

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2009

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 Companies Act (No. 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 new accounting interpretations and amendments to IFRS became effective. The adoption of these new accounting interpretations and amendments to IFRS had no impact on the results of either the current or prior years.

The composition of the Group's net profit is relevant for a proper understanding of its financial results. Due to the nature of the Group's operations a significant portion of its net profit results from associated companies and joint ventures. Consequently, additional information relating to the Group's share of the after-tax profit of associated companies and joint ventures is disclosed separately on the face of the income statement.

In order to promote comparability, equity accounted income from associated companies and joint ventures, which is presented on an after-tax basis, is disclosed after the tax line on the income statement.

"Consolidated profit" represents the profit of the Company and its subsidiary companies before equity accounted income, while "Trading profit" represents the profit of the operating subsidiaries in the Group, before investment income, finance costs and items of a capital nature.

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

(I) 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.

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.

The Group applies a policy of treating transactions with minority shareholders as transactions with equity owners of the Group. For purchases of minority interests, the difference between the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. When interests in subsidiaries are sold to minority shareholders, any difference between the consideration received and the interest of the minority shareholder in the carrying value of the subsidiary's net assets are also accounted for in equity.

Consolidation – The Remgro Share Trust

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

Equity accounting – joint ventures

All jointly controlled ventures are accounted for according to the equity method as with associated companies.

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 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2009

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 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.

Pre-production and borrowing costs – Pre-production 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:

Sugar cane – 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.

Bananas – Bananas are valued at the current establishment costs and the value is proportionally reduced over the expected life of banana trees.

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.

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2009

(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.

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 and joint ventures is included in the carrying value of these 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.

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 indefinite useful lives are not amortised.

(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 – Loans and receivables 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 the income statement.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2009

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.

Trade payables and borrowings – Trade payables and borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

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

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 Group's 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.

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.

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.

(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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2009

The Group classifies a component as a discontinued operation when that component has been disposed of, or is classified as held for sale; and

- it represents a separate major line of business or geographical area of operations;
- 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.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the Group.

(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

Current taxation is provided for using current rates in terms of applicable tax laws.

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. The functional currency of the Company and the presentation currency of both the Company and the Group is rand. 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. Translation 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

Goodwill and intangible assets with indefinite lives

These assets are 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. Any impairment is recognised in profit and loss.

Other assets

The Group assesses at each balance sheet date whether there is objective evidence that other assets may be impaired.

- ✦ **Impairment – subsidiaries, joint ventures and associated companies**

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 if there is objective evidence of impairment and written down where necessary.

- ✦ **Investment property, property, plant and equipment and intangible assets with finite useful lives**

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**

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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2009

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**

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.

(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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2009

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 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 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 schemes 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 creditor is created 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, short-term government debt instruments, 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) SHARE CAPITAL

Ordinary shares and B ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of new shares are accounted for in equity as a deduction from the proceeds.

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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2009

(xvii) DIVIDEND DISTRIBUTION

Distribution of assets to the shareholders of the Company are accounted for at fair value.

(xviii) 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.

(xix) CRITICAL ACCOUNTING JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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.

Critical judgements in applying the Group's accounting policies

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.

Critical judgement is also exercised with regards to the determination of the functional currency of the offshore entities that holds the group's cash and short-term financial investments. The functional currencies of these entities are determined with reference to the currency in which the entities receive their operating cash inflows, as these most faithfully represent the economic effects of the underlying transactions, events and conditions. The operations of these entities are clearly separated from those of the parent and are managed separately from each other in terms of a strategic investment plan to invest in hard currencies based on specific and pre-determined portfolio allocations. As a result, exchange differences arising on the translation of those entities into the reporting currency of the Group are deferred in equity until being realised, as opposed to being reported in the income statement on a continuous basis.

Critical accounting estimates and assumptions

A significant estimate relates to the Group's accounting policy in terms of which deferred taxation is provided for on all temporary differences between the carrying value and the tax base of investments. This tax is measured at the estimated tax consequences based on the manner in which the entity, at the balance sheet date, expects to recover the carrying value of the various investments. The carrying value of investments in associated companies are mainly recovered through dividends. As no taxable temporary differences exist, no deferred taxation is provided. Deferred taxation is provided on temporary differences that arise on the revaluation of available-for-sale investments based on the future economic benefits the entity expects to realise from that asset, i.e. a combination of dividends and capital gains or losses.

Other estimates and assumptions relate to the determination of the useful lives of assets, impairments, the valuation of unlisted investments, the provision of deferred taxation for the Company's unutilised STC (secondary taxation on companies) credits and the assumptions used in calculating retirement benefit obligations and share-based payments. Details of these estimates and assumptions are set out in the relevant notes to the annual financial statements.

(xx) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 March 2009, 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 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.

✦ **IFRIC 13: Customer Loyalty Programmes**

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

This interpretation prescribes the accounting treatment when entities provide customers with incentives to buy their goods and services, e.g. by means of award credits or so-called “points” where the customer can use such credits for “free” or discounted goods and services.

Entities shall account for award credits as a separately identifiable component of the sales transaction in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale. The consideration allocated to the award credits shall be measured by reference to their fair value, i.e. the amount for which the award credits could be sold separately.

✦ **IFRIC 15: Agreements for the Construction of Real Estate**

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

This interpretation provides guidance on how to determine whether an agreement for the construction of real estate falls within the scope of IAS 11: Construction Contracts or IAS 18: Revenue and when revenue from the construction should be recognised.

✦ **IFRIC 16: Hedges of a Net Investment in a Foreign Operation**

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

This interpretation provides guidance on the accounting treatment for a hedge of a net investment in a foreign operation in an entity’s consolidated financial statements and states that:

- ✦ The presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may only designate the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation as a hedged risk.
- ✦ The hedging instruments may be held by any entity or entities within the Group.
- ✦ While IAS 39: Financial Instruments – Recognition and Measurement is applied to determine the amount that needs to be transferred from equity to profit or loss in respect of the hedging instrument, IAS 21: The Effects of Changes in Foreign Exchange Rates must be applied in respect of the hedged item.

✦ **IFRIC 17: Distributions of Non-cash Assets to Owners**

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

This interpretation provides guidance on how an entity should account for and measure:

- ✦ distributions of non-cash assets to its owners; and
- ✦ distributions that give owners a choice of receiving either cash or another asset.

An entity should measure the dividend payable at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed should be accounted for in profit or loss.

• **IFRIC 18: Transfers of Assets from Customers**

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

This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives property, plant and equipment from a customer that the entity must use to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

IFRIC 18 provides guidance on how to identify the entity's obligation to provide one or more separately identifiable services in exchange for the transferred asset and how to recognise revenue.

• **Revised IFRS 3: Business Combinations**

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

The revised standard establishes principles for recognising and measuring identifiable assets acquired, liabilities assumed and any non-controlling interest in an acquiree. Any classifications or designations made in recognising these items must be made in accordance with contractual terms, economic conditions, the acquirer's operating and accounting policies and other factors that exist at the acquisition date.

Each identifiable asset and liability is measured at its fair value at acquisition date. Any non-controlling interest in an acquiree is measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The standard provides limited exceptions to these recognition and measurement principles.

• **Revised IAS 23: Borrowing Costs**

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

The revised IAS 23 removes the option of immediately recognising borrowing costs that relate to assets, that necessarily take a substantial period of time to get ready for its intended use or sale, as an expense.

• **Revised IAS 27: Consolidated and Separate Financial Statements**

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

The standard specifies the circumstances in which an entity must consolidate the financial statements of another entity (being a subsidiary), the accounting for changes in the level of ownership interest in a subsidiary, the accounting for the loss of control of a subsidiary and the information that an entity must disclose to enable users of the financial statements to evaluate the nature of the relationship between the entity and its subsidiaries.

The standard further requires that non-controlling interests must be presented in the consolidated balance sheet within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to both the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

When an entity loses control of a subsidiary, it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in the income statement. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

✦ **Amendment to IFRS 1: First-Time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements (Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate)**

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

The amendment allows entities a choice between the previous GAAP carrying amount and the fair value as deemed cost when adopting IFRS for the first time and it also removed the definition of the cost method in IAS 27. The amendment further specifies that dividends from subsidiaries, jointly controlled entities or associated companies are recognised as income in separate financial statements. Consequently, the requirement to separate the retained earnings of these investments into pre- and post-acquisition components has been removed from IFRS.

✦ **Amendment to IFRS 2: Share-based Payment (Vesting conditions and cancellations)**

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

The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of share-based payment are not vesting conditions. The amendment further specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

✦ **Amendment to IAS 1 (revised): Presentation of Financial Statements**

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

The revised IAS 1 requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The titles of some financial statements have been altered to reflect their function more clearly but are not mandatory for use in financial statements.

✦ **Amendment to IAS 14: Segment Reporting**

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

The amendments to IAS 1 have led to some consequential changes to IAS 14. The changes to IAS 14 become effective when it is superseded by IFRS 8.

✦ **Amendment to IAS 32: Financial Instruments – Presentation and IAS 1: Presentation of Financial Statements (Puttable Financial Instruments and Obligations arising on Liquidation)**

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

IAS 1 and IAS 32 were amended by requiring that some puttable financial instruments and some financial instruments that impose an obligation on the entity to deliver a pro rata share of the net assets of the entity only on liquidation to another party, to be classified and disclosed as equity.

✦ **Amendment to IAS 39: Financial Instruments – Recognition and Measurement (Eligible Hedged Items)**

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

The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows of a hedged item is eligible for designation in a hedging relationship, should be applied in particular situations.

✦ **Amendment to IFRIC 9: Reassessment of Embedded Derivatives and IAS 39: Financial Instruments – Recognition and Measurement**

(effective date – financial periods ending on/after 30 June 2009)

The amendment clarifies that an entity shall reassess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when a financial asset is reclassified out of the “at fair value through profit and loss” category.

The amendment also prohibits the reclassification of a hybrid instrument out of the fair value through profit and loss category in the event that the entity is unable to separate the embedded derivative from the host contract.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2009

- **IASB first annual improvements project**

The IASB concluded its first annual improvements project, amending various accounting standards. These changes become effective for periods commencing on or after 1 January 2009, unless specified otherwise in the transitional provision for each amendment.

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, except for the following:

- Revised IFRS 3: Business Combinations and revised IAS 27: Consolidated and Separate Financial Statements – These standards will be applied prospectively to all business combinations and changes in a parent's ownership interest in a subsidiary from 1 April 2010 and it will therefore only affect the Group after this date.
- IFRS 8: Operating Segments and IAS 1 (revised): Presentation of Financial Statements – These standards are expected to have an impact on disclosure only.