferred ordinary shares were converted into ordinary shares.

Based on the minimum conversion for the period ended 30 June 2011, 901 617 shares will convert effective July 2011.

**Group share schemes**

	Number of shares	
	2011	2010
<b>Total rights authorised and currently allocated in terms of group share schemes</b>		
Imperial Bonus Rights Scheme		209 000
Share Appreciation Rights Scheme	18 503 389	17 645 806
Deferred Bonus Plan	223 072	323 030
<b>Total shares currently allocated in terms of group share schemes</b>	<b>18 726 461</b>	<b>18 177 836</b>
<b>Share scheme details are as follows:</b>		
<b>Imperial Holdings Share Incentive Trust</b>		
Shares allocated at beginning of year		138 600
Shares settled by participants		(138 600)
Shares still to be settled by participants		
<b>Imperial Executive Share Purchase Scheme</b>		
Shares still to be settled at beginning of year		2 773 000
Shares settled during the year		(2 773 000)
Shares still to be settled by participants		

	2011		2010	
	Number of shares	Weighted average exercise price (Rand)	Number of shares	Weighted average exercise price (Rand)
<b>16. Share capital</b> <i>continued</i>				
<b>Share option scheme</b>				
Options granted at beginning of year			23 000	55,62
Options exercised during the year			(13 000)	56,10
Options forfeited during the year			(10 000)	55,00
Unexercised options at end of year				
<b>Imperial Bonus Rights Scheme</b>				
Rights to ordinary shares granted at beginning of year	209 000	150,08	272 800	150,08
Rights to ordinary shares forfeited during the year	(209 000)	150,08	(63 800)	150,08
Ordinary shares still available under the scheme			209 000	150,08
<b>Share Appreciation Rights Scheme</b>				
Rights granted at beginning of year	17 645 806	58,43	15 313 524	51,11
Rights granted in 2009 and not previously reported			2 517 873	55,32
Rights allocated during the year	1 468 388	116,59	2 806 842	96,71
Rights exercised during the year			(2 420 800)	55,32
Rights forfeited during the year	(610 805)	55,06	(571 633)	51,22
Unexercised rights at end of year	18 503 389	63,15	17 645 806	58,43
<b>Deferred Bonus Plan</b>				
Rights granted at beginning of year	323 030		417 865	
Rights exercised during the year	(210 091)		(203 480)	
Rights forfeited during the year	(105 912)		(28 228)	
Prior year rights carried forward	7 027		186 157	
Rights allocated during the year	216 045		136 873	
Unexercised rights at end of year	223 072		323 030	

**Share Appreciation Rights Scheme – details of rights by year of grant**

Grant date	Number of rights	Average exercise price (Rand)	Expiry date
June 2008	10 086 691	49,48	May 2015
June 2009	4 196 903	55,32	June 2016
June 2010	2 751 407	96,71	June 2017
June 2011	1 468 388	116,59	June 2018
Total unexercised rights at end of year	18 503 389		
Total weighted average price		63,15	

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 the prior year as a hedge against the company's obligation to deliver shares in terms of the Share Appreciation Rights Scheme and Deferred Bonus Plan (Share Scheme's). Upon vesting of the shares in terms of the rules of the Share Schemes, the shares held in treasury will be utilised for settlement of the company's obligations. No further dilution is expected, as there are hedges in place for the balance of the shares.

16. Share capital continuedDeferred Bonus Plan – details of rights still unexercised by year of grant<sup>#</sup>

Grant date	Number of rights	Expiry date
June 2010	7 027	September 2014
June 2011	216 045	September 2015
Total unexercised rights at end of year	223 072	
Deferred Bonus Plan – details of rights taken up <sup>#</sup>		
Rights taken up	Number of rights	Vesting date
July 2008	191 777	September 2011
August 2009	194 697	September 2012
August 2010	210 091	September 2013

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

## Directors' and prescribed officers' interests in issued share capital

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

Director/prescribed officer	2011		2010	
	Beneficial number of shares	Non-beneficial number of shares	Beneficial number of shares	Non-beneficial number of shares
<b>Non-executive directors</b>				
MJ Leeming		4 928		928
RJA Sparks	40 000		40 000	
Y Waja	927		927	
	40 927	4 928	40 927	928
<b>Executive directors</b>				
OS Arbee	36 266		21 547	
HR Brody	64 942		45 118	
MP de Canha	1 107 812		1 046 904	
RL Hiemstra	48 492		32 633	
AH Mahomed	63 796		40 899	
M Swanepoel	46 104		36 192	
	1 367 412		1 223 293	
<b>Prescribed officers</b>				
DD Gnodde	15 206			
P Michaux	24 536			
	39 742			
	1 448 081	4 928	1 264 220	928

As a result of the implementation of the Lereko Mobility BEE transaction MV Moosa, being a shareholder of Lereko Mobility, holds a beneficial interest in 537 804 ordinary shares (2010: 1 331 145 preferred ordinary shares).

	2011 Rm	2010 Rm
<b>17. Shares repurchased</b>		
23 864 456 (2010: 23 864 456) ordinary shares	(1 816)	(1 816)
Purchase of 2 123 775 ordinary shares at R94,20 each to hedge share scheme obligations		(200)
Cancellation of 2 123 775 ordinary shares at R94,20 each		200
Cancellation of 16 000 000 ordinary shares at R125,00 each	2 000	
Valuation reserve reallocation relating to the share cancellation	261	
7 864 456 (2010: 23 864 456) ordinary shares	445	(1 816)
Consolidation of 5 864 944 Imperial shares held by Lereko Mobility as shares repurchased	(665)	
13 729 400 (2010: 23 864 456) ordinary shares	(220)	(1 816)

**Consolidation of Lereko Mobility (Pty) Limited**

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

**Ordinary shares cancelled**

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

	2011 Rm	2010 Rm
<b>18a Other reserves</b>		
Share-based payment reserve	(122)	(69)
Hedging reserve	(50)	(85)
Statutory reserves	285	265
Foreign currency translation reserve	54	33
Premium paid on purchase of non-controlling interests	(62)	(26)
Valuation reserve	6	315
	111	433

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

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

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

	2 011	2 010	2 009	2 008
<b>Share Appreciation Rights Scheme</b>				
Volatility (%)	33,30	33,00	40,00	35,00
Weighted average share price (Rand)	116,59	96,71	55,32	50,90
Weighted average exercise price (Rand)	116,59	96,71	55,32	49,48
Weighted average fair value (Rand)	36,14	33,23	19,48	15,20
Expected life (years)	3,24	3,29	3,25	3,28
Average risk-free rate (%)	7,13	7,44	8,35	12,37
Expected dividend yield (%)	3,60	2,76	2,76	5,68
<b>Deferred Bonus Plan</b>				
Volatility (%)	33,30	33,00	40,00	35,00
Weighted average share price (Rand)	116,59	96,71	55,32	50,90
Weighted average exercise price (Rand)				
Weighted average fair value (Rand)	103,17	88,31	50,58	42,25
Expected life (years)	3,24	3,29	3,25	3,28
Average risk-free rate (%)	7,13	7,44	8,35	12,37
Expected dividend yield (%)	3,60	2,76	2,76	5,68

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

The current year's movement charged to the income statement amounted to R122 million (2010: R134 million).

	2 011 Rm	2 010 Rm
<b>18b Foreign currency translation reserves</b>		
Balance at beginning of year	33	210
<b>Movements in translation reserves</b>		
Intangible assets	11	(55)
Investments, loans, associates and joint ventures	1	(29)
Property, plant and equipment	54	(105)
Transport fleet	39	(106)
Deferred tax	1	5
Inventories	9	(16)
Current tax	(3)	7
Trade and other receivables	(87)	(165)
Cash resources	6	(69)
Non-controlling interests	(5)	7
Retirement benefit obligations	(10)	35
Interest-bearing borrowings	(86)	136
Insurance, investment, maintenance and warranty contracts	4	6
Non-current financial liabilities	(2)	8
Provisions for liabilities and charges	(5)	20
Trade and other payables	94	144
<b>Balance at end of year</b>	<b>54</b>	<b>33</b>
<b>19. Non-redeemable, non-participating preference shares</b>		
Non-redeemable, non-participating preference shares at cost	441	441
<p>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.</p> <p>These shares are entitled to a preference dividend being 75% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms.</p> <p>The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R32 million (2010: R36 million) based on current rates of interest and included as part of financing cost.</p>		
<b>20. Retirement benefit obligations</b>		
<b>Defined contribution plans</b>		
<p>The group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to the income statement. The large majority of South African employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pension Funds Act, 1956.</p>		
Total cost charged to the income statement	367	347

**20. Retirement benefit obligations** continued**Defined benefit plans**

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

	2011 %	2010 %
The benefit obligations in Europe are provided for based on actuarial valuations prepared using the projected unit credit method, with the following assumptions:		
– Discount rate	4,90	4,50
– 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 2011. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2012.		
The amounts, included in staff costs, recognised in the group income statement in respect of the plans are as follows:	Rm	Rm
Current service cost	2	2
Actuarial profit (loss)	1	(1)
Expected return on plan assets		(1)
Interest costs	11	13
	14	13
The amount included in the statement of financial position arising from the group's obligations is as follows :		
Unfunded obligations	233	222
Movements in the liability were as follows:		
Balance at beginning of year	222	256
Payments to retired employees	(13)	(9)
Plan asset transferred		(3)
Currency adjustments	10	(35)
Amounts charged to income	14	13
Balance at end of year	233	222

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Present value of net liability of defined benefit obligation	258	246	232	269	226
(Deficit) surplus	(25)	(24)	24	17	4
Net liability recognised on the statement of financial position	233	222	256	286	230
In addition the following net experience adjustments were incurred	(3)	(7)	1	(11)	

	2011 Rm	2010 Rm	
<b>21. Interest-bearing borrowings</b>			
<b>Long term</b>			
– Loans secured by mortgage bonds over fixed property	89	58	
– Liabilities under capitalised finance leases	131	144	
– Instalment sale creditors secured by assets	97	66	
– Corporate bonds	6 477	6 448	
<b>– Listed on the Bond Exchange of South Africa</b>			
– Held at fair value – IC 02 – maturing in May 2012	518	522	
– Held at amortised cost – IPL 4 – maturing in March 2014	1 531	1 530	
– Held at amortised cost – IPL 5 – maturing in September 2015	499		
– Held at amortised cost – IPL 6 – maturing in September 2017	1 535		
– Held at amortised cost – IPL 3		1 008	
– Held at amortised cost – IC 01		1 018	
<b>– Listed on the gilt edged and fixed interest market of the London Stock Exchange</b>			
– Held at amortised cost – Eurobond – maturing in April 2013	825	798	
– Held at fair value – Eurobond – maturing in April 2013	1 569	1 572	
– Unsecured loans	109	102	
	6 903	6 818	
<b>Short term</b>			
– Unsecured loans, call borrowings and bank overdrafts	605	1 015	
<b>Total borrowings</b>	7 508	7 833	
Less: Current portion of interest-bearing borrowings	1 206	3 124	
<b>Long-term borrowings</b>	6 302	4 709	
Total borrowings are categorised as follows:			
– Designated as fair value through profit or loss	2 087	2 094	
– Amortised cost	5 421	5 739	
	7 508	7 833	
	<b>Current year effective rates %</b>		
<b>Interest rate analysis</b>			
<b>Fixed</b>			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	4,0 – 10,0	135	118
– Capitalised finance leases	16,0	48	53
– Corporate bonds – IPL 4	9,0	1 531	1 530
– Corporate bonds – IPL 6	9,8	1 535	
– Corporate bonds – IPL 3	10,1		1 008
– Corporate bonds – IC 01	8,5		1 018
– Eurobond	4,9	825	798
– Unsecured loans	2,0 – 6,0	104	110
– Unsecured loans	9,0	19	51
– Unsecured loans	11,0	2	2
<b>Variable linked</b>			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	3,0 – 10,0	134	98
– Corporate bond – IC 02	6,1 – 6,3	518	522
– Corporate bonds – IPL 5	7,5 – 7,6	499	
– Eurobond	5,7 – 6,7	1 569	1 572
– Unsecured loans	7,0 – 11,0	45	57
– Unsecured loans	3,0 – 4,0	9	9
– Unsecured loans	22,0 – 24,0	12	
– Unsecured loans	4,0 – 11,0	495	392
– Call borrowings	5,8 – 7,5	1	460
– Bank overdrafts	3,0 – 6,0	27	35
		7 508	7 833

See note 38 for interest rate swap arrangements.

## 21. Interest-bearing borrowings continued

	More than five years Rm	One to five years Rm	Less than one year Rm	2011 Rm	2010 Rm		
Capitalised finance leases							
Total minimum lease payments	25	80	59	164	244		
Less: Amounts representing finance charges	3	13	17	33	100		
Present value of minimum lease payments	22	67	42	131	144		
Summary of long-term borrowings by currency and year of redemption or repayment	2016 and onwards Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm
SA rand	2 041	6	1 569	93	714	4 423	4 894
British pound					82	82	74
Euro	86	22	24	2 447	63	2 642	2 644
Australian dollar					345	345	221
Other	3	4	3	4	2	16	
	2 130	32	1 596	2 544	1 206	7 508	7 833

	Debt secured		Net book value of assets encumbered	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm
<b>Details of encumbered assets</b>				
Property, plant and equipment	138	147	89	100
Transport fleet	610	956	1 375	1 747
Vehicles for hire	87	706	110	1 373
Inventories	344	221	320	235
	1 179	2 030	1 894	3 455

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

	2011 Rm	2010 Rm
<b>Borrowing facilities</b>		
Total facilities established	8 576	7 744
Less: Utilised for guarantees and letters of credit		40
	8 576	7 704
Less: Total borrowings, excluding corporate bonds and loans from non-controlling interests	576	1 346
Unutilised borrowing capacity	8 000	6 358

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

## 22. Insurance, investment, maintenance and warranty contracts

	2011 Rm	Re-presented 2010 Rm	Re-presented 2009 Rm
Long-term insurance funds	557	559	525
Short-term insurance funds	479	534	831
Deferred income	1 429	1 031	806
	2 465	2 124	2 162

See Annexure C for details of insurance funds.



		2011 Rm	2010 Rm				
23.	<b>Non-current financial liabilities</b>						
	Cross currency and interest rate swap instruments	288	256				
	Contingent consideration	17	39				
	Loans payable	18	17				
		323	312				
24.	<b>Provisions for liabilities and other charges</b>						
		Leave pay Rm	Bonuses Rm	Warranty and after sales Rm	Insurance claims Rm	Other Rm	Total Rm
	<b>At 30 June 2011</b>						
	Balance at beginning of year	263	232		167	380	1 042
	Reclassification			53		(53)	
	Reclassification from liabilities associated assets held for sale	2				187	189
	Amounts added	224	164	112	169	177	846
	Unused amounts reversed	(6)	(4)	(2)	(9)	(22)	(43)
	Charged to income	218	160	110	160	155	803
	Amounts utilised	(197)	(175)	(26)	(121)	(241)	(760)
	Net acquisition of subsidiaries and businesses	16	20		3	40	79
	Currency adjustments	4	(1)		(1)	3	5
	Balance at end of year	306	236	137	208	471	1 358
	Payable in less than one year	301	236	137	202	371	1 247
	Payable in one to five years	5			1	40	46
	Payable in more than five years				5	60	65
		306	236	137	208	471	1 358
	<b>At 30 June 2010</b>						
	Balance at beginning of year	240	166		231	359	996
	Amounts raised	219	204		139	254	816
	Unused amounts reversed	(4)	(3)			(29)	(36)
	Charged to income	215	201		139	225	780
	Amounts utilised	(187)	(135)		(202)	(187)	(711)
	Net (disposal) acquisition of subsidiaries and businesses	(4)				1	(3)
	Currency adjustments	(1)			(1)	(18)	(20)
	Balance at end of year	263	232		167	380	1 042
	Payable in less than one year	256	232		167	336	991
	Payable in one to five years	7				36	43
	Payable in more than five years					8	8
		263	232		167	380	1 042

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.

	2011 Rm	Re- presented 2010 Rm	Re- presented 2009 Rm
<b>25. Trade and other payables</b>			
Trade payables and accruals	9 879	8 833	7 379
Deferred income	140	98	38
Derivative financial instruments	97	119	119
	<b>10 116</b>	9 050	7 536
	2011 Rm	2010 Rm	
<b>26. Revenue</b>			
<b>26.1 An analysis of the group's revenue is as follows:</b>			
Sales of goods	38 182	30 433	
Rendering of services	23 849	20 474	
Gross premiums received	2 558	2 471	
Other	78	60	
	<b>64 667</b>	53 438	
<i>Revenue includes:</i>			
<b>26.2 Revenue received by subsidiaries from the group's associates and joint ventures</b>			
Sales of goods	22	72	
Rendering of services	125	143	
	<b>147</b>	215	
<i>Revenue excludes:</i>			
<b>26.3 Revenue between subsidiaries</b>			
Sales of goods	1 350	1 428	
Rendering of services	325	326	
Gross premiums received	137	136	
	<b>1 812</b>	1 890	
<b>27. Net operating expenses</b>			
Purchase of goods	34 162	27 836	
Changes in inventories, before acquisition and disposal of businesses	(468)	(1 217)	
Cost of outside services	8 433	7 092	
Reinsurance, claims and premium costs	1 974	1 933	
Financial services – interest paid	4	6	
Staff costs	8 591	7 381	
Staff share-based payments	122	134	
Other operating income	(812)	(732)	
Other operating costs	6 640	6 338	
	<b>58 646</b>	48 771	
The above costs includes:			
<b>Auditors' remuneration</b>			
– Audit fees	50	37	
– Consulting services	2	4	
	<b>52</b>	41	

for the year ended 30 June 2011

	2011 Rm	2010 Rm
<b>27. Net operating expenses</b> continued		
The above costs include:		
<b>Rental and operating lease charges</b>		
– Property	665	672
– Plant and equipment	60	56
– Vehicles	14	14
– Transport fleet	46	83
– Other	16	15
	801	840
<b>Additional lease charges contingent upon turnover</b>		
– Property	1	2
Net operating expenses include:		
Consultancy and other technical fees	32	22
Impairment charge of assets other than goodwill and property		8
Investment income	(209)	(214)
Interest income	(172)	(195)
<b>Analysis of dividends received by investment type</b>		
– Designated as fair value through profit or loss	(26)	(19)
– Available for sale investments	(11)	
<b>Analysis of fair value gains on investments</b>		
– Fair value gains designated through profit or loss	(76)	(97)
<b>28. Depreciation, amortisation, impairments and recoupments</b>		
Intangible assets	42	49
Property, plant and equipment	395	376
Transport fleet	519	495
Vehicles for hire	568	476
	1 524	1 396
Loss on disposal of intangible assets		3
Profit on disposal of plant and equipment	(9)	(1)
Profit on disposal of transport fleet	(21)	(18)
Profit on disposal of vehicles for hire	(3)	(1)
Impairment of intangible assets	1	
Impairment of transport fleet	3	
	1 495	1 379
Impairments on transport fleet have resulted from the decommissioning of car carriers and has arisen in the logistics segment.		
<b>Recoupments from the sale of properties net of impairments</b>	7	51
– Recoupments from sale of properties	27	82
– Impairment of properties	(20)	(31)

Impairments on properties have resulted from those being located in areas which are now less marketable.

The impairments arose in the logistics, automotive retail and head office and eliminations segments.

	2011 Rm	2010 Rm
<b>29. Exceptional items</b>		
Impairment of goodwill	(52)	(108)
Profit on disposal of Imperial Bank Limited		131
Profit on disposal of other associates and joint ventures	6	22
Profit on disposal of investments in subsidiaries		13
Gross exceptional items	(46)	58
Tax expense	(1)	(147)
Net exceptional items	(47)	(89)
Attributable to non-controlling interests	1	(10)
<b>Attributable to Imperial Holdings' shareholders</b>	<b>(46)</b>	<b>(99)</b>
<b>30. Financing cost</b>		
<b>Non-financial services businesses</b>		
Interest paid on financial liabilities not at fair value through profit or loss	559	618
Capitalised to property, plant and equipment		(8)
Interest paid on financial liabilities designated as fair value through profit or loss	147	187
Foreign exchange loss (gain) on monetary items	62	(222)
Fair value (gains) losses arising from interest-bearing borrowings and interest rate swap instruments	(71)	186
	697	761
Finance income on financial assets not fair valued through profit or loss	(143)	(164)
	554	597
<b>31. Income tax expense</b>		
<b>South African normal tax</b>		
– Current	1 131	622
– Prior year over provisions	(12)	(42)
	1 119	580
<b>Foreign tax</b>		
– Current	150	133
– Prior year under (over) provisions	1	(17)
	151	116
<b>Deferred</b>		
– Current	(124)	(3)
– Prior year over provisions	(8)	(11)
– Tax rate adjustment	2	
	(130)	(14)
<b>Secondary and withholding taxes</b>	<b>108</b>	<b>65</b>
<b>Capital gains tax</b>		
– Current	12	154
– Deferred	12	10
	24	164
<b>Income tax expense</b>	<b>1 272</b>	<b>911</b>

	2011 %	2010 %
<b>31. Income tax expense continued</b>		
<b>Reconciliation of tax rates:</b>		
Profit before tax, excluding income from associates and joint ventures		
– effective tax rate	30,7	31,0
Tax effect of:		
– Foreign tax rate differential	(0,4)	0,1
– Tax assets (not recognised) recognised	(1,1)	1,9
– Disallowable charges/capital losses	(2,4)	(3,9)
– Exempt/capital income	3,9	4,3
– Secondary tax on companies	(2,6)	(2,2)
– Capital gains tax	(0,6)	(5,6)
– Prior year over provision	0,5	2,4
	28,0	28,0
	2011 Rm	2010 Rm
<b>32. Earnings per share</b>		
<b>Ordinary shares</b>		
Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of Imperial Holdings by the weighted average number of ordinary shares in issue during the year.		
Net profit attributable to equity holders of Imperial Holdings	2 562	2 021
Attributable to preferred ordinary shareholders		(78)
Attributable to ordinary shareholders	2 562	1 943
Weighted average number of ordinary shares (million)	190,3	185,7
<b>Basic earnings per share (cents)</b>	1 346	1 047
For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the dilutive effect of the deferred and preferred ordinary shares and potential shares under the share schemes.		
Weighted average number of ordinary shares (million)	190,3	185,7
Adjusted for the weighted average potential shares to be issued (million)	12,0	18,3
Weighted average number of ordinary shares for diluted earnings (million)	202,3	204,0
<b>Diluted earnings per share (cents)</b>	1 266	991
<b>Headline earnings and diluted headline earnings per share is calculated as follows:</b>		
Attributable profit	2 562	2 021
Attributable to preferred ordinary shareholders		(78)
Net profit attributable to ordinary shareholders	2 562	1 943
Impairment of assets	24	39
Profit on disposal of assets	(60)	(98)
Exceptional items	46	(88)
Exceptional items included in income from associates and joint ventures	17	4
Tax	15	31
– Exceptional items	1	18
– Profit on disposal of assets	15	19
– Impairment of assets	(1)	(6)
Non-controlling interests	4	10
– Exceptional items	(1)	10
– Profit on disposal of assets	5	
Headline earnings	2 608	1 841
Add back earnings attributable to preferred ordinary shareholders		78
Diluted headline earnings	2 608	1 919

	2011 Rm	2010 Rm
<b>32. Earnings per share</b> <i>continued</i>		
Weighted average number of ordinary shares (million)	190,3	185,7
<b>Basic headline earnings per share (cents)</b>	1 370	992
Weighted average number of ordinary shares for diluted earnings (million)	202,3	204,0
<b>Diluted headline earnings per share (cents)</b>	1 289	941
<b>Preferred ordinary shares</b>		
Fixed amount attributable to preferred ordinary shares (cents)		535

**Ordinary shares**

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of Imperial Holdings by the weighted average number of ordinary shares in issue during the year.

	Continuing Rm	Discontinued operations Rm	Total Rm
<b>30 June 2010</b>			
Net profit attributable to equity holders of Imperial Holdings	1 962	59	2 021
Attributable to preferred ordinary shareholders	(78)		(78)
Attributable to ordinary shareholders	1 884	59	1 943
Weighted average number of ordinary shares (million)	185,7	185,7	185,7
<b>Basic earnings per share (cents)</b>	1 015	32	1 047
For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the deferred and preferred ordinary shares.			
Weighted average number of ordinary shares (million)	185,7	185,7	185,7
Adjusted for deferred and preferred ordinary shares (million)	18,3	18,3	18,3
Weighted average number of ordinary shares for diluted earnings (million)	204,0	204,0	204,0
<b>Diluted earnings per share (cents)</b>	962	29	991
<b>Headline earnings and diluted headline earnings per share is calculated as follows:</b>			
Net profit attributable to ordinary shareholders	1 884	59	1 943
Impairment of assets	39		39
Profit on disposal of assets	(99)	1	(98)
Exceptional items	(58)	(30)	(88)
Exceptional items included in income from associates and joint ventures	4		4
Tax	31		31
– Exceptional items	18		18
– Profit on disposal of assets	19		19
– Impairment of assets	(6)		(6)
Non-controlling interests share (sale of associate)	10		10
Headline earnings	1 811	30	1 841
Add back earnings attributable to preferred ordinary shareholders	78		78
Diluted headline earnings	1 889	30	1 919
Weighted average number of ordinary shares (million)	185,7	185,7	185,7
<b>Basic headline earnings per share (cents)</b>	976	16	992
Weighted average number of ordinary shares for diluted earnings (million)	204,0	204,0	204,0
<b>Diluted headline earnings per share (cents)</b>	926	15	941
<b>Preferred ordinary shares</b>			
Fixed amount attributable to preferred ordinary shares (cents)	535		535

	2011 Rm	2010 Rm
<b>33. Notes to the cash flow statements</b>		
<b>(a) Cash generated by operations before net capital expenditure on rental assets</b>		
<b>Profit before net financing costs</b>	<b>4 700</b>	<b>3 564</b>
Continuing operations		3 537
Discontinued operations		27
<b>Adjustments for non-cash and other movements</b>		
Amortisation of intangible assets, net of recoupments	57	52
Depreciation of property, plant and equipment	395	376
Depreciation of transport fleet, net of recoupments	498	477
Depreciation of vehicles for hire, net of recoupments	565	475
Depreciation of property, plant and equipment – discontinued operations		1
Exceptional items	46	(88)
Profit on disposal of property, plant and equipment	(36)	(83)
Fair value gains on investments	(76)	(97)
Impairment of assets	24	39
Foreign exchange losses (gains)	15	(14)
Fair value adjustments	(2)	5
Impairment reversal – share trust loan		(26)
Impairment of non-current financial assets		44
Fair value gain on early settlement of European bond		(27)
Fair value gain on Lereko call option	(279)	(78)
Recognition of share-based payments	122	134
Net movement in insurance, investments, maintenance and warranty contracts	345	(32)
Increase in retirement benefit obligations	1	1
<b>Cash generated by operations before changes in working capital</b>	<b>6 375</b>	<b>4 723</b>
<b>Working capital movements</b>		
Increase in inventories	(346)	(875)
Increase in trade and other receivables	(392)	(182)
Increase in trade and other payables and provisions	440	1 087
	<b>6 077</b>	<b>4 753</b>
<b>(b) Acquisition of subsidiaries and businesses</b>		
Goodwill	757	290
Other intangible assets	125	7
Investments, loans, associates and joint ventures	29	1
Property, plant and equipment	126	57
Transport fleet	160	14
Vehicles for hire	46	104
Inventories	232	287
Trade and other receivables	539	348
Cash resources	130	133
Non-controlling interests	(51)	(108)
Deferred tax	(29)	(1)
Interest-bearing borrowings	(232)	(79)
Non-current financial liabilities	(2)	(5)
Provisions for liabilities and other charges	(79)	(10)
Trade and other payables	(566)	(440)
Tax liabilities	(7)	(17)
	<b>1 178</b>	<b>581</b>
<b>Less:</b>		
Contingent consideration	(79)	(59)
Fair value of previously held interest	(26)	
Cash resources acquired	(130)	(133)
<b>Cash flow on acquisition</b>	<b>943</b>	<b>389</b>

	2011 Rm	2010 Rm
<b>33. Notes to the cash flow statements continued</b>		
<b>(c) Disposal of subsidiaries and businesses*</b>		
Goodwill		6
Investments, loans, associates and joint ventures		25
Property, plant and equipment		4
Non-current financial assets		3
Inventories		23
Tax liabilities		(5)
Trade and other receivables		18
Cash resources		77
Non-controlling interests		(39)
Interest-bearing borrowings		(24)
Provisions for liabilities and other charges		(13)
Trade and other payables		(37)
		38
Less: Cash resources disposed of		(77)
Profit on disposal of subsidiaries		13
Cash flow on disposal		(26)
<i>* There were no material disposals during 2011.</i>		
<b>(d) Net replacement capital expenditure – excluding rental assets</b>		
<b>Expenditure</b>		
– Intangible assets	(43)	(35)
– Plant and equipment	(558)	(394)
– Transport fleet	(473)	(429)
	(1 074)	(858)
<b>Proceeds on disposals</b>		
– Intangible assets	9	4
– Plant and equipment	150	160
– Transport fleet	248	231
	407	395
<b>Net expenditure</b>		
– Intangible assets	(34)	(31)
– Plant and equipment	(408)	(234)
– Transport fleet	(225)	(198)
	(667)	(463)
<b>(e) Cash and cash equivalents</b>		
Cash resources	3 531	3 199
Short-term loans and overdrafts	(605)	(1 015)
	2 926	2 184



	2011 Rm	2010 Rm
<b>34. Dividends</b>		
<b>Ordinary shares</b>		
<i>Interim</i>		
– In the current year a dividend of 220 cents per share was paid on 28 March 2011	445	
– In the prior year a dividend of 150 cents per share was paid on 29 March 2010		284
<i>Final</i>		
– A dividend of 260 cents per share is payable on 26 September 2011	521	
– In the prior year a dividend of 200 cents per share was paid on 27 September 2010		374
<b>Preferred ordinary shares</b>		
<i>Interim</i>		
– In the prior year a dividend of 267,5 cents per share was paid on 25 March 2010		39
<i>Final</i>		
– In the prior year a dividend of 267.5 cents per share was paid on 23 September 2010		39
Secondary tax on companies (STC) is payable at a rate of 10% upon payment of these dividends, less any STC credits available.		
<b>35. Commitments</b>		
Capital expenditure commitments to be incurred		
Contracted	567	476
Authorised by directors but not contracted	440	406
	<b>1 007</b>	<b>882</b>

The expenditure is substantially for the replacement of transport vehicles and the construction of buildings to be used by the group. Expenditure will be financed from proceeds on disposals and existing facilities.

	More than five years Rm	One to five years Rm	Less than one year Rm	2011 Rm	2010 Rm
<b>Operating lease payables</b>					
Property	636	948	419	2 003	1 840
Vehicles		68	69	137	325
Plant and equipment	44	39	29	112	97
	<b>680</b>	<b>1 055</b>	<b>517</b>	<b>2 252</b>	<b>2 262</b>
<b>Operating lease receivables</b>					
Property		93	67	160	120
Vehicles	1	131	65	197	106
	<b>1</b>	<b>224</b>	<b>132</b>	<b>357</b>	<b>226</b>

	2011 Rm	2010 Rm
<b>36. Contingent liabilities</b>		
The company had issued a guarantee to the debenture and preference share funders of Lereko Mobility (Pty) Limited amounting to R78 million in the prior year		78
A subsidiary has pledged assets relating to the funders of discontinued operations amounting to R29 million	29	29
A subsidiary has contingent liabilities in respect of suretyships issued to creditors amounting to R10 million	10	10
Subsidiary companies have received summons for claims amounting to R22 million. The group and its legal advisers believe that these claims are unlikely to succeed.	22	84
Except for the above claims, there is no current or pending litigation that is considered likely to have a material adverse effect on the group.		

**37. Related party transactions**

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

**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 2011 were as follows:

	Share class	Number of shares (000)	% of issued voting capital
Public Investment Corporation Limited	Ordinary	26 295	12,2
Abax Investments	Ordinary	8 356	3,9
Lynch Family Holdings	Ordinary	8 963	4,2
Ukhamba Holdings (Pty) Limited	Ordinary	7 743	3,6
Ukhamba Holdings (Pty) Limited	Deferred ordinary	15 013	7,0
Absa Capital Securities	Ordinary	7 015	3,2
Investec Asset Management	Ordinary	6 960	3,2
Lereko Mobility (Pty) Limited	Ordinary	5 865	2,7
Sanlam Investment Management	Ordinary	5 788	2,7
Prudential Portfolio Managers	Ordinary	7 950	3,7

A director has shareholdings in certain subsidiaries and receives dividends.

**Associates and joint ventures**

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

**37. Related party transactions** *continued*

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

	2011 Rm	2010 Rm
Purchase of goods and services from associates and joint ventures	651	831
<b>Key management personnel</b>		
Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group.		
<b>Key management personnel remuneration comprises:</b>		
Non-executive directors' fees	5	4
Short-term employee benefits	797	663
Long-term employee benefits	51	46
Termination benefits	1	2
	854	715
Number of key management personnel	561	526
The net gains on share options amounted to R Nil (2010: R15 million).		
The group has many different operations, retail outlets and service centres where the group staff may be transacting.		
Often these transactions are minor and are difficult to monitor. Key management have to report any transactions with the group in excess of R100 000. The total value of goods and services supplied to or from key management on an arm's length basis amounted to:	37	44
The group received insurance premiums on an arm's length basis from the group pension and provident funds to the amount of:	57	54
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:	11	11

### 38. Financial instruments

#### Financial risk factors

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

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

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

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

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

#### Market risk

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

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

At the year-end the settlement dates on open forward contracts ranged up to 12 months. The average exchange rates shown include the cost of forward cover. The amounts represent the net rand equivalent of commitments to purchase and sell foreign currencies, and have all been recorded at fair value.

**38. Financial instruments** continued**Currency risk** continued

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

Foreign currency	Foreign amount (million)	Average exchange rate	Contract value Rm	Marked to market Rm
<b>2011</b>				
Imports				
US dollar	507	7,13	3 616	3 495
Euro	265	9,86	2 612	2 638
British pound	2	13,00	26	25
Japanese yen	7 576	11,71	647	647
Other				1
			6 901	6 806
<b>2010</b>				
Imports				
US dollar	328	7,69	2 526	2 523
Euro	150	10,18	1 527	1 425
British pound	3	12,00	36	35
Japanese yen	3 283	12,04	273	289
Other			174	161
			4 536	4 433

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 translation impact of a 10% devaluation in the rand would have R240 million (2010: R210 million) positive impact on group equity, and vice versa for a 10% appreciation of the rand. The 10% sensitivity rate is based on management's assessment of a reasonable possible change in foreign exchange rates over the foreseeable future.

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

**Divisional currency risk****Logistics international**

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

**Logistics southern Africa**

The risk in this division is modest with certain small transactions in foreign currencies, which result in foreign currency denominated debtors and creditors. In order to mitigate the risks which arise from this exposure, these items are settled immediately or where foreign exchange contracts are available the risk is hedged.

**Distributorships**

The group's major currency exposure exists in this division. Risk exposures result from vehicles and aircraft being imported, and invoiced in foreign currency. Forward exchange contracts, futures and certain currency options are used to hedge this exposure, up to 75% of motor vehicle forecast annual sales can be covered should it be deemed necessary. In addition, investments in overseas businesses result in translation risk, which is recognised directly in equity through the translation reserve and only booked to the income statement when the subsidiary is sold.

**Automotive retail**

Risk exposure is limited to translation risk for investments in dealerships in the United Kingdom, operational cash flows in these dealerships are in the functional currencies of 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 debtors and creditors. In order to mitigate the risks which arise from this exposure, forward exchange contracts are taken to hedge this exposure.

**38. Financial instruments** continued**Divisional currency risk** continued**Financial services**

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

**Interest rate risk**

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

The group is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by matching fixed and floating rate assets and liabilities wherever possible and to achieve a repricing profile in line with Alco directives use is made of interest rate derivatives. The group analyses the impact on profit 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 21.

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

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

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

	2011 Rm	2010 Rm
<b>Pay fixed receive floating</b>		
Less than one year		1 000
One to five years	215	197
<b>Pay floating receive fixed</b>		
Less than one year	500	
One to five years	1 813	2 313

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 R10 million (2010: R4 million) effect on group after-tax profit and equity.

**Equity price risk**

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

The sensitivity analysis has been determined based on the exposure to equity price risk at 30 June. The impact of a 10% increase in the equity index will have a R20 million (2010: R50 million) effect on group after tax profit and a R20 million (2010: R50 million) impact on equity. This sensitivity is based on management's assessment of a reasonable move in equity prices over the foreseeable future.

**Divisional equity price risk: Financial services**

The financial services division has reduced its exposure to equities to minimise the volatility that the equity price risk brings to the consolidated income statement. 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.

**38. Financial instruments** continued**Divisional equity price risk: Financial services** continued**Short-term insurance**

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

**Life assurance**

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

**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 2011. None of the financial instruments below were given as collateral for any security provided.

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

**Cash resources**

It is group policy to deposit short-term cash with reputable financial institutions with high credit ratings assigned by international credit-rating agencies.

**Trade accounts receivable**

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

	2011 Rm	2010 Rm
Trade and other receivables that are neither past due nor impaired	5 276	4 757

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

**Past due trade receivables**

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

Past due trade receivables	2011 Rm	2010 Rm
Less than 1 month	827	704
Between 1 – 3 months	326	328
More than 3 months	300	186
Past due more than 1 year	88	45
	1 541	1 263

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

**38. Financial instruments** continued**Credit risk** continued**Provision for doubtful debts for 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.

	2011 Rm	2010 Rm
<b>Provision for doubtful debts for trade receivables</b>		
Set out below is a summary of the movement in the provision for doubtful debts for the year:		
Balance at beginning of year	385	318
Amounts reversed during year	(20)	(22)
Increase in allowance recognised in profit or loss	65	98
Amounts written off during the year	(20)	(9)
Balance at end of year	410	385

**Loans receivable**

The group granted employees the right to purchase shares through a share incentive trust. The terms held that the company would lend these employees the funds to acquire shares in Imperial Holdings Limited, holding the shares as collateral for the debt.

These loans have been settled in the prior year.

	2011 Rm	2010 Rm
<b>Allowance for impairment losses on share incentive trust receivable</b>		
Set out below is a summary of the movement in the allowance for impairment losses for the year:		
Balance at beginning of year		374
Transferred to Eqstra due to unbundling		(43)
Provision utilised during the year		(305)
Surplus released to the income statement – continued and discontinued		(26)
Balance at end of year		

**Divisional credit risk****Logistics**

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

**Car rental and tourism**

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

**Distributorships**

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



**38. Financial instruments** *continued***Divisional credit risk** *continued***Automotive retail**

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

**Financial services**

Risk exposures arise from commission being paid to brokers up to 12 months 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 material guarantees provided by banks to secure financing during 2011 and 2010.

**Liquidity risk**

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

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

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

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

Contractual maturities (which includes interest) of financial 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
<b>2011</b>					
Maturity profile of financial liabilities					
Interest-bearing borrowings*	7 508	9 547	1 371	5 645	2 531
Insurance and investment contracts	1 036	1 036	603	272	161
Non-current financial liabilities	323	323	13	307	3
Trade payables and accruals	9 879	9 879	9 879		
Current derivative financial liabilities	97	97	97		
	18 843	20 882	11 963	6 224	2 695
Percentage profile	100%	100%	57%	30%	13%

\*This excludes an amount of R 441 million non-redeemable, non-participating preference shares (note 19).

38. Financial instruments continued  
Liquidity risk continued

	Carrying value 2011 Rm	Fair value 2011 Rm	Carrying value 2010 Rm	Fair value 2010 Rm
<b>Fair value of financial instruments by category</b>				
<b>Financial assets</b>				
Investments and loans				
– Designated as fair value through profit or loss	2 032	2 032	1 907	1 907
– Available for sale	14	14	6	6
– Loans and receivables at amortised cost	367	367	108	108
Non-current financial assets				
– Reinsurance debtors – held at amortised cost	244	244	206	206
Trade and other receivables				
– Derivative instruments – hedge accounted	2	2	16	16
– Trade receivables – amortised cost	6 817	6 817	6 020	6 020
Cash resources	3 531	3 531	3 199	3 199
<b>Financial liabilities</b>				
– Non-redeemable, non-participating preference shares	441	413	441	409
– Designated as fair value through profit or loss	2 087	2 087	2 094	2 094
– Borrowings at amortised cost	5 421	5 418	5 739	6 161
Insurance and investment contracts at amortised cost	1 036	1 036	1 093	1 093
Non-current financial liabilities				
– Derivative instruments – fair value through profit or loss	288	288	256	256
– Contingent consideration – at amortised cost	17	17	39	39
– Loans – at amortised cost	18	18	17	17
Trade and other payables				
– Derivative instruments – hedge accounted	97	97	119	119
– Trade payables and accruals – amortised cost	9 879	9 879	8 833	8 833

The directors consider that the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximates 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 are 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 that did not qualify for derecognition during the year.

38. Financial instruments continuedLiquidity risk continued

	2011 Rm	2010 Rm
<b>Financial instruments designated as fair value through profit or loss</b>		
<b>Investments designated as fair value through profit or loss</b>		
Carrying value of investments designated as fair value through profit or loss	2 032	1 907
Maximum exposure to credit risk at reporting date	2 032	1 907
Included in the statement of other comprehensive income are the following adjustments relating to financial instruments:		
<b>Amounts included in the hedging reserve</b>		
– Effective portion of change in fair value of cash flow hedge	(72)	(91)
– Amount removed from equity on matured contracts	107	109
<b>Total movement on hedging reserve</b>	<b>35</b>	<b>18</b>

## Fair value hierarchy disclosures

## Valuation methodology

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

	Valuations with reference to quoted prices in an active market Level 1 Rm	Valuations based on observable inputs Level 2 Rm	Valuations based on unobservable inputs Level 3 Rm	Total carried at fair value Rm
<b>2011</b>				
<b>Available-for-sale financial assets</b>				
Investments			14	14
<b>Financial assets designated at fair value through profit or loss</b>				
Foreign exchange contract assets		2		2
Investments	1 409	583	40	2 032
<b>Total financial assets</b>	<b>1 409</b>	<b>585</b>	<b>54</b>	<b>2 048</b>
<b>Financial liabilities designated at fair value through profit or loss</b>				
Corporate bonds			518	518
Eurobond			1 569	1 569
Foreign exchange contract liabilities		97		97
Cross currency and interest rate swap liabilities		36	252	288
<b>Total financial liabilities</b>		<b>133</b>	<b>2 339</b>	<b>2 472</b>
<b>2010</b>				
<b>Available-for-sale financial assets</b>				
Investments			6	6
<b>Financial assets designated at fair value through profit or loss</b>				
Foreign exchange contract assets		16		16
Lereko call option			387	387
Investments	1 082	754	71	1 907
<b>Total financial assets</b>	<b>1 082</b>	<b>770</b>	<b>464</b>	<b>2 316</b>
<b>Financial liabilities designated at fair value through profit or loss</b>				
Corporate bonds			522	522
Eurobond			1 572	1 572
Foreign exchange contract liabilities		119		119
Cross currency and interest rate swap liabilities			256	256
<b>Total financial liabilities</b>		<b>119</b>	<b>2 350</b>	<b>2 469</b>

## 38. Financial instruments continued

## Liquidity risk continued

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

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

	Opening balance Rm	Fair value gains, losses and interest Rm	Gains and losses re- cognised in other compre- hensive income Rm	Pur- chases Rm	Dis- posals Rm	Settle- ments Rm	Reclassi- fications Rm	Closing balance Rm
<b>Level 3 financial instruments only</b>								
<b>2011</b>								
<b>Available-for-sale financial assets</b>								
Investments	6			8				14
<b>Financial assets designated at fair value through profit or loss</b>								
Lereko call option	387	279					(666)	
Investments	71			10	(41)			40
<b>Total financial assets</b>	<b>464</b>	<b>279</b>		<b>18</b>	<b>(41)</b>		<b>(666)</b>	<b>54</b>
<b>Financial liabilities designated at fair value through profit or loss</b>								
Corporate bonds	522	29				(33)		518
Eurobond	1 572	69				(72)		1 569
Cross currency and interest rate swap liabilities	256	52				(56)		252
<b>Total financial liabilities</b>	<b>2 350</b>	<b>150</b>				<b>(161)</b>		<b>2 339</b>
<b>2010</b>								
<b>Available-for-sale financial assets</b>								
Investments	9	(2)	8		(1)		(8)	6
<b>Financial assets designated at fair value through profit or loss</b>								
Lereko call option	65	78	244					387
Investments	98			15	(42)			71
<b>Total financial assets</b>	<b>172</b>	<b>76</b>	<b>252</b>	<b>15</b>	<b>(43)</b>		<b>(8)</b>	<b>464</b>
<b>Financial liabilities designated at fair value through profit or loss</b>								
Corporate bonds	510	12						522
Eurobond	1 786	(140)				(74)		1 572
Cross currency and interest rate swap liabilities	108	263				(115)		256
<b>Total financial liabilities</b>	<b>2 404</b>	<b>135</b>				<b>(189)</b>		<b>2 350</b>

**38. 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 – Valuation based on observable and unobservable inputs:**

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.

This category includes certain private equity investments, investments in debt instruments, equity derivatives, foreign exchange derivatives, interest rate derivatives, deposits and debt securities.

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.

**38. Financial instruments** continued**Derivatives**

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

- **Cross-currency swap**

The cross-currency swap was taken out to hedge the currency and interest rate risk on the intercompany loan repayable in Euros. The interest rate used to discount cash flows on the cross-currency swap was 6,62% based on the quoted swap rate for a 24 month loan of 6,47% and holding the credit risk margin constant.

- **Interest rate swap**

The interest rate used to discount cash flows on the interest rate swap was 5,99% based on the quoted Forward Rate Agreement (FRAs) for a ten month loan of 5,61% and holding the credit risk margin constant.

**Deposits, debt securities in issue and borrowed funds**

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

**Capital management**

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

The group has externally imposed capital requirements in terms of a debt covenant for a syndicated loan and certain banking facilities. The covenant requires the group to maintain a target net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) of below 3,5:1. The ratio at 30 June 2011 is 1,3:1 (2010: 1,1:1). 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 and cash equivalents.

	2011 Rm	2010 Rm
Interest-bearing borrowings*	7 949	8 274
Less: Cash resources	3 531	3 199
Net debt	4 418	5 075
<b>Total equity</b>	<b>13 016</b>	11 946
Gearing ratio	33,9%	42,5%

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

	Notes	2011 Rm	2010 Rm
<b>ASSETS</b>			
Interest in subsidiaries	2	7 633	8 130
Investments in associates and joint ventures	3	780	486
Investments	4	135	46
Trade and other receivables		19	10
Cash resources	5	530	
<b>Total assets</b>		<b>9 097</b>	<b>8 672</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	6	9	10
Other reserves		331	312
Retained earnings		7 941	7 586
<b>Total shareholders' equity</b>		<b>8 281</b>	<b>7 908</b>
<b>Liabilities</b>			
Non-redeemable, non-participating preference shares	7	441	441
Deferred tax liability	8	145	145
Trade and other payables		198	156
Current tax liabilities		32	22
<b>Total liabilities</b>		<b>816</b>	<b>764</b>
<b>Total equity and liabilities</b>		<b>9 097</b>	<b>8 672</b>

## Company income statement

for the year ended 30 June

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**Imperial Holdings Limited**

Annual Financial Statements 2011

	Notes	2011 Rm	2010 Rm
<b>Revenue</b>	9	<b>3 080</b>	2 172
Fair value gain on Lereko call option		324	78
Other fair value gains		9	
Operating expenses		(20)	(2)
Exceptional items	10	143	2
<b>Profit before net financing costs</b>		<b>3 536</b>	2 250
Finance cost	11	(32)	(36)
Finance income	11	41	1
<b>Profit before taxation</b>		<b>3 545</b>	2 215
Income tax expense	12	82	63
<b>Net attributable profit for the year</b>		<b>3 463</b>	2 152

## Company statement of comprehensive income

for the year ended 30 June

	2011 Rm	2010 Rm
<b>Net attributable profit for the year</b>	<b>3 463</b>	2 152
<b>Other comprehensive income</b>		
Fair value gain on Lereko call option		244
<b>Total comprehensive income for the year</b>	<b>3 463</b>	2 396



	Share capital Rm	Other reserves Rm	Retained earnings Rm	Total Rm
<b>Balance at 30 June 2009</b>	10	48	6 288	6 346
Total comprehensive income for the year		244	2 152	2 396
Dividend of 120 cents per ordinary share in September 2009			(256)	(256)
Dividend of 267.5 cents per preferred ordinary share in September 2009			(39)	(39)
Dividend of 150 cents per ordinary share in March 2010			(320)	(320)
Dividend of 267.5 cents per preferred ordinary share in March 2010			(39)	(39)
Repurchase and cancellation of 2 123 775 ordinary shares			(200)	(200)
Distribution from share incentive trust		20		20
<b>Balance at 30 June 2010</b>	<b>10</b>	<b>312</b>	<b>7 586</b>	<b>7 908</b>
Total comprehensive income for the year			3 463	3 463
Repurchase and cancellation of 16 000 000 ordinary shares from wholly owned subsidiary	(1)		(2 007)	(2 008)
Repurchase and cancellation of 1 465 719 ordinary shares from open market			(156)	(156)
Share-based equity transferred on vesting		19	(19)	
Dividend of 200 cents per ordinary share in September 2010			(424)	(424)
Dividend of 267.5 cents per preferred ordinary share in September 2010			(39)	(39)
Dividend of 220 cents per ordinary share in March 2011			(463)	(463)
<b>Balance at 30 June 2011</b>	<b>9</b>	<b>331</b>	<b>7 941</b>	<b>8 281</b>

## Company statement of cash flows

for the year ended 30 June

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**Imperial Holdings Limited**

Annual Financial Statements 2011

	Note	2011 Rm	2010 Rm
<b>Cash flows from operating activities</b>			
Cash generated by operations	15	3 093	2 193
Net financing costs paid		9	(35)
Income tax paid		(72)	(86)
		3 030	2 072
<b>Cash flows from investing activities</b>			
Disposals (additions) of investments and loans to subsidiaries, associated companies and joint ventures		679	(1 184)
Additions to investments		(89)	(34)
		590	(1 218)
<b>Cash flows from financing activities</b>			
Repurchase of ordinary shares for hedging of share scheme			(200)
Repurchase and cancellation of ordinary shares from subsidiary		(2 000)	
Cost incurred on cancellation of shares repurchased		(8)	
Repurchase and cancellation of ordinary shares		(156)	
Dividends paid		(926)	(654)
		(3 090)	(854)
<b>Net increase in cash and cash equivalents</b>		530	
Cash and cash equivalents at beginning of year			
<b>Cash and cash equivalents at end of year</b>		530	

**1. Accounting policies**

Accounting policies, significant judgements and estimates and impact of new unissued standards, and the adoption of new and revised standards.

Please refer to notes 1, 2 and 3 of the consolidated annual financial statements.

	2011 Rm	2010 Rm
<b>2. Interest in subsidiaries</b>		
Shares at cost, net of impairments	5 898	5 214
Indebtedness by subsidiaries, net of impairments	1 735	2 916
	<b>7 633</b>	<b>8 130</b>
<b>3. Investments in associates and joint ventures</b>		
Unlisted shares at cost	87	100
Impairments	(12)	(15)
	<b>75</b>	<b>85</b>
Indebtedness by associates and joint ventures	(6)	14
Lereko call option	711	387
	<b>780</b>	<b>486</b>
<b>Valuation of shares in associates and joint ventures</b>		
Unlisted shares at directors' valuation	257	234
Details of the company's associates and joint ventures are reflected in Annexure B.		
<b>Lereko call option asset</b>		
Balance at beginning of the year	387	65
Fair value adjustment through profit or loss	324	78
Fair value adjustment through other comprehensive income		244
<b>Balance at end of the year</b>	<b>711</b>	<b>387</b>
In September 2010, 14 516 617 preferred ordinary shares owned by Lereko Mobility were converted into ordinary shares. They 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.		
<b>4. Investments</b>		
Unlisted shares at fair value and available for sale	135	46
<b>5. Cash resources</b>		
Deposits and funds on call	530	
<b>6. Share capital</b>		
<b>Authorised share capital</b>		
394 999 000 (2010: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2010: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2010: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2010: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2010: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
	<b>20</b>	<b>20</b>
<b>Issued share capital</b>		
208 826 352 (2010: 210 892 364) ordinary shares of 4 cents each	8	8
15 012 609 (2010: 15 895 699) deferred ordinary shares of 4 cents each	1	1
Nil (2010: 14 516 617) preferred ordinary shares of 4 cents each		1
4 540 041 (2010: 4 540 041) non-redeemable, non-participating preference shares of 4 cents each (refer to note 7 below)		
	<b>9</b>	<b>10</b>

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

	2011 Rm	2010 Rm
<b>7. Non-redeemable, non-participating preference shares</b>		
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 75% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms. The coupon is payable semi-annually in March and September and this amounts to R32 million (2010: R36 million) based on current rates of interest.		
<b>8. Deferred tax liability</b>		
<b>Movement in deferred tax</b>		
Balance at beginning of year	145	137
Charge to other comprehensive income		8
Balance at end of year	145	145
<b>Analysis of deferred tax</b>		
– Capital gains	145	145
<b>9. Revenue</b>		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries	3 077	2 172
Preference dividends received	3	
	3 080	2 172
<b>10. Exceptional Items</b>		
(Loss) profit on sale of subsidiaries and businesses	(74)	34
Impairment reversals (impairments) of investments in subsidiaries, loans to subsidiaries and associates	217	(32)
	143	2
<b>11. Net financing cost</b>		
Finance cost	32	36
Finance income	(41)	(1)
	(9)	35
<b>12. Income tax expense</b>		
<b>Tax charge</b>		
South African normal tax		
Current income tax	10	
Current capital gains	1	5
Secondary tax on companies	71	58
	82	63
<b>Reconciliation of tax rates:</b>		
Profit before tax – effective rate	%	%
Tax effect of:	2,3	2,8
– Secondary tax on companies	(2,0)	(2,6)
– Disallowable charges	(1,0)	(1,7)
– Exempt income	26,1	28,7
– Fair value adjustment on Lereko call option	2,6	1,0
– Capital gains tax		(0,2)
	28,0	28,0

	2011 Rm	2010 Rm
<b>13. Dividends</b>		
Refer to note 34 of the consolidated annual financial statements.		
<b>14. Contingent liabilities</b>		
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 were:	334	460
The company has guaranteed the obligations to investors in the commercial paper and corporate bond issues	7 349	6 488
<b>15. Cash generated by operations</b>		
<b>Profit before net financing costs</b>	3 536	2 250
Exceptional items	(143)	(2)
Fair value gain on Lereko call option	(324)	(78)
Other fair value gains	(9)	
<b>Working capital movements</b>		
– (Increase) decrease in trade and other receivables	(9)	3
– Increase in trade and other payables	42	20
	<b>3 093</b>	<b>2 193</b>

## Annexure A

### Interest in principal subsidiaries and new business combinations

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**Imperial Holdings Limited**  
Annual Financial Statements 2011

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		Indebtedness less impairments	
					2011 Rm	2010 Rm	2011 Rm	2010 Rm
Imperial Mobility International BV	Note 2	Netherlands	100	150 188	1 376	1 376		
Imperial Group (Pty) Limited	Note 3	South Africa	100	165	1 400	1 400	1 449	1 392
Associated Motor Holdings (Pty) Limited	Note 4	South Africa	90	500 000	46	46		
Imperial Financial Holdings Limited	Banking	South Africa	100	255 000 000	3	251		222
Regent Insurance Company Limited	Insurance	South Africa	100	2 939 800	456	456		
Regent Life Assurance Company Limited	insurance	South Africa	100	2 125 000	145	145		
Imperial Capital Limited	Note 5	South Africa	100	100				
Imperilog Limited	Note 6	South Africa	100	51 015 305	114	102		
Boundlesstrade 154 (Pty) Limited	Note 7	South Africa	90	200	54	68		
Jurgens Ci (Pty) Limited	Note 8	South Africa	100	1 000	151	96		
Alert Engine Parts (Pty) Limited	Note 9	South Africa	100	7 500	88	88		
Midas Group (Pty) Limited	Note 10	South Africa	75	1 000	410	405		
CIC Holdings Limited	Note 11	Namibia	100	252 188 081	724			
Other, including indirect interest					931	781	286	1 302
					5 898	5 214	1 735	2 916

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

## Imperial Holdings Limited

Annual Financial Statements 2011

## Held by subsidiaries of Imperial Holdings

Company	Nature of business	Place of incorporation	Interest owned directly or indirectly (%)	Ordinary shares in issue	Book value of interest			
					Shares at cost		Indebtedness	
					2011 Rm	2010 Rm	2011 Rm	2010 Rm
<b>Principal subsidiaries of Imperial Mobility International BV</b>								
Imperial Logistics International GmbH and subsidiaries	Note 2	Germany	94,8	4	1 347	1 290		
Imperial Mobility Finance Belgium GCV	Note 6	Belgium	100	81 800 000	802	768		
Imperial Mobility UK Co and subsidiaries	Note 1	United Kingdom	100	103	354	339		
Wijgula and subsidiary	Note 2	Netherlands	100	73 440	206	198		
Associated Motors Australia (Pty) Limited	Note 3	Australia	90	81	260	249		
Imperial Mobility Deutschland Beteiligungs GmbH	Note 6	Germany	100	1	174	167		
Rijnaarde B.V.	Note 2	Netherlands	100	10 000	59	57		
Imperial De Grave and subsidiaries	Note 2	Netherlands	100	5 000	54	51		
<b>Principal subsidiaries of Associated Motor Holdings (Pty) Limited</b>								
Hyundai Auto South Africa (Pty) Limited	Note 4	South Africa	100	1 000	100	100	(459)	252
Uvundlu investments (Pty) Limited	Note 7	South Africa	65	2 050	110	110	119	52
Imperial Car Imports (Pty) Limited	Note 6	South Africa	100	10 000	6	6	163	160
Imperial Daihatsu (Pty) Limited	Note 4	South Africa	99,9	10 000 000	11	11	19	62
Kia Motors SA (Pty) Limited	Note 4	South Africa	100	25 000			(91)	92
KMSA Holdings (Pty) Limited	Note 5	South Africa	75	10 000	4	4	47	56

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

## New business combinations

## Imperial Holdings Limited

Annual Financial Statements 2011

Subsidiaries and businesses acquired	Nature of business	Operational segment	Date acquired	Interest acquired (%)	Purchase consideration transferred Rm
CIC Holdings Limited	FMCG industry	Logistics	November 2010	100	724
E-Z-GO Golf Carts	Golf carts distribution	Distributorships	September 2010	100	101
EWC Express SA (Pty) Limited	Express logistics	Logistics	October 2010	80	44
Danmar Autobody	Panelshops	Car Rental	October 2010	100	92
Graffiti Designs (Pty) Limited	Signage and advertising	Distributorships	July 2010	60	41
Individually immaterial business combinations					150
					1 152

## Reason for the acquisitions

CIC Holdings, a previously JSE Limited entity, was acquired to expand our logistics business into the rest of Africa.

E-Z-GO Golf Carts was acquired to expand our distribution business.

EWC Express was acquired as a strategic entry into the parcel and express logistics market.

Danmar Autobody was acquired to increase market share in the panelshops industry.

Graffiti Designs was acquired to enter into the vehicle signage business.

Impact of the acquisitions on the results of the group	Total Rm	CIC Holdings Limited Rm	E-Z-GO Golf Carts Rm	EWC Express SA (Pty) Limited Rm	Danmar Autobody Rm	Graffiti Designs (Pty) Limited Rm	Individually immaterial acquisitions Rm
From the dates of acquisition, the acquired businesses contributed:							
Revenue	2 761	1 761	48	130	106	126	590
Attributable profit	70	45	5	5	(8)	9	14
Had all the acquisitions been consolidated from 1 July 2010 the income statement would have included:							
Revenue	3 860	2 645	56	173	162	126	698
Attributable profit	99	59	8	5	(6)	9	24



Fair value of assets acquired and liabilities assumed at date of acquisition:	Total Rm	CIC Holdings Limited Rm	E-Z-GO Golf Carts Rm	EWC Express SA (Pty) Limited Rm	Danmar Autobody Rm	Graffiti Designs (Pty) Limited Rm	Individually immaterial acquisitions Rm
<b>Assets</b>							
Intangible assets	201	170					31
Investments, loans, associates and joint ventures	29	29					
Property, plant and equipment	126	38	1	2	57	4	24
Transport fleet	160			15			145
Vehicles for hire	46		30				16
Deferred tax assets	14	9					5
Inventories	232	183	17		2	1	29
Trade and other receivables	539	313	1	31		18	176
Loans due by group companies	35	16				7	12
Cash resources	130	80		4		1	45
	1 512	838	49	52	59	31	483
<b>Liabilities</b>							
Deferred tax liabilities	(43)	(33)		(1)			(9)
Interest-bearing borrowings	(267)	(58)		(24)	(1)	(5)	(179)
Non-current financial liabilities	(2)						(2)
Trade and other payables and provisions	(645)	(414)	(3)	(24)	(4)	(10)	(190)
Current tax liabilities	(7)	(4)					(3)
	(964)	(509)	(3)	(49)	(5)	(15)	(383)
Acquirees' carrying amount at acquisition	548	329	46	3	54	16	100
Less: Non-controlling interests	(51)	(6)		(1)		(7)	(37)
Net assets acquired	497	323	46	2	54	9	63
Purchase consideration transferred	1 152	724	101	44	92	41	150
– Cash	1 073	724	101	24	92	41	91
– Contingent consideration	79			20			59
Fair value of previously held interest	26						26
<b>Excess of purchase price over net assets acquired (intangibles)</b>	681	401	55	42	38	32	113

There were no fair value gains or losses recognised on remeasuring the equity interest before the business combinations.

Trade and other receivables acquired had gross contractual amounts of R549 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 in net assets.

#### Details of contingent consideration

The contingent consideration requires the group to pay the vendors an additional total amount of R79 million over three years if the entities' net profit after tax exceeds certain earnings targets. Acquisition-related costs amounting to R15 million have been excluded from the purchase consideration and have been recognised as an expense in the period, within 'Net operating expenses' in the income statement.

## Annexure B

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### Interest in principal associated companies and joint ventures

**Imperial Holdings Limited**  
Annual Financial Statements 2011

			Carrying value (including loans)		% owned	
Company	Nature of business	Place of incorporation	2011 Rm	2010 Rm	2011 %	2010 %
Associates						
Lereko Mobility (Pty) Limited ^	Investment company	South Africa		387		49,0
Renault South Africa (Pty) Limited	Vehicle distributor	South Africa	221	221	49,0	49,0
Ukhamba Holdings (Pty) Limited	Investment company	South Africa	99	154	46,9	46,9
Pragma Group	IT solutions for asset management	South Africa	45	32	34,4	34,5
MiX Telematics Limited*	Vehicle telematics	South Africa	191	181	25,6	25,4
NGK Spark Plugs (Pty) Limited	Autoparts	South Africa	32	28	25,0	25,0
Other associates			105	91		
Joint ventures						
Colbro Masvingo (Pty) Limited	Logistics	Zimbabwe	55	77	50,0	50,0
Other joint ventures			22	19		
			770	1 190		

<sup>^</sup> Lereko Mobility (Pty) Limited was consolidated as a subsidiary during the current year.

\* Listed on the Johannesburg Securities Exchange, with a year-end of 31 March. At 30 June 2011, the group held 167 878 240 shares at R1,20 in MiX Telematics Limited.

**1. Accounting policies****Insurance and investment contracts****Long-term insurance operations**

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

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

All policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in PGN 104 issued by the Actuarial Society of South Africa.

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

The Financial Soundness Valuation basis requires at each statement of financial position date that liability adequacy tests are performed to ensure the adequacy of the contract liabilities. The liabilities for investment contracts are set equal to the accumulated fair value of the underlying assets plus a non-unit reserve calculated in accordance with PGN 104. Any deficiency is immediately charged to profit and loss and a provision is raised for losses from the liability adequacy tests.

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant although this generally does not occur with the current investment contracts being written.

**Short-term insurance operations**

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

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

Contracts entered into with reinsurers by the long-term and short-term operations, under which the operation 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 income statement.

**Insurance results****Long-term insurance operations**

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

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

**Short-term insurance operations**

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

***Unearned premiums***

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

***Claims***

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

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

***IBNR***

These are calculated on both a best estimate and 75th percentile to be consistent with past reserving practices as well as the expected requirements under Solvency Assessment and Management (SAM).

***Unexpired risk provision***

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

***Deferred acquisition costs***

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

**Revenue recognition****Long-term insurance operations**

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than group schemes. 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 is established to offset any expected losses up until the next renewal date. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in trade and other payables. Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities.

## 1. Accounting policies continued

## Revenue recognition continued

## 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.

## Contingency reserve

Short-term insurance operations:

The statutory contingency reserve is created in accordance with the provisions of the Short-term Insurance Act, 1998, of South Africa. Withdrawals from this reserve may only be made with the consent of the Registrar of Short-term Insurance. The annual adjustment to the reserve account for premium increases or decreases during the year is reflected as an appropriation to or from distributable reserves.

## Cell captives

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

	2011 Rm	2010 Rm
<b>2. Other investments and loans (note 10 to the consolidated annual financial statements)</b>		
<b>2.1 Financial assets held at fair value</b>		
Balance at beginning of year	1 907	833
Additions	2 956	2 636
Disposals	(2 904)	(1 660)
Fair value adjustment	76	99
Currency adjustments	(3)	(1)
<b>Balance at end of year</b>	<b>2 032</b>	<b>1 907</b>
<b>2.2 Reconciliation to consolidated annual financial statements</b>		
Financial assets at fair value – insurance businesses	2 032	1 907
Financial assets at fair value – other operations	14	6
	<b>2 046</b>	<b>1 913</b>
<b>3. Insurance assets and liabilities</b>		
<b>3.1 Liabilities under insurance contracts</b>		
Short-term operations		
Outstanding claims, including claims incurred but not reported		
Balance at beginning of year	583	625
Claims settled in the year	(995)	(1 229)
Claims incurred during the year	1 035	1 187
<b>Balance at end of year</b>	<b>623</b>	<b>583</b>
Outstanding claims*	473	479
Incurred by not reported	150	104
<b>Balance at end of year</b>	<b>623</b>	<b>583</b>

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

	2011 Rm	2010 Rm
<b>3. Insurance assets and liabilities</b> <i>continued</i>		
<b>3.2 Unearned premium provision</b>		
Balance at beginning of year	534	663
Premiums written during the year	2 038	2 032
Premiums earned during the year	(2 093)	(2 161)
<b>Balance at end of year</b>	<b>479</b>	<b>534</b>
<b>3.3 Long-term operations</b>		
Balance at beginning of year	465	610
Transfer to income statement	(9)	(143)
Arising from translation of foreign liabilities	(3)	(2)
<b>Balance at end of year</b>	<b>453</b>	<b>465</b>

**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, market statistics were used. Recent trends evident in the data were allowed for.

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

The compulsory margins are summarised as follows :

<b>Assumption</b>	<b>Compulsory margin</b>
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 increased by 7,5%
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	An additional 30% margin was added
Expenses	Individual Life business has an additional 10% discretionary margin
Extended lives mortality	An additional 7,5% margin was added
All other decrements	For credit life an additional 10% margin was added

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

## 3. Insurance assets and liabilities continued

## 3.3 Long-term operations continued

**Process used to decide on long-term insurance assumptions** continued

The assumptions used for insurance contracts are as follows:

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

**(a) Mortality**

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

**(b) Morbidity**

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

**(c) Medical and retrenchment**

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

**(d) Withdrawal**

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

**(e) Investment returns**

Separate investment returns were derived for the annuity and non-annuity business. Furthermore, for the non-annuity business, separate interest rates were determined for the Individual Life and Credit Life classes of business since they have a different 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 matched 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.

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

*South Africa*

Credit Life single premium business: 5,87% (2010: 7,21%)

Credit Life regular premium business: 5,87% (2010: 7,66%)

Individual Life: 7,68% (2010: 8,79%)

Disabled annuity business: 8,70% (2010: 9,17%)

With profit annuity business: 8,80% (2010: 9,34%)

*Botswana:* 5,65% (2010: 6,15%)

*Lesotho:* 8,37% (2010: 7,72%)

Lesotho future reversionary bonus: 5,00% (2010: 5,00%)

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

**(g) Renewal expenses and inflation**

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

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

**(h) Tax**

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

**3. Insurance assets and liabilities continued****3.3 Long-term operations continued****Change in assumptions**

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

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

As a result of these economic changes, the actuarial liabilities reduced by R15,2 million.

The non-economic assumptions were also reviewed as follows:

- Per policy expenses were amended to reflect the current and expected future experience. This resulted in a reduction in actuarial liabilities of R30,5 million.
- The withdrawal assumptions were adjusted to reflect the recent lapse experience. This resulted in an increase in actuarial liabilities of R7,3 million.
- Decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in an increase to actuarial liabilities of R0,04 million.

As a result of these non-economic changes, the actuarial liabilities decreased by R23,2 million.

Negative reserves were eliminated for all policies with three or more premiums in arrears. This resulted in an increase to the actuarial liabilities of R46 million.

The overall impact of all the above changes was an increase in the actuarial liabilities of R7,6 million.

Regarding Botswana, the value of liabilities as at 30 June 2011 increased by P1,0 million as a result of changes to valuation assumptions.

The main assumptions changes causing this increase were as follows:

- The renewal expense assumptions were amended in the light of the most recent expense investigation. This resulted in a reduction of P0,4 million.
- The economic assumptions were amended to reflect the current economic environment. This resulted in an increase of reserves of P0,2 million.
- The withdrawal assumptions were adjusted to reflect the recent lapse experience. This resulted in an increase in actuarial liabilities of P0,3 million.
- Decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in an increase to actuarial liabilities of P0,9 million.

Regarding Lesotho, the changes detailed below were made to the assumptions. As a result the BSR increased by approximately M2,7 million and the excess assets by approximately M0,3 million.

- The renewal expense assumptions were amended in the light of the most recent expense investigation. This resulted in a reduction of M0,3 million.
- The economic assumptions were amended to reflect the current economic environment. This resulted in a decrease of reserves of M2,6 million.
- Decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in a decrease to actuarial liabilities of M0,1 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 2011 Rm	Change in liability 2010 Rm
Worsening of mortality	10% worse claims	32,4	30,1
Lowering of investment returns	15% lower returns	0,3	9,4
Worsening of base renewal expense level	10% higher expenses	23,7	20,5
Worsening of expense inflation	10% higher expense inflation	6,4	5,0
Worsening of lapse rate	25% higher withdrawals	28,8	16,1

The 2011 withdrawal sensitivity has increased relative to last year. This is due to the build up of policies relating to the new funeral product within the individual life business class. Due to their long-term nature and large negative reserves, they are relatively more sensitive to a change in lapse assumption.

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

	2011 Rm	2010 Rm
<b>3.4 Financial liabilities under investment contracts – long-term operations</b>		
Balance at beginning of year	94	83
Deposits	17	21
Payments	(8)	(7)
Fair value adjustment	1	(3)
<b>Balance at end of year</b>	<b>104</b>	<b>94</b>
<b>3.5 Reconciliation to consolidated annual financial statements</b>		
<b>Insurance and investment contracts</b> <b>(note 22 to the consolidated annual financial statements)</b>		
Short-term operations – unearned premium provisions (see 3.2)	479	534
Long-term operations: Liabilities under insurance contracts (see 3.3)	453	465
Long-term operations: Liabilities under investment contracts (see 3.4)	104	94
	<b>1 036</b>	<b>1 093</b>
<b>3.6 Reinsurers' share of liabilities under insurance contracts</b> <b>(note 11 to the consolidated annual financial statements)</b>		
Balance at beginning of year	206	203
Movement in reinsurer's share of insurance liabilities	38	3
<b>Balance at end of year</b>	<b>244</b>	<b>206</b>
<b>3.7 Insurance claims provisions</b> <b>(note 24 to the consolidated annual financial statements)</b>		
Short-term operations – IBNR (see 3.1)	150	104
Long-term operations – outstanding claims provisions	40	44
Other operations – outstanding claims provisions	18	19
	<b>208</b>	<b>167</b>

	2011 Rm	2010 Rm
<b>4. Revenue</b> <b>(note 26 to the consolidated annual financial statements)</b>		
<b>Premium income</b>		
<b>Long-term operations</b>		
Individual and Credit Life premium income		
Single premiums	60	43
Reinsurance	(1)	(6)
Net premium income	59	37
Recurring premiums	410	366
Reinsurance	(32)	(20)
Net premium income	378	346
<b>Group life premium income</b>		
Recurring premiums	181	166
Reinsurance	(49)	(43)
Net life premium income	132	123
Net premium income from long-term operations	569	506
<b>Short-term operations</b>		
Gross premiums written	1 907	1 896
Reinsurance	(234)	(300)
Net premium income from short-term operations	1 673	1 596
<b>Total net premium income</b>	<b>2 242</b>	<b>2 102</b>
<b>Total gross premium income</b>	<b>2 558</b>	<b>2 471</b>

Gross premium of R137 million (2010: R136 million) that relates to business within the group has been eliminated from the short-term operations gross premium above. Gross premium income is stated net of the related bad debt provision.

The short-term insurance operations reported an insurance result excluding investment returns of R246 million (2010: R115 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 according to 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 termination 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 operation's insurance portfolio. Therefore the operation's exposure at any time to insurance contracts issued more than one year before is limited.

**Capital adequacy and solvency risk****Long-term operations**

The capital adequacy requirement is determined according to generally accepted actuarial principles in terms of the guidelines issued by the Actuarial Society of South Africa. It is an estimate of the minimum capital that will be required to meet fairly substantial deviations from the main assumptions affecting the group's business. At 30 June 2011 the capital adequacy requirement is R85,4 million (2010: R102 million) and the ratio of excess assets to capital adequacy requirements is 3,89 (2010: 2,5).

**Short-term operations**

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

**Underwriting risk****Long-term insurance operations**

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

**Short-term insurance operations**

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

**Regulatory risks**

Continuous legislation changes in the long-term and short-term environment may impact severely on the operational and financial structures within these businesses. The operation 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 operation 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 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.

**Catastrophic 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.

**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. Sales of policies and services are made to customers with an appropriate credit history. The operation has policies in place that limit the credit exposure to any institution and reputable reinsurers are used for the group's reinsurance treaties.

**Currency risk**

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

**6. Significant accounting judgements and estimates****Long-term insurance operations****Insurance liabilities in respect of long-term insurance contracts and investment contracts**

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

**Short-term insurance operations**

The estimation of the liability arising from claims under short-term insurance contracts is impacted on by several sources of uncertainty. The environment can change unexpectedly and the operation 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

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### Summary of employment equity report

Imperial Holdings Limited

Annual Financial Statements 2011

	2011	2010
<b>Summary of global workforce</b>		
South African (including foreign nationals)	<b>34 757</b>	30 528
Non-South African	<b>6 141</b>	5 440
<b>Total workforce</b>	<b>40 898</b>	35 968

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

Occupational levels	Male				Female				Foreign nationals		Total 2011	Total 2010
	A	C	I	W	A	C	I	W	Male	Female		
<b>Permanent staff</b>												
Top management	5	4	8	177	5	1	5	17	2	1	<b>225</b>	222
Senior management	18	9	35	398	6	3	18	111	6		<b>604</b>	606
Professionally qualified and experienced specialists and mid-management	168	128	245	1 220	106	63	94	697	12	1	<b>2 734</b>	2 311
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2 006	736	657	2 673	396	249	198	1 318	30	8	<b>8 271</b>	7 591
Semi-skilled and discretionary decision making	8 258	1 702	590	1 208	1 230	671	350	1 578	138	6	<b>15 731</b>	13 918
Unskilled and defined decision making	4 348	569	80	98	1 057	114	6	17	29	1	<b>6 319</b>	4 978
	<b>14 803</b>	<b>3 148</b>	<b>1 615</b>	<b>5 774</b>	<b>2 800</b>	<b>1 101</b>	<b>671</b>	<b>3 738</b>	<b>217</b>	<b>17</b>	<b>33 884</b>	29 626
<b>Non-permanent staff</b>	306	50	15	334	49	26	5	42	46		<b>873</b>	902
	<b>15 109</b>	<b>3 198</b>	<b>1 630</b>	<b>6 108</b>	<b>2 849</b>	<b>1 127</b>	<b>676</b>	<b>3 780</b>	<b>263</b>	<b>17</b>	<b>34 757</b>	30 528

Note: A = African; C = Coloured; I = Indian; W = White

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

# 103 Corporate information

## Imperial Holdings Limited

Annual Financial Statements 2011

### Directors

#### Non-executive

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

\* Independent

#### Executive

HR Brody (chief executive), BAcc (Hons), CA(SA)  
OS Arbee, BAcc, CA(SA), H Dip Tax  
MP de Canha  
RL Hiemstra, BCompt (Hons), CA(SA)  
AH Mahomed (deputy chief executive), BCompt (Hons), CA(SA), H Dip Tax  
GW Riemann (German)  
M Swanepoel, BCom Acc (Hons)

#### Executive committee

HR Brody (chairman), M Akoojee, OS Arbee, MP de Canha, BJ Francis, DD Gnodde, RL Hiemstra, AH Mahomed, M Mosola, M Swanepoel

#### Audit committee

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

#### Remuneration and nomination committee

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

#### Risk committee

Y Waja (chairman), H Adler, OS Arbee, HR Brody, BJ Francis, DD Gnodde, R Haman, RL Hiemstra, MJ Leeming, P Michaux, G Rudman

#### Social, ethics and sustainability committee

MV Moosa (chairman), OS Arbee, MP de Canha, BJ Francis, TS Gcabashe, DD Gnodde, P Langeni, P Michaux, M Mosola, M Swanepoel, A Tugendhaft; RA Venter

#### Assets and liabilities committee

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

#### Group internal audit executive

G Nzalo, BCom, CA(SA), CIA

#### Group treasurer

WF Reitsma, BTech Banking, MCom, FIBSA, FIFM

#### Group legal adviser and company secretary

RA Venter, BCom, LLB, LLM

#### Group risk executive

BJ Francis, BCompt (Hons), CIA

### Name and registration number

Imperial Holdings Limited  
1946/021048/06

### Business address and registered office

Imperial Place  
Jeppe Quondam  
79 Boeing Road East  
Bedfordview  
2007

### Postal address and contact numbers

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Edenvale  
1610

Telephone +27 (0) 11 372 6500

Facsimile +27 (0) 11 372 6550

### Share transfer secretaries

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70 Marshall Street  
Johannesburg  
2001

PO Box 61051  
Marshalltown  
2107

Telephone +27 (0)11 370 5000

Facsimile +27 (0)11 370 5487

### Head of sustainability

R Sharfuddin  
Telephone +27 (0)11 372 6500  
Email: rsharfuddin@ih.co.za

### 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 distribution: September 2011  
Annual general meeting: November 2011  
Interim results released: February 2012  
Interim distribution: April 2012  
Final results released: August 2012