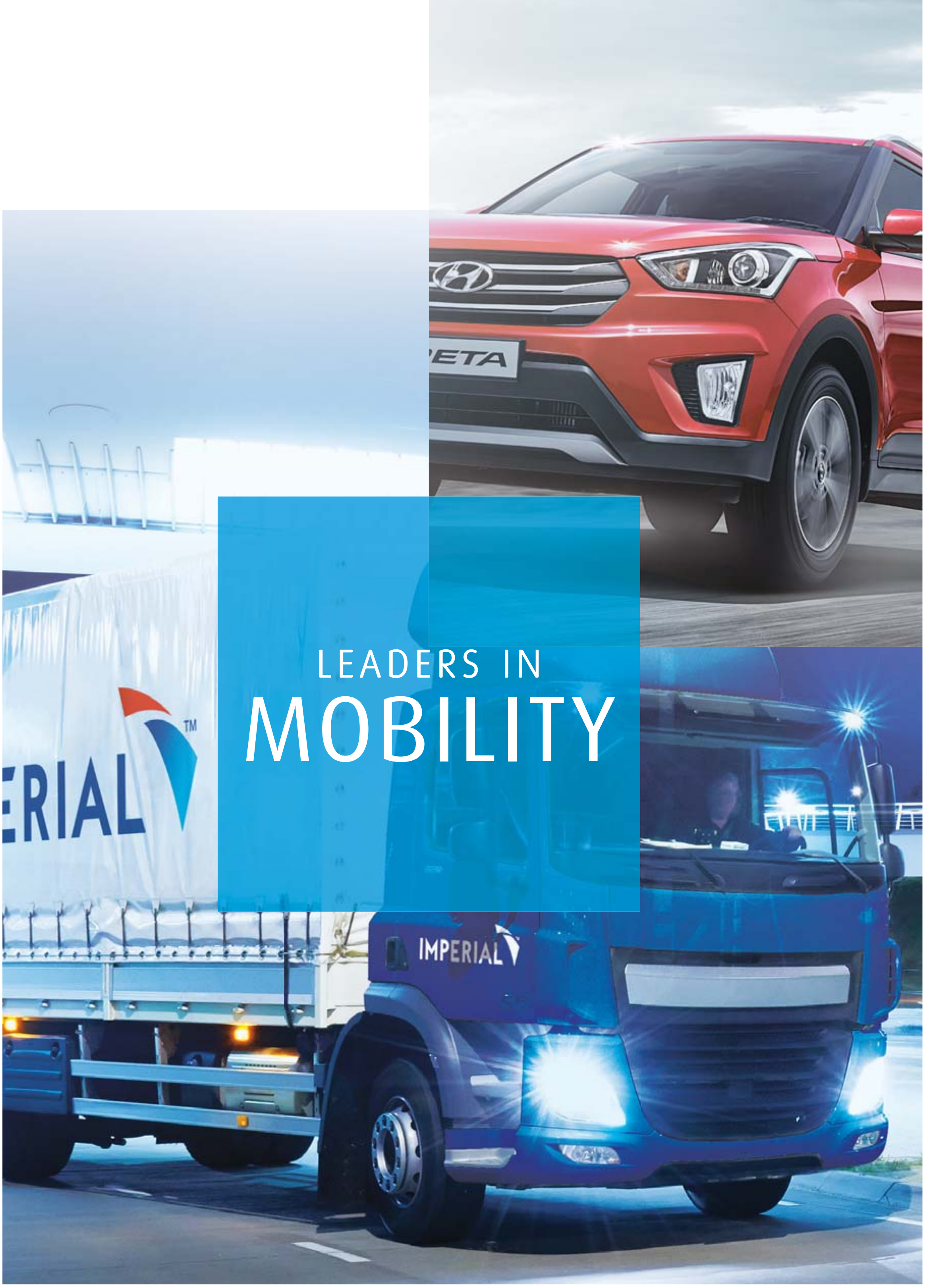

IMPERIAL

LEADERS IN MOBILITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

contents

Directors' responsibility for the separate and consolidated annual financial reporting

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the separate and consolidated annual financial statements and related information. The separate and consolidated 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 2017 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Council and the requirements of the South African Companies Act, 2008.

The Group's independent external auditors, Deloitte & Touche have audited the separate and consolidated 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 separate and consolidated annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the group and company will not remain a going concern for the foreseeable future.

The audited annual financial statements set out on pages 16 to 97 which are available on the group's website at www.imperial.co.za were approved by the board of directors on 21 August 2017 and are signed on their behalf by:

SP Kana
Chairman

MJ Lamberti
Chief Executive Officer

M Akoojee
Chief Financial Officer

Certificate by company secretary

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2017, 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

21 August 2017

Preparer of the separate and consolidated annual financial statements

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

R Mumford
General Manager Group Finance

21 August 2017

Independent auditor's report
to the shareholders of Imperial Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Imperial Holdings Limited (the Group) set out on pages 16 to 97, which comprise the statements of financial position as at 30 June 2017, and the statements of profit or loss and the statements of other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical requirements in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters relate to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and indeterminate life intangible assets	
Goodwill and indeterminate life intangible assets comprise 10,31% (2016: 7,8%) of the total assets of the Group. Goodwill and indeterminate life intangible assets have been recognised in the consolidated statement of financial position as a consequence of the acquisitive nature of the Group. As required by the applicable accounting standards, the directors conducted annual impairment tests to assess the recoverability of the carrying value of goodwill and indeterminate life intangible assets. This was performed using discounted cash flow models. As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include: > Revenue growth (including market share and volume growth); > Operating margins; > Exchange rate fluctuations; and > The discount rates applied to the projected future cash flows. The directors have engaged specialists to assist with the determination of the discount rates for the significant cash generating units to which the goodwill and indeterminate life intangible assets relate. The impairment test of these assets is considered to be a key audit matter. The disclosure related to the goodwill and indeterminate life intangible assets is contained in note 4.	We focused our testing of the impairment of goodwill and indeterminate life intangible assets on the key assumptions made by the directors. Our audit procedures included: > Engaging our internal specialists to assist with: – Critically evaluating whether the model used by the directors to calculate the value in use of the individual cash generating units complies with the requirements of IAS 36 Impairment of Assets. – Validating the assumptions used to calculate the discount rates and recalculating these rates. > Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the cash generating units. > Subjecting the key assumptions to sensitivity analyses. > Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of the director's projections. We found that the assumptions used by the directors were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances. We consider the disclosure of the goodwill and indeterminate life intangible assets to be relevant and useful.

Independent auditor's report continued

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Maintenance and warranty contracts</td></tr>
<tr><td>The Group has a liability for service, maintenance and warranty contracts, in terms of which they are obligated to provide maintenance and repair services over a future specified period.

The determination of the adequacy of the service, maintenance and warranty contract reserves and the recognition of the related revenue in accordance with IAS 18 Revenue is complex. The values recognised are based on the expected earnings curves of the contracts, which are dependent upon forecasted burn rates derived from key assumptions about the future, including:
> Vehicle parts inflation;
> Foreign currency devaluation; and
> Estimated use of vehicles.

Due to the complexity of the actuarial assumptions and the risk that the quantum of the reserves and consequential revenue recognised is inappropriate, the maintenance and warranty contracts have been identified as a key audit matter.

The disclosure related to the maintenance and warranty contracts is contained in notes 1.28 and 21.</td><td>We assessed and challenged the assumptions that the directors made in valuing the service, maintenance and warranty contracts with a focus on the adequacy of the reserves and the appropriateness of the related revenue recognised. This included:
> Engaging an independent actuarial specialist to evaluate the work performed by the directors' expert, including:
– Assessing the appropriateness of the financial models utilised by the directors' expert,
– Assessing the competence and experience of the directors' expert, and
– Testing the inputs, relating to vehicles parts inflation, foreign currency devaluation and estimated use of vehicles, into the financial models and the reasonableness of the ranges to the sensitivity of the inputs.
> Comparing the sufficiency of the funds against historical financial information and performing a retrospective review thereon.

We are satisfied with the actuarial assumptions applied and consequently with the measurement of the reserves at 30 June 2017. We are satisfied that the revenue recognised in the period is appropriate. The related disclosure is sufficient.</td></tr>
<tr><td colspan="2">Sale of the Regent group</td></tr>
<tr><td>The Group has disposed of its majority shareholding in the Regent group which provides insurance services in South Africa, Botswana and Lesotho.

The sale of the Regent group is considered to be a key audit matter due to:
> The significant impact that it had on the Group's results, financial position and cash flows for the year;
> The complexity of the transaction as the sale was achieved through the execution of multiple contracts which impacted on the recognition, measurement and disclosure of the sale.
> The fact that not all of the operations housed within Regent were disposed of. This required the directors to separate, analyse and quantify the operations which were retained from those that were disposed of and to account for all elements correctly.

The sale of Regent has had a pervasive impact across the annual financial statements. Specific disclosure on elements of the transaction is included in notes 2, 14 and 32.3.</td><td>We performed an in depth analysis of the sale contracts and evaluated the accounting treatment adopted by the directors for the different aspects of the Regent sale against the relevant accounting standards. Where necessary we involved the use of our internal specialists to audit the valuation of balances impacted by the transaction.

We critically reviewed the analysis provided by the directors to confirm that the Regent group had been appropriately separated into the businesses which remain (continuing operations) with the Group and those which have been sold (discontinued operations).

Based on the results of these procedures, we are satisfied that the sale of the Regent group has been accounted for in accordance with the sale contracts and relevant accounting standards.

We consider that the disclosure provided is adequate.</td></tr>
</table>

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
Acquisition of the Palletways group	
The Group continues to expand through acquisition, the most significant of which was the Palletways acquisition. The accounting for these acquisitions is governed by IFRS 3 Business Combinations whose requirements can be complex and requires the directors to exercise judgement in determining certain estimates. The most significant of these estimates is the determination of the Purchase Price Allocation Valuation (PPAV) which encompasses: > Identifying the assets and liabilities acquired and determining their fair values; > Determining any resultant goodwill and previously unrecorded intangible assets to be recognised on acquisition; and > Assessing the useful lives of these intangible assets in order to calculate the annual amortisation expense. The directors engaged external experts to assist with the determination of the PPAV on the Palletways acquisition concluded during the year. Due to the value of this acquisition and the level of judgement and estimate involved in its PPAV, the accounting for the business combination has been identified as a key audit matter. Note 38.2 provides the relevant disclosures for the Palletways acquisition.	Our audit work included the following: > Involvement of our internal PPAV experts in assessing the completeness of assets and liabilities acquired; > Involvement of our internal valuation specialists in the valuation of the identifiable assets and liabilities including assessing the adequacy of the valuation methods and appropriateness of key assumptions used; > Assessing the appropriateness of the estimated useful lives attached to intangible assets acquired; > Re-computing the resulting goodwill to be recognised on acquisition; and > Performing procedures to determine that the acquisition was included correctly in the consolidation. The PPAV and the accounting for the acquisition was assessed to be appropriate based on the evidence obtained. We consider the disclosures related to the acquisition to be appropriate.
Income tax and deferred tax	
Income tax: Due to the multiple tax jurisdictions within which the Group operates and the ambiguity of tax laws, determining the amounts which should be recognised for tax is subject to judgement and is thus a key audit matter. The director's judgement includes consideration of regulations by various tax authorities with respect to transfer pricing regulations and other tax positions. Where there is uncertainty, the directors make provision for tax based on the most probable outcome. The directors' disclosures with regards to the uncertainties are contained in note 1.28, whilst the income tax disclosures are contained in note 30. **Deferred tax:** As disclosed in note 8, the Group has recognised deferred tax assets in respect of certain entities to the extent that it is probable that historical assessed tax losses will be realised. This requires the directors' judgement in estimating future taxable income and is accordingly a key audit matter.	We involved our tax specialists to evaluate the recognition and measurement of the current and deferred tax assets and liabilities. This included: > Analysing the current and deferred tax calculations for compliance with the relevant tax legislation. > Evaluating the director's assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realised by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts, business plans, minutes of directors' meetings and our knowledge of the business. > Challenging the assumptions made by the directors for uncertain current and deferred tax positions to assess whether appropriate current and deferred tax provisions have been recognised and are based on the most probable outcome. Based on the procedures performed and information available, we found the tax balances recorded and the disclosures thereof to be appropriate.

Independent auditor's report continued

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, Audit Committee's Report and Company Secretary's Certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent auditor's report continued

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Imperial Holdings Limited for 17 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Andrew Mackie
Partner

21 August 2017

Report of the audit committee
for the year ended 30 June 2017

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).

In summary, this committee assists the board in its responsibilities covering the:

> internal and external audit processes for the group taking into account the significant risks,
> adequacy and functioning of the group's internal controls and
> integrity of the financial reporting.

The committee has performed all the duties required in section 94(7) of the Companies Act 71 of 2008.

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 for the year ended 30 June 2017 comprised Mr M Kgosana (chairman), Mr G Dempster, Mrs T Dingaan, Ms P Langeni, Mr RJA Sparks and Mr Y Waja ("the committee"), all of whom are independent non-executive directors of the Company. Mr RM Kgosana resigned as chairman and as a member of the committee on 7 September 2017 and Mr RJA Sparks assumed the role as Chairman of the committee on this date.

The members are being recommended by the board for appointment for the financial year ending 30 June 2017, and their appointments are being submitted to shareholders for approval at the next Annual General Meeting (AGM) on 31 October 2017. The abridged curricula vitae of the members are included in the "Our Leadership" section in 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
RM Kgosana (Chairman) (Member since 2015)	4
GW Dempster (Member since 2015)	4
T Dingaan (Member since 2014)	4
P Langeni (Member since 2005)	4
RJA Sparks (Member since 2006)	4
Y Waja (Member since 2008)	4

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

> fulfills 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;
> assists the Board in overseeing the quality and integrity of the group's integrated reporting process, including the financial statements, sustainability reporting and announcements in respect of the financial results;
> ensures that an effective control environment in the group is maintained;
> provides the chief financial officer, 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 and the company's chief financial officer being present;
> reviews and recommends to the Board the preliminary and interim financial results and the integrated and annual financial statements;
> oversees the activities of, and ensures coordination between, the activities of the internal and external auditors;
> fulfills 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 audit committee's work and terms of reference; and
> assesses the performance and effectiveness of the audit committee and its members on a regular basis.

FINANCE RISK REVIEW COMMITTEES (FRRC)

Due to the size and diverse nature of the group, the audit committee has established divisional FRRC's which perform the functions of the audit committee at the divisions. These FRRC's are chaired by an independent person and report to the group audit committee.

EXECUTION OF FUNCTIONS DURING THE YEAR

The committee is satisfied that, for the 2017 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.

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

EXTERNAL AUDIT

The Committee among other matters:

- nominated Deloitte & Touche and Mr. A Mackie as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ending 30 June 2017, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- nominated the external auditor and the independent auditor for each material subsidiary company for re-appointment;
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- obtained an annual confirmation from the auditor that their independence was not impaired;
- 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 the Committee's policy;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its material subsidiaries;
- 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
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

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 auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- the auditors' 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 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.

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

Report of the audit committee continued

ADEQUACY AND FUNCTIONING OF THE GROUP'S INTERNAL CONTROLS

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.

As noted above, it also reviewed the reporting around the adequacy of the internal controls and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

FINANCIAL REPORTING

The audit committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of the Group. This covers the annual financial statements, integrated report, interim and preliminary reports.

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 preliminary and interim reports and the integrated and annual financial statements, as well as all financial other 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 the appropriateness of the accounting policies adopted and changes thereto;
> reviewed the external auditor's audit report and key audit matters included;
> 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;
> considered accounting treatments, significant unusual transactions and accounting judgments.

Proactive Monitoring

The audit committee hereby confirms that it has considered the findings contained in the 2016 Proactive Monitoring report when preparing the annual financial statements for the year ended 30 June 2017 and will also consider the same for the upcoming interims results for the 6 months ending 31 December 2017. In addition, the committee did in the past financial years consider the contents of the previous Proactive Monitoring reports.

SIGNIFICANT AREAS OF JUDGEMENT

In arriving at the figures disclosed in the financial statements there are many areas where judgement is needed. These are outlined in note 1.28 to the annual financial statements. The audit committee has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and decided to expand on the following:

> Inventories
> Trade receivables
> Land, buildings and leasehold improvements
> Goodwill and intangible assets
> Tax
> Sale of Insurance Operations and Discontinued operations
> Maintenance and warranty contracts
> Put option liabilities

In making its assessment in each of the above areas the FRRC's and the audit committee examined the external auditors report and questioned senior management in arriving at their conclusions.

Inventories

The major risks relating to this asset are the physical verification and valuation being at the lower of cost and net realisable value. The group has adopted a strict process to count inventory on a regular basis and to follow up on any discrepancies to the accounting records. There were no material adjustments during the year.

The cost of the inventory is assessed in relation to its anticipated realisable value and the necessary impairments raised. The necessary impairments raised were largely relating to used vehicles and certain imported vehicles where the imported cost due to the depreciation of the Rand was above the anticipated selling price.

The FRRC's and audit committee considers the carrying value of inventory to be fairly stated. Refer to note 11 in the consolidated annual financial statements for the amounts.

Report of the audit committee continued

Trade receivables

The major risk relating to this asset is credit risk. Credit extension assessment processes are the responsibility of management. The audit committee has assessed that these are adequate and has examined the aging of the group's trade receivables. Based on the aging and management's judgement of the receivable's collectability, a provision for doubtful debts is raised.

The FRRC's and audit committee considers the carrying value of trade receivables to be fairly stated. Refer to note 37.1.4 in the consolidated annual financial statements.

Land, buildings and leasehold improvements

These assets need to be assessed annually for their residual value, useful lives and impairment. Buildings have estimated useful lives of 20 years. To arrive at the residual value of a building in today's values, the usage of the building and its forecasted residual value at the end of its useful life needs to be assessed and then this amount is present valued. This requires the use of capitalisation rates and discount factors with a high level of judgement.

To further advance the review, the group has a process of valuing its property portfolio to assess for impairments. All properties will be valued over a five year cycle. The valuation was done by an internal expert using the income approach method.

There were no material impairments during the year. The FRRC's and the audit committee considered the carrying values to be fairly stated. Refer to notes 6 and 27 in the consolidated annual financial statements.

Goodwill and intangible assets

Goodwill and other indeterminate useful life intangible assets are assessed annually for impairment. The key assumptions used are cash flow projections, growth rates and discount rates applied. The cash flow projections are approved by senior management. The discount rates are established by an independent expert taking into account the geographic and other risk factors relating to the particular cash generating unit being assessed. The audit committee considered the impairment tests noting the assumptions used, their sensitivities and the head room.

The group acquired Palletways in July 2016 for R3 billion. This was a major acquisition resulting in R3 300 million of intangibles in total. The valuation of intangibles resulted in the following being identified: Goodwill of R1 951 million, a trademark of R336 million and customer lists and networks of R1 013 million. The goodwill and trademark are seen as indeterminate useful life assets, are not amortised and are tested for impairment. The customer lists and networks are amortised.

FRRC's and the audit committee agreed with the impairment of the goodwill and intangible assets recognised and that the carrying value of the goodwill and intangible assets are fairly stated. Refer to notes 4, 28.2 and 38.2 in the annual financial statements for further details.

Tax

The Group operates in different jurisdictions with complex tax legislation requiring judgements needed in recognising tax liabilities. There are also judgements needed in recognising deferred tax assets.

The FRRC's and audit committee questioned management on the computation and tax risks relating to the group. Where appropriate, the audit committee also considers the opinions of the group's independent tax advisors.

The audit committee considers the probability of the recovery of significant deferred tax assets, based on forecasts prepared by management. A deferred tax asset was raised in a logistics company amounting to R177 million based on an assessment of its forecasted taxable income and its recoverability. No additional deferred tax asset was raised on a motor importer who had additional losses due to an assessment of the recoverability of its existing deferred tax asset.

The effective tax rate of 29,2% was up compared to 27,4% in the prior year mainly due to the release of prior year over provisions in 2016.

No major tax issues arose during the year.

Refer to notes 1.28, 8 and 30 in the consolidated annual financial statements for further details.

Maintenance and warranty contracts

This liability is required to cover contractual costs of maintenance and warranty work to be carried out in the future. The adequacy of this amount is actuarially determined by forecasted burn rates which are affected by exchange rates, inflation and incident levels. These require a high level of judgement.

Independent actuarial experts are used to determine the inputs needed resulting in the revenue recognition and the final liability. The FRRC in this area is chaired by an independent actuary to strengthen the review process.

The audit committee considers the assumptions supporting the liability to be reasonable and the carrying value to be fair. Refer to notes 1.28 and 21 for further details.

Report of the audit committee continued

Put option liabilities

These liabilities arise when new acquisitions have contractual obligations enabling non-controlling interest shareholders to put their shares back to the group at an agreed price. The initial recognition of this amount is debited directly to equity with subsequent movements to the liability recognised in the statement of profit or loss.

In arriving at the liability the future earnings need to be assessed and discounted back to calculate the present value. This requires a high level of judgement.

The audit committee considers that the carrying value is fairly reflected. Refer to notes 1.28, 22, 37.2.2 and the statement of changes in equity for further details.

Sale of Insurance Operations and Discontinued operations

The sale of the Regent Group was concluded on 30 June 2017 after being treated as a discontinued operation from 30 June 2015.

As a result the statement of profit and loss was split between continuing and discontinued operations for the financial years 30 June 2016 and 30 June 2017. On the statement of financial position at 30 June 2015 and 30 June 2016, the Regent Group's assets were included under 'Assets of discontinued operations' and its liabilities under 'Liabilities of discontinued operations'.

The final transaction was amended so that Imperial retained the Value Added Products (VAPS) businesses in Regent which resulted in lower proceeds, lower net asset value disposed of and lower profits lost due to the disposal.

As a result the 30 June 2016 consolidated financial statements have been restated to reflect the revised split between continued and discontinued operations on the statement of profit and loss and the lower assets and liabilities of discontinued operations on the statement of financial position. The impact is that the continuing operations profits increased and the discontinued operation profits decreased. The various assets and liabilities of the businesses retained are reclassified from assets and liabilities of discontinued operations back to their appropriate categories.

See note 2 for full details of the restatement.

The audit committee agrees with the adjustment to the split of the prior year published classification of the discontinued operation and the disclosures made.

Refer to note 14 for the results of discontinued operations for the year and note 2 for details of the prior year restatement.

QUALITY OF EARNINGS

The reconciliation of the attributable profits to headline and core earnings is outlined in note 31.

There were no other material once off income or expense items that affected the operating profit.

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 audit and the external auditors regarding compliance with legal and regulatory requirements.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

As required by 3.84(h) of the JSE Limited Listings Requirements, the audit committee has satisfied itself that the chief financial officer, Mr M Akoojee, 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.

Report of the audit committee continued

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 sub-committees 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 divisions.

INTEGRATED REPORT

Following the review by the committee of the consolidated and separate annual financial statements of Imperial Holdings Limited for the year ended 30 June 2017, 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 positions 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 consolidated and separate annual financial statements and the integrated report for the year ended 30 June 2017 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.

M Kgosana
Chairman

21 August 2017

Directors' report
for the year ended 30 June 2017

NATURE OF BUSINESS

Imperial Holdings is a South African-based international group active in two chosen areas of mobility:

> Logistics – consumer and industrial; and
> Vehicles – Vehicle import, distribution, dealerships, rental, aftermarket parts and vehicle related financial services.

Imperial employs over 49 000 people who generate annual revenues in excess of R116 billion, in more than 30 countries on 5 continents.

FINANCIAL PERFORMANCE

The net attributable profit for the year amounted to R2 601 million (2016 restated: R2 997 million). Basic earnings per share for the year was 1 339 cents (2016 restated: 1 554 cents).

The results for the year are set out in the consolidated statement of profit or loss on page 17 of this report.

SHARE CAPITAL

The authorised and issued share capital is detailed in note 15 and the shares repurchased in note 16 to the annual financial statements.

The number of shares in issue on 30 June 2017 was as follows:

	Company	Shares repurchased	Net
Ordinary shares			
The movements in the ordinary shares was as follows:			
Ordinary shares at the beginning of year	208 172 968	(11 571 963)	196 601 005
Deferred ordinary shares converted to ordinary shares	831 469		831 469
Ordinary shares cancelled	(7 864 456)	7 864 456	
Ordinary shares delivered to settle obligations		234 924	234 924
Ordinary shares at the end of year	201 139 981	(3 472 583)	197 667 398
Deferred ordinary shares			
The movement in the number of deferred ordinary shares was as follows:			
Deferred ordinary shares at the beginning of year	9 362 298		9 362 298
Converted into ordinary shares	(831 469)		(831 469)
Deferred ordinary shares at the end of year	8 530 829		8 530 829
Total issued shares	209 670 810	(3 472 583)	206 198 227
Non-redeemable, non-participating preference shares			
Opening and closing balance	4 540 041		4 540 041

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

DIRECTORS AND SECRETARY

The names of the directors and secretary who presently hold office are set on the inside back cover of this report.

In accordance with the Memorandum of Incorporation, Messrs OS Arbee, GW Dempster, SP Kana, MV Moosa, M Swanepoel and Y Waja 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. The appointment of Mr M Akoojee who was appointed during the year will be tabled for confirmation at the forthcoming annual general meeting.

The aggregate interest of the directors in the issued ordinary share capital of the company is disclosed in note 39.

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 17.2 of this report.

DIVIDENDS

Details of the dividends declared are set out in note 33 of this report.

SUBSIDIARIES

Details of the company's principal subsidiaries are reflected in note 38.1 of this report.

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

MATERIAL SUBSIDIARIES ACQUIRED BY THE GROUP

	Nature of business	Percentage interest
Palletways	Express delivery solution for small consignments	95,2%
Itumele	Consumer bus operations	55%

MATERIAL SUBSIDIARIES DISPOSED OF BY THE GROUP

	Nature of business	Percentage interest
Regent Group	Life and Non-Life Insurance	100%
Jurgens	Camping trailer manufacturer/supplier	100%

RESTATEMENT OF 2016

The Regent Insurance operations have been classified as discontinued operations since 30 June 2015. Due to the protracted negotiations and regulatory requirements, the sale was concluded on 30 June 2017. The final transaction was amended so that Imperial retained the Value Added Products (VAPS) businesses in Regent which resulted in lower proceeds, lower net asset value disposed and lower profits lost due to the disposal.

As a result, the 30 June 2016 consolidated financial statements are restated to reflect the revised split between continued and discontinued operations on the statement of profit and loss and the decreased assets and liabilities of discontinued operations on the statement of financial position. The impact is that the continuing operations profits increased and the discontinued operation profits decreased. The various assets and liabilities of the businesses retained were reclassified from assets and liabilities of discontinued operations back to their appropriate categories.

SPECIAL RESOLUTIONS

The company passed the following special resolutions at its annual general meeting held on 1 November 2016:

> 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 to provide financial assistance to related and inter related parties as contemplated in section 44 and 45 of the Companies Act, 2008 (the Act).
> Approving the directors' fees payable from 1 July 2017 to 30 June 2019.

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.
> Adopting new Memoranda of Incorporation.

EVENTS AFTER THE REPORTING PERIOD

Shareholders are advised that a preference and an ordinary dividend has been declared by the board of Imperial on 21 August 2017. For more detail please refer to the dividend declaration on page 68.

ACQUISITIONS

Surgipharm Limited

Logistics Africa acquired 70% of Surgipharm Limited for a consideration of R462 million (USD35 million). Surgipharm, which is headquartered in Nairobi, markets and distributes pharmaceutical, medical, surgical and allied supplies in Kenya, with an annual turnover of approximately R964 million (USD73 million). The transaction will be effective 1 July 2017.

Pentagon Motor Holdings

Motus acquired on 14 August 2017 100% of Pentagon Motor Holdings Ltd (Pentagon), for a cash consideration of R493 million (£28 million). Headquartered in Derbyshire, Pentagon operates 20 prime retail dealerships in Derbyshire, Nottinghamshire, Lincolnshire, Yorkshire and greater Manchester. For the year ending 31 December 2016 Pentagon had a turnover of R8 715 million (£495 million). Pentagon was established in 1991 and has grown steadily from its initial Vauxhall franchise base to represent numerous leading car and van manufacturers including Peugeot, Seat, Mazda, Kia, Renault, Fiat, Alfa Romeo, Nissan, Mitsubishi and Jeep.

SWT

The acquisition of 75% of Australian based SWT Group Pty Ltd, which operates 16 dealerships, for a cash consideration of R254 million (AUD24.2 million). The transaction is subject to certain conditions precedent.

ACCOUNTING POLICIES AND NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

These are outlined in notes 1 and 3 of this report.

Consolidated statement of financial position

at 30 June 2017

	Notes	2017 Rm	2016* Rm	2015* Rm
ASSETS				
Goodwill and intangible assets	4	9 529	7 501	7 193
Investment in associates and joint ventures	5	1 002	993	1 352
Property, plant and equipment	6	10 371	11 602	11 104
Transport fleet	7	5 560	5 953	5 610
Deferred tax assets	8	1 509	1 387	1 108
Investments and other financial instruments	9	805	404	447
Vehicles for hire	10	3 963	3 469	3 603
Inventories	11	16 953	16 717	15 465
Tax in advance		330	484	297
Trade and other receivables	12	13 353	12 717	12 849
Cash resources	13	4 499	2 321	2 275
Assets of discontinued operations and disposal groups			6 287	4 409
Properties held for disposal	6	979		
Total assets		68 853	69 835	65 712
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium	15	1 030	1 030	382
Shares repurchased	16	(574)	(1 226)	(668)
Other reserves	17	24	1 003	1 089
Retained earnings		20 262	19 366	18 065
Attributable to owners of Imperial		20 742	20 173	18 868
Put arrangements over non-controlling interests		(1 148)	(1 307)	(1 473)
Non-controlling interests		667	909	1 838
Total equity		20 261	19 775	19 233
Liabilities				
Non-redeemable, non-participating preference shares	18	441	441	441
Retirement benefit obligations	19	1 229	1 531	1 157
Interest-bearing borrowings	20	13 235	14 531	12 264
Maintenance and warranty contracts	21	3 022	3 156	3 191
Deferred tax liabilities	8	1 115	881	1 193
Other financial liabilities	22	1 952	2 335	2 019
Provisions for liabilities and other charges	23	1 012	778	604
Trade and other payables	24	20 338	18 852	18 538
Current tax liabilities		337	673	561
Current portion of interest-bearing borrowings	20	5 911	3 865	3 893
Liabilities of discontinued operations and disposal groups			3 017	2 618
Total liabilities		48 592	50 060	46 479
Total equity and liabilities		68 853	69 835	65 712

* *Restated as described in note 2.*

Consolidated statement of profit or loss

for the year ended 30 June 2017

	Notes	2017 Rm	2016* Rm
CONTINUING OPERATIONS			
Revenue	25	116 839	115 800
Net operating expenses	26	(108 261)	(107 293)
Profit from operations before depreciation and recoupments		8 578	8 507
Depreciation, amortisation, impairments and recoupments	27	(2 529)	(2 559)
Operating profit		6 049	5 948
Recoupments from sale of properties, net of impairments	27	212	28
Amortisation of intangible assets arising on business combinations	27	(521)	(437)
Impairment of intangible assets arising on business combinations	27		(151)
Foreign exchange losses	28.1	(619)	(72)
Other non-operating items	28.2	(357)	(30)
Profit before net financing costs		4 764	5 286
Finance cost including fair value losses	29	(1 930)	(1 593)
Finance income	29	250	153
Profit before share of result of associates and joint ventures		3 084	3 846
Share of result of associates and joint ventures		103	138
Profit before tax		3 187	3 984
Income tax expense	30	(901)	(1 054)
Profit for the year from continuing operations		2 286	2 930
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	14	279	251
Net profit for the year		2 565	3 181
Net profit attributable to:			
Owners of Imperial		2 601	2 997
Continuing operations		2 373	2 802
Discontinued operations		228	195
Non-controlling interests		(36)	184
Continuing operations		(87)	128
Discontinued operations		51	56
		2 565	3 181
Earnings per share (cents)	31		
Continuing operations			
– Basic		1 221	1 453
– Diluted		1 187	1 416
Discontinued operations			
– Basic		118	101
– Diluted		115	98
Total operations			
– Basic		1 339	1 554
– Diluted		1 302	1 514

* *Restated as described in note 2.*

Consolidated statement of comprehensive income
for the year ended 30 June 2017

	2017 Rm	2016* Rm
Net profit for the year	**2 565**	3 181
Other comprehensive (loss) income	**(405)**	147
Items that may be reclassified subsequently to profit or loss	**(521)**	306
Exchange (losses) gains arising on translation of foreign operations	**(724)**	623
– Movement in translation reserve	**(724)**	607
– Share of associates' and joint ventures' movement in translation reserve		16
Movement in valuation reserve	**(8)**	
– Reclassification of gain on disposal of investment in associate	**(8)**	
Movement in hedge accounting reserve	**211**	(317)
– Effective portion of change in fair value of cash flow hedges	**334**	(365)
– Amounts reclassified from hedge accounting reserve on matured contracts	**(90)**	(9)
– Income tax relating to hedge accounting reserve movements	**(33)**	57
Items that will not be reclassified subsequently to profit or loss	**116**	(159)
Remeasurement of defined benefit obligations	**199**	(228)
Income tax relating to remeasurement of defined benefit obligations	**(83)**	69
Total comprehensive income for the year	**2 160**	3 328
Total comprehensive income attributable to:		
Owners of Imperial	**2 209**	3 138
Non-controlling interests	**(49)**	190
	2 160	3 328

* *Restated as described in note 2.*

Consolidated statement of cash flows

for the year ended 30 June 2017

	Notes	2017 Rm	2016* Rm
Cash flows from operating activities			
Cash receipts from customers		118 856	119 030
Cash paid to suppliers and employees		(109 780)	(110 887)
Cash generated by operations before interest and taxes paid	32.1	9 076	8 143
Finance cost paid		(1 920)	(1 614)
Finance income received		250	153
Tax paid		(1 520)	(1 910)
Cash generated by operations before capital expenditure on rental assets		5 886	4 772
Expansion capital expenditure – rental assets		(1 118)	(772)
Net replacement capital expenditure – rental assets		(591)	(839)
– Expenditure		(3 422)	(3 539)
– Proceeds		2 831	2 700
		4 177	3 161
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	32.2	(1 706)	(305)
Disposal of subsidiaries and businesses	32.3	19	1 065
Expansion capital expenditure – excluding rental assets		45	(1 130)
– Property		310	(519)
– Transport fleet		(265)	(611)
Net replacement capital expenditure – excluding rental assets	32.4	(999)	(1 397)
– Intangible assets		(273)	(342)
– Plant and equipment		(765)	(939)
– Transport fleet		39	(116)
Net movement in associates and joint ventures^		514	71
Net movement in investments, loans and other financial instruments		188	108
		(1 939)	(1 588)
Cash flows from financing activities			
Hedge cost premium paid		(10)	(193)
Settlement of cross currency swap instruments			(157)
Ordinary shares repurchased~			(558)
Dividends paid		(1 688)	(1 909)
Change in non-controlling interests		(252)	(439)
Capital raised from non-controlling interests		149	26
Debt issued		3 988	
Net (decrease) increase in other interest-bearing borrowings		(2 479)	2 193
		(292)	(1 037)
Net increase in cash and cash equivalents		1 946	536
Effects of exchange rate changes on cash resources in foreign currencies		(224)	145
Cash and cash equivalents at beginning of year		719	38
Cash and cash equivalents at end of year	32.5	2 441	719

* *Restated as described in note 2.*
^ *Includes proceeds on sale of Mix Telematics Limited of R478 million during the year.*
~ *The repurchase of the 7 864 456 ordinary shares during the year was an inter-group transaction with no impact on the Group's cash flows.*

Consolidated statement of changes in equity

for the year ended 30 June 2017

			Other reserves											
	Share capital and share premium Rm	Shares repurchased Rm	Share-based payment reserve Rm	Hedge accounting reserve Rm	Statutory reserve Rm	Foreign currency translation reserve Rm	Premium paid on purchase of non-controlling interests Rm	Valuation reserve Rm	Changes in net assets of associates and joint ventures Rm	Retained earnings Rm	Attributable to owners of Imperial Rm	Put arrangements of non-controlling interests Rm	Non-controlling interests Rm	Total equity Rm
At 30 June 2015	382	(668)	(71)	78	222	1 161	(399)	8	90	18 065	18 868	(1 473)	1 838	19 233
Net attributable profit for the year										2 997	2 997		184	3 181
Other comprehensive income				(230)		530				(159)	141		6	147
Total comprehensive income for the year				(230)		530				2 838	3 138		190	3 328
Movements in statutory reserve					20					(20)				
Share-based cost charged to profit or loss			144								144		4	148
Share-based equity reserve transferred to retained earnings on vesting			(55)							55				
Share-based equity reserve hedge costs			(183)								(183)			(183)
Ordinary dividend of 445 cents per share in September 2015										(840)	(840)			(840)
Ordinary dividend of 370 cents per share in March 2016										(732)	(732)			(732)
Repurchase of 3 387 507 shares from the open market at an average price of R164.78 per share, plus transaction costs		(558)									(558)			(558)
Share of changes in net assets in associates and joint ventures									(5)		(5)			(5)
Realisation on disposal of subsidiaries							59				59			59
Non-controlling interests disposed, net of acquisitions and shares issued													(71)	(71)
Net decrease in non-controlling interests through buy-out*	648						(366)				282	166	(715)	(267)
Non-controlling interests share of dividends													(337)	(337)
At 30 June 2016	1 030	(1 226)	(165)	(152)	242	1 691	(706)	8	85	19 366	20 173	(1 307)	909	19 775
Net attributable profit for the year										2 601	2 601		(36)	2 565
Other comprehensive income				159		(659)		(8)		116	(392)		(13)	(405)
Total comprehensive income for the year				159		(659)		(8)		2 717	2 209		(49)	2 160
Transfer of reserves on disposal of Mix Telematics Limited						(50)	27		(85)	108				
Movements in statutory reserve					11					(11)				
Share-based cost charged to profit or loss			150								150			150
Share-based equity reserve transferred to retained earnings on vesting			102							(102)				
Shares delivered to settle share based obligations		39	(39)											
Share-based equity reserve hedge cost			(222)								(222)			(222)
Ordinary dividend of 425 cents per share in September 2016										(831)	(831)			(831)
Ordinary dividend of 320 cents per share in March 2017										(630)	(630)			(630)
Cancellation of 7 864 456 ordinary shares		613								(613)				
Non-controlling interests acquired, net of disposals and shares issued													119	119
Net decrease in non-controlling interests through buy-outs							(167)				(167)	159	(85)	(93)
Realisation on disposal of subsidiaries					(228)	(32)	62			258	60			60
Non-controlling interests share of dividends													(227)	(227)
At 30 June 2017	1 030	(574)	(174)	7	25	950	(784)			20 262	20 742	(1 148)	667	20 261

* *Includes the issue of 4 559 221 ordinary shares at an average market price of R142 per share to the non-controlling shareholder of Associated Motor Holdings (Pty) Limited and Boundlesstrade 154 (Pty) Limited as consideration for its 10% shareholding.*

Segmental information

for the year ended 30 June 2017

FINANCIAL POSITION	IMPERIAL HOLDINGS		IMPERIAL LOGISTICS – Logistics South Africa		IMPERIAL LOGISTICS – Logistics African Regions		IMPERIAL LOGISTICS – Logistics International		IMPERIAL LOGISTICS	
R million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Assets										
Goodwill and intangible assets	9 529	7 501	924	1 030	2 210	2 496	5 540	3 004	8 674	6 530
Property plant and equipment	10 371	11 602	1 434	1 825	356	693	2 278	2 245	4 068	4 763
Transport fleet	5 560	5 953	2 528	2 344	306	371	2 763	3 278	5 597	5 993
Vehicles for hire	3 963	3 469								
Investments in associates	686	694	17	22	298	320	137	167	452	509
Investments	403	113	23	5			5	5	28	10
Inventories	16 953	16 717	324	251	1 157	1 247	249	314	1 730	1 812
Trade and other receivables	13 353	12 717	3 907	3 562	1 356	1 432	3 830	3 618	9 093	8 612
Cash resources	207	17								
Operating assets	61 025	58 783	9 157	9 039	5 683	6 559	14 802	12 631	29 642	28 229
– South Africa	34 669	32 796	9 157	9 039					9 157	9 039
– Rest of Africa	6 464	7 329			5 683	6 559			5 683	6 559
– International	19 892	18 658					14 802	12 631	14 802	12 631
Liabilities										
Retirement benefit obligations	1 229	1 531					1 229	1 531	1 229	1 531
Maintenance and warranty contracts	3 022	3 156								
Trade and other payables and provisions	21 350	19 630	4 352	3 578	1 922	2 013	3 945	3 372	10 219	8 963
Other financial liabilities	399	460	33	31	76	88		1	109	120
Operating liabilities	26 000	24 777	4 385	3 609	1 998	2 101	5 174	4 904	11 557	10 614
– South Africa	15 773	14 459	4 385	3 609					4 385	3 609
– Rest of Africa	2 223	2 366			1 998	2 101			1 998	2 101
– International	8 004	7 952					5 174	4 904	5 174	4 904
Net working capital	8 956	9 804	(121)	235	591	666	134	560	604	1 461
– South Africa	6 961	7 213	(121)	235					(121)	235
– Rest of Africa	916	838			591	666			591	666
– International	1 079	1 753					134	560	134	560
Net debt	15 088	16 516	1 306	2 610	2 473	2 639	5 516	3 955	9 295	9 204
– South Africa	7 182	9 911	1 306	2 610					1 306	2 610
– Rest of Africa	2 781	2 821			2 473	2 639			2 473	2 639
– International	5 125	3 784					5 516	3 955	5 516	3 955
Net capital expenditure	(2 663)	(4 138)	155	(534)	(93)	(346)	(554)	(1 027)	(492)	(1 907)
– South Africa	(1 853)	(2 624)	155	(534)					155	(534)
– Rest of Africa	(165)	(416)			(93)	(346)			(93)	(346)
– International	(645)	(1 098)					(554)	(1 027)	(554)	(1 027)

FINANCIAL POSITION	MOTUS – Vehicle Import and Distribution		MOTUS – Vehicle Retail and Rental		MOTUS – After Market Parts		MOTUS – Motor Related Financial Services		MOTUS – Eliminations		TOTAL VEHICLES		Head Office and eliminations		Insurance	
R million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Assets																
Goodwill and intangible assets	110	133	355	422	364	366	9		8	9	846	930	9	41		
Property plant and equipment	511	837	5 279	5 668	413	207	11	10	(1)	1	6 213	6 723	90	116		
Transport fleet													(37)	(40)		
Vehicles for hire	1 991	1 534	1 959	1 723			1 915	1 071	(1 902)	(859)	3 963	3 469				
Investments in associates	21	(37)	17	32	119	111	61	62	8	9	226	177	8	8		
Investments	4	4		27			317	190			321	221	54	(118)		
Inventories	5 445	5 145	8 350	8 457	1 121	1 111	397	436	(90)	(219)	15 223	14 930		(25)		
Trade and other receivables	1 977	1 645	2 295	2 274	592	608	682	934	(1 270)	(1 293)	4 276	4 168	(16)	(63)		
Cash resources							207	17			207	17				
Operating assets	10 059	9 261	18 255	18 603	2 609	2 403	3 599	2 720	(3 247)	(2 352)	31 275	30 635	108	(81)		
– South Africa	9 439	8 637	13 198	12 946	2 588	2 388	3 599	2 720	(3 298)	(2 763)	25 526	23 928	(15)	(171)		
– Rest of Africa	620	624	139	103	21	15			1	28	781	770				
– International			4 918	5 554					50	383	4 968	5 937	123	90		
Liabilities																
Retirement benefit obligations																
Maintenance and warranty contracts							2 915	3 040	107	102	3 022	3 142		14		
Trade and other payables and provisions	5 212	4 282	6 936	7 111	987	940	747	598	(2 979)	(2 182)	10 903	10 749	228	(82)		
Other financial liabilities	102	67	11		5	51		10		(9)	118	119	172	221		
Operating liabilities	5 314	4 349	6 947	7 111	992	991	3 662	3 648	(2 872)	(2 089)	14 043	14 010	400	153		
– South Africa	5 105	4 098	4 132	4 136	989	988	3 662	3 648	(2 872)	(2 089)	11 016	10 781	372	69		
– Rest of Africa	209	251	13	11	3	3					225	265				
– International			2 802	2 964							2 802	2 964	28	84		
Net working capital	2 210	2 508	3 709	3 620	726	779	332	772	1 619	670	8 596	8 349	(244)	(6)		
– South Africa	1 916	2 216	2 871	2 630	716	769	332	772	1 618	687	7 453	7 075	(369)	(96)		
– Rest of Africa	294	292	18	13	10	10			1	(143)	323	171				
– International			820	977						126	820	1 103	125	90		
Net debt	2 895	1 913	3 678	5 490	555	352	(1 450)	(1 237)	101	(368)	5 779	6 150	14	1 162		
– South Africa	2 658	1 806	3 239	4 748	536	337	(1 450)	(1 237)	76	(396)	5 059	5 258	817	2 043		
– Rest of Africa	237	107	52	49	19	15				11	308	182				
– International			387	693					25	17	412	710	(803)	(881)		
Net capital expenditure	(1 227)	(905)	(1 112)	(1 120)	(263)	(42)	(596)	(228)	1 025	169	(2 173)	(2 126)	(45)	(7)	47	(98)
– South Africa	(1 212)	(878)	(967)	(1 011)	(262)	(40)	(596)	(228)	1 025	169	(2 012)	(1 988)	(44)	(6)	48	(96)
– Rest of Africa	(15)	(27)	(55)	(39)	(1)	(2)					(71)	(68)			(1)	(2)
– International			(90)	(70)							(90)	(70)	(1)	(1)		

Segmental information continued

PROFIT OR LOSS	IMPERIAL HOLDINGS		IMPERIAL LOGISTICS – Logistics South Africa		IMPERIAL LOGISTICS – Logistics African Regions		IMPERIAL LOGISTICS – Logistics International		IMPERIAL LOGISTICS – Business held for sale		TOTAL LOGISTICS	
R million	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	116 839	115 800	16 207	14 447	9 356	11 016	24 220	19 512	882	2 937	50 665	47 912
– South Africa	66 972	66 072	16 207	14 447					291	819	16 498	15 266
– Rest of Africa	11 171	13 432			9 356	11 016			591	837	9 947	11 853
– International	38 696	36 296					24 220	19 512		1 281	24 220	20 793
Operating profit	6 049	5 948	953	828	746	773	1 105	1 000	(40)	(58)	2 764	2 543
– South Africa	3 809	3 779	953	828					(34)	(78)	919	750
– Rest of Africa	792	843			746	773			(6)	7	740	780
– International	1 448	1 326					1 105	1 000		13	1 105	1 013
Depreciation, amortisation, impairments and recoupments	(2 838)	(3 119)	(394)	(590)	(257)	(295)	(777)	(738)	(6)	(56)	(1 434)	(1 679)
– South Africa	(1 694)	(1 924)	(394)	(590)					(3)	(14)	(397)	(604)
– Rest of Africa	(302)	(327)			(257)	(295)			(3)	(3)	(260)	(298)
– International	(842)	(868)					(777)	(738)		(39)	(777)	(777)
Interest expense	(1 680)	(1 440)	(307)	(300)	(222)	(214)	(220)	(197)	(19)	(29)	(768)	(740)
– South Africa	(1 140)	(913)	(307)	(300)					(12)	(14)	(319)	(314)
– Rest of Africa	(256)	(236)			(222)	(214)			(7)	(5)	(229)	(219)
– International	(284)	(291)					(220)	(197)		(10)	(220)	(207)
Pre-tax profit	3 434	3 901	773	524	113	368	593	576	(59)	(106)	1 420	1 362
– South Africa	2 448	2 723	773	524					(47)	(100)	726	424
– Rest of Africa	133	386			113	368			(12)	(15)	101	353
– International	853	792					593	576		9	593	585
ADDITIONAL SEGMENT INFORMATION												
Analysis of revenue by type												
– Sale of goods	67 587	70 228	872	628	7 106	8 251			772	1 186	8 750	10 065
– Rendering of services	49 252	45 572	15 335	13 801	2 133	2 676	24 220	19 512	110	1 751	41 798	37 740
External revenue	116 839	115 800	16 207	14 429	9 239	10 927	24 220	19 512	882	2 937	50 548	47 805
Inter-group revenue				18	117	89					117	107
	116 839	115 800	16 207	14 447	9 356	11 016	24 220	19 512	882	2 937	50 665	47 912
Analysis of depreciation, amortisation, impairments and recoupments	(2 838)	(3 119)	(394)	(590)	(257)	(295)	(777)	(738)	(6)	(56)	(1 434)	(1 679)
Depreciation and amortisation	(2 575)	(2 601)	(561)	(582)	(101)	(118)	(548)	(580)	(6)	(56)	(1 216)	(1 336)
Recoupments and impairments	258	70	211	24	10	11	66	35			287	70
Amortisation and impairment of intangible assets arising on business combinations	(521)	(588)	(44)	(32)	(166)	(188)	(295)	(193)			(505)	(413)
Associate income included in pre-tax profits	103	138	5	3	19	30	28	25			52	58
Operating margin %	5,2	5,1	5,9	5,7	8,0	7,0	4,6	5,1			5,5	5,3

PROFIT OR LOSS	MOTUS – Vehicle Import and Distribution		MOTUS – Vehicle Retail and Rental		MOTUS – After Market Parts		MOTUS – Motor Related Financial Services		MOTUS – Businesses held for sale		MOTUS – Eliminations		TOTAL VEHICLES		Head Office and eliminations	
R million	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	18 157	18 307	55 633	55 132	6 153	5 824	2 036	1 837	427	2 945	(15 866)	(15 566)	66 540	68 479	(366)	(591)
– South Africa	17 116	16 857	41 121	39 741	6 120	5 808	2 036	1 837	315	2 722	(15 866)	(15 567)	50 842	51 398	(368)	(592)
– Rest of Africa	1 041	1 450	150	112	33	16						1	1 224	1 579		
– International			14 362	15 279					112	223			14 474	15 502	2	1
Operating profit	728	913	1 478	1 426	406	382	833	725	(2)	102	(133)	(146)	3 310	3 402	(25)	3
– South Africa	730	886	1 067	1 056	409	386	833	725	(3)	105	(133)	(146)	2 903	3 012	(13)	17
– Rest of Africa	(2)	27	57	40	(3)	(4)							52	63		
– International			354	330					1	(3)			355	327	(12)	(14)
Depreciation, amortisation, impairments and recoupments	(622)	(653)	(721)	(686)	(41)	(39)	(183)	(150)		(157)	177	231	(1 390)	(1 454)	(14)	14
– South Africa	(606)	(645)	(635)	(575)	(40)	(39)	(183)	(150)		(156)	177	232	(1 287)	(1 333)	(10)	13
– Rest of Africa	(16)	(8)	(25)	(21)	(1)								(42)	(29)		
– International			(61)	(90)						(1)		(1)	(61)	(92)	(4)	1
Interest expense	(499)	(267)	(356)	(464)	(69)	(48)	(10)	5	(11)	(61)	96	143	(849)	(692)	(63)	(8)
– South Africa	(483)	(259)	(276)	(381)	(69)	(48)	(10)	5	(10)	(59)	97	144	(751)	(598)	(70)	(1)
– Rest of Africa	(16)	(8)	(11)	(8)								(1)	(27)	(17)		
– International			(69)	(75)					(1)	(2)	(1)		(71)	(77)	7	(7)
Pre-tax profit	(178)	417	1 127	948	364	369	828	774	(16)	10	(35)	6	2 090	2 524	(77)	15
– South Africa	(145)	411	809	682	345	373	828	774	(13)	6	(35)	7	1 789	2 253	(68)	46
– Rest of Africa	(33)	6	46	32	19	(4)						(1)	32	33		
– International			272	234					(3)	4			269	238	(9)	(31)
ADDITIONAL SEGMENT INFORMATION																
Analysis of revenue by type																
– Sale of goods	6 274	6 457	46 317	46 248	6 055	5 796			371	2 156	(181)	(496)	58 836	60 161	1	2
– Rendering of services	186	236	6 372	6 228	2	1	823	677	50	656	(15)	(5)	7 418	7 793	36	39
External revenue	6 460	6 693	52 689	52 476	6 057	5 797	823	677	421	2 812	(196)	(501)	66 254	67 954	37	41
Inter-group revenue	11 697	11 614	2 944	2 656	96	27	1 213	1 160	6	133	(15 670)	(15 065)	286	525	(403)	(632)
	18 157	18 307	55 633	55 132	6 153	5 824	2 036	1 837	427	2 945	(15 866)	(15 566)	66 540	68 479	(366)	(591)
Analysis of depreciation, amortisation, impairments and recoupments	(622)	(653)	(721)	(686)	(41)	(39)	(183)	(150)		(157)	177	231	(1 390)	(1 454)	(14)	14
Depreciation and amortisation	(637)	(540)	(690)	(662)	(37)	(34)	(184)	(144)		(117)	177	232	(1 371)	(1 265)	12	1
Recoupments and impairments	15	2	(20)	(5)	1		1	(6)		5		(1)	(3)	(5)	(26)	4
Amortisation and impairment of intangible assets arising on business combinations		(115)	(11)	(19)	(5)	(5)				(45)			(16)	(184)		9
Associate income included in pre-tax profits	(6)	(25)	3	4	39	42	5	49		2	1	3	42	75	9	5
Operating margin %	4,0	5,0	2,7	2,6	6,6	6,6	40,9	39,5					5,0	5,0		

Notes to the consolidated annual financial statements
for the year ended 30 June 2017

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.

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 2017 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 and defined retirement benefit liabilities measured in accordance with actuarial valuations.

1.3 INSURANCE

The insurance business has been treated as discontinued operations and was disposed of in the current year. In this report the accounting policies have not been disclosed. Please refer to the 2016 annual financial statements if the details of the accounting policies for the insurance operations are required.

1.4 CONSOLIDATION

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

The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries held exclusively with a view to their subsequent disposal which is highly probable 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.

1.5 BUSINESS COMBINATIONS

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 for 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.

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

Notes to the consolidated annual financial statements continued

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.

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.

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

Dividends received from associates are accounted as a deduction to the carrying value of the associate.

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.

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.

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.

Loans granted to associates are accounted for at amortised cost net of impairments.

Notes to the consolidated annual financial statements continued

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 reversed from the group's net profit and comprehensive income.

1.8 INTERESTS IN JOINT VENTURES

The group's interest in joint ventures is accounted in the same manner 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. Goodwill is not amortised.

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 with an indeterminate useful life are not amortised, but tested for impairment annually.

An intangible asset will be regarded as having an indeterminate life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

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 intangible assets 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.

1.11 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.

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 indeterminate 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.

Notes to the consolidated annual financial statements continued

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.

1.12 PROPERTY, PLANT AND EQUIPMENT, TRANSPORT FLEET AND VEHICLES FOR HIRE

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

Buildings in the course of construction for production, supply or administrative purposes are carried at cost less any recognised impairment 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. Assets that are classified as held for sale are not depreciated.

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 and is recognised in profit or loss.

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.

1.13 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 at specific cost
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.

1.14 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

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.

Where substantially all risks and rewards incidental to ownership of an asset are transferred under a sale and leaseback arrangement the asset is derecognised at market value and the operating lease payments are then expensed on a straight-line basis over the lease term.

1.15 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.

1.16 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

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

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 are recognised immediately in other comprehensive income and accumulated in retained earnings so that the retirement benefit obligation reflects its full value.

1.17 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.

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.

Notes to the consolidated annual financial statements continued

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.

1.18 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

Dividends 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.

1.19 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.

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.

1.20 REVENUE RECOGNITION

Included in revenue are net invoiced sales to customers for goods and services, rentals from vehicles for hire, revenue from maintenance and warranty contracts and commissions. 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.

Notes to the consolidated annual financial statements continued

Revenue is measured at the fair value of the consideration received or receivable. Cash and settlement discounts, rebates, value added tax and other indirect taxes are excluded from revenue.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, when delivery has been made and title has passed, when the amount of the revenue and the related costs can be reliably measured and the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Guaranteed buyback arrangements where significant risks and rewards of ownership have not transferred to the purchaser is accounted for as a lease.

Revenue from the rendering of services is measured using the stage of completion method based on the services performed to date as a percentage of the total services to be performed. Revenue from the rendering of services is recognised when the amount of the revenue, the related costs and the stage of completion can be measured reliably.

Rental income is accounted for in accordance with policy note 1.14.

Revenue from vehicle maintenance plans is recognised based on an established pattern, when vehicle maintenance services are performed over the life of the plan. Revenue is adjusted to cater for expected future expenditure which is determined based on historical trends and include forecasted inflationary adjustment on an annual basis. The balance of the unearned revenue is recognised on termination of the contract when the contract mileage has been reached.

1.21 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.

1.22 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.

1.23 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 potential ordinary shares under the share incentive schemes and an associates obligation to deliver shares.

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 2/2015 – 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.

1.24 SHARE ISSUES COSTS, SHARES REPURCHASED SHARE BASED PAYMENTS 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.

Notes to the consolidated annual financial statements continued

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.

1.25 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.

1.26 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 directors.

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.

1.27 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 are 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.

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 is 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.

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 are measured at fair value.

Hedge accounting

The group enters into forward exchange contracts 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.

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.

Notes to the consolidated annual financial statements continued

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. When a loss or a portion thereof has been considered to be unrecoverable the amount that is not expected to be recovered will be reclassified from equity to 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 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.

Put arrangements over non-controlling interests

Written put options on the shares of subsidiaries 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.

1.28 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Consolidated 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 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 financial assets and liabilities are provided in the notes to the consolidated annual financial statements.

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

Assets

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

Certain 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.

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

Cash resources are unrestricted.

Notes to the consolidated annual financial statements continued

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.

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

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 judgmental maturity profile. The maturity of these liabilities can range from one year to more than five years after the reporting period.

Contingent liabilities

The Group applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement is used to determine whether the obligation is recorded as a liability on the consolidated statement of financial position or disclosed as a contingent liability.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Residual values of assets

The Group reassesses the residual values of its assets on an annual basis. Actual residual values can vary from those estimated. In arriving at estimated residual values the Group considers the existing condition of the asset, the expected condition of the assets at the end of its useful life, technological innovations, product life cycles, maintenance programmes and projected disposal values.

Income taxes

The Group recognises liabilities for anticipated taxes based on estimates. The final tax assessments can be different from these estimates. Such differences will impact the income tax expense and tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of the tax assets that can be recognised, based on the likely timing and the level of future taxable profits, together with future tax planning. Estimations of future taxable profits are based on forecasted cash flows from operations and the application of existing tax laws in the relevant tax jurisdiction.

Tax losses not recorded on the consolidated statement of financial position and carried forward relate to subsidiaries that have a history of losses, tax losses that do not expire, and losses that may not be used to offset taxable income elsewhere in the Group. These subsidiaries neither have any taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets (see note 8).

Revenue recognition – maintenance and warranty contracts

Maintenance and warranty contracts are sold with vehicles to cover the cash cost of future expenditure over specified periods. 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. Revenue is adjusted to cater for expected future expenditure which is determined based on historical trends and include forecasted inflationary adjustments on an annual basis. The balance of the unearned revenue is recognised on termination of the contract when the contract mileage has been reached.

Significant judgments made to determine the stage of completion, known as burn rates, of contracts include:

- Vehicles parts inflation
- Foreign currency movements
- Estimated use of vehicles

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in an active market, their fair value is measured using the discounted cash flow (DCF) valuation techniques. The input to these models are taken from observable markets, but where this is not feasible, a degree of judgement is required in establishing fair values. The key assumptions used in the measurement of the put option liabilities and contingent consideration liabilities include the assumed probability of achieving profit targets and discount rates applied. Discounts rates are calculated with observable market data. Assumed profitability are based on historical performances adjusted for expected growth (see note 37.2.2).

Notes to the consolidated annual financial statements continued

Useful life of intangible assets

An intangible asset will be regarded as having an indeterminate life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The factors considered in determining the useful life of an intangible asset include:

a. the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;
b. typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;
c. technical, technological, commercial or other types of obsolescence;
d. the stability of the industry in which the asset operates and changes in the market demand for the products or services or output from the asset;
e. expected actions by competitors or potential competitors;
f. the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;
g. the period of control over the asset and legal or similar limits on the use of the asset; and
h. whether the useful life of the asset is dependent on the useful life of other assets of the entity.

Impairment of non-financial assets

Impairment exist when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. The Group determines fair value less cost to sell based on available data from binding sale transactions, conducted at arm's length, for similar assets or observable market prices less incremental cost for disposing of the asset.

The value in use calculation is based on the discounted cash flow (DCF) model. The cash flows are derived from five year budget information and do not include uncommitted restructuring activities or significant future investments that will enhance the asset's performance of the cash generating unit (CGU) being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash flows and the growth rates used for extrapolation purposes. These estimates are most relevant to goodwill and other intangible assets with indefinite useful lives recognised by the Group. The key assumptions used to determine the value in use for the different CGU's are disclosed and further explained in note 4.

Share based payments

Estimating fair value of share based payment transactions requires determination of the most appropriate valuation model, which depends on the term and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the life of the share schemes, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity settled transactions with employees at the grant date the Group uses the Black-Scholes pricing model for both the share appreciation rights and deferred bonus plan schemes. The assumptions used for estimating the fair value of share-based payment transactions are disclosed in note 17.2.

Retirement benefit obligations

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality and fluctuation rates and future salary and pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually (see note 19).

In determining the appropriate discount rate management considers the interest rates of corporate bonds in currencies consistent with the currencies of the retirement benefit obligations with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolates as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

The mortality rate is based on publicly available mortality tables for specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

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 stock identified are written off immediately.

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

Notes to the consolidated annual financial statements continued

2. RESTATEMENT AND BASIS OF SEGMENTATION

2.1 RESTATEMENT

The Regent Insurance operations have been classified as discontinued operations since 30 June 2015. Protracted negotiations and regulatory requirements resulted in the sale only being concluded on 30 June 2017. The final transaction was amended so that Imperial retained the Value Added Products (VAPS) businesses in Regent which resulted in lower proceeds, lower net asset value disposed and lower profits lost due to the disposal.

As a result the 30 June 2016 consolidated financial statements are restated to reflect the revised split between continuing and discontinued operations on the statement of profit and loss and the decreased assets and liabilities of discontinued operations on the statement of financial position. The impact is that the continuing operations profits increased and the discontinued operation profits decreased. The various assets and liabilities of the businesses retained were reclassified from assets and liabilities of discontinued operations back to their appropriate categories.

In reviewing the 30 June 2016 VAPS businesses it was identified that certain provisions were understated by R40 million which impacts the continuing operations results. In addition the charge to profit and loss for the non-controlling interests for discontinued operations was understated by R25 million. The total earnings impact on 2016 is R52 million. These amounts are not material and do not warrant restatement however as the group is restating 30 June 2016 for the VAPS businesses retained these amounts have also been restated.

The 2016 statement of cash flows has been restated to reclassify the cash inflows for interest-rate swap instruments amounting to R19 million from investing activities to operating activities, to reclassify the cash outflows for cross-currency swap instruments amounting to R157 million from investing activities to financing activities.

The effects of the restatements on the prior year consolidated financial statements were as follows:

STATEMENT OF FINANCIAL POSITION	2016 Rm	2015 Rm
ASSETS		
Investment in associates and joint ventures	7	1
Property, plant and equipment	137	137
Deferred tax assets	11	11
Investments and loans	105	54
Tax in advance	1	2
Trade and other receivables	5	
Cash resources	4	4
Assets of discontinued operations	(265)	(209)
Total assets	5	
EQUITY AND LIABILITIES		
Retained earnings	(52)	
Attributable to owners of Imperial	(52)	
Non-controlling interest	25	
Total equity	(27)	
LIABILITIES		
Trade and other payables and provisions	137	95
Current tax liability	(8)	
Liabilities of discontinued operations	(97)	(95)
Total liabilities	32	
Total equity and liabilities	5	

Notes to the consolidated annual financial statements continued

STATEMENT OF PROFIT OR LOSS	VAPS restatement 2016 Rm	Error restatement 2016 Rm	Total restatement 2016 Rm
CONTINUING OPERATIONS			
Revenue	62		62
Net operating expenses	33	(40)	(7)
Operating profit	95	(40)	55
Share of result of associates and joint ventures	5		5
Profit before tax	100	(40)	60
Income tax expense	(13)	8	(5)
Profit for the year from continuing operations	87	(32)	55
Discontinued operations			
Profit for the year from discontinued operations	(82)		(82)
Net profit for the year	5	(32)	(27)
Net profit attributable to:			
Owners of Imperial	5	(57)	(52)
– Continuing operations	87	(32)	55
– Discontinued operations	(82)	(25)	(107)
Non-controlling interest		25	25
– Continuing operations			
– Discontinued operations		25	25
STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year	5	(32)	(27)
Total comprehensive income for the year	5	(32)	(27)
Total comprehensive income attributable to:			
Owners of Imperial	5	(57)	(52)
Non-controlling interest		25	25
	5	(32)	(27)

STATEMENT OF CASH FLOWS	Error restatement 2016 Rm	Re-classifications 2016 Rm	Total restatement 2016 Rm
Cash flows from operating activities			
(Decrease) increase in cash generated by operations before movements in net working capital	(40)	19	(21)
Increase in movements in net working capital	40		40
Increase in cash from operating activities		19	19
Cash flows from investing activities			
Increase in net movement in investment, loans and non-current financial instruments		138	138
Increase in cash from investing activities		138	138
Cash flows from financing activities			
Settlement of cross currency swap instruments		(157)	(157)
Decrease in cash from financing activities		(157)	(157)

Notes to the consolidated annual financial statements continued

2.2 BASIS OF SEGMENTATION

In line with the Group's organisational changes as announced on 3rd June 2016 the basis of segmentation for the 2017 financial year has been revised as follows:

Logistics division reports segmentally on three sub divisions namely:

> Logistics South Africa
> Logistics African Regions
> Logistics International

The Vehicles division reports segmentally on four sub divisions namely:

> Vehicle Import and Distribution
> Vehicle Retail and Rental
> Aftermarket Parts
> Motor Related Financial Services

The revision resulted in the restatement of amounts that were previously disclosed on the June 2016 segment reports.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The following new and revised International Financial Reporting Standards that could have an impact on the Group's future financial statements. The Group is in the process considering the impact of the new and revised International Financial Reporting Standards on its financial statements.

Pronouncement	Title	Effective date
IFRS 9 *(amended)*	**IFRS 9 – Financial Instruments** IFRS 9 introduces a single classification and measurement model for financial assets which is dependent on the entities business model objective for managing financial assets and on the contractual cash flow characteristics of financial assets. Financial assets are classified as either, amortised cost, fair value through profit or loss or fair value through other comprehensive income whilst financial liabilities are classified as amortised cost or fair value through profit or loss. The standard also introduces a new impairment model which follows a three-stage approach based on changes in expected credit losses of a financial instrument. The model also determines the recognition of impairment as well as the recognition of interest revenue. Amendments were also made to the criteria for applying hedge accounting, more specifically on the hedge effectiveness which requires the existence of an economic relationship between the hedge item and the hedging instrument and that credit risk does not dominate changes in the fair value of the hedge item or hedging instrument and lastly that the hedge ratio is the same for both the hedging relationship and the quantity of the hedged item actually hedged and the quantity of the hedging instrument used to hedge it. The adoption of IFRS 9 will lead to consequential disclosures as required in IFRS 7 – Financial Instruments: Disclosures The Group anticipates that the application of IFRS 9 may have an impact on amounts reported in respect of the group's financial assets and financial liabilities. A detailed review of the potential impact of IFRS 9 is ongoing. The group's doubtful debt provisions will have to be examined under the new standard as it will be based on expected credit losses and not incurred losses. The implementation will also simplify hedge accounting and result in increased disclosure.	Annual periods beginning on or after 1 January 2018. This will be effective for the Group for the year ending 30 June 2019.

Notes to the consolidated annual financial statements continued

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE continued

Pronouncement	Title	Effective date
IFRS 15	**IFRS 15 – Revenue From Contracts With Customers** The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: > Identify the contract(s) with a customer > Identify the performance obligations in the contract > Determine the transaction price > Allocate the transaction price to the performance obligations in the contract > Recognise revenue when (or as) the entity satisfies a performance obligation. Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment. A detailed review of the potential impact of IFRS 15 is ongoing. The group, especially in the Logistics operations, has a substantial number of long term contracts. Each contract will be individually assessed for any impact in terms of the five step approach. The implementation will also result in increased disclosure.	Annual periods beginning on or after 1 January 2018. This will be effective for the Group for the year ending 30 June 2019.
IFRS 16	**IFRS 16 – Leases** IFRS 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term longer than 12 months. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest on the lease liability. In terms of lessor accounting IFRS 16 substantially carries forward the requirements in IAS 17 and accordingly a lessor continues to account for its leases as operating leases or finance leases. The Group anticipates that the application of IFRS 16 will have an impact on amounts reported in respect of the group's financial assets and financial liabilities. A detailed review of the potential impact of IFRS 16 is ongoing. The group has a substantial value of operating leases with an annual expense of R2 225 million and operating lease commitments of R4 415 million. These contracts will need to be individually analysed. Refer to notes 26 and 34 for further information. The implementation will also result in increased disclosure.	Annual periods beginning on or after 1 January 2019. This will be effective for the Group for the year ending 30 June 2020.
IAS 7	**IAS 7 – Statement of Cash Flows** The amendments to IAS 7 are intended to improve information provided to users of financial statements about an entity's financing activities.	Annual periods beginning on or after 1 January 2018. This will be effective for the Group for the year ending 30 June 2019.

There are various other amendments and interpretations which have been issued. None of these are expected to have a significant impact on the Group.

Notes to the consolidated annual financial statements continued

4. GOODWILL AND INTANGIBLE ASSETS

	Goodwill Rm	Customer lists, contracts and networks Rm	Computer software Rm	Other intangibles Rm	Total Rm
At 30 June 2017					
Cost	7 679	4 312	1 018	130	13 139
Accumulated amortisation and impairment	985	2 081	494	50	3 610
	6 694	2 231	524	80	9 529
Net carrying value at beginning of year	5 424	1 516	480	81	7 501
Movements during the year~					
Net acquisition (disposal) of subsidiaries and businesses	2 012	1 475	15	(1)	3 501
Additions		47	183	16	246
Proceeds from disposal			(27)		(27)
Impairment charge	(123)		(30)		(153)
Amortisation		(525)	(93)	(16)	(634)
Loss from disposal		(1)	(2)		(3)
Currency adjustments	(619)	(281)	(8)		(908)
Reclassifications			6		6
Net carrying value at end of year	6 694	2 231	524	80	9 529

	Goodwill Rm	Customer lists and contracts Rm	Computer software Rm	Other intangibles Rm	Total Rm
At 30 June 2016					
Cost	6 286	3 389	903	101	10 679
Accumulated amortisation and impairment	862	1 873	423	20	3 178
	5 424	1 516	480	81	7 501
Net carrying value at beginning of year	5 018	1 708	353	114	7 193
Movements during the year~					
Net acquisition (disposal) of subsidiaries and businesses	(130)	94	(10)	15	(31)
Additions			223	45	268
Proceeds from disposal			(5)	(3)	(8)
Impairment charge	(258)	(122)	(9)	(36)	(425)
Amortisation		(437)	(79)	(17)	(533)
Profit from disposal				1	1
Currency adjustments	822	273	12	(7)	1 100
Reclassifications			(2)	(28)	(30)
Reclassification to assets of disposal group	(28)		(3)	(3)	(34)
Net carrying value at end of year	5 424	1 516	480	81	7 501

~ *The above excludes movements from the discontinued operations. This differs from the amounts in the consolidated statement of cash flows and the notes to the consolidated statement of cash flows which includes amounts from discontinued operations. The amounts disclosed in the notes to the consolidated statement of profit or loss relate to continuing operations only.*

Expenditure on acquired trademarks, licenses, customer lists and computer software are amortised using the straight-line basis over their estimated useful lives between 2 to 10 years.

Refer to note 38.2 for details of business combinations during the year.

Notes to the consolidated annual financial statements continued

4. GOODWILL AND INTANGIBLE ASSETS continued

GOODWILL AND INDETERMINATE USEFUL LIFE INTANGIBLE ASSETS

A summary of the goodwill and indeterminate useful life intangible assets by cash generating unit (CGU) and related assumptions applied for impairment testing purposes are as follows:

	Carrying amount		Pre-tax discount rate		Terminal growth rate	
CGU'S WITH SIGNIFICANT GOODWILL	2017 Rm	2016 Rm	2017 %	2016 %	2017 %	2016 %
Logistics South Africa and African regions						
CIC Holdings Limited	495	520	19,0	17,4	5,7	5,4
Imperial Health Sciences	191	194	21,3	21,9	5,7	5,4
Eco Health Limited	570	641	22,2	18,1	9,0	9,0
Imres B.V.	428	468	9,8	11,5	2,6	2,6
Imperial Managed Logistics (Pty) Limited	67	67	22,3	22,4	5,4	5,4
Logistics International						
Shipping Group	746	801	6,7	7,7	0,8	0,8
Road Group	406	548	6,7	7,7	0,8	0,8
Automotive Group	182	199	6,6	7,6	0,8	0,8
Industrial Group	51	55	6,6	7,7	0,8	0,8
Retail Group	136	149	6,7	7,7	0,8	0,8
Chemicals Group	888	966	6,7	8,4	0,8	0,8
Lubcke Marine	60	65	6,6	7,5	0,8	1,5
Palletways	1 744		6,4		0,8	
Vehicle Retail and Rental						
S&B Commercials plc	55	63	9,9	10,2	2,5	2,5
Orwell Trucks Limited	58	67	10,6	10,6	2,5	2,5
After Market Parts						
Africa Automotive Aftermarket Parts Solutions (AAAS, previously Midas)	202	202	18,6	17,2	5,4	5,4
Beekman Super Canopies (Pty) Limited	76	76	18,7	19,7	5,4	5,4
Significant goodwill	6 355	5 081				
Other goodwill	339	343				
Carrying value of goodwill	6 694	5 424				
CGU's with significant indeterminate useful life intangible assets						
Renault SA (Pty) Limited	107	107	15,4	16,2	5,4	5,4
Palletways	298		6,4		0,8	
Carrying value of indeterminate useful life intangible assets~	405	107				

~ *Included in customer lists, contracts and networks.*

4. GOODWILL AND INTANGIBLE ASSETS continued

GOODWILL AND INDETERMINATE USEFUL LIFE INTANGIBLE ASSETS continued

Goodwill impairment testing

Goodwill is allocated to the appropriate CGU's according to the type of business and where it operates. The CGU's 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 as no reliable estimate of fair value less cost to sell is obtainable in determining the recoverable amount. The value in use method is used to assess the goodwill for impairment.

Key assumptions used in 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 were approved by senior management.

The expected revenues were based on market share assumptions, volume growth and price increases. No significant change in market share was assumed during the forecasted period and is based on the average market share in the period immediately before the forecast period. Volume growth was based on average growth experienced in recent years. The exchange rates used in the cash flow projections were consistent with external sources of information.

Operating margins reflect past experience but are adjusted for any expected changes for the individual CGU.

These cash flow projections cover a five-year forecast period, which are then extrapolated into perpetuity using applicable terminal growth rates.

The key assumptions used in arriving at projected cash flows were as follows:

Logistics South Africa and African Regions – Market share assumptions and operating margins.
Logistics International – Market share assumptions and operating margins.
Vehicle Retail and Rental and After Market Parts – Market share assumptions, operating margins and the impact of foreign exchange rates on aftermarket parts.

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.

The Group used steady growth rates to extrapolate revenues beyond the forecasted period, which are consistent with publicly available information relating to long-term average growth rates for each of the markets in which each of the respective CGUs operates.

Discount rates applied

The discount rates present the current market assessment of the risks for each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow projections. The discount rate calculations are derived from the CGU's weighted average cost of capital and takes into account both the cost of debt and the cost of equity.

The cost of equity was arrived at by using the capital asset pricing model (CAPM) which, where necessary, takes into account an equity risk premium and a small stock premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. The cost of debt is based on the interest-bearing borrowings the CGU is obliged to service.

The debt to equity ratio was determined by applying market value weights based on theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities.

Change in key assumptions and conclusion

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU's.

Notes to the consolidated annual financial statements continued

4. GOODWILL AND INTANGIBLE ASSETS continued

GOODWILL AND INDETERMINATE USEFUL LIFE INTANGIBLE ASSETS continued

Impairment of goodwill

The following are provided for the impairment of goodwill during the year:

Cash generating units	Description of CGU	Goodwill impaired Rm	Recoverable amount Rm	Recoverable amount basis	Pre-tax discount rates used %
Shipping Group	Transport and logistics	69	4 074	Value in use	6,7
Road Group	Transport and logistics	15	978	Value in use	6,7
Other		39		Value in use	
		123			

The goodwill impairment is included within Other non-operating items in the consolidated statement of profit or loss but is excluded from the segment results. Goodwill impairment by segment was as follows:

Operating segment	2017 Rm	2016 Rm
Continuing		
Logistics South Africa and African Regions	2	72
Logistics International	84	2
Vehicle Import and Distribution	37	165
Vehicle Retail, Rental and After Market Parts		19
	123	258

5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2017 Rm	2016* Rm
Unlisted shares at cost	510	505
Share of post-acquisition equity	176	189
Carrying value of shares – equity accounted	686	694
Indebtedness by associates and joint ventures	316	299
– Less than one year	129	233
– More than one year	187	66
	1 002	993

* *The carrying value of the associates were restated to reflect the restatement of the VAPS businesses. The restatement resulted in an increase in the carrying value of R7 million.*

The following equity accounted associates are material to the Group.

	MDS LOGISTICS PLC	UKHAMBA HOLDINGS (PTY) LIMITED
Nature of relationship with the group	Strategic supply chain provider, providing access to new markets in Africa.	Imperial's black economic empowerment partner.
Principal place of business/Country of incorporation	Nigeria	South Africa
Ownership interest/Voting rights held	49,0%	46,9%

Notes to the consolidated annual financial statements continued

5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

The following is summarised financial information for MDS and Ukhamba, based on their respective consolidated financial statements prepared in accordance with IFRS, modified for fair value adjustments made at the time of acquisition and differences in accounting policies.

	MDS Logistics PLC		Ukhamba Holdings (Pty) Limited	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Revenue	226	371		
Net profit (loss) for the year	46	52	(168)	(82)
Other comprehensive income (loss)	(94)	1	120	(438)
Total comprehensive income (loss)	(48)	53	(48)	(520)
Total assets	591	691	3 370	3 290
Total liabilities	(101)	(75)	(1 806)	(1 774)
Total equity	490	616	1 564	1 516
Group's proportional interest in net assets of investee at beginning of year	302	279	710	918
Share of total comprehensive (loss)/income	(23)	26	(23)	(244)
Dividends (received from) paid to associate	(38)	(3)	47	36
Group's proportional interest in net assets of investee	241	302	734	710
Reversal of fair value adjustments on Imperial shares and losses that exceeds the Group's net interest in the associate			(734)	(710)
Carrying value of interest in investee at end of year	241	302		

IMMATERIAL ASSOCIATES AND JOINT VENTURES

The following summarised financial information for the Group's interest in immaterial associates and joint ventures, based on the amounts reported in the Group's consolidated financial statements:

	Associates		Joint ventures	
	2017	2016	2017	2016
Groups' share of:				
– Net profit	90	89	(10)	(24)
– Other comprehensive income (loss)	(6)	1		8
Total comprehensive income (loss)	84	90	(10)	(16)
Carrying value of interest in immaterial associates	445	338		54

Notes to the consolidated annual financial statements continued

6. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
At 30 June 2017				
Cost	9 514	5 679	611	15 804
Accumulated depreciation and impairment	1 484	3 659	290	5 433
	8 030	2 020	321	10 371
Net carrying value at beginning of year	9 303	1 986	313	11 602
Movements during the year~				
Net acquisition of subsidiaries and businesses	30	25	3	58
Additions	609	710	305	1 624
Proceeds from disposal	(805)	(83)	(180)	(1 068)
Depreciation	(120)	(501)	(106)	(727)
Impairment charge	(9)	(23)		(32)
Profit from disposal	221		6	227
Currency adjustments	(281)	(97)	(19)	(397)
Reclassifications	61	3	(1)	63
Properties classified as held for sale*	(979)			(979)
Net carrying value at end of year	8 030	2 020	321	10 371

* *Properties held for sale mainly includes non-strategic properties.*

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total
At 30 June 2016				
Cost	10 874	5 577	582	17 033
Accumulated depreciation and impairment	1 571	3 591	269	5 431
	9 303	1 986	313	11 602
Net carrying value at beginning of year	8 793	1 825	349	10 967
Reclassified from assets of discontinued operations	137			137
	8 930			11 104
Movements during the year~				
Net disposal of subsidiaries and businesses	(369)	(269)	(17)	(655)
Additions	649	850	287	1 786
Proceeds from disposal	(135)	(45)	(164)	(344)
Depreciation	(150)	(530)	(124)	(804)
Impairment charge	(8)	(4)		(12)
Profit from disposal	36	3	5	44
Currency adjustments	437	174	(6)	605
Reclassifications	(11)	44	(2)	31
Reclassification to assets of disposal groups	(76)	(62)	(15)	(153)
Net carrying value at end of year	9 303	1 986	313	11 602

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

Certain property, plant and equipment were encumbered as security for interest-bearing borrowings amounting to R41 million (2016: R66 million), refer to note 20.

~ *The above excludes movements from the discontinued operations. This differs from the amounts in the consolidated statement of cash flows and the notes to the consolidated statement of cash flows which includes amounts from discontinued operations. The amounts disclosed in the notes to the consolidated statement of profit or loss relate to continuing operations only.*

Notes to the consolidated annual financial statements continued

7. TRANSPORT FLEET

	2017 Rm	2016 Rm
Cost	11 136	11 949
Accumulated depreciation and impairment	5 576	5 996
	5 560	5 953
Net carrying value at beginning of year	5 953	5 610
Net acquisition (disposal) of subsidiaries and businesses	249	(109)
Additions	560	1 001
Proceeds from disposal	(333)	(274)
Depreciation	(674)	(778)
Profit from disposal	95	48
Currency adjustments	(334)	508
Reclassifications	44	(53)
Net carrying value at end of year	5 560	5 953

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 R409 million (2016: R297 million), refer to note 20.

8. DEFERRED TAX

	2017 Rm	2016 Rm
Movement of deferred tax net asset~		
Net carrying value at beginning of year	(506)	96
Charged to profit or loss		
– Current year	(365)	(280)
– Prior year net over provisions	(15)	(150)
– Impairment reversal	46	72
– Tax rate adjustment		(2)
– Capital gains tax	(1)	(9)
Recognised in other comprehensive income	141	(126)
Recognised directly in equity		(5)
Net acquisitions of subsidiaries and businesses	333	3
Currency adjustments	(27)	(16)
Reclassified to assets and liabilities held for sale		(89)
Net carrying value at end of year	(394)	(506)

~ *The above excludes movements from the discontinued operations. This differs from the amounts in the consolidated statement of cash flows and the notes to the consolidated statement of cash flows which includes amounts from discontinued operations. The amounts disclosed in the notes to the consolidated statement of profit or loss relate to continuing operations only. Refer to note 14 for disclosures provided for discontinued operations.*

Notes to the consolidated annual financial statements continued

8. DEFERRED TAX continued

Analysis of deferred tax	2017 Rm	2016 Rm
– Intangible assets	531	265
– Property, plant and equipment	230	287
– Transport fleet	606	542
– Vehicles for hire	24	34
– Investments	10	32
– Inventories	(173)	(137)
– Provisions and maintenance contracts	(1 109)	(978)
– Retirement benefit obligation	(146)	(302)
– Tax losses	(347)	(218)
– Other	(20)	(31)
Deferred tax on statement of financial position	(394)	(506)
Deferred tax assets	(1 509)	(1 387)
Deferred tax liabilities	1 115	881
Deferred tax on statement of financial position	(394)	(506)
Unrecognised tax losses		
Unused tax losses available for offset against future profits	(2 745)	(1 933)
Deferred tax asset recognised in respect of such losses	1 238	777
Remaining tax losses not recognised	(1 507)	(1 156)

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 recognised. 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 remaining 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 foreseeable future.

9. INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS

	2017 Rm	2016 Rm
Preference shares (level 3 in the fair value hierarchy)*	377	
Other unlisted investments	26	111
Loans and receivables at amortised cost	396	285
Cross-currency and interest rate swap instruments (level 2 in the fair value hierarchy)	6	8
	805	404
Effective interest rates on loans	3,5% – 15,5%	4,2% – 15,5%

For further disclosures refer to note 37.

* *Investment in cell captive arrangement.*

Notes to the consolidated annual financial statements continued

	2017 Rm	2016 Rm
10. VEHICLES FOR HIRE		
Cost	4 572	4 031
Accumulated depreciation and impairment	609	562
	3 963	3 469
Net carrying value at beginning of year	3 469	3 603
Net disposal of subsidiaries and businesses		(736)
Additions	4 540	4 311
Proceeds from disposal	(2 831)	(2 700)
Depreciation	(1 061)	(923)
Profit from disposal	1	5
Currency adjustments	(1)	2
Reclassifications	(154)	(93)
Net carrying value at end of year	3 963	3 469

Depreciation is calculated on a the straight-line basis to write off the cost of each significant component of the vehicle to its residual value over its estimated useful life of between 1 to 5 years.

Certain vehicles for hire have been encumbered as security for interest-bearing borrowings amounting to R441 million (2016: R429 million) (see note 20).

	2017 Rm	2016 Rm
11. INVENTORIES		
New vehicles	8 541	8 801
Used vehicles	4 538	3 921
Spares, accessories and finished goods	2 183	2 283
Pharmaceutical goods	1 059	936
Fast moving consumer goods	351	446
Merchandise	110	109
Work in progress	94	96
Fuel and oil	77	125
	16 953	16 717
Inventories carried at net realisable value included above	4 640	4 168
Net amount of inventory write-down expensed in profit or loss	94	71

The carrying value of inventories that have been encumbered as security amount to R508 million (2016: R598 million) for interest-bearing borrowings and R656 million (2016: R860 million) for interest-bearing trade payables. Refer to note 20 and note 24.

	2017 Rm	2016 Rm
12. TRADE AND OTHER RECEIVABLES		
Trade receivables	12 011	11 350
– Gross receivables	12 576	11 779
– Provision for doubtful debts	(565)	(429)
Dividends receivable on preference shares (level 3 in the fair value hierarchy)*	271	
Other receivables	1 003	1 323
Derivative financial instruments (level 2 in the fair value hierarchy)	68	44
	13 353	12 717

For further disclosures refer to note 37.

* *Relates to the profit share from the all captive arrangement.*

Notes to the consolidated annual financial statements continued

	2017 Rm	2016 Rm
13. CASH RESOURCES		
Deposits and funds at call	2 450	895
Cash on hand and at bank	2 049	1 426
	4 499	2 321
Effective interest rates	0,1% – 6,5%	0,1% – 6,5%

14. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

DISCONTINUED OPERATIONS

Regent Insurance businesses were disposed on 30 June 2017. The results and cash flows below are shown after inter-group eliminations as follows:

Analysis of profit from discontinued operations	Notes	2017 Rm	2016* Rm
Revenue	14.1	2 678	3 049
Net operating expenses		(2 189)	(2 615)
Operating profit		489	434
Other non-operating items	14.2	11	(16)
Profit before tax		500	418
Income tax expense		(159)	(167)
Profit for the year		341	251
Loss on disposal		(62)	
Net profit for the year		279	251
14.1 ANALYSIS OF REVENUE			
Rendering of services		75	129
Gross premiums received		2 599	2 919
Other		4	1
External revenue		2 678	3 049
14.2 OTHER NON-OPERATING ITEMS			
Foreign exchange gains (2016: fair value loss on derivative)		1	(1)
Change in economic assumptions of insurance funds		10	(4)
Capital items			(11)
		11	(16)
14.3 CASH FLOWS FROM DISCONTINUED OPERATIONS			
Cash flows from operating activities		151	352
Cash flows from investing activities		391	17
Cash flows from financing activities		(46)	(1)

* *Restated for business retained.*

The insurance business has been treated as discontinued operations and was disposed of on 30 June 2017. In this report the prior year statement of financial position information relating to the discontinued operation has not been disclosed. Please refer to the 2016 annual financial statements for this.

Notes to the consolidated annual financial statements continued

	2017 Rm	2016 Rm
15. SHARE CAPITAL AND SHARE PREMIUM		
Authorised share capital		
394 999 000 (2016: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2016: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2016: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1000 (2015: 1000) redeemable preference shares of 4 cents each		
40 000 000 (2016: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each*	2	2
	20	20
Issued and fully paid share capital~		
201 139 981 (2016: 208 172 968) ordinary shares of 4 cents each	8	8
8 530 829 (2016: 9 362 298) deferred ordinary shares of 4 cents each	1	1
	9	9
Share premium	1 021	1 021
Share capital and premium	1 030	1 030

* *For non-redeemable, non-participating preference shares in issue refer to note 18.*
~ *For movements in the number of issued shares refer to the Directors report on page 13.*

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 2016;
> 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

Ukhamba, the BEE partner that owns an effective 11,2% shareholding in Imperial at 30 June 2017, facilitated the trading of its shares to allow our employees and beneficiaries in Ukhamba to monetise their value in Ukhamba. To allow for this, at a general meeting held on 21 October 2013, Imperial shareholders agreed to alter the conversion profile of the deferred ordinary shares to equal predetermined conversions over 12 years. As a result 831 469 deferred shares convert annually, with the last conversion on 30 June 2025.

To the end of the current financial year 14 224 560 (2016: 13 393 091) deferred ordinary shares have been converted into ordinary shares.

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

DIRECTORS INTERESTS IN ISSUED SHARE CAPITAL

The aggregate shareholdings of the directors in the issued ordinary share capital of the company are outlined in note 39.

Notes to the consolidated annual financial statements continued

16. SHARES REPURCHASED

	Number of shares	2017 Rm
At 30 June 2017		
Shares repurchased, at 30 June 2017, consists of 3 472 583 (2016: 11 571 963) ordinary shares held by a wholly owned subsidiary of the company. The movement in the shares repurchased were as follows:		
At 30 June 2015	8 184 456	(668)
Repurchase of 3 387 507 ordinary shares at R164.78 each, including transaction costs	3 387 507	(558)
At 30 June 2016	11 571 963	(1 226)
Cancellation of 7 864 456 shares surplus to requirement	(7 864 456)	613
234 924 shares delivered to settle obligations in respect of share schemes	(234 924)	39
At 30 June 2017	3 472 583	(574)

All of the shares repurchased are held to settle obligations in respect of share schemes.

17. OTHER RESERVES

	2017 Rm	2016 Rm
Foreign currency translation reserve (refer note 17.1)	950	1 691
Share-based payment reserve (refer note 17.2)	(174)	(165)
Hedge accounting reserve	7	(152)
Statutory reserve	25	242
Premium paid on purchase of non-controlling interests (refer note 17.3)	(784)	(706)
Valuation reserve		8
Changes in net assets of associates and joint ventures		85
	24	1 003

For movements in other reserves, see consolidated statement of changes in equity on page 20.

17.1 FOREIGN CURRENCY TRANSLATION RESERVE~

	2017 Rm	2016 Rm
Balance at beginning of year	1 691	1 161
Goodwill and intangible assets	(908)	1 100
Investments, loans, other financial assets, associates and joint ventures	(99)	128
Property, plant and equipment	(405)	605
Transport fleet	(334)	508
Deferred tax	27	16
Vehicles for hire	(1)	2
Inventories	(618)	100
Current tax	23	(112)
Trade and other receivables	(634)	737
Cash resources	(224)	145
Non-controlling interests	65	(93)
Retirement benefit obligations	129	(230)
Interest-bearing borrowings	1 247	(1 178)
Insurance, investment, maintenance and warranty contracts	10	(18)
Other financial liabilities	15	(378)
Provisions for liabilities and charges	55	(92)
Trade and other payables	911	(710)
Balance at end of year	950	1 691

~ *The movements in the foreign currency translation reserve includes currency movements on assets and liabilities that have been classified as held for sale. The amounts reflected in this note therefore differs from the amounts reflected in the notes to the consolidated statement of financial position.*

Notes to the consolidated annual financial statements continued

17. OTHER RESERVES continued

17.2 SHARE-BASED PAYMENT RESERVES

The following details apply to the Group's share schemes.

Share Appreciation Rights Scheme (SAR)	2017 Number of rights	2017 Weighted average exercise price (Rand)	2016 Number of rights	2016 Weighted average exercise price (Rand)
Share Appreciation Rights Scheme				
Rights granted at beginning of year	16 470 932	164,23	9 371 072	181,94
Rights allocated during the year relating to the prior year*			2 972 091	174,65
Rights allocated during the year**	5 674 211	148,80	5 344 965	127,77
Rights exercised during the year	(323 366)	117,85	(355 665)	122,80
Rights forfeited during the year	(1 661 592)	187,30	(861 531)	183,74
Unexercised rights at end of year	20 160 185	159,18	16 470 932	164,23

* *This arose as allocations cannot be made during closed periods in respect of Imperial shares.*
** *Includes DBP rights from the prior year converted into SAR rights.*

Selected participants receive annual grants of SARs, which are conditional rights to receive Imperial shares equal to the difference between the exercise price and the grant price. Vesting of rights is subject to performance conditions being met and participants remaining employed with the group for the vesting period.

	Number of rights	Average exercise price (Rand)	Expiry date
Share Appreciation Rights Scheme – details of rights by year of grant			
Grant date			
June 2011	235 038	116,59	June 2018
June 2012	1 719 507	170,57	June 2019
June 2013	1 936 209	195,20	June 2020
June 2014	2 664 198	193,77	June 2021
October 2015	2 717 285	174,65	June 2022
May 2016	5 743 917	127,77	June 2021
June 2017	5 144 031	152,65	June 2022
Total unexercised rights at end of year	20 160 185		
Total weighted average price		159,18	

Deferred Bonus Plan (DBP)	Number of rights 2017	Number of rights 2016
Rights granted at beginning of year	489 770	
Rights granted during the year (2015 allocation)*		306 466
Rights exercised during the year	(488 016)	(280 899)
Rights forfeited during the year	(1 754)	(25 567)
Prior year rights carried forward		
Rights granted during the year	522 727	489 770
Unexercised rights at end of year	522 727	489 770

* *This arose as allocations cannot be made during closed periods in respect of Imperial shares.*

Notes to the consolidated annual financial statements continued

17. OTHER RESERVES continued

17.2 SHARE-BASED PAYMENT RESERVES continued

Deferred Bonus Plan – details of rights taken up and to be vested#	Number of rights	Vesting date
Rights taken up		
June 2014	60 787	September 2017
September 2014	214 143	September 2017
September 2015	273 252	September 2018
September 2016	488 016	September 2019

Rights entitle participants to invest 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.

Conditional Share Plan (CSP)	Number of rights	Average exercise price (Rand)	Expiry date
Grant date			
September 2014	67 064	197,77	September 2017
October 2015	48 915	174,65	September 2018
May 2016	80 340	127,77	September 2019
June 2017	72 060	152,65	September 2020

The CSP is utilised in exceptional circumstances only. Employees receive grants of conditional awards and the vesting is subject to performance conditions. The performance conditions for the CSP will be based on individual targets set by the board. 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.

Based on prior years' vesting experience, hedges and shares have been purchased to cover the anticipated number of share appreciation rights and deferred bonuses that will convert. During the 2017 financial year the group settled 234 924 shares, and now holds 3 472 583 shares as hedges. Refer note 16.

The fair values for the share-based payment expense 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:

	2017	2016	2015	2 014
Share Appreciation Rights Scheme				
Volatility (%)	35,60	34,00	32,00	28,41
Weighted average share price (Rand)	152,65	127,77	174,65	193,77
Weighted average exercise price (Rand)	152,65	127,77	174,65	193,77
Weighted average fair value (Rand)	44,25	39,08	48,76	46,67
Expected life (years)	4,30	4,39	4,27	4,28
Average risk-free rate (%)	7,59	8,75	7,47	7,75
Expected dividend yield (%)	4,00	3,75	3,5	4,34
Deferred Bonus Plan and Conditional Share Plan				
Volatility (%)	35,60	34,00	32,00	28,41
Weighted average share price (Rand)	152,65	127,77	174,65	193,77
Weighted average fair value (Rand)	134,09	112,76	156,08	168,45
Expected life (years)	3,24	3,33	3,21	3,23
Average risk-free rate (%)	7,59	8,75	7,47	7,75
Expected dividend yield (%)	4,00	3,75	3,5	4,34

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

Share based payment expense charged to profit or loss amounted to R150 million (2016: R148 million) of which R2 million (2016: R17 million) related to discontinued operations. A current income tax benefit of R9 million (2016: R5 million) was recognised directly in equity.

Notes to the consolidated annual financial statements continued

17. OTHER RESERVES continued

17.2 SHARE-BASED PAYMENT RESERVES continued

Directors' interests in issued share capital

The aggregate allocations to the directors in the Share Appreciation Rights Scheme, the Deferred Bonus Scheme and the Conditional Share Plan of the company are outlined in note 39.

17.3 PREMIUM PAID ON PURCHASE OF NON-CONTROLLING INTERESTS

The effects of changes in the group's ownership interest in subsidiaries that did not result in a loss of control during the year were as follows:

R million	Premium paid on purchase of non-controlling interests	Decrease in non-controlling interests	Consideration amount
Acquisition of the remaining 10,94% interest from non-controlling shareholders of Midas (Pty) Limited in July 2016	(52)	(36)	(88)
Acquisition of a 10% interest from non-controlling shareholders of Imres BV, in May 2017, resulting in a decrease in the put option liability of R159 million	(107)	(52)	(159)
Other transactions which resulted in a change in ownership interest without a change in control	(8)	3	(5)
2017	**(167)**	**(85)**	**(252)**
2016	(366)	(715)	(1 081)

	2017 Rm	2016 Rm
18. NON-REDEEMABLE, NON-PARTICIPATING PREFERENCE SHARES		
Non-redeemable, non-participating preference shares at cost	441	441
4 540 041 preference shares 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 R39 million (2016: R37 million) which is included in finance costs in profit or loss.

	2017 Rm	2016 Rm
19. 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 Pensions Funds Act, 1956.		
Total cost charged to profit or loss	766	845

Notes to the consolidated annual financial statements continued

	2017 Rm	2016 Rm

19. RETIREMENT BENEFIT OBLIGATIONS continued

Defined benefit plans

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

	2017	2016
The benefit obligations in Europe are provided for based on actuarial valuations prepared using the projected unit credit method, with the following assumptions:	%	%
– Discount rate	2,00	1,42
– Projected pension payment increase	1,75	1,75
– Projected salary and other contribution increase	2,00	2,00
– Fluctuation rate (depends on the age of male or female)	0,00 – 8,00	0,00 – 8,00

The latest actuarial valuation was performed in June 2017. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2018. The change in actuarial assumptions since the previous year have occurred due to changes in the economic environment where the plans operate.

	2017 Rm	2016 Rm
The amounts, included in staff costs, recognised in profit or loss in respect of the plans are as follows:		
Current service cost	27	22
Interest cost	24	26
	51	48
The amount included on the consolidated statement of financial position arising from the Group's obligations are as follows:		
Defined retirement benefit obligations		
Carrying value at beginning of year	1 531	1 157
Acquisition (disposal) of subsidiaries and businesses	9	(90)
Remeasurement in other comprehensive income	(199)	228
Payments to retired employees	(31)	(44)
Plan assets transferred	(3)	2
Currency adjustments	(129)	230
Amounts charged to profit or loss	51	48
Carrying value at end of year	1 229	1 531

The expected payments to retired employees for the next financial year is R37 million and the average duration of the retirement plans varies from 9 to 31 years with a median of 18 years.

A quantitative sensitivity analysis for significant assumptions as at 30 June 2017 is shown below:

Assumptions	Discount rate		Future pension cost	
Sensitivity level	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Impact on defined benefit obligation (decrease) increase	(199)	260	183	(150)

Based on past experience life expectancy is assumed to remain unchanged.

The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in the key assumptions occurring at the end of the reporting period.

Notes to the consolidated annual financial statements continued

	2017 Rm	2016 Rm
20. INTEREST-BEARING BORROWINGS		
Long-term		
– Loans secured by mortgage bonds over fixed property	93	121
– Liabilities under capitalised finance leases*	195	150
– Instalment sale creditors secured by assets	2	8
– Corporate bonds	5 341	5 348
– Listed on the Bond Exchange of South Africa		
– IPL 6 – maturing in September 2017	1 025	1 537
– IPL 7 – maturing in April 2018	765	765
– IPL 8 – maturing in October 2020	1 530	1 530
– IPL 9 – maturing in May 2021	758	758
– IPL 10 – maturing in May 2021	758	758
– IPL 11 – maturing in May 2022	505	
– Syndicated bank term loans	4 711	2 429
– Bilateral loan	478	871
– Revolving credit facility term loans	3 862	5 027
– Notice loans	752	1 044
– Term loans	1 619	
– Unsecured loans	35	15
	17 088	15 013
Short term		
– Unsecured loans, call borrowings and bank overdrafts*	2 058	3 260
– Commercial paper		123
Total borrowings at amortised cost	19 146	18 396
Less: Current portion of interest-bearing borrowings	5 911	3 865
Long-term borrowings	13 235	14 531

Interest rate analysis	Current year interest rates (%)	2017 Rm	2016 Rm
Fixed			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	1,5 – 13,8	106	241
– Corporate bonds – IPL 6	9,8	1 025	1 537
– Corporate bonds – IPL 10	9,4	758	758
– Syndicated bank term loans	1,2 – 2,0	1 864	
– Notice loans	1,7 – 2,9	47	64
– Bilateral loan	2,3	478	871
– Term loans	9,5-9,9	1 004	
Variable linked			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	4,0-11,8	188	38
– Corporate bonds – IPL 7	8,7	765	765
– Corporate bonds – IPL 8	9,3	1 530	1 530
– Corporate bonds – IPL 9	9,0	757	758
– Corporate bonds – IPL 11	9,4	505	
– Syndicated bank term loans	1,2 – 2,3	2 848	2 429
– Revolving credit facility term loans	1,6 – 8,9	3 862	5 027
– Notice loans	7,6 – 8,4	705	980
– Unsecured loans	0,1 – 10,0	32	15
– Floorplans*	3,4 – 12,0	962	1 027
– Commercial paper			123
– Call borrowings	4,0 – 10,8	512	1 246
– Term loans	9,8 – 10,4	615	
– Bank overdrafts	1,0 – 23,0	583	987
		19 146	18 396

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

* *Restated 2016 to reclassify R429 million Floorplans included in Liabilities under capitalised finance leases to Unsecured loans, call borrowings and bank overdrafts, and Floorplans.*

Notes to the consolidated annual financial statements continued

20. INTEREST-BEARING BORROWINGS

Capitalised finance leases	One to five years Rm	Less than one year Rm	2017 Rm	2016 Rm
Total minimum lease payments	69	178	247	210
Amounts representing finance charges	(7)	(45)	(52)	(60)
Present value of minimum lease payments	62	133	195	150

Details of encumbered assets	Carrying value of debt secured Rm	Carrying value of assets encumbered Rm	Property, plant and equipment Rm	Transport fleet Rm	Vehicles for hire Rm	Inventories Rm
Debt Instruments						
Mortgage bonds, capitalised finance leases and instalment sale creditors	523	450	41	409		
Floorplans	962	949			441	508
2017	1 485	1 399	41	409	441	508
2016	1 369	1 390	66	297	429	598

Maturity analysis of interest-bearing borrowings by geographic	2022 and onwards Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
South Africa	2 081	4 564	702	829	4 287	12 463	13 632
Europe	130	8	4 727	179	619	5 663	3 871
Australia					445	445	512
African Regions	12			4	559	575	381
	2 223	4 572	5 429	1 012	5 910	19 146	18 396

Maturity analysis of interest-bearing borrowings by currency	2021 and onwards Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
SA rand	2 081	4 545	400	741	3 816	11 583	12 539
Euro			2 665	170	405	3 240	3 079
British pound			1 908		136	2 044	71
US dollar			560		504	1 064	1 379
Australian dollar					445	445	512
Nigerian naira					280	280	268
Other	32	27	6	101	324	490	548
	2 223	4 572	5 429	1 012	5 910	19 146	18 396

Notes to the consolidated annual financial statements continued

20. INTEREST-BEARING BORROWINGS

Analysis of debt by denominated currency	% of total	2017 Rm	2016 Rm
SA rand	60,5	11 583	12 539
Euro	16,3	3 130	3 079
British pound	10,7	2 044	71
US dollar	6,1	1 174	1 379
Australian dollar	2,3	445	512
Nigerian naira	1,5	280	268
Other	2,6	490	548
	100,0	19 146	18 396

Borrowing facilities	2017 Rm	2 016 Rm
Total direct borrowing facilities established	24 968	21 650
Less: Utilised	12 518	11 604
Unutilised borrowing capacity	12 450	10 046

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

	2017 Rm	2016 Rm
21. MAINTENANCE AND WARRANTY CONTRACTS		
Maintenance and warranty contracts	3 022	3 156
	3 022	3 156
Maintenance and warranty contracts		
– Maturing within one year	1 256	873
– Maturing after one year but within five years	1 750	2 070
– Maturing after five years	16	213
	3 022	3 156
22. OTHER FINANCIAL LIABILITIES		
Cross currency and interest-rate swap instruments (level 2 in the fair value hierarchy)	145	267
Contingent consideration liabilities (level 3 in the fair value hierarchy)	45	19
Put option liabilities (level 3 in the fair value hierarchy)	1 553	1 875
Other payables	209	174
	1 952	2 335

The put option liabilities in respect of the non-controlling interests in subsidiaries arise from arrangements whereby the non-controlling shareholders of Eco Health Limited have the right to put their remaining shareholding in Eco Health Limited to Imperial Capital Limited, as well as the non-controlling shareholders of Imres BV. who have the right to put their remaining shareholding to Imperial Mobility International BV.

For a maturity analysis and further disclosures refer to note 37.

Notes to the consolidated annual financial statements continued

23. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	Dismantling and environmental risk 2017 Rm	Other 2017 Rm	Total 2017 Rm	Total 2 016 Rm
At 30 June 2017				
Carrying value at beginning of year	414	364	778	604
Amounts added	26	327	353	432
Unused amounts reversed	(13)	(37)	(50)	(116)
Charged to profit or loss	13	290	303	316
Amounts utilised	(11)	(90)	(101)	(74)
Net (disposals) acquisitions of subsidiaries and businesses	54	(60)	(6)	(101)
Currency adjustments	(44)	(11)	(55)	89
Reclassifications		93	93	(56)
Carrying value at end of year	426	586	1 012	778
Maturity profile				
Maturing in less than one year	216	465	681	349
Maturing in one to five years	133	46	179	146
Maturing in more than five years	77	75	152	283
	426	586	1 012	778

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.

Other provisions include warranty and after sales provisions.

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

24. TRADE AND OTHER PAYABLES

	2017 Rm	2016 Rm
Trade payables and other accruals	19 514	17 376
Secured interest-bearing floorplan from franchisor	656	860
Deferred income	137	137
Derivative financial instruments (level 2 in the fair value hierarchy)	31	479
	20 338	18 852

For further disclosures refer to note 37.

Notes to the consolidated annual financial statements continued

	2017* Rm	2016* Rm
25. REVENUE		
25.1 AN ANALYSIS OF THE GROUP'S REVENUE IS AS FOLLOWS:		
Sale of goods	67 587	70 228
Rendering of services	49 252	45 572
	116 839	115 800
Revenue includes:		
25.2 REVENUE RECEIVED FROM THE GROUP'S ASSOCIATES AND JOINT VENTURES		
Sale of goods	79	91
Rendering of services	61	110
	140	201
Revenue excludes:		
25.3 REVENUE BETWEEN GROUP ENTITIES		
Sale of goods	14 988	14 913
Rendering of services	1 261	1 244
	16 249	16 157
26. NET OPERATING EXPENSES		
Purchase of goods	61 573	63 131
Changes in inventories	(620)	(1 442)
Cost of outside services	19 273	16 589
Staff costs	16 475	16 378
Staff share-based costs	150	131
Other operating income	(1 792)	(1 656)
Other operating costs	13 202	14 162
	108 261	107 293
The above includes:		
Auditors' remuneration		
– Audit fees	85	73
– Other services	4	2
	89	75
Rental and operating lease charges		
– Property	1 304	1 068
– Plant and equipment	352	398
– Vehicles	65	60
– Transport fleet	483	448
– Other	21	11
	2 225	1 985
Additional lease charges contingent upon turnover		
– Property		14
Dividend income^	265	277

* *The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 14 for certain disclosures relating to discontinued operations.*

^ *Includes dividend income from the Regent cell captives amounting to R209 million (2016: R166 million).*

Notes to the consolidated annual financial statements continued

	2017* Rm	2016* Rm
27. DEPRECIATION, AMORTISATION, IMPAIRMENTS AND RECOUPMENTS		
Depreciation and amortisation		
Intangible assets	113	96
Total amortisation of intangible assets	634	533
Less: amortisation of intangible assets arising on business combinations	(521)	(437)
Property, plant and equipment	727	804
Transport fleet	674	778
Vehicles for hire	1 061	923
	2 575	2 601
Impairments		
Intangible assets	30	16
Total impairment of intangible assets excluding goodwill	30	167
Less: impairment of intangible assets arising on business combinations		(151)
Equipment and furniture	23	4
	2 628	2 621
(Profit) loss on disposal		
Intangible assets	3	(1)
Equipment, furniture and motor vehicles	(6)	(8)
Transport fleet	(95)	(48)
Vehicles for hire	(1)	(5)
	2 529	2 559
Recoupments from sale of properties, net of impairments		
Recoupments from sale of properties	221	36
Impairment of properties	(9)	(8)
	212	28
28.1 FOREIGN EXCHANGE LOSSES		
Realised loss on unwinding of uneconomical forward cover on Motus	388	
Mark-to-market of monetary items	231	72
	619	72

The loss on the mark-to-market of monetary items resulted largley from the devaluation of the Naira and Metical experienced in Logistics African Regions

	2017* Rm	2016* Rm
28.2 OTHER NON-OPERATING ITEMS		
Remeasurement of financial instruments not held-for-trading	(29)	(50)
Charge for remeasurement of put option liabilities	(39)	(64)
Gains on remeasurement of contingent consideration liabilities	2	14
Reclassification of gain on disposal of available-for-sale investments	8	
Capital items	(328)	20
Impairment of goodwill	(123)	(258)
Impairment of investments in associates and joint ventures	(34)	(89)
(Loss) profit from disposal of subsidiaries and businesses	(89)	520
Impairment losses on assets of disposal group		(90)
Business acquisition costs	(82)	(63)
	(357)	(30)
29. FINANCING COST		
Interest paid on financial liabilities not fair valued through profit or loss	1 920	1 615
Fair value loss (gain) on interest-rate swap instruments	10	(22)
Finance cost including fair value losses	1 930	1 593
Finance income on financial assets not fair valued through profit or loss	(250)	(153)
	1 680	1 440

* *The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 14 for certain disclosures relating to discontinued operations.*

Notes to the consolidated annual financial statements continued

	2017* Rm	2016* Rm
30. INCOME TAX EXPENSE		
South African normal tax		
– Current	857	916
– Prior year under provisions	18	80
	875	996
Foreign tax		
– Current	349	405
– Prior year under (over) provisions	(24)	(27)
	325	378
Deferred tax		
– Current	(365)	(280)
– Prior year over provisions	(15)	(150)
– Impairment reversal	46	72
– Tax rate adjustment		(2)
	(334)	(360)
Capital gains tax		
– Current	22	45
– Deferred	(1)	(9)
	21	36
Withholding and secondary taxes	14	4
Income tax expense	901	1 054
Reconciliation of tax rates:	%	%
Profit before tax, excluding share of result of associates and joint ventures – effective tax rate	29,2	27,4
Income tax effect of:		
– (Loss) profit on sale of businesses	(0,7)	3,7
– Dividend income	2,4	2,0
– Profit on sale of property, plant and equipment	1,3	0,2
– Impairment of goodwill and other intangible assets	(1,1)	(3,0)
– Impairment of investment in associates	(0,3)	(0,7)
– Business acquisition costs	(0,7)	(0,5)
– Remeasurement of put option liabilities and contingent consideration liabilities	(0,3)	(0,4)
– Disallowable expenses	(1,9)	(1,6)
– Foreign tax differential	2,0	1,1
– Tax assets recognised	4,6	
– Tax assets not recognised and deferred tax impairments	(6,0)	(1,9)
– Withholding and secondary taxes	(0,5)	(0,1)
– Capital gains tax	(0,7)	(0,9)
– Tax rate adjustment		0,1
– Prior year net overprovisions	0,7	2,6
	28,0	28,0

* *The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 14 for certain disclosures relating to discontinued operations.*

Disallowable expenses include non-deductible depreciation on buildings, interest incurred on the non-redeemable non-participating preference shares and expenses incurred in the production of non-taxable income.

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.

No CGT charge was incurred for profit on sale of the Regent Group as the liability was shielded in terms of historic losses.

Notes to the consolidated annual financial statements continued

	2017 Rm	2016 Rm
31. EARNINGS PER SHARE		
Ordinary shares		
Net profit attributable to owners of Imperial – basic earnings and diluted earnings	2 601	2 997
Weighted average number of ordinary shares in issue (million)	194,3	192,9
Basic earnings per share (cents)	1 339	1 554
Continuing operations	1 221	1 453
Discontinued operations	118	101
Weighted average number of ordinary shares (million)	194,3	192,9
Adjusted for weighted average potential ordinary shares resulting from:		
– Dilutive effect of shares allocated in terms of the share schemes (million)	1,0	0,6
– Potential disposal of shares held by an associate (million)	4,5	4,5
Weighted average number of ordinary shares for diluted earnings (million)	199,8	198,0
Diluted earnings per share (cents)	1 302	1 514
Continuing operations	1 187	1 416
Discontinued operations	115	98

Headline earnings and diluted headline earnings per share is calculated as follows:

R million	Gross amount	Income tax	Non-controlling interest	2017 Rm	2016 Rm
Earnings~				2 601	2 997
Impairment of property, plant and equipment (IAS16, IAS 36)	32	1	(9)	24	8
Impairment of intangible assets (IAS 36)	30	(8)		22	117
Recoupment for disposal of property, plant and equipment (IAS 16)	(323)	75	1	(247)	(77)
(Loss) recoupment for disposal of intangible assets (IAS 38)	3	(1)		2	(1)
Impairment of goodwill (IAS 36)	123			123	248
Reclassification of gain on disposal of investment in associate	(8)			(8)	
Impairment of investments in associates and joint ventures (IAS 28)	34			34	89
Impairment loss on assets of disposal group					85
Loss (profit) loss on disposal of subsidiaries and businesses (IFRS 10)	151	(1)	(1)	149	(474)
Adjustments included in result of associates and joint ventures					2
Headline earnings~				2 700	2 994
Weighted average number of ordinary shares in issue (million)				194,3	192,9
Basic headline earnings per share (cents)				1 390	1 552
Continuing operations				1 240	1 451
Discontinued operation				150	101
Weighted average number of ordinary shares for diluted earnings (million)				199,8	198,0
Diluted headline earnings per share (cents)				1 351	1 512
Continuing operations				1 205	1 414
Discontinued operation				146	98

Notes to the consolidated annual financial statements continued

31. EARNINGS PER SHARE continued

Core earnings and diluted core earnings per share is calculated as follows:

R million	Gross amount	Income tax	Non-controlling interest	2017 Rm	2017 Rm
Headline earnings~				2 700	2 994
Amortisation of intangible assets arising on business combinations	521	(134)	(39)	348	274
Change in economic assumptions on insurance funds	(10)	3		(7)	3
Remeasurement of contingent consideration and put option liability	37			37	50
Foreign exchange gain on intergroup monetary item					(67)
Business acquisition costs	82		(1)	81	63
Core earnings~				3 159	3 317
Weighted average number of ordinary shares in issue (million)				194,3	192,9
Basic core earnings per share (cents)				1 626	1 720
Continuing operations				1 480	1 617
Discontinued operations				146	103
Weighted average number of ordinary shares for diluted earnings (million)				199,8	198,0
Diluted core earnings per share (cents)				1 581	1 675
Continuing operations				1 439	1 575
Discontinued operations				142	100

~ *There are no reconciling items between the basic and the diluted earnings values.*

Notes to the consolidated annual financial statements continued

	2017 Rm	2016* Rm
32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS~		
32.1 CASH GENERATED BY OPERATIONS BEFORE INTEREST AND TAXES PAID~		
Profit before net financing costs	5 202	5 704
Continuing operations	4 764	5 286
Discontinued operations	438	418
Adjusted for:		
Depreciation, amortisation, impairment and recoupments	2 529	2 559
Recoupments from sale of properties, net of impairments	(212)	(28)
Amortisation of intangible assets arising on business combinations	521	437
Impairment of intangible assets arising on business combinations		151
Impairment of goodwill	123	258
Loss from disposal and impairment of investments in associates and joint ventures	34	101
Loss (profit) on disposal of subsidiaries and businesses	151	(520)
Impairment losses on assets of disposal group		90
Impairment losses of other financial assets	13	
Net movement on interest rate swaps	8	19
Fair value losses (gains) on investments	11	(11)
Foreign exchange losses (gains)	220	(116)
Fair value (gains) losses	(207)	79
Reclassification of gain on disposal of available-for-sale financial asset	(8)	
Recognition of share-based costs	147	148
Net movement in insurance, investments, maintenance and warranty contracts	(280)	(59)
Remeasurement of contingent consideration liabilities	(2)	(14)
Remeasurement of put option liabilities	39	64
Business acquisition costs	82	63
Increase in retirement benefit obligations	17	6
Cash generated by operations before changes in working capital	8 388	8 931
Working capital movements		
Increase in inventories	(710)	(537)
Increase in trade and other receivables	(483)	(7)
Increase (decrease) in trade and other payables and provisions	1 881	(244)
	9 076	8 143

* *Restated as described in note 2.*

~ *The notes to the consolidated statement of cash flows includes cash flows for assets and liabilities that have been classified as held for sale. This differs to the notes to the consolidated statement of financial position and the notes to the consolidated statement of profit or loss which excludes amounts for the discontinued operations.*

Notes to the consolidated annual financial statements continued

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS continued

32.2 ACQUISITION OF SUBSIDIARIES AND BUSINESSES

	2017 Rm	2016 Rm
Goodwill	2 012	79
Intangible assets	1 489	113
Investments, loans and associates and joint ventures	19	46
Property, plant and equipment	79	52
Transport fleet	269	14
Other financial assets	49	
Inventories	48	67
Trade and other receivables	744	160
Cash resources	226	89
Net deferred tax liabilities	(336)	(30)
Non-controlling interests	(133)	(27)
Retirement benefit obligations	(9)	
Other financial liabilities	(96)	
Interest-bearing borrowings	(1 617)	(46)
Provisions for liabilities and other charges	(117)	(4)
Trade and other payables	(813)	(160)
Net current tax liabilities	(18)	(1)
Purchase consideration transferred	1 796	352
Contingent consideration	(36)	(21)
Fair value of previously held interest	90	
Business acquisition costs	82	63
Cash resources acquired	(226)	(89)
Cash flow on acquisition	1 706	305

32.3 DISPOSAL OF SUBSIDIARIES AND BUSINESSES

	2017 Rm	2016 Rm
Goodwill	28	209
Intangible assets	252	14
Investments, loans, associates and joint ventures	2 281	7
Property, plant and equipment	134	707
Transport fleet	25	123
Other financial assets	258	78
Vehicles for hire		736
Inventories	304	357
Trade and other receivables	292	851
Cash resources	1 914	163
Premium paid on purchase of non-controlling interest	62	59
Non-controlling interests	(388)	(117)
Net deferred tax liabilities	(158)	(27)
Retirement benefit obligations		(90)
Interest-bearing borrowings	(208)	(1 005)
Insurance, investment, maintenance and warranty contracts	(1 315)	
Other financial liabilities	(7)	(1)
Net current tax liabilities	20	(4)
Provisions for liabilities and other charges	(167)	(105)
Trade and other payables	(1 018)	(1 247)
Net assets disposed	2 309	708
Cash resources disposed	(1 914)	(163)
Fair value of deferred consideration receivable	(225)	
(Loss) profit on disposal of subsidiaries and businesses	(151)	520
Cash flow on disposal	19	1 065

Notes to the consolidated annual financial statements continued

	2017 Rm	2016* Rm
32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS continued		
32.4 NET REPLACEMENT CAPITAL EXPENDITURE – EXCLUDING RENTAL ASSETS		
Expenditure		
– Intangible assets	(300)	(350)
– Plant and equipment	(1 035)	(1 140)
– Transport fleet	(294)	(390)
	(1 629)	(1 880)
Proceeds from disposals		
– Intangible assets	27	8
– Plant and equipment	270	201
– Transport fleet	333	274
	630	483
Net expenditure		
– Intangible assets	(273)	(342)
– Plant and equipment	(765)	(939)
– Transport fleet	39	(116)
	(999)	(1 397)
32.5 CASH AND CASH EQUIVALENTS		
Cash resources	4 499	2 321
Cash resources included in 'Assets of discontinued operations and disposal groups'		1 352
Short-term loans and overdrafts (included in interest-bearing borrowings)	(2 058)	(2 954)
	2 441	719

* *Restated as described in note 2.*

33. ORDINARY DIVIDENDS

Interim

– In the current year a dividend of 320 cents per share was paid on 27 March 2017

– In the prior year a dividend of 370 cents per share was paid on 29 March 2016

Final

– A dividend of 330 cents per share is payable on 26 September 2017

– In the prior year a dividend of 425 cents per share was paid on 26 September 2016

Dividends are reflected gross of tax.

Notes to the consolidated annual financial statements continued

	2017 Rm	2016 Rm
34. COMMITMENTS		
Capital expenditure commitments to be incurred		
Contracted	764	978
Authorised by directors but not contracted	684	331
	1 448	1 309

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

	More than five years Rm	One to five years Rm	Less than one year Rm	2017 Rm	2016 Rm
Operating lease payables					
Property	715	1 498	635	2 848	2 919
Plant and equipment		149	69	218	183
Transport fleet	101	768	480	1 349	1 514
	816	2 415	1 184	4 415	4 616
Operating lease receivables					
Property	11	127	41	179	30
Plant and equipment					522
	11	127	41	179	552

	2017 Rm	2016 Rm
35. CONTINGENT LIABILITIES		
Subsidiary companies have received summons for claims amounting to R27 million. The group and its legal advisors believe that these claims are unlikely to succeed.	27	8
The group had 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 were used. These loans were acquired as subsidiaries during 2017		69
Guarantees issued by Imperial Logistics International GmbH, including a R279 million guarantee issued on behalf of Neska in respect of property rentals but with a counter guarantee for similar value.	454	497
As part of the sale of Uvundlu Investment (Pty) Limited in 2016 the company has issued a guarantee to bankers in respect of a rental book. The guarantee issued will amortise to nil over three years.	88	116
As part of the NAC sale in 2013 Imperial Holdings have issued a guarantee to secure vendor funding for five years for R80 million.	80	80
	649	770

The group has provided indemnities and warranties relating to the Regent disposal, which are normal for a transaction of this nature. All likely claims have been fully provided for. 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.

Notes to the consolidated annual financial statements continued

36. 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.

From time to time, in the normal course of business, Imperial and its divisions make use of private aircraft hired from competitively selected charter companies, two of which operate aircraft indirectly beneficially owned by the Group's Chief Executive, Mark Lamberti.

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 note 38.

SHAREHOLDERS

The top 10 shareholders of the company at 30 June 2017 were as follows:

	Share class	Number of shares (000)	% of issued voting capital
Lazard Asset Management	Ordinary	23 797	11,9
Public Investment Corporation	Ordinary	21 576	10,8
M&G Investment Management	Ordinary	18 980	9,5
Ukhamba Holdings (Pty) Ltd	Ordinary	14 225	7,1
Ukhamba Holdings (Pty) Ltd	Deferred Ordinary	8 531	4,1
Lynch Family Holdings	Ordinary	8 236	4,1
Fidelity Management and Research	Ordinary	7 735	3,9
Dimensional Fund Advisors	Ordinary	7 308	3,7
Mr Manuel P De Canha (Executive director)	Ordinary	6 194	3,1
Vanguard Group	Ordinary	5 864	2,9
BlackRock Investment Management	Ordinary	4 821	2,4

Certain directors have shareholdings in certain subsidiaries and associates and receive dividends.

Associates and joint ventures

Details of investments in associates and joint ventures that are material to the Group are disclosed in note 5.

Details of revenue derived from associates and joint ventures are outlined in note 25.2.

Notes to the consolidated annual financial statements continued

36. RELATED PARTY TRANSACTIONS continued

	2017 Rm	2016 Rm
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	9	8
Short-term employee benefits	234	245
Long-term employee benefits	11	15
	254	268
Number of key management personnel	38	59
Net gains on share options and cash retention plan bonus	14	19
The group has many different operations, retail outlets and service centres where the group staff may be transacting.		
Key management have 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:	3	12
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:	6	7

37. FINANCIAL INSTRUMENTS

37.1 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) 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 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 the foreign exchange 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.

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

37.1.1 Market risk

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

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

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

37. FINANCIAL INSTRUMENTS continued

37.1 FINANCIAL RISK FACTORS continued

37.1.2 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 and the option structures authorised by Alco.

Divisional currency risk

Logistics South Africa and Logistics African regions

The risk in this division relates to certain 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 within a 50% minimum Group risk policy for African businesses. Inter company loans in different currencies can cause translation gains and losses through the statement of profit or loss. No net investment hedges are in place.

Logistics International

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

Motus

The Group's major currency exposure exists in this division. Risk exposures result from vehicles, spare parts 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 charged to profit or loss should the investment be sold. No net investment hedges are in place.

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 exposed to 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.

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.

Notes to the consolidated annual financial statements continued

37. FINANCIAL INSTRUMENTS continued

37.1 FINANCIAL RISK FACTORS continued

37.1.2 Currency risk continued

The Group has entered into certain forward exchange contracts and option structures authorised by Alco that relate to importation of inventories 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	Market value Rm
2017				
Bought				
US dollar	249	13,52	3 367	3 294
Euro	211	14,59	3 078	3 180
Pound sterling	1	16,73	11	11
Japanese yen	592	0,12	71	70
			6 527	6 555
Sold				
US dollar	14	13,21	185	185
			6 342	6 370
2016				
Bought				
US dollar	124	15,09	1 871	1 780
Euro	176	17,33	3 049	2 904
Pound sterling	35	20,40	709	699
Japanese yen	340	0,13	46	47
			5 675	5 430

Fair value is calculated as the difference between the contracted value and the value to maturity. The derivative assets and liabilities 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 R637 million (2016: R543 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, with regards to market value.

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 are offset by equivalent gains or losses in currency derivatives.

37.1.3 Interest rate risk

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

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

The Group's treasury follows a centralised cash management process including cash management systems across bank accounts in South Africa to minimise risk and interest costs. The Group's offshore cash management is managed by the treasuries in Germany, the United Kingdom and the Netherlands. The rest of Africa cash management requirements is managed through a treasury management committee set up to focus on this area.

The interest rate profile of total borrowings is reflected in note 20.

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

Notes to the consolidated annual financial statements continued

37. FINANCIAL INSTRUMENTS continued

37.1 FINANCIAL RISK FACTORS continued

37.1.3 Interest rate risk continued

Details of the interest rate derivative instruments at 30 June 2017 were as follows:

	Notional amount Rm	Current year effective rate (variable) %	Derivative contract rate (fixed) %
Corporate bonds – IPL8 (swap from variable to fixed)	1 000	9,04 – 9,25	9,2
Corporate bonds – IPL9 (swap from variable to fixed)	750	8,95 – 8,95	8,93
Revolving credit facility term loan (swap from variable to fixed)	1 500	7,69 – 8,65	9,01
Syndicated bank term loans (swap from variable to fixed)	1 753	1,15 – 2,31	2,35

The 50 basis points increase or decrease in interest rates represents management's assessment of the reasonably possible changes in interest risk. The impact of a 50 basis points increase in interest rates will have an annualised R21 million (2016: R33 million) effect on Group after tax profit and equity.

37.1.4 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 2017. None of the financial assets below were given as collateral for any security provided.

The Group only enters into long-term financial 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.

	2017 Rm	2016 Rm
Trade and other receivables that are neither past due nor impaired	8 649	8 293
Past due trade receivables	3 362	3 057
Less than 1 month	2 439	2 126
Between 1 – 3 months	508	528
More than 3 months	219	244
Past due more than 1 year	196	159
Total trade receivables	12 011	11 350

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.

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 above.

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

37. FINANCIAL INSTRUMENTS continued

37.1 FINANCIAL RISK FACTORS continued

37.1.4 Credit risk continued

Provision for doubtful debts for trade receivables

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

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

Provision for doubtful debts for trade receivables	2017 Rm	2016 Rm
Set out below is a summary of the movement in the provision for doubtful debts for the year:		
Carrying value at the beginning of the year	429	511
Net acquisition (disposal) of subsidiaries and businesses	48	(15)
Amounts reversed to profit or loss	(11)	(58)
Charged to profit or loss	194	73
Amounts utilised during the year	(66)	(34)
Currency adjustments	(29)	45
Reclassification to assets classified as held for sale		(93)
Carrying value at the end of the year	565	429

Divisional credit risk

Logistics

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

Motus

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.

Risk exposures arise from the granting of credit to customers for parts, spares and vehicle rental. 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.

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 issued, are disclosed in note 14 to the company annual financial statements.

37.1.5 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 20.

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.

Notes to the consolidated annual financial statements continued

37. FINANCIAL INSTRUMENTS continued

37.1 FINANCIAL RISK FACTORS continued

37.1.5 Liquidity risk continued

Maturity profile of financial assets	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Preference shares	377			377
Other unlisted investments	26	9		17
Loans receivable	396	155	229	12
Trade and other receivables	13 082	13 082		
Dividends receivable on preference shares	271	271		
Cross currency and interest-rate swap instruments	6		6	
2017	**14 158**	**13 517**	**235**	**406**
2016	13 121	12 882	199	40

During the year trade receivables with a value of R433 million were sold as part of a factoring arrangement. The group retains no continuing involvement with these trade receivables.

Maturity profile of financial liabilities	Carrying amount Rm	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Interest-bearing borrowings*	19 146	22 484	7 022	13 600	1 862
Other financial liabilities	1 952	1 952	582	677	693
Trade payables and accruals	20 170	20 170	20 170		
Current derivative financial liabilities	31	31	31		
2017	**41 299**	**44 637**	**27 805**	**14 277**	**2 555**
2016	39 446	40 780	24 045	15 863	872

* *Excludes R441 million non-redeemable, non-participating preference shares (refer to note 20).*

Notes to the consolidated annual financial statements continued

37. FINANCIAL INSTRUMENTS continued

37.2 FAIR VALUE MEASUREMENT

37.2.1 Fair value hierarchy

The Group's financial instruments carried at fair value are classified into three categories defined as follows:

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments. The group no longer has any quoted equities.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments classified as level 2 are mainly comprised of over the counter (OTC) derivatives instruments. The valuation techniques include the present value of future cash flows, quoted currency spot prices and interest rate yield curves.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

The following table shows which financial instruments on the statement of financial position are carried at amortised cost and which are carried at fair value. Financial instruments carried at fair value are further categorised into the appropriate fair value hierarchy.

Financial instrument	Carrying value Rm	Level 2 Rm	Level 3 Rm	At amortised cost Rm
Financial assets				
Preference shares	377		377	
Other unlisted investments	26			26
Loans receivable	396			396
Cross currency and interest-rate swap instruments	6	6		
Trade and other receivables	13 353	68	271	13 014
Trade receivables	12 011			12 011
Dividends receivable on preference shares	271		271	
Other receivables	1 003			1 003
Derivative instruments	68	68		
Cash resources	4 499			4 499
	18 657	74	648	17 935
Financial liabilities				
Non-redeemable, non-participating preference shares	441			441
Interest-bearing borrowings	19 146			19 146
Other financial liabilities	1 952	145	1 598	209
Cross currency and interest-rate swap instruments	145	145		
Contingent consideration liabilities	45		45	
Other loans payable	209			209
Put option liabilities	1 553		1 553	
Trade and other payables	20 201	31		20 170
Trade payables and accruals	19 514			19 514
Secured interest-bearing floorplan from franchisor	656			656
Derivative instruments	31	31		
	41 740	176	1 598	39 966

37. FINANCIAL INSTRUMENTS continued

37.2 FAIR VALUE MEASUREMENT

37.2.2 Level 3 sensitivity information

The fair values of the level 3 financial assets of R648 million which consists of the fair value of the preference shares and the accrued dividend income were estimated by applying a cash flow projection technique. Cash flow projections are based on expected dividends receivable. These cash flow projections cover a five-year forecast period, which are then extrapolated into perpetuity using a terminal rate of 14%.

The fair values of the level 3 financial liabilities of R1 598 million were estimated by applying an income approach valuation method including a present value discount technique.

The fair value measurement is based on significant inputs that are not observable in the market. Key assumptions used in the valuations includes the assumed probability of achieving profits targets and the discount rates applied. The assumed profitabilities were based on historical performances but adjusted for expected growth.

The following table shows how the fair value of the level 3 financial liabilities as at 30 June 2017 would change if the significant assumptions were to be replaced by a reasonable possible alternative.

Financial instruments	Valuation technique	Main assumption	Carrying value Rm	Increase in assets/ liabilities Rm	Decrease in assets/ liabilities Rm
Preference shares	Cash flow projection	Present value of expected cash flows	648	72	(76)
Put option liabilities	Income approach	Earnings growth	1 553	8	(14)
Contingent consideration liabilities	Income approach	Assumed profits	45		(8)

Movements in level 3 financial instruments carried at fair value

The following tables shows a reconciliation of the opening and closing balances of level 3 financial instruments carried at fair value at 30 June 2017:

Financial assets acquired during 2017	2017 Rm
Preference shares (see note 9)	377
Dividends receivable (see note 12)	271
Carrying value at the end of the year	648

Financial liabilities	Put option liabilities	Contingent consideration liabilities	2017 Rm	2016 Rm
Carrying value at beginning of the year	1 875	19	1 894	1 671
Derecognition in equity	(159)		(159)	(166)
Arising on acquisition of businesses		36	36	21
Fair valued through profit or loss	39	(2)	37	50
Settlements		(8)	(8)	(23)
Currency adjustments	(202)		(202)	341
Carrying value at the end of the year	1 553	45	1 598	1 894

The financial asset at level 3 arose on deconsolidation of Regent on 30 June 2017

Transfers between hierarchy levels

There were no transfers between the fair value hierarchies during the current and the prior year.

37. FINANCIAL INSTRUMENTS continued

37.2 FAIR VALUE MEASUREMENT

37.2.3 Fair value of financial instruments carried at amortised cost

The following table sets out instances where the carrying amount of financial liabilities, as recognised on the statement of financial position at 30 June 2017, differs from their fair values. In all other instances the carrying amounts of the Group's financial assets and liabilities approximate their fair values, due to the nature of the financial instruments.

	Carrying value Rm	Fair value* Rm
Listed corporate bonds (included in interest bearing borrowings)	5 341	5 295
Listed non-redeemable, non-participating preference shares	441	337

* *The fair values were determined with reference to unadjusted observable market data (level 2 in the fair value hierarchy).*

37.3 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, tax, depreciation and amortisation (EBITDA) of below 3.5:1. The ratio at 30 June 2017 is 1.8:1 (2016: 1.78:1).

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.

	2017 Rm	2016 Rm
Interest-bearing borrowings*	19 587	18 837
Less: Cash resources	4 499	2 321
Net debt	15 088	16 516
Total equity	20 261	19 775
Gearing ratio	74,5%	83,5%

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

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

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.

Notes to the consolidated annual financial statements continued

38. INTEREST IN OTHER ENTITIES

38.1 COMPOSITION OF THE GROUP

Imperial is a diversified, international group of companies involved in mobility. The consolidated financial statements include the accounts of Imperial Holdings Limited (the Company) and all of its subsidiaries at 30 June 2017.

The group holds a majority voting rights in all of its subsidiaries. There are no significant judgements or assumptions made in determining whether the group has control, joint control or significant influence.

Non-controlling shareholders have significant interests in four of the Group's subsidiaries. Material associates to the Group are MDS Logistics and Ukhamba Holdings. Details are provided below.

38.1.1 The principal operating subsidiaries of the Company and their activities are:

Subsidiary	Place of incorporation	Ownership Interest (%)	Nature of business
Motus Corporation (Pty) Ltd – previously Associated Motor Holdings (Pty) Limited	South Africa	100	Motus Corporation (Pty) Limited imports and distributes passenger, light and heavy commercial vehicles, automotive products, and motorcycles in Southern Africa. It also sells maintenance and warranty products. Further details on the composition of the Motus Corporation (Pty) Limited Group is provided in note 38.1.2.
Imperial Holdings International Cooperation U.A.	Netherlands	100	Business conducted by Imperial Holdings International Cooperation U.A and its subsidiaries comprises integrated logistics solutions and vehicle sales. Further details on the composition of Imperial Holdings International Cooperation U.A. is provided in note 38.1.3. All of the subsidiaries listed in note 38.1.3 are held through an intermediate holding company Imperial Mobility International B.V.
Imperial Group Limited	South Africa	100	Business conducted by Imperial Group Limited comprises vehicle rental, motor trading, automotive parts, property investments, transportation, logistics, sale of motor components and group services. Details on the businesses included are provided in note 38.1.4
Imperial Capital Limited	South Africa	100	Imperial Capital is a registered Domestic Treasury Management Company (DTMC) entity. It holds the 68% interest in Eco Health Limited* as well as Imperial's interest in other African Logistics and Vehicle Distribution and Dealership operations. Eco Health is a leading distributor of pharmaceutical products in Nigeria. Based in Lagos, Nigeria, the company also has operations in Ghana and Dubai. Further details are provided in non-controlling interest, refer to note 38.3
Pharmed Pharmaceutical (Pty) Limited	South Africa	62,5	Pharmed specialises in the wholesale supply and distribution of healthcare related products – including ethical, generic, patent and homeopathic medicines; surgical, dental and veterinary products; and medical equipment.
Itumele Bus Lines (Pty) Limited	South Africa	55	Itumele's primary business is providing public transport services on behalf of the provincial government to commuters in and around Bloemfontein. Founded in 1975, the operation comprises a fleet of 253 commuter buses and 32 luxury coaches. Itumele transports approximately 50 000 passengers daily and its buses travel approximately 17 million kilometres a year.

* *Further details are provided on non-controlling interest, refer to note 38.3.*

Notes to the consolidated annual financial statements continued

38. INTEREST IN OTHER ENTITIES continued

38.1 COMPOSITION OF THE GROUP continued

38.1.2 Principal subsidiaries of Motus Corporation (Pty) Limited, held directly or indirectly, are as follows:

Subsidiary	Place of incorporation	Ownership Interest (%)	Nature of business
Accordian Investments (Pty) Limited	South Africa	60	Accordian is an importer and distributor of Tata vehicles and parts for South Africa.
Hyundai Auto South Africa (Pty) Limited	South Africa	100	Hyundai Auto SA is an importer and distributor of Hyundai vehicles and parts for Southern Africa. The Group has established a network of dealerships in South Africa, Namibia and Botswana.
Imperial Car Imports (Pty) Limited*	South Africa	100	Imperial Car Imports has a 60% interest in Renault SA (Pty) Limited*. Renault SA through distribution agreements with Renault SAS France imports and distributes Renault motor vehicles and parts in South Africa.
Kia Motors SA (Pty) Limited	South Africa	100	Kia Motors is an importer and distributor of Kia vehicles and parts for South Africa.
KMSA Holdings (Pty) Limited	South Africa	93	KMSA is an importer of all Kawasaki motorcycle and personal watercraft products for Southern Africa.

38.1.3 Principal subsidiaries of Imperial Mobility International B.V.

Subsidiary	Place of incorporation	Ownership Interest (%)	Nature of business
Imperial Mobility Finance B.V.	Netherlands	100	The subsidiary is a finance company that obtains funding for various entities within the Group.
Imperial Logistics International GmbH	Germany	100	The subsidiary houses the Imperial Shipping Group. Imperial Shipping implement efficient transport solutions on Europe's waterways. It has a fleet of inland vessels used on European waterways. In addition to dry cargo, tanker, gas and coastal shipping, the range of services includes container transport and industrial logistics.
Imperial Shipping Paraguay S.A.	Germany	95	Imperial Shipping Paraguay implements transportation of goods and materials on the South American waterways. Currently it has a fleet of inland vessels used on the Rio Parana river, transporting iron ore, grain and other bulk products between Brazil to Argentina.
Panopa	Germany	100	A contract logistics specialist providing a broad range of services from the beginning to the end of the supply chain. Panopa services the steel, automotive and spare parts industries.
Lehnkering Group	Germany	100	Lehnkering specialises in chemical logistics, offering transport, warehousing distribution and extensive value added services such as manufacturing and packaging on behalf of its customers. It has 55 locations in Europe and one in the USA.
Imperial Mobility UK	United Kingdom	100	Imperial Mobility UK is involved in the commercial vehicle market, from light commercial to medium, heavy and extra-heavy commercial vehicles. It sells new and used vehicles and vans as well as related financial services, parts and servicing.
Associated Motors Australia (Pty) Ltd	Australia	100	This operation retails Ford, Mitsubishi and Renault through six dealerships in the Sydney area.
Imres BV*	Netherlands	90	Imres, a wholesaler of pharmaceutical and medical supplies to NGO's, hospitals and retailers, operates in the international medical relief industry, targeting mainly African emerging countries with developing healthcare markets and needs.
Palletways Group Limited*	United Kingdom	95,2	Palletways provides an express delivery solution for small consignments of palletised freight through more than 400 depots and 14 hubs, which collects and distribute 38 000 daily or 8 million pallets annually across 20 European countries where it currently handles one in every 4 pallets handled by palletised freight networks.

* *Further details are provided on non-controlling interest, refer to note 38.3.*

38. INTEREST IN OTHER ENTITIES continued

38.1 COMPOSITION OF THE GROUP continued

38.1.4 Principal businesses of Imperial Group Limited

	Place of incorporation	Ownership Interest (%)	Nature of business
Logistics	South Africa	100	These businesses provide a complete logistics solution including transportation, warehousing, distribution and related value added services in South Africa.
Automotive	South Africa	100	The Automotive business within Imperial Group Limited comprises of bikes, passenger, light, medium and heavy commercial vehicle dealerships in South Africa. The franchise dealerships represent virtually every major OEM brand.
Car rental	South Africa	100	The car rental operations housed within Imperial Group Limited comprises of three business units: Car Rental (Europcar and Tempest), Used Car Sales (Auto Pedigree brand) and Panel repair centres. This unit operates in Southern Africa.
Autoparts	South Africa	100	The autoparts business markets and distributes quality automotive parts and accessories, D.I.Y and leisure products through selected channels. The business consists of Parts Incorporated Africa, the national hub and spoke distribution business, NAPA, the marketing co-operative to the members of the leading local brands, and the franchises AAAS (previously Midas), Motolek, ADCO, CBS and Auto Care & Diagnostics.
Finance	South Africa	100	Provides the treasury function of the Group.

38.2 BUSINESS COMBINATIONS DURING THE YEAR

Acquisitions during the reporting period

A number of businesses were acquired during the year to complement existing businesses. The fair value of assets acquired and liabilities assumed at the acquisition date were as follows.

Business acquired	Nature of business	Operating segment	Date acquired	Interest acquired (%)	Purchase consideration transferred Rm
Palletways Group Limited*	Express delivery solution for small consignments of palletised freight across Europe	Logistics International	July 2016	95,2	**1 683**
Itumele Bus Lines (Pty) Limited	Consumer bus operations in the Free State province of South Africa	Logistics South Africa	November 2016	55	**147**
Individually immaterial acquisitions					**56**
Fair value of previously held interest					**(90)**
					1 796

* *The total purchase consideration of R3,0 billion disclosed in the June 2016 report included preference shares and subordinated loans acquired amounting to R1,317 million, thereby arriving at the purchase consideration of R1,683 million above.*

Notes to the consolidated annual financial statements continued

38. INTEREST IN OTHER ENTITIES continued

38.2 BUSINESS COMBINATIONS DURING THE YEAR continued

Acquisitions during the reporting period continued

Fair value of assets acquired and liabilities assumed at date of acquisition:	Palletways Rm	Itumele Bus Lines Rm	Individually immaterial acquisitions Rm	Total Rm
Assets				
Intangible assets (excluding goodwill)	1 360	112	17	**1 489**
Property, plant and equipment	32	17	30	**79**
Transport fleet		269		**269**
Investment, associates, joint ventures and other financial assets		12	56	**68**
Deferred tax assets			3	**3**
Inventories	3	14	31	**48**
Trade and other receivables	617	54	73	**744**
Cash resources	141	82	3	**226**
	2 153	560	213	**2 926**
Liabilities				
Retirement benefit obligations	9			**9**
Deferred tax liabilities	264	70	5	**339**
Interest-bearing borrowings	1 350	141	126	**1 617**
Other financial liabilities		2	94	**96**
Trade, other payables and provisions	773	84	73	**930**
Current tax liabilities	17	1		**18**
	2 413	298	298	**3 009**
Acquirees' carrying amount at acquisition	(260)	262	(85)	**(83)**
Non-controlling interests	(8)	(118)	(7)	**(133)**
Net assets acquired	(268)	144	(92)	**(216)**
Purchase consideration transferred	1 683	147	(34)	**1 796**
Cash paid	1 683	142	25	**1 850**
Fair value of previously held interest			(90)	**(90)**
Contingent consideration		5	31	**36**
Excess of purchase price over net assets acquired	1 951	3	58	**2 012**

Reasons for the acquisition

The Group acquired a 95,2% shareholding in Palletways. This acquisition is in line with Imperial's strategic intent to expand its presence beyond South Africa through the acquisition of asset light logistics businesses that benefit from Imperial's existing footprint and capabilities. Palletways provides an express delivery solution for small consignments of palletised freight through more than 400 depots and 14 hubs, which collects and distribute 38 000 daily or 8 million pallets annually across 20 European countries where it currently handles one in every 4 pallets handled by palletised freight networks.

The acquisition of 55% shareholding in Itumele Bus Lines, is in line with the Group's strategy to diversify into other related industries and allows entry into the commuter bus service market. Itumele's primary business is providing public transport services on behalf of the provincial government to commuters in and around Bloemfontein. Founded in 1975, the operation comprises a fleet of 253 commuter buses and 32 luxury coaches. Itumele transports approximately 50 000 passengers daily and its buses travel approximately 17 million kilometres a year.

The other businesses were acquired to complement and expand our transport and business solutions through the acquisition of a depot in Europe and an import and export solutions business in South Africa.

Details of contingent consideration

The contingent consideration requires the Group to pay the vendors an additional total amount of R36 million over three years if the entities' net profit after tax exceeds certain profit targets.

Notes to the consolidated annual financial statements continued

38. INTEREST IN OTHER ENTITIES continued

38.2 BUSINESS COMBINATIONS DURING THE YEAR continued

Acquisition costs

Acquisition costs for business acquisitions concluded during the year amounted to R27 million and have been recognised as an expense in profit or loss in the 'Other non-operating items' line.

Impact of the acquisitions on the results of the group

From the dates of acquisition the businesses acquired during the year contributed revenue of R6 233 million, operating profit of R396 million and after tax profit of R127 million. The after tax profit of R127 million includes the after tax impact of the funding cost of R70 million calculated on the cash consideration paid on acquisitions and the amortisation of intangible assets arising out of the business combinations of R177 million.

Had all the acquisitions been consolidated from 1 July 2016, they would have contributed revenue of R6 446 million, operating profit of R404 million and after tax profit of R119 million. The Group's total revenue for the year would have been R117 052 million, operating profit would have been R6 057 million and after tax profit R2 278 million.

Separate identifiable intangible assets

As at the acquisition date the fair value of the separate identifiable intangible assets was R1 489 million. This fair value, which is classified as level 3 in the fair value hierarchy, was determined using the Multi-period Excess Earnings Method (MEEM) valuation technique for contract based intangible assets and the Relief-form-royalty method for the trademark.

	Palletways %	Itumele Bus Lines %
The significant unobservable valuation inputs were as follows:		
Trademark		
– Discount rates	**9,1**	**–**
– Royalty rate	**1,0**	**–**
Contract based intangible assets		
– Weighted average discount rates	**6,7 – 7,3**	**17,5**
– Terminal growth rates	**1,0**	**5,4**

The assumptions used in arriving at projected cash flows were based on past experience and adjusted for any expected changes.

Other details

Trade and other receivables had gross contractual amounts of R790 million of which R46 million was doubtful. Non-controlling interests have been calculated based on the proportionate share in the acquiree's net assets. None of the goodwill is deductible for tax purposes.

Notes to the consolidated annual financial statements continued

38. INTEREST IN OTHER ENTITIES continued

38.3 NON-CONTROLLING INTERESTS IN THE GROUP'S ACTIVITIES

The following subsidiaries have non-controlling interests that are material to the group.

Subsidiary	Principal place of business	Operating segment	Ownership interest held by NCI (%) 2017	2016
Imres BV.	Africa	Logistics African Regions	10	20
Eco Health Limited	Nigeria	Logistics African Regions	32	32
Renault (Pty) Limited	South Africa	Vehicles Import and Distribution	40	40
Palletways Group Limited	United Kingdom	Logistics International	5	

The following is summarised financial information for Imres, Eco Health, Renault and Palletways based on their respective consolidated financial statements prepared in accordance with IFRS, modified for fair value adjustments made at time of acquisition and differences in accounting policies. The information is before inter-company eliminations with other entities in the Group.

	Imres		Eco Health		Renault		Palletways	
R million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Revenue	947	1 147	2 194	2 851	4 142	3 929	5 573	
Net profit for the year	115	126	67	(2)	(462)	(146)	219	
Net profit attributable to non-controlling interests	18	32	22	(1)	(185)	(58)	11	
Other comprehensive (loss) income	(77)	95	17	71	130	(112)	(19)	
Total comprehensive income (loss)	38	221	84	69	(332)	(258)	200	
Income attributable to non-controlling interests	6	56	27	22	(133)	(103)	(9)	
Total assets	797	773	1 653	1 813	2 533	2 512	3 954	
Total liabilities	197	163	1 222	1 338	3 067	2 713	872	
Total equity	600	610	431	475	(534)	(201)	3 082	
Equity attributable to non-controlling interests	60	122	138	152	(213)	(80)	147	
Dividends paid to non-controlling interests	16	34	41	49				
Cash paid for non-controlling interests	159	68						
Put option liabilities in respect of non-controlling interest	222	428	1 331	1 447				
Capital injected by non-controlling interest							147	

38.4 EVENTS AFTER THE REPORTING PERIOD

Acquisitions

Surgipharm Limited

Logistics African Regions acquired 70% of Surgipharm Limited for a consideration of R462 million (USD35 million). Surgipharm, which is headquartered in Nairobi, markets and distributes pharmaceutical, medical, surgical and allied supplies in Kenya, with an annual turnover of approximately R964 million (USD73 million). The transaction was effective 1 July 2017.

Pentagon Motor Holdings

Motus acquired on 14 August 2017 100% of Pentagon Motor Holdings Ltd (Pentagon), for a cash consideration of R493 million (£28 million). Headquartered in Derbyshire UK, Pentagon operates 20 prime retail dealerships in Derbyshire, Nottinghamshire, Lincolnshire, Yorkshire and greater Manchester. For the year ending 31 December 2016 Pentagon had a turnover of R8 715 million (£495 million). Pentagon was established in 1991 and has grown steadily from its initial Vauxhall franchise base to represent numerous leading car and van manufacturers including Peugeot, Seat, Mazda, Kia, Renault, Fiat, Alfa Romeo, Nissan, Mitsubishi and Jeep. The effective date is 1 September 2017.

SWT

The acquisition of 75% of Australian based SWT Group Pty Ltd, which operates 16 vehicle dealerships, for a cash consideration of R254 million (AUD24,2 million). The transaction is subject to certain conditions precedent.

39. DIRECTORS' REMUNERATION AND INTEREST IN SHARES

39.1 DIRECTORS' AND PRESCRIBED OFFICER'S REMUNERATION

	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Other benefits[1] R'000	Directors' fees R'000	Subsidiary/ Associate and Sub-committee fees R'000	Total 2017 R'000	Total 2016 R'000	Expected value of long-term incentive awards made in 2017[2] R'000	Expected value of long-term incentive awards made in 2016[2] R'000
Non executive directors										
S Kana					1 137	386	**1 523**	1 058		
P Cooper					253	500	**753**	711		
GW Dempster					253	565	**818**	614		
ST Skweyiya					253	273	**526**	471		
RM Kgosana					253	883	**1 136**	737		
P Langeni					253	430	**683**	546		
V Moosa					253	268	**521**	492		
RJA Sparks					549	1 090	**1 639**	1 129		
A Tugendhaft					695	266	**961**	907		
Y Waja					253	697	**950**	938		
Resigned										
TS Gcabashe								479		
M J Leeming								164		
					4 152	5 358	9 510	8 246		
Executive directors										
M Lamberti	1 600						**1 600**		27 934	22 423
OS Arbee	6 666	8 200	418	360			**15 644**	13 560	8 345	6 089
MP de Canha	5 114	2 100	377	159			**7 750**	10 250		4 986
PB Michaux	4 830	5 050	430	240			**10 550**	9 600	5 112	4 854
M Swanepoel	7 484	9 000	413	180			**17 077**	10 651	8 169	5 736
M Akoojee	4 102	6 650	411	120			**11 283**	1 926	6 588	
JJ Strydom (Resigned)								2 119		
Total June 2017	**29 796**	**31 000**	**2 049**	**1 059**			**63 904**	**48 106**	**56 148**	
Total all directors 2017	**29 796**	**31 000**	**2 049**	**1 059**	**4 152**	**5 358**	**73 414**		**56 148**	
Total all directors June 2016	21 781	22 363	2 873	1 089	3 926	4 320	**56 352**			44 088
Prescribed officer 2016 – C Tauke	4 037	5 492	778	216				**10 523**		

1. Other benefits– these include the fringe benefit value of company cars and motor car allowances and long-term performance-based retention payment.
2. This represents the expected value of all long-term incentive awards made in the reporting year. The expected value is calculated using a Black Scholes valuation model.
3. 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. There were no prescribed officers in 2016.
^ For part of the year.

Notes to the consolidated annual financial statements continued

39. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

39.2 INCENTIVE SCHEMES

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

Participation in the share appreciation rights scheme

Executive director	Allocation date	Price on allocation date (R)	Vesting date	Number of rights*	Number of rights exercised	Number of rights forfeited	Number of rights remaining
OS Arbee	2 Jun 2010	96,71	15 Sep 2013	56 333	(55 302)	(1 031)	
	14 Jun 2011	116,59	15 Sep 2014	23 377			23 377
	13 Jun 2012	170,57	26 Aug 2015	44 743		(3 973)	40 770
	11 Jun 2013	195,20	15 Sep 2016	77 582		(27 596)	49 986
MP de Canha	14 Jun 2011	116,59	15 Sep 2014	25 011			25 011
	13 Jun 2012	170,57	26 Aug 2015	47 876		(4 251)	43 625
	11 Jun 2013	195,20	15 Sep 2016	68 215		(24 265)	43 950
PB Michaux	13 Jun 2012	170,57	26 Aug 2015	31 241		(2 774)	28 467
	11 Jun 2013	195,20	15 Sep 2016	51 092		(18 174)	32 918
M Swanepoel	13 Jun 2012	170,57	26 Aug 2015	44 743		(3 973)	40 770
	11 Jun 2013	195,20	15 Sep 2016	68 641		(24 416)	44 225
M Akoojee	13 Jun 2012	170,57	26 Aug 2015	24 016		(2 133)	21 883
	11 Jun 2013	195,20	15 Sep 2016	38 154		(13 571)	24 583
	18 May 2016	127,77	16 Sep 2016	103 976			103 976

* *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 return on invested capital (ROIC) targets relative to weighted cost of capital. The rights vested could be fewer than the number granted.*

Participation in the deferred bonus plan

Executive director	Allocation date	Vesting date	Number of rights allocated during the year	Number of shares committed to the plan*	Vested during the year	Balance remaining
MJ Lamberti	1 Mar 2014	15 Sep 2017		60 787		60 787
	6 Oct 2015	15 Sep 2018		37 217		37 217
	18 May 2016	16 Sep 2018		43 383		43 383
	23 Aug 2016	16 Sep 2018		56 919		56 919
	21 Jun 2017	16 Sep 2018	39 306			
OS Arbee	11 Jun 2013	15 Sep 2016		5 872	(5 872)	
	30 Jun 2014	15 Sep 2017		30 965		30 965
	6 Oct 2015	15 Sep 2018		36 416		36 416
	18 May 2016	16 Sep 2019		54 003		54 003
	21 Jun 2017	16 Sep 2020	62 234			
MP de Canha	11 Jun 2013	15 Sep 2016		6 276	(6 276)	
	30 Jun 2014	15 Sep 2017		28 384		28 384
	6 Oct 2015	15 Sep 2018		32 350		32 350
	18 May 2016	16 Sep 2019		44 220		44 220
PB Michaux	11 Jun 2013	15 Sep 2016		4 634	(4 634)	
	30 Jun 2014	15 Sep 2017		24 256		24 256
	6 Oct 2015	15 Sep 2018		28 629		28 629
	18 May 2016	16 Sep 2019		43 046		43 046
	21 Jun 2017	16 Sep 2020	38 126			

* *The number of rights that will eventually vest is subject to the achievement of performance conditions linked to earnings targets relative to a peer group of 20 JSE listed companies and return on invested capital (ROIC) targets relative to weighted cost of capital. The rights vested could be fewer than the number granted.*

Notes to the consolidated annual financial statements continued

39. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

39.2 INCENTIVE SCHEMES continued

Executive director	Allocation date	Vesting date	Number of rights allocated during the year	Number of shares committed to the plan*	Vested during the year	Balance remaining
M Swanepoel	11 Jun 2013	15 Sep 2016		5 164	(5 164)	
	30 Jun 2014	15 Sep 2017		27 352		27 352
	6 Oct 2015	15 Sep 2018		32 350		32 350
	18 May 2016	16 Sep 2019		50 873		50 873
	21 Jun 2017	16 Sep 2019	60 924			
M Akoojee	13 Jun 2013	15 Sep 2016		3 266	(3 266)	
	30 Jun 2014	15 Sep 2017		18 579		18 579
	6 Oct 2015	15 Sep 2018		17 301		17 301
	18 May 2016	16 Sep 2019		15 184		15 184
	21 Jun 2017	16 Sep 2020	49 132			

* *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 return on invested capital (ROIC) targets relative to weighted cost of capital. The rights vested could be fewer than the number granted.*

Conditional share plan (CSP)	Number of CSP's
The following CSP's were granted to MJ Lamberti:	
Granted on 10 September 2014 in relation to the 1 July 2014 to 30 June 2017 performance period	67 064
Granted on 6 October 2015 in relation to the 1 July 2015 to 30 June 2018 performance period	48 915
Granted on 18 May 2016 in relation to the 1 July 2016 to 30 June 2019 performance period	80 340
Granted on 21 June 2017 in relation to the 1 July 2017 to 30 June 2019 performance period	72 060
	268 379

39.3 GAINS BY DIRECTORS ON SAR, DBP AND CSP DURING THE YEAR

Executive director	2017 R'000	2016 R'000
M J Lamberti		
OS Arbee	4 511	1 564
MP de Canha	1 019	1 823
PB Michaux	753	1 108
M Swanepoel	839	1 465
M Akoojee	536	703
JJ Strydom (Resigned during 2016)		947

Notes to the consolidated annual financial statements continued

39. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

39.4 DIRECTORS' INTERESTS IN SHARES

	2017		2016	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Non-executive director				
GW Dempster	99		99	
SP Kana	9 417		9 417	
RJA Sparks	40 000	20 000	40 000	20 000
Y Waja	1 000		3 000	
	50 516	20 000	52 516	20 000
Executive director				
MJ Lamberti	600 000		600 000	
OS Arbee	134 850		121 771	
MP de Canha	7 298 946		6 292 670	
M Swanepoel	110 575		88 366	
PB Michaux	95 931		57 519	
M Akoojee	51 064			
	8 291 366		7 160 326	
	8 341 882	20 000	7 212 842	20 000

Company statement of financial position
at 30 June 2017

	Notes	2017 Rm	2016 Rm
ASSETS			
Interest in subsidiaries	2	10 236	9 746
Investment in associates and joint ventures	3	48	50
Investments	4	71	47
Trade and other receivables		5	
Current tax asset			1
Cash resources		2	2
Interest in subsidiaries held for sale	2		603
Total assets		10 362	10 449
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	5	1 030	1 030
Other reserves			
Retained earnings		8 796	8 955
Total equity		9 826	9 985
Liabilities			
Non-redeemable, non-participating preference shares	6	441	441
Trade payables, provisions and other liabilities	7	93	23
Current tax liability		2	
Total liabilities		536	464
Total equity and liabilities		10 362	10 449

Company statement of comprehensive income
for the year ended 30 June 2017

	Notes	2017 Rm	2016 Rm
Revenue	8	2 993	2 254
Net operating expenses	9	(19)	(16)
Other non-operating items	10	(271)	(96)
Profit before net financing income		2 703	2 142
Finance cost		(47)	(37)
Finance income		51	28
Profit before tax		2 707	2 133
Income tax expense	11	(22)	(13)
Total comprehensive income for the year		2 685	2 120

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

Company statement of changes in equity
for the year ended 30 June 2017

	Share capital and share premium Rm	Other reserves Rm	Retained earnings Rm	Total Rm
At 30 June 2015	382	70	8 418	8 870
Total comprehensive income for the year			2 120	2 120
Ordinary dividends paid			(1 653)	(1 653)
Direct transfer to retained earnings		(70)	70	
Share issue of 4 559 221 at an average price of R142, less share issue costs	648			648
At 30 June 2016	**1 030**		**8 955**	**9 985**
Total comprehensive income for the year			**2 685**	**2 685**
Ordinary dividends paid			**(1 526)**	**(1 526)**
Share repurchased*	**–**		**(1 318)**	**(1 318)**
At 30 June 2017	**1 030**		**8 796**	**9 826**

* *7 864 456 shares were repurchased from Imperial Corporate Services (Pty) Ltd, a wholly owned subsidiary and were subsequently cancelled.*

Company statement of cash flows
for the year ended 30 June 2017

	Notes	2017 Rm	2016 Rm
Cash flows from operating activities			
Cash generated by operations	12	**2 943**	2 232
Finance cost paid		**(47)**	(35)
Finance income received		**51**	28
Tax paid	13	**(19)**	(12)
		2 928	2 213
Cash flows from investing activities			
Acquisition of subsidiaries		**(392)**	(89)
Proceeds on disposal of subsidiaries		**624**	329
Additional investment in subsidiaries		**(706)**	(887)
Addition of investments		**(24)**	
Proceeds received on loans to subsidiaries		**384**	74
Proceeds received on loans to investment in associates		**3**	
Disposal of associates			25
Settlement of contingent consideration liabilities		**(2)**	(10)
		(114)	(558)
Cash flows from financing activities			
Shares repurchased*		**(1 318)**	
Dividends paid		**(1 526)**	(1 653)
		(2 844)	(1 653)
Net increase in cash and cash equivalents			2
Cash and cash equivalents at beginning of year		**2**	
Cash and cash equivalents at end of year		**2**	2

* *7 864 456 shares were repurchased from Imperial Corporate Services (Pty) Ltd, a wholly owned subsidiary and were subsequently cancelled.*

Notes to the company annual financial statements
for the year ended 30 June 2017

1. ACCOUNTING POLICIES

The principle accounting policies adopted and methods of computation used in the preparation of the company's separate annual financial statements are set out below and are consistent in all material aspects with those applied during the previous year.

1.1 INTEREST IN SUBSIDIARIES

Interest in subsidiaries are carried at cost less accumulated impairment losses.

Acquisition-related costs for new interests acquired during the year are recognised in profit or loss.

1.2 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are carried at cost less accumulated impairment losses.

1.3 INVESTMENTS

Investments are carried at cost less accumulated impairment losses.

1.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the contract.

Initial measurement

Financial assets and financial liabilities are initially measured at fair value plus transaction costs.

Subsequent measurement

Financial assets comprising of trade receivables are subsequently measured at amortised cost, less any impairment where appropriate.

Financial liabilities comprising of trade payables and contingent consideration liabilities are subsequently measured at amortised cost, less any impairment where appropriate.

Derecognition

Financial assets are derecognised when the right to receive cash flows has expired or the company has transferred the financial asset and all the risks and rewards associated with ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contacts are discharged, cancelled or expired.

1.5 REVENUE

Dividend income from interest in subsidiaries, investments in associates and joint ventures and other investments, is recognised when the company's right to receive payment has been established.

1.6 FINANCE COST AND FINANCE INCOME

Finance cost comprises of the preference dividend payable on the non-redeemable, non-participating preference shares. Finance cost is recognised in profit or loss in the period in which it is incurred on a day-to-day basis using the effective interest method.

Finance income is recognised in profit or loss using the effective interest method.

1.7 EXCEPTIONAL ITEMS

Exceptional items includes gains or losses on disposal and impairments of subsidiaries and investment in associates and joint ventures.

1.8 INCOME TAX EXPENSE

Income tax comprises of current and withholding tax for the year recognised in profit or loss.

Current tax

Current tax assets or liabilities are recognised based on the expected tax payable or refundable. Current tax is calculated on the taxable profit for the period using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Withholding tax

Withholding tax is payable at different tax rates on the dividends received from foreign subsidiaries.

Notes to the company annual financial statements continued

1. ACCOUNTING POLICIES continued

1.9 SIGNIFICANT JUDGEMENT AND ESTIMATES

The preparation of the annual financial statements requires the company'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 and current and economic conditions.

The company uses judgement when assessing the impairments of the investments in subsidiaries, associates and joint ventures, and the contingent consideration liabilities.

1.10 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

Amendments to IFRS 9 – Financial Instruments and the new standard for revenue (IFRS 15 – Revenue From Contracts With Customers), are expected to have no significant impact on the company's accounting policies and methods of computation.

	2017 Rm	2016 Rm
2. INTEREST IN SUBSIDIARIES		
Shares at cost, net of impairments	8 228	7 279
Indebtedness by subsidiaries, net of impairments	2 008	2 467
	10 236	9 746
The investment in Regent Insurance and Regent Life were reclassified as held for sale in 2016		
Details of the company's principal subsidiaries are reflected in note 38 of the consolidated annual financial statements.		
3. INVESTMENT IN ASSOCIATES AND JOINT VENTURES		
Unlisted shares at cost, net of impairment	33	33
Indebtedness by associates and joint ventures	15	17
	48	50
4. INVESTMENTS		
Preference shares at cost, net of impairments	71	47
5. SHARE CAPITAL AND SHARE PREMIUM		
Authorised share capital		
394 999 000 (2016: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2016: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2016: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2016: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2016: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
	20	20
Issued and fully paid share capital		
201 139 981 (2016: 208 172 968) ordinary shares of 4 cents each	8	8
8 530 829 (2016: 9 362 298) deferred ordinary shares of 4 cents each	1	1
	9	9
Share premium	1 021	1 021
Share capital and premium	1 030	1 030

For non-redeemable, non-participating preference shares in issue see note 6.

Notes to the company annual financial statements continued

5. SHARE CAPITAL AND SHARE PREMIUM continued

DIRECTORS' AUTHORITY TO ISSUE ORDINARY SHARES AND NON-REDEEMABLE, NON-PARTICIPATING 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 2016;
> 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

Ukhamba, the BEE partner that owns an effective 10,7% shareholding in Imperial, facilitated the trading of its shares to allow our employees and beneficiaries in Ukhamba to monetise their value in Ukhamba. To allow for this, at a general meeting held on 21 October 2013, Imperial shareholders agreed to alter the conversion profile of the deferred ordinary shares to equal predetermined conversions over 12 years. As a result 831 469 deferred shares convert annually, with the last conversion on 30 June 2025.

To the end of the current financial year 14 224 560 (2016: 13 393 091) deferred ordinary shares have been converted into ordinary shares.

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

DIRECTORS INTERESTS IN ISSUED SHARE CAPITAL

At year-end the aggregate shareholdings of the directors in the issued ordinary share capital of the company are outlined in note 39 of the consolidated annual financial statements.

	2017 Rm	2016 Rm
6. NON-REDEEMABLE, NON-PARTICIPATING PREFERENCE SHARES		
Non-redeemable, non-participating preference shares at cost	441	441
4 540 041 preference shares 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 R39 million (2016: R37 million) which is included as part of finance cost in profit or loss.		
7. TRADE PAYABLES, PROVISIONS AND OTHER LIABILITIES		
Trade payables and accruals at amortised cost	25	19
Indemnity provision	30	
Contingent consideration liabilities (Level 3 financial instrument)	38	4
	93	23
The fair value of the trade payables and accruals approximate their carrying value.		
Movements in contingent consideration liabilities (Level 3 financial instrument)		
Balance at beginning of year	4	13
Settlements	(2)	(10)
Remeasured to profit or loss		1
Amounts raised	36	
	38	4

Notes to the company annual financial statements continued

	2017 Rm	2016 Rm
8. REVENUE		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries, associates and joint ventures	2 971	2 236
Fees received	22	18
	2 993	2 254
9. NET OPERATING EXPENSES		
The following disclosable items have been included in operating expenses:		
Auditors' remuneration	4	2
Non-executive directors' emoluments*	8	8
Professional fees	9	5
* *Refer to note 39 in the consolidated annual financial statements for the executive directors emoluments.*		
10. OTHER NON-OPERATING ITEMS		
Capital items		
(Loss)/profit on sale of subsidiaries and businesses	(169)	150
Profit on sale of investment in associates and joint ventures		25
Indemnity provision raised in respect of Regent sale	(30)	
Business acquisition costs	(2)	
Impairment of investments in subsidiaries, loans to subsidiaries and associates and joint ventures	(70)	(271)
	(271)	(96)
11. INCOME TAX EXPENSE		
South African normal tax		
– Current	20	13
– Prior year over provision of current tax asset	2	
	22	13
Reconciliation of tax rate:	%	%
Profit before tax – effective tax rate	0,8	0,5
Tax effect of:		
– Disallowable charges/capital losses	(3,5)	(1,9)
– Exempt income	30,7	29,4
– Prior year overprovision	(0,1)	
	28,0	28,0
Disallowable expenses include interest incurred on the non-redeemable, non-participating preference shares and expenses incurred in the production of non-taxable income. Exempt income includes dividends received from subsidiaries, associates and joint ventures.		
12. CASH GENERATED BY OPERATIONS		
Profit before net financing income	2 703	2 142
Exceptional items	239	96
Business acquisition costs	2	
Remeasurement of contingent consideration liabilities		1
Working capital movements		
– Increase in trade and other receivables	(5)	
– Increase (decrease) in trade and other payables	4	(7)
	2 943	2 232
13. TAX PAID		
Balance at beginning of year	1	2
Current tax recognised in profit or loss	(22)	(13)
Balance at end of year	2	(1)
	(19)	(12)

Notes to the company annual financial statements continued

	2017 Rm	2016 Rm
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:	**13 515**	12 646
The company has guaranteed the obligations to the investors in the corporate bonds issued.	**5 341**	5 471
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:	**27**	235
The company has contingent liabilities in respect of guarantees issued to suppliers 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:	**221**	241
The company has contingent liabilities in respect of guarantees issued to suppliers 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:	**12**	12
As part of the NAC sale in 2013 the company have issued a guarantee to secure vendor funding for five years for:	**80**	80
As part of the Uvundlu Investments sale the company have issued a guarantee to bankers for a rental book which will be amortised over 3 years	**88**	116

* *The guarantees issued to bankers and others on behalf of subsidiaries have been restated in 2016 for the changes made to the interest-bearing borrowings as detailed in note 20 of the consolidated annual financial statements.*

15. FINANCIAL INSTRUMENTS

INTEREST RATE RISK

This is the risk that fluctuations in interest rates may adversely impact the company's assets, liabilities and equity. As the company has no significant interest-bearing financial instruments, the company's income and operating cash flows are substantially independent of fluctuations in market interest rates. Interest payable on the non-redeemable, non-participating preference and the interest received on the intergroup loan are exposed to interest risk.

The 50 basis points increase or decrease in interest rates represents management's assessment of the reasonably possible changes in interest risk for the non-redeemable, non-participating preference shares. The impact of a 50 basis points increase in interest rates will have an annualised R2 million (2016: R2 million) effect on the company's after tax profit and equity.

LIQUIDITY RISK

This is the risk that the company may not be able to meet its financial obligations as they fall due. The company manages liquidity risk by managing forecast cash flows and ensuring that adequate liquidity needs are maintained.

16. EVENTS AFTER THE REPORTING PERIOD

An ordinary dividend of 330 cents has been declared by the board of Imperial on 21 August 2017

Annexure A
Summary of employment equity report

Summary of global workforce	**2017**	2016
South African (including foreign nationals)	34 733	37 750
Non-South African	14 631	13 506
Total workforce	49 364	51 256

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

	Male				Female				Foreign nationals		Total	Total
Occupational levels	A	C	I	W	A	C	I	W	M	F	2017	2016
Permanent staff												
Top management	4	1	4	55	3	2	1	4	2	1	77	103
Senior management	25	9	38	276	12	5	57	77	2	1	502	514
Professionally qualified and experienced specialists and mid-management	228	178	288	1 183	188	100	149	720	8	10	3 052	3 316
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2 331	920	735	2 091	864	354	239	1 056	54	14	8 658	9 641
Semi-skilled and discretionary decisions-making	9 643	1 667	520	527	2 708	874	293	882	42	13	17 169	18 151
Unskilled and defined decision-making	3 369	431	66	48	877	107	2	8	17	7	4 932	5 679
	15 600	3 206	1 651	4 180	4 652	1 442	741	2 747	125	46	34 390	37 404
Non-permanent staff	156	22	15	41	73	13	6	17			343	346
	15 756	3 228	1 666	4 221	4 725	1 455	747	2 764	125	46	34 733	37 750

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

The above is an aggregation of all South African operating entities.

Given the changes and restructuring in the group during the past year, the work profiling in respect to the different levels of occupation in the respective divisions is in the process of being realigned with the respective divisional work structures.

Corporate information

Directors

SP Kana# (Chairman), A Tugendhaft##, (Deputy Chairman), RJA Sparks# (Lead Independent Director), MJ Lamberti (Chief Executive), M Akoojee (Chief Financial Officer), OS Arbee, MP de Canha, P Cooper#, G Dempster#, T Skweyiya#, RM Kgosana#, P Langeni#, MV Moosa##, M Swanepoel, Y Waja#

Independent non-executive ## Non-executive

Company Secretary

RA Venter

Group Investor Relations Manager

E Mansingh

Business address and registered office

Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, 2007

Share transfer secretaries

Computershare Investor Services (Proprietary) Limited, First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Sponsor

Merrill Lynch SA (Pty) Limited, The Place, 1 Sandton Drive, Sandton, 2196

The results announcement is available on the Imperial website: **www.imperial.co.za**

IMPERIAL HOLDINGS LIMITED
Registration number: 1946/021048/06
Ordinary share code: IPL ISIN: ZAE000067211
Preference share code: IPLP ISIN: ZAE000088076

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