



FAST MOVING FORWARD THINKING

Imperial Holdings Limited

Annual Financial Statements 2013

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



Annual financial statements

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These annual financial statements were published on 30 September 2013

Directors' responsibility for financial reporting

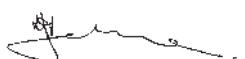
for the year ended 30 June 2013

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The annual financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board in issue and effective for the group at 30 June 2013 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the South African Companies Act, 2008. The group's independent external auditor, Deloitte & Touche, have audited the annual financial statements and their unmodified report appears on page 2.

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

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

The audited annual financial statements set out on pages 3 to 102 which are available on the group's website at www.imperial.co.za were approved by the board of directors on 20 August 2013 and are signed on their behalf by:



TS Gcabashe
Chairman



HR Brody
Chief executive



OS Arbee
Financial director

Preparer of annual financial statements

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



R Mumford
General manager group finance

20 August 2013

Certificate by company secretary

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2013, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act No 71 of 2008, as amended, and that all such returns are true, correct and up to date.



RA Venter
Company secretary

20 August 2013

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

We have audited the consolidated and separate annual financial statements of Imperial Holdings Limited set out on pages 3 to 102, which comprise the statements of financial position as at 30 June 2013, the statements of profit or loss, the statements of comprehensive income, the statements of changes in equity, the statements of cash flows, and the notes comprising a summary of significant accounting policies for the year then ended and other explanatory information.

Directors' responsibility for the annual financial statements

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

Auditor's responsibility

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

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

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

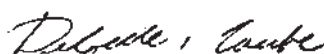
Opinion

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Imperial Holdings Limited as at 30 June 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

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

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



Deloitte & Touche
Registered Auditors

Per AF Mackie
Partner

20 August 2013

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

National Executive: LL Bam (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax), TP Pillay (Consulting), K Black (Clients & Industries), JK Mazzocco (Talent & Transformation), CR Beukman (Finance), M Jordan (Strategy), S Gwala (Special Projects), TJ Brown (Chairman of the Board), MJ Comber (Deputy Chairman of the Board)

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

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Report of the audit committee

for the year ended 30 June 2013

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

Members of the audit committee and attendance at meetings

The audit committee consists of the non-executive directors listed below and meets at least four times per annum in accordance with its charter. All members act independently as described in the Act. The members of the committee in respect of the year ended 30 June 2013 comprised Mr MJ Leeming (Chairman), Ms P Langeni, Mr RJA Sparks and Mr Y Waja (the committee), all of whom are independent non-executive directors of the company and whose appointments were approved by shareholders at the AGM held on 31 October 2012.

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

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

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

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

Role of the audit committee

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

The committee:

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

Execution of functions during the year

The committee is satisfied that, for the 2013 financial year, it has performed all the functions required to be performed by an audit committee as set out in the Act and the committee's terms of reference.

Report of the audit committee *continued*

for the year ended 30 June 2013

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

Financial statements

The committee among other matters:

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

External audit

The committee among other matters:

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

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

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

Internal audit

The audit committee:

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

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

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

Risk management and information technology (IT) governance

The committee:

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

Legal and regulatory requirements

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

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

Expertise and experience of financial director and the finance function

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

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

Subsidiary companies

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

Integrated report

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

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



MJ Leeming

Chairman

20 August 2013

Directors' report

for the year ended 30 June 2013

Nature of business

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

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

Financial performance

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

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

Share capital

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

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

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

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

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

Directors and secretary

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

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

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

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

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

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

Details of the rights granted in terms of the schemes are set out in note 17 to the annual financial statements on pages 57 to 58.

Dividends

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

Subsidiaries

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

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

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

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

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

Special resolutions

The company passed the following special resolutions at a general meeting held on 16 August 2012:

- Amending the preference share terms in the Memorandum of Incorporation.

The company passed the following special resolutions at its annual general meeting held on 31 October 2012:

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

The company passed the following special resolutions at a general meeting held on 15 March 2013:

- Adopting a new Memorandum of Incorporation in terms of the Act.

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

- Granting to the directors of the companies specific authority to provide financial assistance to related and inter-related parties as contemplated in section 45 of the Act.
- Granting to the companies authority to make distributions as contemplated in section 46 of the Act.
- Approving directors' fees payable from 1 July 2012 to 30 June 2013.
- Adopting a new Memorandum of Incorporation.
- Changing the capital structure of Regent Insurance Company Limited and Regent Life Assurance Company Limited.

Events subsequent to year-end

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

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

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

Accounting policies and new and revised standards

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

Remuneration committee report

for the year ended 30 June 2013

Chairman's message

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

We have taken cognisance of stakeholder feedback and have this year endeavoured to further improve on the disclosure in our previous remuneration report. We have also taken note of the need by various stakeholders in JSE-listed companies for greater transparency in communicating the drivers of remuneration levels.

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



RJA Sparks

Chairman of the committee

20 August 2013

Governance

Role of the committee

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

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

Membership of the committee

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

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

The committee had three meetings during the past financial year.

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

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

* Independent.

Resigned 5 September 2013.

Remuneration committee report

for the year ended 30 June 2013

Our remuneration policy

Our remuneration policy was approved by shareholders at the annual general meeting held on 31 October 2012 and is again being submitted to shareholders at the annual general meeting to be held on 7 November 2013 for approval by non-binding advisory vote.

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

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

Elements of executive remuneration

Executives' remuneration comprises the following principal elements:

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

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

Fixed remuneration

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

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

Incentive bonuses

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

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

In respect of certain key individuals, long-term retention arrangements have been entered into, linked to individual and business performance. The last of these arrangements, payable to RL Hiemstra, matured in September 2012. The retention bonus paid to RL Hiemstra was subject to him remaining in the continuous employ of the group until 2 July 2011.

Long-term incentive schemes

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

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

Remuneration committee report *continued*

for the year ended 30 June 2013

Allocation model

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

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

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

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

The Share Appreciation Rights Scheme (SAR)

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

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

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

Core EPS condition

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

ROIC condition

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

*The minimum EPS and ROIC target thresholds are set at a level which takes into account performance of the group but also the important objective of retention of key staff during times when business conditions are challenging.

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

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

The Conditional Share Plan (CSP)

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

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

The Deferred Bonus Plan (DBP)

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

Cash Retention Plan (CRP)

Selected participants receive grants of CRP rights, which are conditional rights to receive a cash payment. Vesting of rights is subject to performance conditions being met. The performance conditions and performance period are determined by the board in respect of each new grant of rights and these are specifically tailored to drive divisional profitability.

The performance targets employed in the CRP issued in 2011 and 2012 are the achievement of specified divisional and group targets relating to growth in profit before interest and tax (PBIT), relative to a performance period target and return on invested capital (ROIC) of the participant's division compared to its weighted average cost of capital of the particular business unit, over a three-year performance period. For each grant of CRP, 50% of the awards are subject to the achievement of the PBIT performance condition and 50% of the awards are subject to the achievement of the ROIC performance condition. The extent to which each performance condition has been met is determined on the vesting date, and linear vesting takes place between nil and 100%. The targets and measuring terms relating to each issue are detailed in a letter of grant and are independently verified prior to vesting.

No allocations were made under the CRP this year.

Eligibility

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

A total of 11 216 355 share appreciation rights remain unexercised in terms of the SAR scheme at an average price of R148,05 per share. A total of 432 234 DBP rights have been taken up and remain unvested and a further 119 363 have been allocated this year and remain unexercised. No rights have been allocated in terms of the CSP.

Hedge

The group hedges its exposure to deliver shares in terms of share-based long-term incentive schemes by taking out hedges or buying back shares to avoid dilution associated with the issue of shares. All past awards have been fully hedged through the purchase of call options. In respect of the 2009 award, Imperial bought back shares which were then utilised in respect of shares that had to be delivered in the past financial year.

Retirement schemes

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

Other benefits

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

Succession policy and plans

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

External appointments

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

Remuneration committee report *continued*

for the year ended 30 June 2013

Directors' and prescribed officers' service contracts

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

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

Directors' remuneration

Non-executive directors' fees

Fees payable to non-executive directors are proposed by the executive committee, reviewed by the remuneration and nomination committee and recommended to the board, which in turn makes recommendations to shareholders after consideration of the fees paid by comparable companies, responsibilities taken by the non-executive directors and considerations relating to the retention and attraction of high-calibre individuals. The group has decided to maintain a structure where directors' fees are not split between membership and attendance fees, as the group has not had significant instances of non-attendance of meetings.

Directors' fees for the past year

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

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

*Paid in addition to a member's fee.

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

Directors' fees for the next year

At the annual general meeting to be held on 7 November 2013, members will be requested to approve the following increases in non-executive directors' remuneration by special resolution in terms of section 66(9) of the Companies Act, 2008, as amended, granting authority to pay fees for services as directors, which shall be valid with effect from 1 July 2013 until the next annual general meeting of the company as follows:

| | |
|--|---------------------------|
| — Chairman* | from R394 000 to R742 000 |
| — Deputy chairman* | from R198 000 to R371 000 |
| — Board member | from R198 000 to R212 000 |
| — Assets and liabilities committee chairman* | from R104 000 to 135 000 |
| — Assets and liabilities committee member | from R69 500 to R90 000 |
| — Audit committee chairman* | from R227 000 to R280 000 |
| — Audit committee member | from R114 000 to R140 000 |
| — Risk committee chairman* | from R107 000 to R135 000 |
| — Risk committee member | from R72 000 to R90 000 |
| — Remuneration and nomination committee chairman* | from R104 000 to R135 000 |
| — Remuneration and nomination committee member | from R69 500 to R90 000 |
| — Social, ethics and sustainability committee chairman * | from R104 000 to R135 000 |
| — Social, ethics and sustainability committee member | from R69 500 to R90 000 |

*Paid in addition to a member's fee.

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

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

Executive directors' and prescribed officers' remuneration

The table below provides an analysis of the emoluments paid to executive and non-executive directors and prescribed officers of the company for the year ended 30 June 2013:

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

1. Other benefits – These include the fringe benefit value of company cars and motor car allowances and long-term performance-based retention payments.
2. This represents the expected value of all long-term incentive awards made in the reporting year, which expected value is calculated using a Black-Scholes valuation model and assuming that 50% of the HEPS performance target and 62,5% of the ROIC performance target will be reached.
3. R438 726 is paid by Ukhamba Holdings in respect of its chairman's fees.
4. RL Hiemstra served as an executive director until 30 September 2012 and part of his reported remuneration relates to that period.
5. Overseas based – GW Riemann is employed in Germany and his salary is paid in Euro, based on the market conditions in that country.
6. Disclosure for prescribed officers in terms of the Companies Act, 2008, for the full financial year. Prescribed officers are persons, not being directors, who either alone or with others exercise executive control and management of the whole or a significant portion of the business of the company. Although King III recommends that the remuneration of the top three earners who are not directors should be disclosed, this recommendation has substantially been incorporated in the Act by the prescribed officer disclosure and for this reason no further disclosure has been made in addition to that prescribed in the Act.

Remuneration committee report *continued*

for the year ended 30 June 2013

Incentive schemes

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

Participation in the Share Appreciation Rights Scheme

| | Commence- ment date | Price on commence- ment date (R) | Number of rights* | Number of rights exercised | Number of rights remaining | Vesting date |
|-------------------------------|------------------------|--|----------------------|----------------------------------|----------------------------------|-------------------|
| Executive directors | | | | | | |
| OS Arbee | 18 June 2009 | 55,32 | 91 507 | 91 507 | | |
| | 2 June 2010 | 96,71 | 56 333 | | 56 333 | 16 September 2013 |
| | 14 June 2011 | 116,59 | 23 377 | | 23 377 | 7 September 2014 |
| | 13 June 2012 | 170,57 | 44 743 | | 44 743 | 26 August 2015 |
| | 11 June 2013 | 195,20 | 77 582 | | 77 582 | 15 September 2016 |
| HR Brody | 18 June 2009 | 55,32 | 154 700 | 154 700 | | |
| | 2 June 2010 | 96,71 | 92 540 | | 92 540 | 16 September 2013 |
| | 14 June 2011 | 116,59 | 35 750 | | 35 750 | 7 September 2014 |
| | 13 June 2012 | 170,57 | 66 936 | | 66 936 | 26 August 2015 |
| | 11 June 2013 | 195,20 | 101 869 | | 101 869 | 15 September 2016 |
| MP de Canha | 18 June 2009 | 55,32 | 100 186 | 100 186 | | |
| | 2 June 2010 | 96,71 | 60 275 | | 60 275 | 16 September 2013 |
| | 14 June 2011 | 116,59 | 25 011 | | 25 011 | 7 September 2014 |
| | 13 June 2012 | 170,57 | 47 876 | | 47 876 | 26 August 2015 |
| | 11 June 2013 | 195,20 | 68 215 | | 68 215 | 15 September 2016 |
| AH Mahomed | 5 June 2008 | 49,46 | 456 850 | | 456 850+ | |
| | 18 June 2009 | 55,32 | 143 761 | | 143 761++ | |
| | 2 June 2010 | 96,71 | 85 996 | | 85 996 | 16 September 2013 |
| | 14 June 2011 | 116,59 | 33 223 | | 33 223 | 7 September 2014 |
| | 13 June 2012 | 170,57 | 62 203 | | 62 203 | 26 August 2015 |
| M Swanepoel | 18 June 2009 | 55,32 | 83 578 | 83 578 | | |
| | 2 June 2010 | 96,71 | 53 323 | | 53 323 | 16 September 2013 |
| | 14 June 2011 | 116,59 | 23 377 | | 23 377 | 7 September 2014 |
| | 13 June 2012 | 170,57 | 44 743 | | 44 743 | 26 August 2015 |
| | 11 June 2013 | 195,20 | 68 641 | | 68 641 | 15 September 2016 |
| Non-executive director | | | | | | |
| RL Hiemstra** | 18 June 2009 | 55,32 | 93 590 | 93 590 | | 15 September 2012 |
| | 2 June 2010 | 96,71 | 56 306 | | 56 306 | 16 September 2013 |
| | 14 June 2011 | 116,59 | 23 377 | | 23 377 | 7 September 2014 |
| Prescribed officers | | | | | | |
| PB Michaux | 18 June 2009 | 55,32 | 49 915 | 49 915 | | |
| | 2 June 2010 | 96,71 | 30 750 | | 30 750 | 16 September 2013 |
| | 14 June 2011 | 116,59 | 12 200 | | 12 200 | 7 September 2014 |
| | 13 June 2012 | 170,57 | 31 241 | | 31 241 | 26 August 2015 |
| | 11 June 2013 | 195,20 | 51 092 | | 51 092 | 15 September 2016 |
| JJ Strydom | 18 June 2009 | 55,32 | 75 744 | 75 744 | | |
| | 2 June 2010 | 96,71 | 25 264 | | 25 264 | 16 September 2013 |
| | 14 June 2011 | 116,59 | 9 384 | | 9 384 | 7 September 2014 |
| | 13 June 2012 | 170,57 | 29 342 | | 29 342 | 26 August 2015 |
| | 11 June 2013 | 195,20 | 50 000 | | 50 000 | 15 September 2016 |

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

** Received allocations before retirement as an executive director.

+ Lapses 15 May 2015.

++ Lapses 18 June 2016.

Participation in the Deferred Bonus Plan

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

^{**} Received allocations before retirement as an executive director.

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

Remuneration committee report continued

for the year ended 30 June 2013

Participation in the Deferred Bonus Plan continued

| | Allocation date | Number of rights allocated | Number of shares committed to the plan ⁺ | Balance available to be taken up | Vested during the year | Balance remaining | Vesting date |
|----------------------------|-----------------|----------------------------|---|----------------------------------|------------------------|-------------------|-------------------|
| Prescribed officers | | | | | | | |
| PB Michaux | 5 June 2008 | 11 911 | 3 680 | | 3 680 | | |
| | | | 8 231 | | | 8 231 | 15 September 2013 |
| | 18 June 2009 | 4 867 | 4 867 | | 4 867 | | |
| | 2 June 2010 | 3 167 | 3 167 | | | 3 167 | 16 September 2013 |
| | 14 June 2011 | 5 251 | 5 251 | | | 5 251 | 7 September 2014 |
| | 13 June 2012 | 4 793 | 4 793 | | | 4 793 | 26 August 2015 |
| JJ Strydom | 11 June 2013 | 4 634 | | 4 634 | | | 15 September 2016 |
| | 5 June 2008 | 1 364 | 1 364 | | | 1 364 | 15 September 2013 |
| | 2 June 2010 | 2 602 | 2 602 | | | 2 602 | 16 September 2013 |
| | 14 June 2011 | 4 039 | 4 039 | | | 4 039 | 7 September 2014 |
| | 13 June 2012 | 3 957 | 3 957 | | | 3 957 | 26 August 2015 |
| | 11 June 2013 | 3 689 | | 3 689 | | | 15 September 2016 |

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

Gains by directors and prescribed officers on DBP and SAR exercised during the year

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

[#]Non-executive from 1 October 2012.

Directors' and prescribed officers' interests in shares

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

Approval

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

Consolidated statement of financial position

at 30 June 2013

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

Consolidated statement of profit or loss

for the year ended 30 June 2013

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

Consolidated statement of comprehensive income

for the year ended 30 June 2013

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

Consolidated statement of cash flows

for the year ended 30 June 2013

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

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

Consolidated statement of changes in equity

for the year ended 30 June 2013

| | Share capital and share premium Rm | Shares repurchased Rm | Share-based payment reserve Rm | Hedge accounting reserve Rm |
|---|---|-----------------------------|---|--------------------------------------|
| Balance at 30 June 2011 | 9 | (220) | (122) | (50) |
| Net attributable profit for the year | | | | |
| Total other comprehensive income | | | | 393 |
| Transfer of reserves on disposal of assets | | | | |
| Total comprehensive income for the year | | | | 393 |
| Dividends declared by Ukhamba Holdings (Pty) Ltd in excess of its carrying value | | | | |
| 115 060 ordinary shares issued at premium | 13 | | | |
| Movement in statutory reserve | | | | |
| Share-based equity reserve charged to profit or loss | | | 107 | |
| Share-based equity reserve transferred to retained earnings on vesting | | | 39 | |
| Share-based equity reserve hedging cost utilisation | | | (136) | |
| Dividend of 260 cents per ordinary share in September 2011 | | | | |
| Dividend of 300 cents per ordinary share in March 2012 | | | | |
| Non-controlling interests arising on acquisition of businesses, net of disposals | | | | |
| Net decrease in non-controlling interests | | | | |
| Non-controlling interest share of dividends | | | | |
| Balance at 30 June 2012 | 22 | (220) | (112) | 343 |
| Net attributable profit for the year | | | | |
| Total other comprehensive income | | | | (26) |
| Transfer of reserves on disposal of assets | | | | |
| Total comprehensive income for the year | | | | (26) |
| Movements in statutory reserve | | | | |
| Repurchase and cancellation of 4 003 074 ordinary shares from open market at an average price of R185,29 | | | | |
| 1 861 850 ordinary shares issued in settlement of share incentive scheme obligations | 360 | | (271) | |
| Share-based equity reserve charged to profit or loss | | | 113 | |
| Share-based equity reserve transferred to retained earnings on vesting | | | 196 | |
| Share-based equity reserve hedging cost utilisation | | | (193) | |
| Dividend of 380 cents per ordinary share in October 2012 | | | | |
| Dividend of 380 cents per ordinary share in April 2013 | | | | |
| Realisation on disposal of subsidiaries | | | | |
| Non-controlling interests disposed, net of acquisitions and shares issued | | | | |
| Net increase in non-controlling interests | | | | |
| Non-controlling interest share of dividends | | | | |
| Balance at 30 June 2013 | 382 | (220) | (267) | 317 |

| Other reserves | | | | Retained earnings Rm | Attributable to owners of Imperial Rm | Non-controlling interests Rm | Total equity Rm |
|-------------------------|--|---|-------------------------|-------------------------|--|---------------------------------|--------------------|
| Statutory reserve Rm | Foreign currency translation reserve Rm | Premium paid on purchase of non-controlling interests Rm | Valuation reserve Rm | | | | |
| 285 | 54 | (62) | 6 | 12 073 | 11 973 | 1 043 | 13 016 |
| | | | | 2 980 | 2 980 | 408 | 3 388 |
| | 205 | | 19 | | 617 | 55 | 672 |
| | | | (19) | | (19) | | (19) |
| | 205 | | | 2 980 | 3 578 | 463 | 4 041 |
| | | | | 305 | 305 | | 305 |
| | | | | | 13 | | 13 |
| (133) | | | | 133 | | | |
| | | | | | 107 | 5 | 112 |
| | | | | (39) | | | |
| | | | | | (136) | (2) | (138) |
| | | | | (506) | (506) | | (506) |
| | | | | (585) | (585) | | (585) |
| | | | | | | 36 | 36 |
| | | (83) | | | (83) | (63) | (146) |
| | | | | | | (259) | (259) |
| 152 | 259 | (145) | 6 | 14 361 | 14 666 | 1 223 | 15 889 |
| | | | | 3 294 | 3 294 | 392 | 3 686 |
| | 701 | | 10 | | 685 | 33 | 718 |
| | | | (10) | | (10) | | (10) |
| | 701 | | | 3 294 | 3 969 | 425 | 4 394 |
| 21 | | | | (21) | | | |
| | | | | (742) | (742) | | (742) |
| | | | | | 89 | (14) | 75 |
| | | | | | 113 | 3 | 116 |
| | | | | (196) | | | |
| | | | | | (193) | 2 | (191) |
| | | | | (743) | (743) | | (743) |
| | | | | (735) | (735) | | (735) |
| | | (1) | | 1 | | | |
| | | | | | | (64) | (64) |
| | | (11) | | | (11) | 2 | (9) |
| | | | | | | (277) | (277) |
| 173 | 960 | (157) | 6 | 15 219 | 16 413 | 1 300 | 17 713 |

Segment financial position[#]

| at 30 June | LOGISTICS | | | | | |
|---|---------------|---------------|------------------------------------|--------------|---------------|--------------|
| | Group | | Africa (including South Africa) | | International | |
| | 2013 Rm | 2012 Rm | 2013 Rm | 2012 Rm | 2013 Rm | 2012 Rm |
| Business segmentation | | | | | | |
| Assets | | | | | | |
| Goodwill and intangible assets | 5 206 | 4 234 | 1 261 | 882 | 3 174 | 2 720 |
| Investments, associates and joint ventures | 4 009 | 2 786 | 407 | 53 | 124 | 83 |
| Property, plant and equipment | 9 257 | 8 080 | 1 440 | 1 264 | 2 057 | 1 709 |
| Transport fleet | 4 626 | 4 336 | 3 330 | 3 303 | 1 339 | 1 078 |
| Vehicles for hire | 2 465 | 2 321 | | | | |
| Non-current financial assets | 227 | 242 | | | | |
| Inventories | 11 492 | 9 218 | 343 | 294 | 178 | 120 |
| Trade and other receivables | 10 437 | 9 275 | 3 842 | 3 356 | 2 818 | 2 275 |
| Cash resources in financial services businesses | 724 | 1 083 | | | | |
| Operating assets | 48 443 | 41 575 | 10 623 | 9 152 | 9 690 | 7 985 |
| Deferred tax assets | 1 014 | 930 | | | | |
| Loans to associates and other investments | 526 | 536 | | | | |
| Tax in advance | 439 | 195 | | | | |
| Cash resources | 1 120 | 2 462 | | | | |
| Assets classified as held for sale | 94 | | | | | |
| Total assets per statement of financial position | 51 636 | 45 698 | | | | |
| Liabilities | | | | | | |
| Retirement benefit obligations | 757 | 590 | | | 757 | 590 |
| Insurance, investment, maintenance and warranty contracts | 3 970 | 3 222 | | | | |
| Trade and other payables and provisions | 15 771 | 13 886 | 4 229 | 3 656 | 2 901 | 2 394 |
| Non-current financial liabilities | 419 | 348 | 203 | 102 | 22 | 21 |
| Operating liabilities | 20 917 | 18 046 | 4 432 | 3 758 | 3 680 | 3 005 |
| Non-redeemable, non-participating preference shares | 441 | 441 | | | | |
| Interest-bearing borrowings | 10 568 | 9 747 | | | | |
| Deferred tax liabilities | 1 498 | 1 107 | | | | |
| Current tax liabilities | 453 | 468 | | | | |
| Liabilities directly associated with assets classified as held for sale | 46 | | | | | |
| Total liabilities per statement of financial position | 33 923 | 29 809 | | | | |
| Geographic segmentation | | | | | | |
| Operating assets | 48 443 | 41 575 | 10 623 | 9 152 | 9 690 | 7 985 |
| – South Africa | 32 180 | 28 662 | 8 177 | 7 354 | | |
| – Rest of Africa | 3 726 | 2 866 | 2 445 | 1 798 | | |
| – Rest of world | 12 537 | 10 047 | 1 | | 9 690 | 7 985 |
| Operating liabilities | 20 917 | 18 046 | 4 432 | 3 758 | 3 680 | 3 005 |
| – South Africa | 14 457 | 13 191 | 3 664 | 3 221 | | |
| – Rest of Africa | 1 494 | 1 178 | 768 | 537 | | |
| – Rest of world | 4 966 | 3 677 | | | 3 680 | 3 005 |
| Interest-bearing borrowings | 10 568 | 9 747 | 3 175 | 2 485 | 3 735 | 3 731 |
| – South Africa | 5 650 | 3 503 | 2 423 | 2 013 | | |
| – Rest of Africa | 993 | 632 | 756 | 471 | | |
| – Rest of world | 3 925 | 5 612 | (4) | 1 | 3 735 | 3 731 |
| Gross capital expenditure | 5 331 | 4 913 | 1 043 | 1 287 | 441 | 344 |
| – South Africa | 4 667 | 4 315 | 939 | 1 110 | | |
| – Rest of Africa | 152 | 209 | 104 | 177 | | |
| – Rest of world | 512 | 389 | | | 441 | 344 |
| Gross capital expenditure | 5 331 | 4 913 | 1 043 | 1 287 | 441 | 344 |
| Less: Proceeds on disposal | (2 254) | (2 252) | (319) | (290) | (41) | (32) |
| Net capital expenditure | 3 077 | 2 661 | 724 | 997 | 400 | 312 |

* Other Segments includes Car Rental and Autoparts. The comparatives also include NAC and Tourism.

The segment information has been restated (refer to note 4).

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

Segment profit or loss[#]

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

* Other Segments includes Car Rental, Autoparts, NAC and Tourism.

[#] The segment information has been restated (refer to note 4).

Operational segment reporting

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

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

Logistics

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

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

Automotive and Industrial

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

Financial Services

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

Notes to the consolidated annual financial statements

for the year ended 30 June 2013

1. Accounting policies

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

1.1 Statement of compliance

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

1.2 Basis of measurement

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

1.3 Insurance

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

1.4 Consolidation

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

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

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

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

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

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

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

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

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

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

Consolidation of Lereko Mobility (Pty) Ltd (Lereko)

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

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

1.5 Business combinations

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

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

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

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

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

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

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

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

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

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

1.6 Foreign currencies

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

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

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

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

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

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

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

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

1. Accounting policies *continued*

1.7 Investment in associates

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

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

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

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

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

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

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

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

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

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

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

Ukhamba Holdings (Pty) Ltd (Ukhamba)

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

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

1.8 Interests in joint ventures

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

1.9 Goodwill

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

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

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

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

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

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

1.10 Intangible assets

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

Intangible assets are not revalued.

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

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

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

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

An impairment loss is recognised immediately in profit or loss.

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

1. Accounting policies *continued*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.12 Inventories

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

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

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

1.13 Leases

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

The group as lessor

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

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

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

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

The group as lessee

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

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

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

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

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

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

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

1.14 Incentive schemes

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

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

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

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

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

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

1.15 Retirement benefit obligations**Defined contribution plans**

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

1. Accounting policies *continued*

1.15 Retirement benefit obligations *continued*

Defined benefit plans

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

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

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

1.16 Provisions

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

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

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

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

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

Leave pay provision

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

Bonus provision

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

Insurance claims

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

Dismantling and environmental risk

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

Onerous contracts

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

Contingent consideration in business combinations

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

1.17 Income taxes

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

Dividends tax

A dividends tax became effective on 1 April 2012 and this tax is levied on non-exempt shareholders. The group is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service (SARS). As this tax is levied on the shareholders and not the company, it does not form part of the tax expense recognised in profit or loss or in other comprehensive income. Dividends are reflected gross of tax.

1.18 Non-current assets held for sale

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

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

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

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

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

1.19 Revenue recognition

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

1. Accounting policies *continued*

1.19 Revenue recognition *continued*

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

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

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

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

1.20 Interest and dividend income

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

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

1.21 Borrowing costs

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

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

1.22 Government grants and assistance

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

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

No value is recognised where government provides general industry assistance.

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

1.23 Exceptional items

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

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

1.24 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

Headline earnings per share and core earnings per share

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

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

1.25 Share issue costs, treasury shares and dividend payments**Share issue costs**

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

Shares repurchased

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

Dividend payments to owners of Imperial

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

Dividend payments to preference shareholders

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

1.26 Events after the reporting period

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

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

1.27 Segment information

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

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

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

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

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

1.28 Financial instruments

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

Initial measurement of financial assets and financial liabilities

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

1. Accounting policies *continued*

1.28 Financial instruments *continued*

Subsequent measurement of financial assets

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

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

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

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

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

Subsequent measurement of financial liabilities

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

Hedge accounting

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

Put arrangements over non-controlling interests

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

Cash resources

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

1.29 Significant accounting judgements and estimates

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

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

Insurance companies

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

Residual values and useful lives

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

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

1. Accounting policies *continued*

1.29 Significant accounting judgements and estimates *continued*

Income taxes

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

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

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

Contingent liabilities

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

Revenue recognition

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

Statement of financial position presentation based on liquidity

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

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

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

Assets

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

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

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

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

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

Liabilities

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

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

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

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

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

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

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

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

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

Provision for doubtful debts

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

Provision against inventory

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

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

Fair value of financial instruments

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

Asset impairments

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

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

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

Share-based payments

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

Retirement benefit obligations

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

2. Application of new and revised International Financial Reporting Standards

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

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

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

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

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

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

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

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

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

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

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

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

Application of new headline earnings circular

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

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

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

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

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

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

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

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

4. Restatement and representation of comparative information

Restatement of the consolidated statement of cash flows

Net financing cost paid

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

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

Currency adjustments on cash resources

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

The result of the restatement is as follows:

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

Representation of the segment report

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

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

The effect of the restatements is as follows:

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

4. Restatement and representation of comparative information *continued* Restatement of the segment report *continued*

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

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

5. Goodwill and intangible assets *continued***At 30 June 2012**

| | | | | | |
|--|-------|------|-------|-----|-------|
| Cost | 3 920 | 385 | 942 | 145 | 5 392 |
| Accumulated amortisation and impairment | 682 | 290 | 143 | 43 | 1 158 |
| | 3 238 | 95 | 799 | 102 | 4 234 |
| Net book value at beginning of year | 1 603 | 63 | 84 | 73 | 1 823 |
| Net acquisition of subsidiaries and businesses | 1 751 | 6 | 852 | 14 | 2 623 |
| Additions | | 60 | | 24 | 84 |
| Proceeds on disposal | | (1) | | | (1) |
| Impairment charge | (123) | | | | (123) |
| Amortisation | | (40) | (128) | (8) | (176) |
| Reclassification | | 5 | | | 5 |
| Currency adjustments | 7 | 2 | (9) | (1) | (1) |
| Net book value at end of year | 3 238 | 95 | 799 | 102 | 4 234 |

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

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

5. Goodwill and intangible assets *continued***Goodwill impairment testing**

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

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

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

Basis for value in use calculations**Cash flow projections**

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

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

Discount rate applied

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

Goodwill impairments

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

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

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

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

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

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

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

| | Land, buildings and leasehold improvements Rm | Equipment and furniture Rm | Motor vehicles Rm | Aircraft Rm | Total Rm |
|--|--|----------------------------------|-------------------------|----------------|--------------|
| 7. Property, plant and equipment | | | | | |
| At 30 June 2013 | | | | | |
| Cost | 8 819 | 4 508 | 451 | | 13 778 |
| Accumulated depreciation and impairment | 1 394 | 2 923 | 204 | | 4 521 |
| | 7 425 | 1 585 | 247 | | 9 257 |
| Net book value at beginning of year | 6 260 | 1 442 | 256 | 122 | 8 080 |
| Net (disposal) acquisition of subsidiaries and businesses | (31) | 39 | 6 | (127) | (113) |
| Additions | 1 054 | 445 | 156 | 7 | 1 662 |
| Proceeds on disposal | (58) | (27) | (116) | | (201) |
| Depreciation | (130) | (433) | (69) | (2) | (634) |
| Impairment charge | (14) | (6) | | | (20) |
| Profit (loss) on disposal | 22 | (3) | 6 | | 25 |
| Currency adjustments | 338 | 164 | 6 | | 508 |
| Reclassifications | (16) | (34) | 3 | | (47) |
| Reclassification to assets classified as held for sale | | (2) | (1) | | (3) |
| Net book value at end of year | 7 425 | 1 585 | 247 | | 9 257 |
| At 30 June 2012 | | | | | |
| Cost | 7 360 | 3 846 | 445 | 160 | 11 811 |
| Accumulated depreciation and impairment | 1 100 | 2 404 | 189 | 38 | 3 731 |
| | 6 260 | 1 442 | 256 | 122 | 8 080 |
| Net book value at beginning of year | 5 174 | 1 002 | 195 | 179 | 6 550 |
| Net acquisition of subsidiaries and businesses | 731 | 297 | 15 | | 1 043 |
| Additions | 520 | 539 | 203 | 50 | 1 312 |
| Proceeds on disposal | (114) | (47) | (100) | (143) | (404) |
| Depreciation | (97) | (333) | (66) | (11) | (507) |
| Impairment charge | (45) | (1) | | | (46) |
| Profit on disposal | 13 | | 5 | | 18 |
| Currency adjustments | 109 | 18 | 4 | | 131 |
| Fair value adjustments on discontinued operations | 4 | | | 15 | 19 |
| Reclassifications | (35) | (33) | | 32 | (36) |
| Net book value at end of year | 6 260 | 1 442 | 256 | 122 | 8 080 |

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

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

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

Certain property, plant and equipment have been encumbered as security for interest-bearing borrowings amounting to R32 million (2012: R72 million), (refer to note 23).

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

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

| | 2013 Rm | 2012 Rm |
|--|--------------|--------------|
| 14. Trade and other receivables | | |
| Trade receivables | 9 519 | 8 640 |
| – Gross receivables | 9 856 | 8 985 |
| – Provision for doubtful debts | (337) | (345) |
| Prepayments and other receivables | 607 | 465 |
| Derivative financial instruments – hedging instruments | 311 | 170 |
| | 10 437 | 9 275 |
| For further disclosures refer to note 40. | | |
| 15. Cash resources | | |
| Deposits and funds at call | 810 | 2 518 |
| Cash on hand and at bank | 1 034 | 1 027 |
| | 1 844 | 3 545 |
| Effective interest rates | 0,08% – 4,5% | 0,03% – 4,8% |
| For further disclosures refer to note 40. | | |
| 16. Assets classified as held for sale | | |
| Tourism disposal group | | |
| The tourism division had become subscale in the context of Imperial and consequently the group has disposed of its travel, tourism and coach charter businesses subject to approval by the Competition Commission of South Africa. | | |
| The major classes of assets and liabilities classified as held for sale at 30 June 2013 are as follows: | | |
| Assets | | |
| Intangible assets | 1 | |
| Property, plant and equipment | 3 | |
| Vehicles for hire | 54 | |
| Deferred tax assets | 1 | |
| Tax in advance | 1 | |
| Trade and other receivables | 30 | |
| Cash resources | 4 | |
| Assets classified as held for sale | 94 | |
| Liabilities | | |
| Trade and other payables and provisions | 46 | |
| Liabilities held for sale | 46 | |

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

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

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

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

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

- not more than five percent of the issued ordinary share capital at 30 June 2012;
- not more than five million of the non-redeemable, non-participating preference shares.

Ordinary shares

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

Deferred ordinary shares

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

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

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

The salient features of the conversion are:

For the financial years ended up until 30 June 2018:

Deferred ordinary shares will convert on a non-cumulative basis as follows:

If headline earnings per share growth over the previous financial year equals or exceeds:

- 10% then 500 000 deferred ordinary shares will convert into ordinary shares
- 11% then 750 000 deferred ordinary shares will convert into ordinary shares
- 12% then 1 000 000 deferred ordinary shares will convert into ordinary shares
- 13% then 1 250 000 deferred ordinary shares will convert into ordinary shares

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

Thereafter:

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

To the end of the current financial year 9 776 307 (2012: 8 644 397) deferred ordinary shares have been converted into ordinary shares.

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

17. Share capital and share premium *continued***Group share schemes**

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

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

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

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

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

The company purchased 2 123 775 ordinary shares in 2010 as a hedge against the company's obligation to deliver shares in terms of the Share Appreciation Rights Scheme and Deferred Bonus Plan (Share Schemes). Upon vesting of the 2009 allocation of the Share Appreciation Rights in terms of the rules of the Share Schemes, shares repurchased have been issued for settlement of the company's obligations. The remaining rights are fully hedged.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

17. Share capital and share premium continued

| Deferred Bonus Plan – details of rights still unexercised by year of grant [#] | Number of rights | Expiry date |
|---|------------------|----------------|
| Grant date | | |
| June 2013 | 119 363 | September 2016 |
| Total unexercised rights at end of year | 119 363 | |

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

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

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

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

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

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

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

Directors' and prescribed officers' interests in issued share capital

At year-end the aggregate shareholdings of the directors and prescribed officers in the issued ordinary share capital of the company are outlined in the remuneration committee report on page 17.

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

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

| | 2013 Rm | 2012 Rm |
|---|--------------|------------|
| 19. Other reserves | | |
| Share-based payment reserve (refer to note 17) | (267) | (112) |
| Hedge accounting reserve | 317 | 343 |
| Statutory reserve | 173 | 152 |
| Foreign currency translation reserve | 960 | 259 |
| Premium paid on purchase of non-controlling interests | (157) | (145) |
| Valuation reserve | 6 | 6 |
| | 1 032 | 503 |
| Income tax relating to the share-based payment transaction has been recognised directly in equity. | | |
| Refer to the statement of changes in equity for detailed analysis of the movements in other reserves. | | |
| 20. Foreign currency translation reserve | | |
| Balance at beginning of year | 259 | 54 |
| Movements in translation reserve | | |
| Goodwill and intangible assets | 674 | (1) |
| Investments, loans, associates and joint ventures | 83 | 15 |
| Property, plant and equipment | 508 | 131 |
| Transport fleet | 268 | 48 |
| Deferred tax | (45) | 8 |
| Inventories | 167 | 119 |
| Current tax | (15) | (6) |
| Trade and other receivables | 679 | 118 |
| Cash resources | 209 | 102 |
| Non-controlling interests | (30) | (4) |
| Retirement benefit obligations | (146) | (10) |
| Interest-bearing borrowings | (857) | (182) |
| Insurance, investment, maintenance and warranty contracts | (10) | (3) |
| Non-current financial liabilities | (29) | (2) |
| Provisions for liabilities and charges | (139) | (14) |
| Trade and other payables | (616) | (114) |
| Balance at end of year | 960 | 259 |
| 21. Non-redeemable, non-participating preference shares | | |
| Non-redeemable, non-participating preference shares at cost | 441 | 441 |
| 4 540 041 preference shares were issued during the 2007 financial year and are listed on the JSE under specialist securities – preference shares sector. | | |
| These shares are entitled to a preference dividend being 82,5% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms. | | |
| The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R32 million (2012: R32 million), which is included as part of finance cost in profit or loss. | | |
| 22. Retirement benefit obligations | | |
| Defined contribution plans | | |
| The group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to profit or loss. The large majority of South African employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pension Funds Act, 1956. | | |
| Total cost charged to profit or loss | 597 | 420 |

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

22. Retirement benefit obligations *continued*

Defined benefit plans

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

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

| | 2013 % | 2012 % |
|---|-----------|-----------|
| – Discount rate | 2,80 | 3,75 |
| – Projected pension payment increase | 2,00 | 2,00 |
| – Projected salary and other contribution increase | 2,00 | 2,00 |
| – Fluctuation rate (depends on the age of male or female) | 0 – 8,00 | 0 – 8,00 |

The latest actuarial valuation was performed in June 2013. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2014.

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

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

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

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

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

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

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2013

23. Interest-bearing borrowings continued

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

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

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

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

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

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

For further disclosures refer to note 40.

24. Insurance, investment, maintenance and warranty contracts

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

See Annexure C for details on insurance funds.

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

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

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

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

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

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

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

For further disclosures refer to note 40.

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

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

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

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

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

| | 2013 Rm | 2012 Rm |
|--|------------|--------------|
| 35. Notes to the consolidated statement of cash flows continued | | |
| 35.2 Acquisition of subsidiaries and businesses | | |
| Goodwill | 331 | 1 757 |
| Intangible assets | 323 | 872 |
| Investments, loans, associates and joint ventures | | 55 |
| Property, plant and equipment | 95 | 1 045 |
| Transport fleet | 72 | 467 |
| Vehicles for hire | | 50 |
| Non-current financial assets | | 16 |
| Inventories | 151 | 383 |
| Trade and other receivables | 442 | 2 097 |
| Cash resources | 49 | 312 |
| Non-controlling interests | (21) | (58) |
| Net deferred tax liabilities | (70) | (338) |
| Retirement benefit obligations | | (342) |
| Interest-bearing borrowings | (73) | (1 566) |
| Non-current financial liabilities | (8) | (1) |
| Provisions for liabilities and other charges | (56) | (414) |
| Trade and other payables | (454) | (2 078) |
| Net current tax liabilities | (5) | (16) |
| Purchase consideration transferred | 776 | 2 241 |
| Contingent consideration | (75) | (76) |
| Fair value of previously held interest | (1) | (13) |
| Fair value of assets transferred | | (5) |
| Business acquisition costs | 15 | 51 |
| Cash resources acquired | (49) | (312) |
| Cash flow on acquisition | 666 | 1 886 |
| 35.3 Disposal of subsidiaries and businesses | | |
| Goodwill | | 6 |
| Intangible assets | 6 | |
| Investments, loans, associates and joint ventures | 173 | 3 |
| Property, plant and equipment | 208 | 2 |
| Transport fleet | | 49 |
| Vehicles for hire | 35 | |
| Inventories | 180 | 13 |
| Trade and other receivables | 497 | 38 |
| Cash resources | 21 | 12 |
| Non-controlling interests | (113) | (22) |
| Net deferred tax liabilities | (2) | (11) |
| Net current tax liabilities | (3) | |
| Interest-bearing borrowings | (526) | (40) |
| Provisions for liabilities and other charges | (17) | (2) |
| Trade and other payables | (279) | (34) |
| Net assets disposed | 180 | 14 |
| Cash resources disposed | (21) | (12) |
| (Loss) profit on disposal of subsidiaries and businesses | (32) | 16 |
| Cash flow on disposal | 127 | 18 |

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

| | 2013 Rm | 2012 Rm | | | |
|---|--|-------------------------------------|--------------------------------------|--------------------|--------------------|
| 35. Notes to the consolidated statement of cash flows <i>continued</i> | | | | | |
| 35.4 Net replacement capital expenditure – excluding rental assets | | | | | |
| Expenditure | | | | | |
| – Intangible assets | (116) | (84) | | | |
| – Plant and equipment | (608) | (792) | | | |
| – Transport fleet | (537) | (609) | | | |
| | (1 261) | (1 485) | | | |
| Proceeds on disposals | | | | | |
| – Intangible assets | 7 | 1 | | | |
| – Plant and equipment | 143 | 290 | | | |
| – Transport fleet | 300 | 232 | | | |
| | 450 | 523 | | | |
| Net expenditure | | | | | |
| – Intangible assets | (109) | (83) | | | |
| – Plant and equipment | (465) | (502) | | | |
| – Transport fleet | (237) | (377) | | | |
| | (811) | (962) | | | |
| 35.5 Cash and cash equivalents | | | | | |
| Cash resources | 1 844 | 3 545 | | | |
| Cash resources included in assets classified as held for sale | 4 | | | | |
| Short-term loans and overdrafts | (2 328) | (716) | | | |
| | (480) | 2 829 | | | |
| 36. Dividends | | | | | |
| Ordinary shares | | | | | |
| Interim | | | | | |
| – In the current year a dividend of 380 cents per share was paid on 2 April 2013 | | | | | |
| – In the prior year a dividend of 300 cents per share was paid on 26 March 2012 | | | | | |
| Final | | | | | |
| – A dividend of 440 cents per share is payable on 30 September 2013 | | | | | |
| – In the prior year a dividend of 380 cents per share was paid on 1 October 2012 | | | | | |
| Dividends are reflected gross of tax. | | | | | |
| 37. Commitments | | | | | |
| Capital expenditure commitments to be incurred | | | | | |
| Contracted | 624 | 694 | | | |
| Authorised by directors but not contracted | 311 | 418 | | | |
| | 935 | 1 112 | | | |
| The commitments are substantially for the replacement of transport vehicles and the construction of buildings to be used by the group, which will be financed from proceeds on disposals and existing facilities. | | | | | |
| | More than five years Rm | One to five years Rm | Less than one year Rm | 2013 Rm | 2012 Rm |
| Operating lease payables | | | | | |
| Property | 879 | 1468 | 712 | 3 059 | 2 065 |
| Vehicles | | 12 | 10 | 22 | 17 |
| Plant and equipment | 3 | 34 | 58 | 95 | 122 |
| Transport fleet | 64 | 907 | 593 | 1 564 | 801 |
| | 946 | 2 421 | 1 373 | 4 740 | 3 005 |
| Operating lease receivables | | | | | |
| Property | | 29 | 41 | 70 | 145 |
| Vehicles | 3 | 298 | 145 | 446 | 300 |
| Plant and equipment | | 2 | 2 | 4 | 4 |
| | 3 | 329 | 188 | 520 | 449 |

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

39. Related party transactions

The company has no holding company. Subsidiaries, associates, joint ventures, and the group pension and provident funds are considered to be related parties. During the year, the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures.

These transactions occurred under terms that are no less favourable than those arranged with third parties.

Interest of directors in contracts

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

Subsidiaries

Details of interests in principal subsidiaries are disclosed in Annexure A.

Shareholders

The top 10 shareholders of the company at 30 June 2013 were as follows:

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

A director has shareholdings in certain subsidiaries and receives dividends.

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

39. Related party transactions *continued*

Associates and joint ventures

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

Details of revenue derived from associates and joint ventures are outlined in note 28.2.

| | 2013 Rm | 2012 Rm |
|--|------------|------------|
| Purchase of goods and services from associates and joint ventures | 1 054 | 737 |
| Key management personnel | | |
| Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group. | | |
| Key management personnel remuneration comprises: | | |
| Non-executive directors' fees | 5 | 5 |
| Short-term employee benefits | 981 | 890 |
| Long-term employee benefits | 61 | 61 |
| Termination benefits | 2 | 7 |
| | 1 049 | 963 |
| Number of key management personnel | 603 | 623 |
| The net gains on share options amounted to R390 million (2012: R552 million). | | |
| The group has many different operations, retail outlets and service centres where the group staff may be transacting. | | |
| Key management has to report any transactions with the group in excess of R100 000. | | |
| The total value of the goods and services supplied to or from key management on an arm's length basis amounted to: | 38 | 37 |
| The group received insurance premiums on an arm's length basis from the group pension and provident funds to the amount of: | 70 | 68 |
| The group pays for legal services on an arm's length basis from a firm of attorneys in which a director of the company has an interest, amounting to: | 13 | 9 |

40. Financial instruments

Financial risk factors

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

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

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

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

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

40. Financial instruments continued**Market risk**

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

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

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

Currency risk

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

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

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

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

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

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

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

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

40. Financial instruments *continued*

Divisional currency risk

Africa Logistics

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

International Logistics

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

Distribution, Retail and Allied Services and parts

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

Automotive Retail

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

Insurance

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

Interest rate risk

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

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

The group's treasury follows a centralised cash management process, including cash management systems across bank accounts in South Africa, to minimise risk and interest costs. The group's offshore cash management is managed by the treasuries in Germany, the United Kingdom and the Netherlands. The interest rate profile of total borrowings is reflected in note 23.

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

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

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

| | 2013 Rm | 2012 Rm |
|-----------------------------------|------------|------------|
| Pay fixed receive floating | | |
| Less than one year | | 252 |
| One to five years | 172 | 2 506 |
| Pay floating receive fixed | | |
| Less than one year | | 1 813 |

The 1% increase or decrease in interest rates represents management's assessment of the reasonably possible changes in interest risk. The impact of a 1% increase in interest rates will have an annualised R12 million (2012: R18 million) effect on group after-tax profit and equity.

40. Financial instruments continued**Equity price risk**

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

The sensitivity analysis has been determined based on the exposure to equity price risk at 30 June. The impact of a 10% increase in the equity index will have a R38 million (2012: R22 million) effect on group after-tax profit and a R38 million (2012: R22 million) impact on equity. The sensitivity is based on management's assessment of a reasonable move in equity prices over the foreseeable future.

Divisional equity price risk**Insurance**

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

Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure on 30 June 2013. None of the financial assets below were given as collateral for any security provided.

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

Cash resources

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

Trade accounts receivable

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

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

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

Past due trade receivables

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

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

40. Financial instruments *continued*

Provision for doubtful debts for trade receivables

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

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

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

Divisional credit risk

Africa and International Logistics

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

Distribution, Retail and Allied Services

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

Automotive Retail

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

Other Segments

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

Insurance

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

Guarantees

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

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

Liquidity risk

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

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

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

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

40. Financial instruments *continued*

Contractual maturities (which include interest) of financial assets and financial liabilities are as follows:

| | Carrying amount Rm | Total contractual cash flow Rm | Less than one year Rm | One to five years Rm | More than five years Rm |
|---|-----------------------|-----------------------------------|--------------------------|-------------------------|----------------------------|
| 2013 | | | | | |
| Maturity profile of financial assets | | | | | |
| Non-current financial assets | 227 | 227 | 78 | 13 | 136 |
| Trade and other receivables | 10 126 | 10 126 | 10 126 | | |
| Current derivative financial assets | 311 | 311 | 311 | | |
| Cash resources | 1 844 | 1 844 | 1 844 | | |
| | 12 508 | 12 508 | 12 359 | 13 | 136 |
| Percentage profile – financial assets | | 100% | 99% | | 1% |
| Maturity profile of financial liabilities | | | | | |
| Interest-bearing borrowings* | 10 568 | 11 800 | 4 146 | 7 654 | |
| Non-current financial liabilities | 419 | 419 | 31 | 356 | 32 |
| Trade payables and accruals | 14 001 | 14 001 | 14 001 | | |
| | 24 988 | 26 220 | 18 178 | 8 010 | 32 |
| Percentage profile – financial liabilities | | 100% | 69% | 31% | |

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

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

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

40. Financial instruments *continued*

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

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

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

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

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

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

Fair value hierarchy disclosures

Valuation methodology

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

| | Valuations with reference to quoted prices in an active market Level 1 Rm | Valuations based on observable inputs Level 2 Rm | Valuations based on unobservable inputs Level 3 Rm | Total carried at fair value Rm |
|--|---|--|--|-----------------------------------|
| 2013 | | | | |
| Available-for-sale financial assets | | | | |
| Investments | | | 14 | 14 |
| Financial assets designated at fair value through profit or loss | | | | |
| Foreign exchange contracts | | 311 | | 311 |
| Investments | 2 194 | 714 | 115 | 3 023 |
| | 2 194 | 1 025 | 129 | 3 348 |
| Financial liabilities designated at fair value through profit or loss | | | | |
| Cross currency and interest-rate swap liabilities | | 172 | | 172 |
| Contingent consideration | | | 214 | 214 |
| | | 172 | 214 | 386 |

40. Financial instruments continued

| | Valuations with reference to quoted prices in an active market Level 1 Rm | Valuations based on observable inputs Level 2 Rm | Valuations based on unobservable inputs Level 3 Rm | Total carried at fair value Rm |
|--|---|--|--|--------------------------------|
| 2012 | | | | |
| Available-for-sale financial assets | | | | |
| Investments | | | 11 | 11 |
| Financial assets designated at fair value through profit or loss | | | | |
| Foreign exchange contracts | | 170 | | 170 |
| Investments | 1 816 | 372 | 30 | 2 218 |
| | 1 816 | 542 | 41 | 2 399 |
| Financial liabilities designated at fair value through profit or loss | | | | |
| Eurobond | | | 1 624 | 1 624 |
| Foreign exchange contracts | | 64 | | 64 |
| Cross currency and interest rate swap liabilities | | 60 | 210 | 270 |
| | | 124 | 1 834 | 1 958 |

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

| | Opening balance Rm | Fair value gains, losses and interest Rm | Purchases/acquisitions Rm | Disposals Rm | Settlements Rm | Translation Rm | Reclassifications Rm | Closing balance Rm |
|--|--------------------|--|---------------------------|--------------|----------------|----------------|----------------------|--------------------|
| Level 3 financial instruments only | | | | | | | | |
| 2013 | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | |
| Investments | 11 | 10 | 1 | (12) | | 4 | | 14 |
| Financial assets designated at fair value through profit or loss | | | | | | | | |
| Investments | 30 | 1 | 114 | (30) | | | | 115 |
| | 41 | 11 | 115 | (42) | | 4 | | 129 |
| Financial liabilities designated at fair value through profit or loss | | | | | | | | |
| Eurobond | 1 624 | 189 | | | (1 813) | | | |
| Cross currency and interest rate swap liabilities | 210 | (188) | | | (22) | | | |
| Contingent consideration | 180 | (66) | 148 | | (49) | 1 | | 214 |
| | 2 014 | (65) | 148 | | (1 884) | 1 | | 214 |
| 2012 | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | |
| Investments | 14 | | 6 | | | | (9) | 11 |
| Financial assets designated at fair value through profit or loss | | | | | | | | |
| Investments | 40 | | | (10) | | | | 30 |
| | 54 | | 6 | (10) | | | (9) | 41 |
| Financial liabilities designated at fair value through profit or loss | | | | | | | | |
| Corporate bonds | 518 | 27 | | | (545) | | | |
| Eurobond | 1 569 | 130 | | | (75) | | | 1 624 |
| Cross currency and interest rate swap liabilities | 252 | (28) | | | (14) | | | 210 |
| | 2 339 | 129 | | | (634) | | | 1 834 |

Notes to the consolidated annual financial statements *continued*

for the year ended 30 June 2013

40. Financial instruments *continued*

Valuation narration disclosures

Level 1 – Valuations based on observable inputs include:

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

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

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

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

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

Level 3 – Valuations based on unobservable inputs include:

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

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

- (i) **Volatility**
Volatility is a key input in the valuation of options across all asset classes. For some asset classes volatility is unobservable.
- (ii) **Credit spreads**
Credit spreads are key inputs in the valuation of credit default swaps, credit linked notes and debt instruments or liabilities. For some issuers or tenors, credit spreads are unobservable.
- (iii) **Yield curves**
Yield curves are key inputs in the valuation of certain debt instruments. For some debt instruments yield curves are unobservable.
- (iv) **Future earnings and marketability discounts**
Future earnings and marketability discounts are key inputs in the valuation of certain private equity investments. Forecast earnings and marketability discounts are unobservable for some investments.
- (v) **Discount rates**
Discount rates are key inputs in the valuation of certain private equity investments. Discount rates are unobservable for some investments.

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

Debt instruments held as assets

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

Equity investments held as assets

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

Derivatives

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

— Interest-rate swap

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

Deposits, debt securities in issue and borrowed funds

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

40. Financial instruments continued**Capital management**

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

The group has externally imposed capital requirements in terms of debt covenants on bank facilities. The covenant requires the group to maintain a net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) of below 3,5:1. The ratio at 30 June 2013 is 1,2:1 (2012: 0,9:1). Our insurance businesses have externally imposed regulatory capital requirements as set out in Annexure C.

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

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

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

Company statement of financial position

at 30 June 2013

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

Company statement of comprehensive income

for the year ended 30 June 2013

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

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

Company statement of changes in equity

for the year ended 30 June 2013

| | Share capital and share premium Rm | Valuation reserve Rm | Retained earnings Rm | Total Rm |
|--|--|----------------------------|----------------------------|---------------|
| Balance at 30 June 2011 | 9 | 331 | 7 941 | 8 281 |
| Total comprehensive income for the year | | | 2 854 | 2 854 |
| 115 060 ordinary shares issued at premium | 13 | | | 13 |
| Dividend of 260 cents per ordinary share in September 2011 | | | (544) | (544) |
| Dividend of 300 cents per ordinary share in March 2012 | | | (629) | (629) |
| Balance at 30 June 2012 | 22 | 331 | 9 622 | 9 975 |
| Total comprehensive income for the year | | | 2 238 | 2 238 |
| 1 861 850 ordinary shares issued in settlement of share incentive scheme obligations | 360 | | | 360 |
| Repurchase and cancellation of 4 003 074 ordinary shares from the open market at an average price of R185,29 | | | (742) | (742) |
| Dividend of 380 cents per ordinary share in October 2012 | | | (802) | (802) |
| Dividend of 380 cents per ordinary share in April 2013 | | | (793) | (793) |
| Balance at 30 June 2013 | 382 | 331 | 9 523 | 10 236 |

Company statement of cash flows

for the year ended 30 June 2013

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

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

Notes to the company annual financial statements

for the year ended 30 June 2013

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

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

Refer to note 17 of the group annual financial statements for further details regarding the deferred ordinary shares, the preferred ordinary shares, the share schemes and directors' interest in share capital.

| | 2013 Rm | 2012 Rm |
|---|------------|------------|
| 6. Non-redeemable, non-participating preference shares | | |
| Non-redeemable, non-participating preference shares at cost | 441 | 441 |
| 4 540 041 preference shares were issued during the 2007 financial year and are listed on the JSE Limited under specialist securities – preference shares sector. | | |
| These shares are entitled to a preference dividend being 82,5% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms. | | |
| The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R32 million (2012: R32 million), which is included as part of finance cost in profit or loss. | | |
| 7. Deferred tax liability | | |
| Movement in deferred tax | | |
| Balance at beginning of year | 191 | 145 |
| Tax rate adjustment | | 46 |
| Prior year overprovision | (45) | |
| | 146 | 191 |
| Analysis of deferred tax | | |
| – Capital gains tax | 146 | 191 |
| 8. Revenue | | |
| An analysis of the company's revenue is as follows: | | |
| Dividends from subsidiaries | 1 926 | 2 594 |
| Fees received | 84 | 6 |
| | 2 010 | 2 600 |
| 9. Exceptional items | | |
| Profit on sale of subsidiaries and businesses | 124 | 4 |
| Impairments of investments in subsidiaries, loans to subsidiaries and associates | (6) | (26) |
| | 118 | (22) |
| 10. Net financing income | | |
| Interest paid | 32 | 33 |
| Interest received | (113) | (99) |
| | (81) | (66) |
| 11. Income tax expense | | |
| South African normal tax | | |
| – Current | 34 | 29 |
| Capital gains tax | | |
| – Current | 8 | |
| – Prior year overprovision of deferred tax | (45) | |
| – Deferred tax rate adjustment | | 46 |
| Secondary tax on companies | | 24 |
| | (3) | 99 |
| Reconciliation of tax rate: | % | % |
| Profit before tax – effective tax rate | (0,1) | 3,4 |
| Tax effect of: | | |
| – Secondary tax on companies | | (0,8) |
| – Disallowable charges and capital losses | (2,3) | (0,7) |
| – Exempt income | 25,8 | 24,9 |
| – Fair value adjustment on Lereko Mobility (Pty) Ltd call option | 2,9 | 2,8 |
| – Capital gains tax | (0,3) | |
| – Tax rate adjustment | | (1,6) |
| – Prior year overprovision | 2,0 | |
| | 28,0 | 28,0 |

Notes to the company annual financial statements *continued*

for the year ended 30 June 2013

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

Annexure A

Interest in principal subsidiaries and new business combinations

| Company | Nature of business | Place of incorporation | Interest owned directly or indirectly (%) | Ordinary shares in issue | Book value of interest | | | |
|--|--------------------|------------------------|---|--------------------------|---------------------------------|---------|-------------------------------|---------|
| | | | | | Shares at cost less impairments | | Indebtedness less impairments | |
| | | | | | 2013 Rm | 2012 Rm | 2013 Rm | 2012 Rm |
| Imperial Holdings International Cooperation U.A. | Note 2 | Netherlands | 100 | | 2 176 | 2 176 | | |
| Imperial Group Limited | Note 3 | South Africa | 100 | 165 | 1 400 | 1 400 | 1 322 | 1 357 |
| Associated Motor Holdings (Pty) Ltd | Note 4 | South Africa | 90 | 500 000 | 46 | 46 | | |
| Regent Insurance Company Limited | Insurance | South Africa | 100 | 2 939 800 | 456 | 456 | | |
| Regent Life Assurance Company Limited | Life insurance | South Africa | 100 | 2 125 000 | 145 | 145 | | |
| Boundlesstrade 154 (Pty) Ltd | Note 5 | South Africa | 90 | 200 | 75 | 54 | | |
| Jurgens Ci (Pty) Ltd | Note 6 | South Africa | 100 | 1 000 | 147 | 151 | | |
| Alert Engine Parts (Pty) Ltd | Note 7 | South Africa | 100 | 7 500 | 88 | 88 | | |
| Midas (Pty) Ltd | Note 8 | South Africa | 75 | 1 000 | 410 | 410 | | |
| CIC Holdings Limited | Note 9 | Namibia | 100 | 252 188 081 | 724 | 724 | | |
| Other, including indirect interest | | | | | 1 076 | 1 175 | 1 331 | 1 364 |
| | | | | | 6 743 | 6 825 | 2 653 | 2 721 |

- General information in respect of subsidiaries is set out in respect of only those subsidiaries, the financial position of which are material for a proper appreciation of the affairs of the group. A full list of subsidiaries and associated companies is available on request at the companies' registered offices.
- Business conducted by Imperial Holdings International Cooperation U.A. and its subsidiaries comprises integrated logistics solutions and vehicle sales.
- Business conducted by Imperial Group Limited comprises vehicle rental, motor trading, automotive components, property investments, transportation, sale of motor components, panelbeating and group services.
- Business conducted by Associated Motor Holdings (Pty) Ltd comprises motor vehicle importation, dealership sales and after-sales services, and industrial equipment.
- Boundlesstrade 154 (Pty) Ltd has an associate which is a motor vehicle distributorship and a subsidiary which supplies golf carts.
- Jurgens Ci (Pty) Ltd is the manufacturer and distributor of leisure caravans and camping equipment.
- Alert Engine Parts (Pty) Ltd is a wholesaler and retailer of motor vehicle engine parts.
- Midas (Pty) Ltd is a wholesaler and retailer of auto parts.
- CIC Holdings Limited, a previously JSE listed entity, operates in the fast-moving consumer goods industry.

Annexure A continued

Interest in principal subsidiaries and new business combinations continued

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

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

New business combinations

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

Reason for the acquisitions

- RTT Health Sciences, one of Africa's leading pharmaceutical and healthcare supply chain service providers, was acquired to complement our logistics business within South Africa to extend our footprint in Africa.
- Orwell Trucks Limited was acquired to expand our Automotive Retail business in the United Kingdom and complement our truck franchise.
- KWS Carriers (Pty) Ltd was acquired to expand the commodity's transportation business within our Logistics division in South Africa.

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

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

Annexure A continued

New business combinations continued

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

Trade and other receivables acquired had gross contractual amounts of R452 million of which R10 million was doubtful. None of the goodwill is expected to be deductible for tax purposes. Non-controlling interests have been calculated based on their proportionate share of net assets.

Details of contingent consideration

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

Acquisition costs

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

Annexure B

Interest in principal associated companies and joint ventures

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

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

Annexure C

Additional information on insurance businesses

1. Accounting policies

Insurance and investment contracts

Classification of contracts

Long-term insurance operations

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

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

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

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

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

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

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

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

Short-term insurance operations

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

Reinsurance of long-term and short-term insurance operations

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

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

Revenue recognition

Long-term insurance operations

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than group schemes. Premium receivable in respect of group schemes that is due after the year-end date is ignored. However, where the operating

ratios exceed 100%, a deficiency reserve would be established to offset any expected losses up until the next renewal date. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in Trade and other payables. Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities.

Short-term insurance operations

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

Insurance results

Long-term insurance operations

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

- the best estimate of future experience;
- compulsory margins prescribed in SAP 104; and
- discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

Short-term insurance operations

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

Unearned premiums

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

Claims

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

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

Incurred but not reported – IBNR

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

Unexpired risk provision

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

Cash-back provisions

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

Annexure C continued

Additional information on insurance businesses continued

Deferred acquisition costs

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

Cell captives

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

| | 2013 Rm | 2012 Rm |
|--|------------|------------|
| 2. Other investments and loans (note 11 to the consolidated annual financial statements) | | |
| 2.1 Financial assets held at fair value | | |
| Balance at beginning of year | 2 218 | 2 032 |
| Additions | 2 126 | 1 733 |
| Disposals | (1 630) | (1 633) |
| Fair value adjustment | 171 | 83 |
| Currency adjustments | 23 | 3 |
| Balance at end of year | 2 908 | 2 218 |
| 2.2 Reconciliation to consolidated annual financial statements | | |
| Financial assets at fair value – insurance businesses | 2 908 | 2 218 |
| Financial assets at fair value – other operations | 129 | 11 |
| | 3 037 | 2 229 |
| 3. Insurance assets and liabilities | | |
| 3.1 Liabilities under insurance contracts | | |
| Short-term operations | | |
| Outstanding claims, including claims incurred but not reported | | |
| Balance at beginning of year | 633 | 623 |
| Claims settled in the year | (1 221) | (1 161) |
| Claims incurred during the year | 1 231 | 1 171 |
| Balance at end of year | 643 | 633 |
| Outstanding claims* | 513 | 485 |
| Incurred but not reported | 130 | 148 |
| Balance at end of year | 643 | 633 |
| *This amount is reflected in trade and other payables. | | |
| 3.2 Unearned premium provision | | |
| Balance at beginning of year | 481 | 479 |
| Premiums written during the year | 2 232 | 2 194 |
| Premiums earned during the year | (2 233) | (2 192) |
| Transfer from maintenance funds | 90 | |
| Balance at end of year | 570 | 481 |
| 3.3 Long-term operations | | |
| Balance at beginning of year | 465 | 453 |
| Transfer from statement of comprehensive income | 99 | 18 |
| Arising from translation of foreign liabilities | 5 | (6) |
| Balance at end of year | 569 | 465 |

Process used to decide on long-term insurance assumptions

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

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

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

The compulsory margins are summarised as follows:

| Assumption | Compulsory margin |
|--|--|
| Investment earnings | Investment earnings assumption was increased or decreased by 0,25% depending on which gives the higher liability |
| Expense inflation | 10% loading on the expense inflation assumption |
| Mortality | Assumption was decreased by 7,5% for annuities and increased for all other classes |
| Morbidity | Assumption was increased by 10%. For dread disease the margin is 15% |
| Retrenchment | Assumption was increased by 20% |
| Lapses | Lapse rate assumptions were increased or decreased by 25% depending on which gives the higher liability |
| Surrenders | Surrender rate assumptions were increased or decreased by 10% depending on which gives the higher liability |
| Expenses | 10% loading on the expense assumption |
| In addition to the above compulsory margins, the following additional discretionary margins were incorporated: | |
| Retrenchment | For credit life an additional 30% margin was added |
| Extended lives mortality | An additional 7,5% margin was added |
| Lapses | 20% margin in year one and two and 50% thereafter in respect of the Clicks portfolio |
| All other decrements | For credit life an additional 10% margin was added |

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

The assumptions used for insurance contracts are as follows:

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

(a) Mortality

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

(b) Morbidity

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

(c) Medical and retrenchment

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

(d) Withdrawal

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

(e) Investment returns

Investment return assumptions are derived by country, then by product groups with homogeneous discounted mean terms. In Botswana, and similarly for Lesotho, one investment return assumption was applied across all products, due to the homogeneity of the discounted mean term across the policy book in each country. For South Africa specifically, separate investment returns were derived for the annuity and non-annuity business. Furthermore, for the non-annuity business, separate interest rates were determined for the Individual Life and Credit Life classes of business since they have a different liability profile and discounted mean term. The returns were based on the current bond yields of appropriate term and long-term differentials between bonds, cash and equities. The assumptions were based on the long-term rates and notional matching portfolio of assets. Allowance was made for mismatches. In cases where bond yield information was not available (for example in Lesotho), approximate methods were used based on the market information available.

Annexure C continued

Additional information on insurance businesses continued

3. Insurance assets and liabilities continued

3.3 Long-term operations continued

(e) Investment returns continued

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

South Africa

| | |
|------------------------------------|---------------------|
| Credit Life: | 4,86% (2012: 4,29%) |
| Individual Life: | 6,58% (2012: 5,99%) |
| Disabled Annuity business: | 7,58% (2012: 7,17%) |
| With-profit Annuity business: | 7,68% (2012: 7,27%) |
| <i>Botswana:</i> | 4,32% (2012: 4,28%) |
| <i>Lesotho:</i> | 6,81% (2012: 6,83%) |
| Lesotho future reversionary bonus: | 5,00% (2012: 5,00%) |

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

(g) Renewal expenses and inflation

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

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

(h) Tax

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

Change in assumptions

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

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

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

The non-economic assumptions were also reviewed as follows:

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

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

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

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

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

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

The main assumptions changes causing this increase were as follows:

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

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

- The economic assumptions were amended to reflect the current economic environment. This resulted in an increase in reserves of M4,5 million.
- The withdrawal assumptions were amended to reflect current experience. This resulted in an increase in reserves of M1 million.
- Decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in a decrease in reserves of M1,5 million.

3. Insurance assets and liabilities continued**3.3 Long-term operations** continued**Sensitivity analysis: Life operations**

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

| Variable | Change in variable | Change in liability 2013 Rm | Change in liability 2012 Rm |
|---|------------------------------|-----------------------------------|-----------------------------------|
| Worsening of mortality | 10% worse claims | 42,3 | 36,5 |
| Lowering of investment returns | 15% lower returns | (0,9) | (0,6) |
| Worsening of base renewal expense level | 10% higher expenses | 25,8 | 24,3 |
| Worsening of expense inflation | 10% higher expense inflation | 4,9 | 3,1 |
| Worsening of lapse rate | 25% higher withdrawals | 38,8 | 35,4 |

The 2013 withdrawal and mortality sensitivity has increased relative to last year. This is due to the build-up of policies relating to the funeral product within the individual life business class. Due to their long-term nature and large negative reserves, they are relatively more sensitive to changes in lapse and mortality assumptions.

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

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

Annexure C continued

Additional information on insurance businesses continued

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

Gross premium of R40 million (2012: R59 million) that relates to business within the group has been eliminated from the short-term operations gross premium above.

Short-term insurance results

The short-term insurance operations reported an insurance result excluding investment returns of R115 million in 2013 (2012: R97 million).

5. Management of insurance-specific risks**Insurance risk****Long-term insurance operations**

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

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

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

Short-term operations

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

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

5. Management of insurance-specific risks *continued***Capital adequacy and solvency risk**

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

Long-term operations

The capital adequacy requirement is determined according to generally accepted actuarial principles in terms of the guidelines issued by the Actuarial Society of South Africa. It is an estimate of the minimum capital that will be required to meet fairly substantial deviations from the main assumptions affecting the group's business. At 30 June 2013, the capital adequacy requirement is R106,1 million and the ratio of excess assets to capital adequacy requirements is 3.2 (2012: R93,7 million, capital adequacy ratio 3.6).

Short-term operations

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

Underwriting risk**Long-term insurance operations**

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

Short-term insurance operations

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

Regulatory risks

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

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

Financial risk**Long-term insurance operations**

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

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

Short-term insurance operations

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

Catastrophe risk**Short-term insurance operations**

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

Annexure C continued

Additional information on insurance businesses continued

5. Management of insurance-specific risks continued

Credit risk

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

Currency risk

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

6. Significant accounting judgements and estimates

Long-term insurance operations

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

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

Short-term insurance operations

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

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

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

Annexure D

Summary of employment equity report

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

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

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

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

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

Corporate information

Directors

Non-executive

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

* *Independent*

Executive

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

Executive committee

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

Audit committee

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

Remuneration and nomination committee

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

Risk committee

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

Social, ethics and sustainability committee

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

Assets and liabilities committee

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

Group internal audit executive

G Nzalo, BCom, CA(SA), CIA

Group treasurer

WF Reitsma, BTech Banking, MCom, FIBSA, FIFM

Group legal adviser and company secretary

RA Venter, BCom, LLB, LLM

Group risk executive

BJ Francis, BCompt (Hons), CIA

Group head of sustainability

MR Sharfuddin, BBA, IMP (Insead)

Business address and registered office

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 Jeppe Quondam
 79 Boeing Road East
 Bedfordview
 2007

Postal address and contact numbers

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 1610

Telephone +27 (0)11 372 6500

Facsimile +27 (0)11 372 6550

Name and registration number

Imperial Holdings Limited
 1946/021048/06

Share transfer secretaries

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

PO Box 61051

Marshalltown
 2107

Telephone +27 (0)11 370 5000

Facsimile +27 (0)11 370 5487

Website

www.imperial.co.za

Email

info@ih.co.za

JSE information

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

Shareholders' diary

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

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