

The annual financial statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act, Act 61 of 1973, as amended, and the Listings Requirements of the JSE Limited.

These financial statements incorporate accounting policies that have been consistently applied to both years presented. During the year under review various new accounting standards, interpretations and amendments to IFRS became effective. The adoption of these new accounting standards, interpretations and amendments to IFRS had no impact on the results of either the current or prior years.

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the balance sheet and income statement. Although estimates are based on management's best knowledge and judgements of current facts as at balance sheet date, the actual outcome may differ from those estimates.

The most critical judgement exercised relates to the classification of investments as *associated companies* rather than investments *available-for-sale*. There are some investments over which Remgro is believed to have significant influence although it has an interest of less than 20% in these companies. However, as Remgro has board representation and is one of the major shareholders of these companies, its influence over their financial and operating policies is significant. Those investments are accordingly accounted for as associated companies using the equity method. The fair value of associated companies is set out in note 6 to the annual financial statements.

Other less significant estimates and assumptions relate to the determination of the useful lives of assets, impairment of goodwill, the valuation of unlisted investments and the assumptions used in calculating retirement benefit obligations and share-based payments, as well as the tax rates for the provision of deferred tax on fair value adjustments of investments. Details of these estimates and assumptions are set out in the relevant notes to the annual financial statements.

The accounting policies that the Group applied in the presentation of the financial statements are set out below.

(I) CONSOLIDATION, PROPORTIONATE CONSOLIDATION AND EQUITY ACCOUNTING

Consolidation – subsidiary companies

All entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, are included in the consolidated financial statements in the accepted manner. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, irrespective of the extent of minority interests, are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is accounted for directly in the income statement. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from or to the date on which effective control was acquired or ceased.

Intergroup transactions, balances and unrealised gains are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

The accounting policies of subsidiaries conform to the policies adopted by the Group. Accounting policies between various industries have been aligned to the extent that it is material and appropriate for the specific industry.

Special purpose entities are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the Group effectively controls the entity.

Consolidation – The Remgro Share Trust

The Remgro Share Trust has been consolidated as it is effectively controlled by the Company.

Proportionate consolidation – joint ventures

All jointly controlled ventures are accounted for according to the proportionate consolidation method. In terms of this method the attributable share of assets, liabilities, income, expenditure and cash flow is included in the consolidated financial statements.

Equity accounting – associated companies

Entities that are neither subsidiaries nor joint ventures, but in which a long-term interest is held and over whose financial and operating policies a significant influence can be exercised, are accounted for according to the equity method as associated companies. The results of associated companies, acquired or disposed of, are included in the consolidated income statement from the date on which effective significant influence begins or until it ceases. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's share of retained income is transferred to non-distributable reserves. The Group's share of other movements in the reserves of associated companies is accounted for as changes in consolidated non-distributable reserves. The carrying value of the Group's associated companies includes goodwill (net of any accumulated impairment losses) identified at acquisition. When the Group's share of losses in an associated company equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Dilutionary and anti-dilutionary effects of equity transactions by associated companies that Remgro is not party to, are accounted for directly against reserves.

Certain associated companies have year-ends that differ from that of the Company. In such circumstances the results of listed and certain unlisted companies are accounted for from the latest published information and management accounts as at year-end, respectively. The accounting policies of associated companies have been changed where necessary to align them to those of Remgro and its subsidiaries to the extent that it is material and appropriate for the specific industry in which the associate operates.

Separate financial statements

In Remgro's separate financial statements, investments in subsidiaries, joint ventures and associated companies are carried at cost.

(ii) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Land and buildings, machinery, equipment, office equipment and vehicles – are stated at historical cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on buildings, machinery, equipment, office equipment and vehicles is provided on a straight-line basis at rates that reduce the cost thereof to an estimated residual value over the expected useful life of the asset. The residual values and expected useful lives of assets are reviewed annually on balance sheet date and adjusted where necessary. No depreciation is provided for on land.

Leased assets – Assets leased in terms of finance leases, i.e. where the Group assumes substantially all the risks and rewards of ownership, are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum finance lease payments. Leased assets are depreciated over the shorter of the lease period or the period over which the particular asset category is otherwise depreciated. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The finance charges are accounted for in the income statement over the term of the lease using the effective interest rate method.

Leases of assets where the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are accounted for in income on a straight-line basis over the period of the lease.

Preproduction and borrowing costs – Preproduction and borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised.

(III) BIOLOGICAL AGRICULTURAL ASSETS

The fair value of the biological agricultural assets is determined on the following basis:

Sugarcane – Roots are valued at the current establishment and replacement cost and the value is proportionally reduced over the estimated useful life of the roots. Standing cane is valued at its best-estimated recoverable value less harvesting, transport, agricultural levies and other over-the-weighbridge costs.

Citrus – Orchards are valued at the current establishment and replacement cost adjusted for maturity levels and the value is proportionally reduced over the estimated useful life of the orchards. Citrus fruit is valued at the best-estimated recoverable values less harvesting, transport and agricultural levies.

Breeding stock – Breeding stock includes the breeding and laying operations. Hatching eggs are included in breeding stock. Breeding stock is measured at their fair value less estimated closure point-of-sale costs at reporting dates. Fair value is determined based on market prices or, where market prices are not available, by reference to sector benchmarks.

Gains and losses arising on the initial recognition of these assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs are accounted for in profit and loss during the period in which they arise.

Sugarcane and citrus are reported in the balance sheet as non-current assets, while breeding stock is reported as current assets.

(IV) INVESTMENT PROPERTIES

Investment properties are held to generate rental income and appreciate in capital value. Investment properties are treated as long-term investments and are carried at cost less accumulated depreciation. Buildings are depreciated to their estimated residual values on a straight-line basis over their expected useful lives.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

Investment properties are valued by external independent professional valuers every third year.

(v) INTANGIBLE ASSETS

Goodwill – On the acquisition of an investment, fair values at the date of acquisition are attributed to the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is the difference between the cost of the investments and the fair value of attributable net assets of the subsidiaries, joint ventures and associated companies at the acquisition dates. Goodwill is reported in the balance sheet as non-current assets and is carried at cost less accumulated impairment losses.

Goodwill attributable to associated companies is included in the carrying value of these companies and is consequently reported under “Investments – Associated companies”.

Trade marks – The cost of developing and establishing trade marks is expensed as incurred. Consequently, the value thereof is not reflected in the annual financial statements. The cost of purchased trade marks is written off on a straight-line basis over their expected useful lives, subject to an annual impairment test.

Research and development costs – Research cost is expensed as incurred. Where the asset recognition criteria have been met, development cost is capitalised and written off over the expected useful life of the product. Development cost previously expensed is not recognised as an asset in a subsequent period.

Trade marks and capitalised development costs with infinite lives are not amortised, but are subject to an annual impairment test. Any impairment is accounted for in income.

(vi) FINANCIAL INSTRUMENTS

Financial instruments disclosed in the financial statements include cash and cash equivalents, investments, derivative instruments, debtors and short-term loans, trade and other payables and borrowings. Financial instruments are initially recognised at fair value, including transaction costs, when the Group becomes party to the contractual terms of the instruments. The transaction costs relating to the acquisition of financial instruments held at fair value through profit and loss are expensed. Subsequent to initial recognition, these instruments are measured as follows:

Loans and receivables and borrowings – Loans and receivables and borrowings are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest rate method.

Held-to-maturity financial instruments – Instruments with fixed maturity that the Group has the intent and ability to hold to maturity are classified as held-to-maturity financial instruments and are carried at amortised cost using the effective interest rate method.

Available-for-sale financial instruments – Other long-term financial instruments are classified as available-for-sale and are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial instruments are recognised in non-distributable reserves in the period in which they arise. When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in income.

Financial instruments at fair value through profit and loss – These instruments, consisting of financial instruments held-for-trading and those designated at fair value through profit and loss at inception, are carried at fair value. Derivatives are also classified as held-for-trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in the income statement in the period in which they arise.

Financial assets (or portions thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustments to reflect fair value that had been recognised in equity, is included in the income statement.

Financial liabilities (or portions thereof) are derecognised when the obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in the income statement.

The fair value of financial instruments traded in an organised financial market is measured at the applicable quoted prices. The fair value of the financial instruments that are not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risk existing at balance sheet date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible value, which may differ from the value that will finally be realised.

There are Group companies that are parties to derivative financial instruments that reduce exposure to financial risks. These instruments mainly comprise forward contracts. Certain Group companies apply hedge accounting. Gains and losses arising from cash flow hedges are recognised directly in equity, while those arising from fair value hedges are recognised in the income statement in the period in which they arise. Group companies that do not apply hedge accounting, recognise changes in the fair value of these and other derivative instruments in the income statement in the period in which they arise.

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

All purchases and sales of financial instruments are recognised at the trade date.

Any derivatives embedded in financial instruments are separated from the host contract when their economic characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. Gains and losses are reported in the income statement.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

(VII) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. These assets (or disposal groups) are measured at the lower of its carrying amount or fair value less costs to sell.

(VIII) INVENTORIES

Inventories are stated at the lower of cost or net realisable value. The basis of determining cost, which excludes finance costs, is the first-in first-out cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where applicable, provision is made for slow-moving and redundant inventories. Work in progress and finished goods include direct costs and an appropriate allocation of manufacturing overheads.

(IX) TAXATION

Deferred taxation is provided for at current rates using the balance sheet liability method. Full provision is made for all temporary differences between the taxation base of an asset or liability and its balance sheet carrying amount. No deferred tax liability is recognised in those circumstances where the initial recognition of an asset or liability has no impact on accounting profit or taxable income. Assets are not raised in respect of deferred taxation, unless it is probable that future taxable profits will be available against which the deferred taxation asset can be realised in the foreseeable future.

Secondary taxation on companies is provided for in respect of dividend payments, net of dividends received or receivable and is recognised as a taxation charge for the year.

(X) FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, i.e. its functional currency. Remgro Group's company and consolidated functional and presentation currency is rand and all amounts, unless otherwise indicated, are stated in millions.

Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the date of the transactions. Except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of foreign currency denominated monetary assets and liabilities are recognised in the income statement. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on financial instruments classified as available-for-sale financial assets are included in equity, whereas those on financial instruments held at fair value through profit and loss are reported as part of the fair value gain or loss.

Group entities

The results and financial position of all foreign operations (excluding those operating in hyperinflationary economies) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- ✦ Assets and liabilities are translated at the closing rate on the balance sheet date.
- ✦ Income and expenses for each income statement are translated at average exchange rates for the year, to the extent that such average rates approximate actual rates.
- ✦ All resulting exchange differences are recognised directly in equity.

On consolidation exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken directly to equity. On disposal of foreign operations, the related exchange differences are recognised in the income statement as part of the profit or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at balance sheet date.

(XI) IMPAIRMENT OF ASSETS

Impairment – subsidiaries, joint ventures and associates

An asset is impaired if its carrying amount is greater than its estimated recoverable amount, which is the higher of its fair value less cost to sell or its value in use. The carrying amounts of subsidiaries, joint ventures and associated companies are reviewed annually and written down for impairment where necessary.

Investment property and property, plant and equipment

Where these assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. Such written-off amounts are accounted for in the income statement.

Financial instruments carried at amortised cost

The Group assesses whether there is objective evidence that a financial asset is impaired at each balance sheet date. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has occurred, the amount of the loss is measured as 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 asset is reduced and the amount of the loss is recognised in the income statement. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in the income statement.

Financial assets carried at fair value

At each balance sheet date the Group assesses whether there is objective evidence of possible impairment of financial assets carried at fair value. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement.

Impairment losses on equity instruments that were recognised in the income statement are not subsequently reversed through the income statement – such reversals are accounted for in equity.

Goodwill

Goodwill is assessed annually for possible impairments. For purposes of impairment testing, goodwill is allocated to cash-generating units, being the lowest component of the business measured in the management accounts that is expected to generate cash flows that are largely independent of another business component. Impairment losses relating to goodwill are not reversed.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

(XII) PROVISIONS

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

Provisions are measured at the present value of the expected expenditure required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(XIII) EMPLOYEE BENEFITS

Post-retirement benefits

PENSION OBLIGATIONS – Companies in the Group provide defined benefit and defined contribution post-retirement plans for their employees. The plan assets are held in separate trustee-administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

For the defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement to spread the regular costs over the service lives of the employees in accordance with advice of qualified actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities that have maturity terms approximating the terms of the related liability.

Past-service costs are immediately expensed, unless the changes to the pension plan are conditional on the employees remaining in service for a specified vesting period, in which case the past-service costs are amortised on a straight-line basis over the vesting period.

The net surplus or deficit of the benefit obligation is the difference between the present value of the funded obligations and the fair value of the plan assets. If the cumulated unrecognised actuarial gains and losses at the end of the previous reporting period exceed the greater of ten percent of the defined benefit obligation or defined benefit plan's assets, that excess is recognised in future periods over the expected average remaining working lives of the participating employees.

The Group's contribution to the defined contribution pension plans is charged to the income statement in the year in which they relate.

POST-RETIREMENT MEDICAL OBLIGATIONS – The Group provides post-retirement medical benefits to its retirees. The entitlement to post-retirement medical benefits is based on the employees remaining in service up to retirement age and the completion of a minimum service period. The projected unit credit method of valuation is used to calculate the liability for post-retirement medical benefits.

The expected costs of these benefits are expensed and the liabilities accumulated over the period of employment, using accounting methodology similar to that for defined benefits pension plans. Independent qualified actuaries value these obligations.

Equity compensation plans

The Remgro Group operates various equity settled share-based compensation plans. All share offers granted after 7 November 2002 that have not vested by 1 January 2005 are accounted for as share-based payment transactions. The fair value of share offers is determined on the grant date and is accounted for as an employee services expense over the vesting period of the offer, with a corresponding increase in equity, based on the Group's estimate of the number of shares that will eventually vest. Fair value is determined using a binomial model. The expected contract life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

Any profits or losses that realise from shares being delivered to participants of the Remgro Share Scheme are recognised directly in equity. The proceeds received net of any directly attributable transaction costs are accounted for against treasury shares when the options are exercised.

Short-term benefits

Employee entitlements to leave are recognised when they accrue to employees involved. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

(xiv) CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in short-term interest-bearing loans.

(xv) REVENUE RECOGNITION

The sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred. Revenue arising from services is recognised when the service is rendered. Sales comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities and are disclosed net of value added tax, returns, rebates and discounts.

Interest is recognised on a time proportion basis (taking into account the principal outstanding, the effective rate and the period), unless collectability is in doubt. Dividends are recognised when the right to receive payment is established.

(xvi) TREASURY SHARES

Shares in the Company held by Group companies and those held by The Remgro Share Trust are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The cost price of the shares is deducted from the Group's equity.

(xvii) CURRENT/NON-CURRENT DISTINCTION

Items are classified as current when it is expected to be realised, traded, consumed or settled within twelve months after the balance sheet date, or the Group does not have an unconditional right to defer settlement for at least twelve months after the balance sheet date.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

(xviii) NEW ACCOUNTING POLICIES AND INTERPRETATIONS

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 March 2007, but not yet effective on that date. The standards that are applicable to the Group, but that were not implemented early, are the following:

• IFRS 7: Financial Instruments – Disclosures

(effective date – financial periods commencing on/after 1 January 2007)

This standard significantly impacts on the disclosure requirements regarding financial instruments. It focuses on the disclosure of entity specific risks, as well as the measures management implemented to address those risks. IFRS 7 does not impact the measurement of financial instruments.

• IFRS 8: Operating Segments

(effective date – financial periods commencing on/after 1 January 2009)

IFRS 8 replaces IAS 14: Segment Reporting. It redefines “operating segment” and prescribes various disclosures. This standard only affects disclosure and will not impact the Group’s results.

• IFRIC 9: Reassessment of Embedded Derivatives

(effective date – financial periods commencing on/after 1 June 2006)

IAS 39 requires an entity, when it first becomes a party to a contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as derivatives. This interpretation addresses whether such an assessment is only to be made when the entity first becomes a party to the contract, or whether the assessment should be reconsidered throughout the life of the contract.

An entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative only when the entity first becomes a party to the contract. No reassessment shall take place, unless the terms of the contracts change to the extent that they vary the cash flows resulting from the instrument.

• IFRIC 10: Interim Financial Reporting and Impairment

(effective date – financial periods commencing on/after 1 November 2006)

An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

• IFRIC 11: IFRS 2 – Group and Treasury Share Transactions

(effective date – financial periods commencing on/after 1 March 2007, applied retrospectively in accordance with the transitional provisions of IFRS 2)

This interpretation clarifies two issues:

- The distinction between equity and cash settled share-based payment transactions in instances where the equity instruments used for settlement are either obtained from a third party or are treasury shares; and
- share-based payment arrangements that involve two or more entities within the same group, e.g. employees of a subsidiary are granted rights to equity instruments of its parent as consideration for the services provided to the subsidiary.

Issue 1

If an entity provides its own equity instruments as settlement for goods and services obtained, the transaction is treated as equity settled, regardless of the source from which it obtained the equity instruments.

Issue 2

If the parent grants the right to receive the parent's equity instruments to the subsidiary's employees, and on consolidation the scheme is accounted for as equity settled, the subsidiary shall account for it as an equity settled share-based payment transaction.

If the subsidiary grants the right to receive the parent's equity instruments to its employees, the scheme is accounted for as a cash settled share-based payment transaction.

✦ **IFRIC 12: Service Concession Arrangements**

(effective date – financial periods commencing on/after 1 January 2008)

In some countries, governments have introduced contractual service arrangements to attract private sector participation in the development, financing, operation and maintenance of such infrastructure. The interpretation sets out the appropriate accounting treatment for the divergent aspects resulting from these arrangements. The Group is not party to such arrangements, therefore the interpretation is not applicable.

✦ **Amendment to IAS 1: Presentation of financial statements (Objectives, policies and processes for managing capital)**

(effective date – financial periods commencing on/after 1 January 2007)

The amendment requires disclosures that will enable users to evaluate the Group's objectives, policies and processes for managing capital. This includes, amongst others, a description of what an entity manages as capital (including quantitative data), the nature of externally imposed capital requirements (if applicable) and how it is meeting its objectives for managing capital. The disclosures should be based on information used by key management in making decisions.

The application of the standards, interpretations and amendments to IFRS mentioned above in future financial reporting periods is not expected to have a significant effect on the Group's financial results, financial position and cash flow.