



LEADERS IN
MOBILITY

IMPERIAL ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

IMPERIAL  TM
LEADERS IN MOBILITY

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> DIRECTORS' RESPONSIBILITY FOR CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the consolidated and separate annual financial statements and related information. The consolidated and separate 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 2016 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 consolidated and separate 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 consolidated and separate 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 14 to 101 which are available on the group's website at www.imperial.co.za were approved by the board of directors on 22 August 2016 and are signed on their behalf by:



SP KANA
Chairman



MJ LAMBERTI
Chief Executive Officer



OS ARBEE
Chief Financial Officer

> PREPARER OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

These consolidated and separate 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

22 August 2016

> CERTIFICATE BY COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2016, the company has lodged with the Registrar of Companies all such returns as are required of a public company are true, correct and up to date 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

22 August 2016

> 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 and its subsidiaries ("the Group") set out on pages 14 to 101 which comprise the consolidated and separate statements of financial position as at 30 June 2016, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate 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 Imperial Holdings Limited and the Group as at 30 June 2016, 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 ("IFRS") 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 responsibilities 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 for Accountants 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 a 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.

For the audit committee chairman's review of areas of significant judgement see page 8.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>VALUATION OF GOODWILL</p> <p>Goodwill comprises 7.8% of the total assets of the Group. These assets have been recognised in the consolidated statement of financial position as a consequence of the acquisitive nature of the Group.</p> <p>As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indeterminate useful life intangible assets. This is 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:</p> <ul style="list-style-type: none"> > Revenue growth (including market share and volume growth); > Operating margins; > Exchange rate fluctuations; and > The discount rates applied to the projected future cash flows. <p>The directors have engaged specialists to assist with the determination of the discount rates for the significant cash generating units to which the goodwill relates.</p> <p>The impairment test of this asset is considered to be a key audit matter.</p>	<p>We focused our testing of the impairment of goodwill on the key assumptions made by the directors. Our audit procedures included:</p> <ul style="list-style-type: none"> > Engaging our internal specialists to assist with: <ul style="list-style-type: none"> - 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 directors' projections. <p>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 to be relevant and useful.</p>

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
INCOME TAX AND DEFERRED TAX	
<p>Income tax: Due to the multiple tax jurisdictions within which the Group operates and the ambiguity of certain tax laws, determining the amounts which should be recognised for tax is subject to judgement and is thus a key audit matter. The directors' 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 31.</p> <p>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 tax losses will be realised. This requires the directors' judgement in estimating future taxable income and is accordingly a key audit matter.</p>	<p>We involved our tax specialists to evaluate the recognition and measurement of the current and deferred tax assets and liabilities. This included:</p> <ul style="list-style-type: none"> > Analysing the current and deferred tax calculations for compliance with the relevant tax legislation. > Evaluating the directors' 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. <p>Based on the procedures performed and information available, we found the tax balances recorded and the disclosures thereof to be appropriate.</p>
MAINTENANCE AND WARRANTY CONTRACTS	
<p>The Group has a liability for service, maintenance and warranty contracts, in terms of which it is obligated to provide maintenance and repair services over a future specified period.</p> <p>The determination of the adequacy of the 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:</p> <ul style="list-style-type: none"> > Vehicle parts inflation; > Foreign currency devaluation; and > Estimated use of vehicles. <p>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 key audit matters.</p> <p>The disclosure related to the maintenance and warranty contracts is contained in notes 1.28 and 22.</p>	<p>We assessed and challenged the assumptions 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:</p> <ul style="list-style-type: none"> > Engaging an independent actuarial specialist to evaluate the work performed by the directors' expert, including: <ul style="list-style-type: none"> - 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 into the financial models and the reasonableness of the ranges to the sensitivity of the inputs. > Comparing the sufficiency of the funds against historical information and performing a retrospective review thereon. <p>We are satisfied with the actuarial assumptions applied and consequently with the measurement of the reserves at 30 June 2016. We are satisfied that the revenue recognised in the period is appropriate. The related disclosure is sufficient.</p>

> INDEPENDENT AUDITOR'S REPORT

To the shareholders of imperial holdings limited

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 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 International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of 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 and Company'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 the 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 16 years.



Deloitte & Touche
Registered Auditors

Per: Andrew Mackie
Partner

22 August 2016

> REPORT OF THE AUDIT COMMITTEE

For the year ended 30 June 2016

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) 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 2016 comprised Mr M Kgosana (Chairman), Mr G Dempster, Mrs T Dingaana, Ms P Langeni, Mr RJA Sparks and Mr Y Waja ("the committee"), all of whom are independent non-executive directors of the Company.

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 1 November 2016. 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 1 September 2015)	3/3
GW Dempster (Member since 1 September 2015)	3/3
T Dingaana (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 2016 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 2016, 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 its 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; and
- > 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

For the year ended 30 June 2016 – 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; and
- > considered accounting treatments, significant unusual transactions and accounting judgments.

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
- > 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 thereof 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 valuation 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 12 in the consolidated annual financial statements for the amounts.

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 38.1.5 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 up to 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 28 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.

FRRC's and the audit committee agreed with the impairment of the goodwill and intangible assets and that the carrying value of the goodwill is fairly stated. Refer to notes 4 and 29 in the annual financial statements for further details.

Tax

The Group operates in different jurisdictions with complex tax legislation requiring judgements 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.

No major tax issues arose during the year.

The effective tax rate of 27.7% was up compared to 25.8% in the prior year mainly due to higher impairment of goodwill and other intangible assets which are not tax deductible. The tax rate benefitted from prior year over provisions.

Refer to notes 1.28, 8 and 31 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 22 for further details.

Put option liabilities

This liability arises 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.

> REPORT OF THE AUDIT COMMITTEE

For the year ended 30 June 2016 – Continued

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 FRRC chairman for this area questioned management on the inputs and considers that they resulted in a liability that fairly presents the obligation to be settled. The audit committee considers that the carrying value is fairly reflected. Refer to notes 1.28, 23, 38.2.2 and the statement of changes in equity for further details.

Discontinued operation

The sale of the Regent Group is regarded as highly probable in terms of the accounting standards. The sale will only be confirmed once the regulatory approvals have been completed.

As a result the statement of profit and loss has been split between continuing and discontinued operations, and on the statement of financial position Regent's assets are included under 'Assets of discontinued operations' and its liabilities under 'Liabilities of discontinued operations'. The net assets held for sale are required to be held at the lower of its carrying value and net realisable value. Our assessment is that there is no need for impairment.

The audit committee agrees with the classification of the Regent Group as a discontinued operation and the disclosures made.

Refer to note 15 for further details.

Quality of earnings

The reconciliation of the attributable profits to headline and core earnings is outlined in note 32.

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

Subsidiary companies

The functions of the committee are also performed for each subsidiary company of Imperial Holdings Limited that has not appointed an audit committee, on the basis that the committee delegates the performance of such functions to 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.

ANNUAL FINANCIAL STATEMENTS

Following the review by the committee of the consolidated and separate annual financial statements of Imperial Holdings Limited for the year ended 30 June 2016, 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.

Having achieved its objectives, the committee has recommended the consolidated and separate annual financial statements for the year ended 30 June 2016 for approval to the board. The board has subsequently approved the report, which will be open for discussion at the forthcoming annual general meeting.



M KGOSANA
Chairman

22 August 2016

> DIRECTORS' REPORT

For the year ended 30 June 2016

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 51 000 people who generate annual revenues in excess of R118 billion, in more than 30 countries on 6 continents.

FINANCIAL PERFORMANCE

The net attributable profit for the year amounted to R3 049 million (2015: R3 054 million). Basic earnings per share for the year was 1 581 cents (2015: 1 582 cents).

The results for the year are set out in the consolidated statement of profit or loss on page 15 of this report.

SHARE CAPITAL

The authorised and issued share capital is detailed in note 16 and the shares repurchased in note 17 to the annual financial statements.

The number of shares in issue on 30 June 2016 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	202 782 278	(8 184 456)	194 597 822
Deferred ordinary shares converted to ordinary shares	831 469		831 469
Ordinary shares repurchased		(3 387 507)	(3 387 507)
Ordinary shares issued to purchase non-controlling interest	4 559 221		4 559 221
Ordinary shares at the end of year	208 172 968	(11 571 963)	196 601 005
Deferred ordinary shares			
The movement in the number of deferred ordinary shares was as follows:			
Deferred ordinary shares at the beginning of year	10 193 767		10 193 767
Converted into ordinary shares	(831 469)		(831 469)
Deferred ordinary shares at the end of year	9 362 298		9 362 298
Total issued share capital	217 535 266	(11 571 963)	205 963 303
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 MJ Lamberti, P Langeni, PB Michaux, RJA Sparks and A Tugendhaft 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 aggregate interest of the directors in the issued ordinary share capital of the company is disclosed in note 40.

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 18.2 of this report.

DIVIDENDS

Details of the dividends declared are set out in note 34 of this report.

SUBSIDIARIES

Details of the company's principal subsidiaries are reflected in note 39 of this report.

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

Material subsidiaries acquired by the group

None of the acquisitions made during the year are considered material to the group

Material subsidiaries disposed of by the group

	NATURE OF BUSINESS	PERCENTAGE INTEREST
Neska	Inland port management	65%
Rijnaarde	Transporting bulk commodities and chartering inland waterway vessels	100%
Uvundlu	Selling and rental of forklifts and related equipment	67,5%

DISCONTINUED OPERATIONS

The sale of the Regent Group is regarded as highly probable in terms of the accounting standards.

The sale will only be confirmed once the regulatory approvals have been obtained. The sale of the Regent Group will result in the disposal of a segment and it is therefore seen as a major line of business.

As a result the consolidated statement of profit and loss has been split between continuing and discontinued operations, and on the consolidated statement of financial position Regent's assets are included under 'Assets classified as held for sale' and its liabilities under 'Liabilities directly associated with assets classified as held for sale'. We also need to reflect the net assets classified as held for sale at the lower of its carrying value and net realisable value. Our assessment is that there is no need for impairment.

SPECIAL RESOLUTIONS

The company passed the following special resolutions at its annual general meeting held on 3 November 2015:

- > 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 2016 to the date of the next annual general meeting in 2016.

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 an ordinary dividend of 425 cents per ordinary share has been declared by the board of Imperial on 22 August 2016.

During July 2016, the company acquired 95% of the shares in Palletways, a company incorporated in the United Kingdom, for an amount of £155 million (R3 billion).

The disposal of the investment in Mix Telematics as a share repurchase by Mix Telematics for R474 million received the necessary approval from their shareholders on 1 August 2016.

ACCOUNTING POLICIES AND NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

> CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016

	Notes	2016 Rm	2015* Rm	2014* Rm
ASSETS				
Goodwill and intangible assets	4	7 501	7 193	6 766
Investment in associates and joint ventures	5	986	1 351	1 418
Property, plant and equipment	6	11 465	10 967	10 469
Transport fleet	7	5 953	5 610	5 322
Deferred tax assets	8	1 376	1 097	1 101
Investments and loans	9	291	357	2 468
Other financial assets	10	8	36	267
Vehicles for hire	11	3 469	3 603	2 945
Inventories	12	16 717	15 465	13 132
Tax in advance		483	295	148
Trade and other receivables	13	12 712	12 849	11 882
Cash resources	14	2 317	2 271	3 103
Assets of discontinued operations	15	5 083	4 618	
Assets of disposal groups	15	1 469		
Total assets		69 830	65 712	59 021
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium	16	1 030	382	382
Shares repurchased	17	(1 226)	(668)	(220)
Other reserves	18	1 003	1 089	1 149
Retained earnings		19 418	18 065	16 229
Attributable to owners of Imperial		20 225	18 868	17 540
Put arrangements over non-controlling interests		(1 307)	(1 473)	(1 000)
Non-controlling interests		884	1 838	1 569
Total equity		19 802	19 233	18 109
Liabilities				
Non-redeemable, non-participating preference shares	19	441	441	441
Retirement benefit obligations	20	1 531	1 157	1 083
Interest-bearing borrowings	21	14 531	12 264	11 847
Insurance, investment, maintenance and warranty contracts	22	3 156	3 191	4 310
Deferred tax liabilities	8	881	1 193	1 355
Other financial liabilities	23	2 335	2 019	1 711
Provisions for liabilities and other charges	24	778	604	980
Trade and other payables	25	18 715	18 443	16 205
Current tax liabilities		681	561	487
Current portion of interest-bearing borrowings	21	3 865	3 893	2 493
Liabilities of discontinued operations	15	2 738	2 713	
Liabilities of disposal groups	15	376		
Total liabilities		50 028	46 479	40 912
Total equity and liabilities		69 830	65 712	59 021

* Restated for the application of the change in accounting policy (refer to note 2.1).

> CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2016

	Notes	2016 Rm	2015 Rm
Continuing operations			
Revenue	26	115 738	107 453
Net operating expenses	27	(107 286)	(99 290)
Profit from operations before depreciation and recoupments		8 452	8 163
Depreciation, amortisation, impairments and recoupments	28	(2 559)	(2 492)
Operating profit		5 893	5 671
Recoupments from sale of properties, net of impairments	28	28	29
Amortisation of intangible assets arising on business combinations	28	(437)	(415)
Impairment of intangible assets arising on business combinations	28	(151)	
Other non-operating items	29	(102)	(80)
Profit before net financing costs		5 231	5 205
Finance cost including fair value losses	30	(1 593)	(1 326)
Finance income	30	153	132
Profit before share of result of associates and joint ventures		3 791	4 011
Share of result of associates and joint ventures		133	33
Profit before tax		3 924	4 044
Income tax expense	31	(1 049)	(1 035)
Profit for the year from continuing operations		2 875	3 009
Discontinued operations			
Profit for the year from discontinued operations	15	333	377
Net profit for the year		3 208	3 386
Net profit attributable to:			
Owners of Imperial		3 049	3 054
Continuing operations		2 747	2 735
Discontinued operations		302	319
Non-controlling interests		159	332
Continuing operations		128	274
Discontinued operations		31	58
		3 208	3 386
Earnings per share (cents)	32		
Continuing operations			
– Basic		1 425	1 416
– Diluted		1 388	1 406
Discontinued operations			
– Basic		156	166
– Diluted		152	162
Total operations			
– Basic		1 581	1 582
– Diluted		1 540	1 568

> CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016 Rm	2015 Rm
Net profit for the year	3 208	3 386
Other comprehensive income (losses)	147	(268)
Items that may be reclassified subsequently to profit or loss	306	(172)
Exchange gains (losses) arising on translation of foreign operations	623	(304)
– Movement in translation reserve	607	(312)
– Share of associates' and joint ventures' movement in translation reserve	16	8
Movement in valuation reserve		(36)
– Fair value loss on available-for-sale investment		(87)
– Reclassification of loss on disposal of available-for-sale investment		43
– Income tax relating to fair value loss on available-for-sale investment		8
Movement in hedge accounting reserve	(317)	168
– Effective portion of change in fair value of cash flow hedges	(365)	150
– Amounts reclassified from hedge accounting reserve on matured contracts	(9)	25
– Income tax relating to hedge accounting reserve movements	57	(7)
Items that will not be reclassified subsequently to profit or loss	(159)	(96)
Remeasurement of defined benefit obligations	(228)	(137)
Income tax relating to remeasurement of defined benefit obligations	69	41
Total comprehensive income for the year	3 355	3 118
Total comprehensive income attributable to:		
Owners of Imperial	3 190	2 762
Non-controlling interests	165	356
	3 355	3 118

> CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016 Rm	2015* Rm
Cash flows from operating activities			
Cash receipts from customers		118 615	109 772
Cash paid to suppliers and employees		(110 491)	(100 714)
Cash generated by operations before interest and taxes paid	33.1	8 124	9 058
Finance costs paid		(1 614)	(1 312)
Finance income received		153	132
Tax paid		(1 910)	(1 301)
Cash generated by operations before capital expenditure on rental assets		4 753	6 577
Expansion capital expenditure – rental assets		(772)	(772)
Net replacement capital expenditure – rental assets		(839)	(759)
– Expenditure		(3 539)	(2 496)
– Proceeds		2 700	1 737
		3 142	5 046
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	33.2	(305)	(991)
Disposal of subsidiaries and businesses	33.3	1 065	53
Expansion capital expenditure – excluding rental assets		(1 130)	(1 743)
– Property		(519)	(744)
– Transport fleet		(611)	(999)
Net replacement capital expenditure – excluding rental assets	33.4	(1 397)	(1 245)
– Intangible assets		(342)	(361)
– Plant and equipment		(939)	(703)
– Transport fleet		(116)	(181)
Net movement in associates and joint ventures		71	178
Net movement in investments, loans and other financial instruments		(30)	(1 203)
		(1 726)	(4 951)
Cash flows from financing activities			
Hedge cost premium paid		(193)	(128)
Ordinary shares repurchased		(558)	(56)
Dividends paid		(1 909)	(1 724)
Change in non-controlling interests [^]		(439)	(90)
Capital raised from non-controlling interests		26	1
Net increase in other interest-bearing borrowings		2 193	831
		(880)	(1 166)
Net increase (decrease) in cash and cash equivalents		536	(1 071)
Effects of exchange rate changes on cash resources in foreign currencies		145	7
Cash and cash equivalents at beginning of year		38	1 102
Cash and cash equivalents at end of year	33.5	719	38

* Restated for change in accounting policy as described in note 2.1.

[^] The 4 559 221 ordinary shares issued to acquire the remaining interest in Associated Motor Holdings (Pty) Limited and Boundlesstrade 154 (Pty) Limited was non-cash flow as shares were issued in order to obtain the additional investments.

> CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	SHARE CAPITAL AND SHARE PREMIUM		SHARE-BASED PAYMENT RESERVE		
	Rm	SHARES REPURCHASED Rm	Rm	HEDGE ACCOUNTING RESERVE Rm	STATUTORY RESERVE Rm
At 30 June 2014	382	(220)	(208)	(68)	183
Net attributable profit for the year					
Other comprehensive income				146	
Total comprehensive income for the year				146	
Movements in statutory reserve					39
Share-based cost charged to profit or loss			126		
Share-based equity reserve transferred to retained earnings on vesting			7		
Share-based equity reserve hedge refund			7		
Dividend of 420 cents per ordinary share in September 2014					
Repurchase of 320 000 shares from the open market at an average price of R172,68, plus transaction cost		(56)			
Initial recognition of put options written over non-controlling interest					
Dividend of 350 cents per ordinary share in March 2015					
Cancellation of 5 864 944 ordinary shares held by Lereko Mobility		665			
Re-allocation of prior years' intergroup surplus on shares cancelled		(1 057)			
Share of changes in net assets in associates and joint ventures			(3)		
Realisation on disposal of subsidiaries					
Non-controlling interests acquired, net of disposals and shares issued					
Net decrease in non-controlling interests through buy-outs					
Non-controlling interests share of dividends					
At 30 June 2015	382	(668)	(71)	78	222
Net attributable profit for the year					
Other comprehensive income				(230)	
Total comprehensive income for the year				(230)	
Movements in statutory reserve					20
Share-based cost charged to profit or loss			144		
Share-based equity reserve transferred to retained earnings on vesting			(55)		
Share-based equity reserve hedge cost			(183)		
Ordinary dividend of 445 cents per share in September 2015					
Ordinary dividend of 370 cents per share in March 2016					
Repurchase of 3 387 507 shares from the open market at an average price of R164.78 per share, plus transaction cost		(558)			
Share of changes in net assets in associates and joint ventures					
Realisation on disposal of subsidiaries					
Non-controlling interests disposed, net of acquisitions and shares issued					
Net decrease in non-controlling interests through buy-outs*	648				
Non-controlling interests share of dividends					
At 30 June 2016	1 030	(1 226)	(165)	(152)	242

* 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 Boundlestrade 154 (Pty) Limited as consideration for its 10% shareholding. Refer to note 18.3.

** This is the initial fair value of the put option liabilities relating to the non-controlling interest in Eco Health Limited and Imres BV.

IMPERIAL HOLDINGS LIMITED AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

OTHER RESERVES				RETAINED EARNINGS Rm	ATTRIBUTABLE TO OWNERS OF IMPERIAL Rm	**PUT ARRANGEMENTS OVER NON-CONTROLLING INTERESTS Rm	NON-CONTROLLING INTERESTS Rm	TOTAL EQUITY Rm
FOREIGN CURRENCY TRANSLATION RESERVE Rm	PREMIUM PAID ON PURCHASE OF NON-CONTROLLING INTERESTS Rm	VALUATION RESERVE Rm	CHANGES IN NET ASSET OF ASSOCIATES AND JOINT VENTURES Rm					
1 470	(364)	44	92	16 229	17 540	(1 000)	1 569	18 109
(309)		(36)		3 054 (93)	3 054 (292)		332 24	3 386 (268)
(309)		(36)		2 961 (39)	2 762		356	3 118
					126		4	130
				(7)	7		(3)	4
				(804)	(804)			(804)
					(56)			(56)
				(667) (665)	(667)	(473)		(473) (667)
			(2)	1 057	(5)			(5)
	12				12			12
	(47)				(47)		208 (43) (253)	208 (90) (253)
1 161	(399)	8	90	18 065	18 868	(1 473)	1 838	19 233
530				3 049 (159)	3 049 141		159 6	3 208 147
530				2 890 (20)	3 190		165	3 355
					144		4	148
				55	(183)			(183)
				(840)	(840)			(840)
				(732)	(732)			(732)
			(5)		(558)			(558)
	59				(5)			(5)
					59			59
	(366)				282	166	(71) (715) (337)	(71) (267) (337)
1 691	(706)	8	85	19 418	20 225	(1 307)	884	19 802

> SEGMENTAL INFORMATION

For the year ended 30 June 2016

Segment profit or loss – Continuing operations	GROUP CONTINUING OPERATIONS		LOGISTICS AFRICA		LOGISTICS INTERNATIONAL	
	2016	2015	2016	2015	2016	2015
R million						
Revenue	115 738	107 453	27 119	25 347	20 793	19 071
– South Africa	66 010	67 101	15 266	15 372		
– Rest of Africa	13 288	10 481	11 853	9 974		
– International	36 440	29 871		1	20 793	19 071
Operating profit	5 893	5 671	1 530	1 587	1 013	958
– South Africa	3 724	3 828	750	952		
– Rest of Africa	853	668	780	632		
– International	1 316	1 175		3	1 013	958
Depreciation, amortisation, impairments and recoupments	3 119	2 878	902	924	777	739
– South Africa	1 924	1 754	604	636		
– Rest of Africa	326	305	298	288		
– International	869	819			777	739
Net finance costs	1 440	1 194	533	407	207	180
– South Africa	913	825	314	281		
– Rest of Africa	244	135	219	126		
– International	283	234			207	180
Pre-tax profits	3 841	4 093	777	1 037	585	647
– South Africa	2 663	2 893	424	661		
– Rest of Africa	389	404	353	373		
– International	789	796		3	585	647
Additional segment information – Continuing operations						
Analysis of revenue by type						
– Sale of goods	70 228	63 966	10 065	8 216		
– Rendering of services	45 510	43 487	16 947	17 008	20 793	19 070
Inter-group revenue	115 738	107 453	27 012	25 224	20 793	19 070
			107	123		1
	115 738	107 453	27 119	25 347	20 793	19 071
Analysis of depreciation, amortisation, impairment and recoupments	3 119	2 878	902	924	777	739
– Depreciation and amortisation	2 601	2 520	717	731	619	575
– Recoupments and impairments	(70)	(57)	(35)	(20)	(35)	(16)
– Amortisation and impairment of intangible assets arising on business combinations	588	415	220	213	193	180
Share of result of associates and joint ventures included in pre-tax profits	133	33	33	34	25	25

IMPERIAL HOLDINGS LIMITED AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

TOTAL LOGISTICS		VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS		VEHICLE RETAIL, RENTAL AND AFTER MARKET PARTS		MOTOR-RELATED FINANCIAL SERVICES		TOTAL VEHICLES		HEAD OFFICE AND ELIMINATIONS	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
47 912	44 418	28 473	27 437	41 045	37 547	1 634	1 429	71 152	66 413	(3 326)	(3 378)
15 266	15 372	22 975	23 898	29 461	29 780	1 634	1 429	54 070	55 107	(3 326)	(3 378)
11 853	9 974	1 306	388	129	119			1 435	507		
20 793	19 072	4 192	3 151	11 455	7 648			15 647	10 799		
2 543	2 545	1 149	960	1 677	1 677	669	620	3 495	3 257	(145)	(131)
750	952	1 033	885	1 403	1 491	669	620	3 105	2 996	(131)	(120)
780	632	37	4	36	32			73	36		
1 013	961	79	71	238	154			317	225	(14)	(11)
1 679	1 663	696	546	721	662	150	117	1 567	1 325	(127)	(110)
604	636	670	531	626	579	150	117	1 446	1 227	(126)	(109)
298	288	8	3	21	14			29	17	(1)	
777	739	18	12	74	69			92	81		(1)
740	587	495	494	346	313	(5)		836	807	(136)	(200)
314	281	469	473	279	271	(5)		743	744	(144)	(200)
219	126	17	3	8	6			25	9		
207	180	9	18	59	36			68	54	8	
1 362	1 684	433	458	1 317	1 388	712	647	2 462	2 493	17	(84)
424	661	357	399	1 123	1 260	712	647	2 192	2 306	47	(74)
353	373	9	5	27	26			36	31		
585	650	67	54	167	102			234	156	(30)	(10)
10 065	8 216	24 750	23 441	35 413	32 308			60 163	55 749		1
37 740	36 078	2 099	2 295	5 035	4 515	613	594	7 747	7 404	23	5
47 805	44 294	26 849	25 736	40 448	36 823	613	594	67 910	63 153	23	6
107	124	1 624	1 701	597	724	1 021	835	3 242	3 260	(3 349)	(3 384)
47 912	44 418	28 473	27 437	41 045	37 547	1 634	1 429	71 152	66 413	(3 326)	(3 378)
1 679	1 663	696	546	721	662	150	117	1 567	1 325	(127)	(110)
1 336	1 306	581	553	653	659	144	117	1 378	1 329	(113)	(115)
(70)	(36)		(7)	(1)	(19)	6		5	(26)	(5)	5
413	393	115		69	22			184	22	(9)	
58	59	(19)	(3)	46	33	47	27	74	57	1	(83)

> SEGMENTAL INFORMATION
For the year ended 30 June 2016 – Continued

Segment financial position	GROUP		LOGISTICS AFRICA		LOGISTICS INTERNATIONAL	
	2016	2015 [^]	2016	2015	2016	2015
R million						
Assets						
Goodwill and intangible assets	7 501	7 193	3 526	3 110	3 004	2 863
Property plant and equipment	11 465	10 967	2 518	2 096	2 245	2 244
Transport fleet	5 953	5 610	2 715	3 212	3 278	2 438
Vehicles for hire	3 469	3 603				
Investment in associates and joint ventures	687	1 199	342	300	167	139
Inventories	16 717	15 465	1 498	1 448	314	211
Trade and other receivables	12 712	12 849	4 994	5 136	3 618	3 350
Other financial assets	8	36	5	8	5	5
Cash resources	13	22				
Operating assets	58 525	56 944	15 598	15 310	12 631	11 250
– South Africa	32 248	34 312	9 039	9 034		
– Rest of Africa	7 329	6 557	6 559	6 275		
– International	18 948	16 075		1	12 631	11 250
Liabilities						
Retirement benefit obligations	1 531	1 157			1 531	1 157
Maintenance and warranty contracts	3 156	3 191				
Trade and other payables and provisions	19 493	19 047	5 591	5 401	3 372	3 145
Other financial liabilities	460	379	119	111	1	2
Operating liabilities	24 640	23 774	5 710	5 512	4 904	4 304
– South Africa	13 949	14 794	3 609	3 682		
– Rest of Africa	2 539	1 896	2 101	1 824		
– International	8 152	7 084		6	4 904	4 304
Net working capital¹	9 936	9 267	901	1 183	560	416
– South Africa	7 345	7 253	235	336		
– Rest of Africa	838	924	666	852		
– International	1 753	1 090		(5)	560	416
Net debt²	16 520	14 327	5 249	4 872	3 955	4 150
– South Africa	9 915	8 204	2 610	2 669		
– Rest of Africa	2 821	2 454	2 639	2 209		
– International	3 784	3 669		(6)	3 955	4 150
Net capital expenditure	4 138	4 519	880	1 046	1 027	1 173
– South Africa	2 624	2 856	534	711		
– Rest of Africa	416	369	346	335		
– International	1 098	1 294			1 027	1 173

[^] Restated as described in note 2.1 and 2.2.

~ The assets and liabilities of the Insurance business are shown as held-for-sale at 30 June 2016 and at 30 June 2015.

1. Net working capital consists of inventories, trade and other receivables, trade and other payables and provisions.

2. Net debt is the aggregate of interest-bearing borrowings, non-redeemable, non-participating preference shares less cash resources.

IMPERIAL HOLDINGS LIMITED AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

	TOTAL LOGISTICS		VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS		VEHICLE RETAIL, RENTAL AND AFTER MARKET PARTS		MOTOR-RELATED FINANCIAL SERVICES		TOTAL VEHICLES		HEAD OFFICE AND ELIMINATIONS		INSURANCE[~]	
	2016	2015	2016	2015	2016	2015 [^]	2016	2015	2016	2015 [^]	2016	2015	2016	2015
	6 530	5 973	175	505	755	695		(6)	930	1 194	41	26		
	4 763	4 340	3 477	3 346	3 236	3 313	10	9	6 723	6 668	(21)	(41)		
	5 993	5 650									(40)	(40)		
			1 534	1 757	1 723	1 669	1 071	988	4 328	4 414	(859)	(811)		
	509	439	(39)	(19)	154	100	55	600	170	681	8	79		
	1 812	1 659	8 288	7 659	6 361	5 822	436	480	15 085	13 961	(180)	(155)		
	8 612	8 486	1 601	2 164	2 019	2 103	929	469	4 549	4 736	(449)	(373)		
	10	13	4	26	27		85	85	116	111	(118)	(88)		
							13	22	13	22				
	28 229	26 560	15 040	15 438	14 275	13 702	2 599	2 647	31 914	31 787	(1 618)	(1 403)		
	9 039	9 034	12 401	13 973	10 207	10 113	2 599	2 647	25 207	26 733	(1 998)	(1 455)		
	6 559	6 275	652	201	118	81			770	282				
	12 631	11 251	1 987	1 264	3 950	3 508			5 937	4 772	380	52		
	1 531	1 157												
			102	17			3 040	3 083	3 142	3 100	14	91		
	8 963	8 546	4 770	5 529	6 346	5 825	896	384	12 012	11 738	(1 482)	(1 237)		
	120	113	67	48	42	45	10	1	119	94	221	172		
	10 614	9 816	4 939	5 594	6 388	5 870	3 946	3 468	15 273	14 932	(1 247)	(974)		
	3 609	3 682	4 160	5 358	3 565	3 338	3 946	3 468	11 671	12 164	(1 331)	(1 052)		
	2 101	1 824	425	62	13	10			438	72				
	4 904	4 310	354	174	2 810	2 522			3 164	2 696	84	78		
	1 461	1 599	5 119	4 294	2 034	2 100	469	565	7 622	6 959	853	709		
	235	336	4 178	3 834	1 701	1 924	469	565	6 348	6 323	762	594		
	666	852	147	62	24	11			171	73	1	(1)		
	560	411	794	398	309	165			1 103	563	90	116		
	9 204	9 022	5 822	4 661	2 000	2 482	(1 668)	(1 738)	6 154	5 405	1 162	(100)		
	2 610	2 669	5 244	4 185	1 686	2 199	(1 668)	(1 738)	5 262	4 646	2 043	889		
	2 639	2 209	118	194	64	51			182	245				
	3 955	4 144	460	282	250	232			710	514	(881)	(989)		
	1 907	2 219	1 288	1 199	779	844	228	649	2 295	2 692	(162)	(500)	98	108
	534	711	1 228	1 182	701	710	228	649	2 157	2 541	(163)	(501)	96	105
	346	335	27	8	41	23			68	31			2	3
	1 027	1 173	33	9	37	111			70	120	1	1		

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. ACCOUNTING POLICIES

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

1.1 Statement of compliance

The consolidated annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2016 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

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

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

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

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

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

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

At the acquisition date, the identifiable assets acquired and liabilities assumed are measured at fair values except 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. If the cost of acquisition is below the fair values of the identifiable net assets acquired (i.e. bargain purchase), then the difference is credited to profit or loss in the period of acquisition.

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

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

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

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

1.6 Foreign currencies

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

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

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

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

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

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

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.

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 other net asset changes in the associate, other than profit or loss or other comprehensive income and distributions received is recognised in directly equity. Such changes include those arising from additional shares issued by the associate to third parties or when the associate accounts for equity settled share-based payment transactions.

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.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

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

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

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

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

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

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

Ukhamba Holdings (Pty) Ltd (Ukhamba)

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

Any fair value gains made by Ukhamba on the revaluation of its Imperial shares are eliminated from the group's net profit and comprehensive income.

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.

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

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

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

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

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

1.10 Intangible assets

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

Intangible assets are not revalued.

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

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, being the acquisition date fair value, less accumulated amortisation and accumulated impairment losses on the same basis as 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.

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

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

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

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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	specific cost
Caravans, spares and accessories	weighted average cost
Fuel, oil and merchandise	first in, first out
Fast moving consumer goods	first in, first out

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

1.14 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.

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.

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

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

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.

Insurance claims

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

Dismantling and environmental risk

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

Onerous contracts

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

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.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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.

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

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

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

1.20 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.

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.

Premium income relating to insurance business (discontinued operations) are reflected gross of reinsurance. Premiums are accounted for at the commencement of the risk. Premiums on investment contracts are excluded from profit or loss.

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.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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.

Share based payment transaction with parties other than employees

Equity settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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 committee.

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

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.

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

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

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

Subsequent measurement of financial liabilities

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

Hedge accounting

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

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

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

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

Put arrangements over non-controlling interests

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

Cash resources

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

1.28 Significant accounting judgements, estimates and assumptions judgements

Significant judgement

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.

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

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

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

A component of the group is classified as a discontinued operation if:

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

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.

Estimates and assumptions

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 (refer to 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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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. Discount rates are calculated with observable market data. Assumed profitability is based on historical performances adjusted for expected growth (refer to note 38.2.2).

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 18.2.

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 (refer to note 20).

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.

2. CHANGE IN ACCOUNTING POLICY

2.1 Floorplans

During the year the Group reclassified its interest-bearing trade payables, due to vehicle suppliers, from interest-bearing borrowings to trade and other payables. As the interest-bearing amounts are a short-term credit line received from vehicle suppliers to acquire vehicles as inventory it is considered more appropriate to show them as trade payables.

The impact of the change in policy on the comparative amounts is as follows. The notes to the consolidated financial statements were restated accordingly.

	Note	2014 Rm	2015 Rm
STATEMENT OF FINANCIAL POSITION			
Decrease in interest-bearing borrowings	21	(204)	(607)
Increase in trade, other payables and provisions	25	204	607
Total liabilities			
Statement of cash flows			
Cash flows from operating activities			
Decrease in movements in net working capital	33.1		59
Increase in cash generated by operations before capital expenditure on rental assets			59
Cash flows from financing activities			
Net increase in other interest-bearing borrowings			344
			344
Net increase in cash and cash equivalents			403
Increase in cash and cash equivalents at beginning of year			204
Increase in cash and cash equivalents at end of year			607

2.2 Restatement of the segmental information

The 2015 segmental information for the Vehicle retail, rental and after market parts division has been restated as follows:

R million	OPERATING LIABILITIES	NET WORKING CAPITAL	NET DEBT
Previously stated	5 263	2 707	3 089
Restated for floorplans	607	(607)	(607)
As restated	5 870	2 100	2 482

2.3 Presentation of discontinued operations and disposal groups

Financial statements

The result of the Insurance businesses (discontinued operations) is presented as a single line item in the consolidated statement of profit or loss under discontinued operations. The assets and related liabilities are shown under "Assets of discontinued operations" and "Liabilities of discontinued operations" on the consolidated statement of financial position.

The assets and related liabilities in respect of disposal groups are shown under "Assets of disposal groups" and "Liabilities of disposal groups" on the consolidated statement of financial position.

The consolidated statement of changes in equity and the consolidated statement of cash flows are shown in total for continuing operations, discontinued operations and disposal groups. Further disclosure for the discontinued operations and disposal groups are provided in note 15 on page 48.

The notes to the financial statements

Certain notes to the consolidated statement of financial position include movements from the discontinued operations (in the prior year) and the disposal groups (in the current year) up to the point of reclassification as held for sale. The notes to the consolidated statement of profit or loss relate to continuing operations, which include the results of the disposal groups. The earnings per share note is reconciled in total and distinguishes between continuing and discontinued operations for the per share values. Therefore, to cross reference certain amounts disclosed in the notes to the consolidated statement of financial position to certain amounts disclosed in the notes to the consolidated statement of profit or loss and to certain amounts disclosed in the notes to the consolidated statement of cash flows, the amounts disclosed in note 15 should be taken into consideration.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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)	<p>IFRS 9 – Financial Instruments</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The adoption of IFRS 9 will lead to revised consequential disclosures as required in IFRS 7 – Financial Instruments: Disclosures</p> <p>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.</p>	Annual periods beginning on or after 1 January 2018

PRONOUNCEMENT	TITLE	EFFECTIVE DATE
IFRS 15	<p>IFRS 15 – Revenue From Contracts With Customers</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> > 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. <p>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.</p>	Annual periods beginning on or after 1 January 2018
IFRS 16	<p>IFRS 16 – Leases</p> <p>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.</p> <p>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.</p> <p>In terms of lessor accounting IFRS 16 substantially carries forward the requirements in IAS 17 Leases and accordingly a lessor continues to account for its leases as operating leases or finance leases.</p> <p>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.</p>	Annual periods beginning on or after 1 January 2019
IAS 7	<p>IAS 7 – Statement of Cash Flows</p> <p>The amendments to IAS 7 are intended to improve information provided to users of financial statements about an entity's financing activities.</p>	Annual periods beginning on or after 1 January 2018

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	GOODWILL Rm	CUSTOMER LISTS AND CONTRACTS Rm	COMPUTER SOFTWARE Rm	OTHER INTANGIBLES Rm	TOTAL Rm
4. GOODWILL AND INTANGIBLE ASSETS					
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 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. Refer to note 15 for disclosures provided for discontinued operations.

	GOODWILL Rm	CUSTOMER LISTS AND CONTRACTS Rm	COMPUTER SOFTWARE Rm	OTHER INTANGIBLES Rm	TOTAL Rm
At 30 June 2015					
Cost	5 944	2 923	729	159	9 755
Accumulated amortisation and impairment	926	1 215	376	45	2 562
	5 018	1 708	353	114	7 193
Net carrying value at beginning of year	4 737	1 722	216	91	6 766
Net acquisition of subsidiaries and businesses	463	351	3	1	818
Additions			337	34	371
Proceeds from disposal			(9)	(1)	(10)
Impairment charge	(67)				(67)
Amortisation		(415)	(85)	(10)	(510)
Profit (loss) from disposal			1	(1)	
Currency adjustments	(102)	50	(2)	1	(53)
Reclassification to assets of discontinued operations	(13)		(108)	(1)	(122)
Net carrying value at end of year	5 018	1 708	353	114	7 193

Expenditure on acquired trademarks, licenses, customer lists and computer software is amortised using the straight-line basis over their estimated useful lives between 2 to 10 years. Goodwill is not amortised, but is tested for impairment annually. When, after analyses of all the relevant facts, there is no foreseeable limit to the period over which the intangible asset is expected to generate net cash inflows to the group, they are regarded as having an indefinite useful life.

Refer to note 39.3 for details of new business combinations during the year.

4. GOODWILL AND INDETERMINATE USEFUL LIFE INTANGIBLE ASSETS continued

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	
	2016 Rm	2015 Rm	2016 %	2015 %	2016 %	2015 %
CGU'S WITH SIGNIFICANT GOODWILL						
Logistics Africa						
CIC Holdings Limited	520	468	17,4	16,3	5,4	6,0
Imperial Health Sciences	194	194	21,9	20,9	5,4	4,5
Eco Health Limited	641	532	18,1	19,0	9,0	9,0
Imres B.V.	468	400	11,5	11,9	2,6	2,6
Imperial Managed Logistics (Pty) Limited	67	67	22,4	20,5	5,4	4,5
Logistics International*						
Shipping Group	801	772	7,7	7,8	0,8	1,5
Road Group	548		7,7		0,8	
Automotive Group	199		7,6		0,8	
Industrial Group	55		7,7		0,8	
Retail Group	149		7,7		0,8	
Chemicals Group	966		8,4		0,8	
Lubcke Marine	65	54	7,5	6,4	1,5	1,5
Panopa Group		451		7,8		1,5
Neska Group (sold)		82		7,7		1,5
Lehnkering Group		1 055		7,8		1,5
Vehicle import, distribution and dealerships						
Uvundlu Investments (Pty) Limited (sold)		56		19,0		5,4
E-Z-Go Golf Carts (impaired)		55	17,3	17,9	5,4	4,5
Renault SA (Pty) Limited (impaired)		98	16,2	16,0	5,4	4,5
Vehicle retail, rental and after market parts						
Beekman Super Canopies (Pty) Limited	76	76	19,7	19,5	5,4	4,5
Midas (Pty) Limited	202	202	17,2	16,4	5,4	4,5
Orwell Trucks Limited	67	61	10,6	12,1	2,5	2,0
S&B Commercials plc	63	60	10,2	12,1	2,5	2,0
Significant goodwill	5 081	4 683				
Other goodwill	343	335				
Carrying value of goodwill	5 424	5 018				
CGU's with significant indeterminate useful life intangible assets						
Renault SA (Pty) Limited (impaired)	107	222	16,2	16,0	5,4	4,5
Other (impaired)		45				
Carrying value of indeterminate useful life intangible assets~	107	267				

* The CGU's within this division have changed in line with their business reporting segments.

~ Included in customer lists and contracts above.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

4. 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 use the fair value less costs to sell as no reliable estimate is easily obtainable in determining the recoverable amount. Therefore 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 Africa – Market share assumptions and operating margins.

Logistics International – Market share assumptions and operating margins.

Vehicle import, distribution and dealerships – Volume growth, exchange rates affecting the purchase price in relation to the vehicle selling price increases.

Vehicle retail, rental and after market parts – Market share assumptions and operating margins.

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 were 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.

Impairment of goodwill and other intangible assets

The following are provided for the impairment of goodwill and other intangible assets during the year:

CASH GENERATING UNITS	DESCRIPTIONS OF CGU	GOODWILL IMPAIRED Rm	INTANGIBLES ASSETS IMPAIRED Rm	RECOVERABLE AMOUNT Rm	RECOVERABLE AMOUNT BASIS	PRE-TAX DISCOUNT RATES USED
						%
Renault SA (Pty) Limited*	Vehicle importer and dealerships	98	115	1 079	Value in use	16,2
E-Z-Go Golf Carts*	Importer and distributor of Golf parts	55		254	Value in use	17,3
Other		105	52		Value in use	
		258	167			

* Included in the Vehicle import, distribution and Dealerships segment.

The impairment of the Renault goodwill and intangible assets resulted from the impact the declining vehicle market, volatile and at the time worsening exchange rates. Concerning market conditions leading to lower forecasted cash flows lead to the impairment of E-Z-Go and all other goodwill and intangible assets.

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	2016 Rm	2015 Rm
Continuing		
Logistics Africa	72	33
Logistic International	2	32
Vehicle import, distribution and dealerships	165	
Vehicle retail, rental and after market parts	19	1
Discontinued		
Insurance		1
	258	67

5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2016 Rm	2015 Rm
Listed shares at cost		282
Unlisted shares at cost	501	486
Share of post-acquisition equity	186	422
Carrying value of shares – equity accounted	687	1 190
Indebtedness by associates and joint ventures	299	161
– Less than one year	233	116
– More than one year	66	45
	986	1 351
Valuation of shares		
Listed shares at fair value (Level 1 in the fair value hierarchy)		763

The group's interest in Mix Telematics Limited has been reclassified to assets of disposal groups.

Details of the group's material associates and joint ventures are reflected in note 39.5.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS Rm	EQUIPMENT AND FURNITURE Rm	MOTOR VEHICLES Rm	TOTAL Rm
6. PROPERTY, PLANT AND EQUIPMENT				
At 30 June 2016				
Cost	10 737	5 577	582	16 896
Accumulated depreciation and impairment	1 571	3 591	269	5 431
	9 166	1 986	313	11 465
Net carrying value at beginning of year	8 793	1 825	349	10 967
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	9 166	1 986	313	11 465

[~] 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 15 for disclosures provided for discontinued operations.

	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS Rm	EQUIPMENT AND FURNITURE Rm	MOTOR VEHICLES Rm	TOTAL Rm
At 30 June 2015				
Cost	10 493	5 375	639	16 507
Accumulated depreciation and impairment	1 700	3 550	290	5 540
	8 793	1 825	349	10 967
Net carrying value at beginning of year	8 461	1 721	287	10 469
Movements during the year[~]				
Net acquisition of subsidiaries and businesses	50	9	48	107
Additions	998	604	272	1 874
Proceeds from disposal	(254)	(24)	(149)	(427)
Depreciation	(149)	(495)	(118)	(762)
Impairment charge	(4)	(7)		(11)
Profit from disposal	33	1	7	41
Currency adjustments	(119)	(48)	1	(166)
Reclassifications	(117)	103	2	(12)
Reclassification to assets of discontinued operations	(106)	(39)	(1)	(146)
Net carrying value at end of year	8 793	1 825	349	10 967

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 R66 million (2015: R80 million), refer to note 21.

	2016 Rm	2015 Rm
7. TRANSPORT FLEET		
Cost	11 949	10 979
Accumulated depreciation and impairment	5 996	5 369
	5 953	5 610
Net carrying value at beginning of year	5 610	5 322
Net (disposal) acquisition of subsidiaries and businesses	(109)	8
Additions	1 001	1 519
Proceeds from disposal	(274)	(339)
Depreciation	(778)	(770)
Impairment charge		(17)
Profit from disposal	48	39
Currency adjustments	508	(152)
Reclassified to assets of disposal groups	(53)	
Net carrying value at end of year	5 953	5 610

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 R297 million (2015: R317 million), refer to note 21.

	2016 Rm	2015 Rm
8. DEFERRED TAX		
Movement of deferred tax assets and liabilities[~]		
Net carrying value at beginning of year	96	254
Charged to profit or loss		
– Current year	(280)	(43)
– Prior year net under (over) provisions	(150)	29
– Impairment charge and assessed losses	72	(2)
– Tax rate adjustment	(2)	
– Capital gains tax	(9)	3
Recognised in other comprehensive income	(126)	(49)
Recognised directly in equity	(5)	
Net acquisitions of subsidiaries and businesses	3	61
Currency adjustments	(16)	13
Reclassified to assets and liabilities of disposal groups (2015: discontinued operations)	(78)	(170)
Net carrying value at end of year	(495)	96

[~] 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 15 for disclosures provided for discontinued operations.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

8. DEFERRED TAX continued

	2016 Rm	2015 Rm
ANALYSIS OF DEFERRED TAX		
– Intangible assets	265	356
– Property, plant and equipment	287	338
– Transport fleet	542	579
– Vehicles for hire	34	98
– Investments	32	21
– Inventories	(137)	(137)
– Provisions and maintenance contracts	(978)	(818)
– Deferral of recoupments		134
– Retirement benefit obligation	(302)	(194)
– Tax losses	(218)	(247)
– Other	(20)	(34)
Net deferred tax on statement of financial position	(495)	96
Deferred tax assets	(1 376)	(1 097)
Deferred tax liabilities	881	1 193
Net deferred tax on statement of financial position	(495)	96
Unrecognised tax losses		
Unused tax losses available for offset against future profits	(1 933)	(1 861)
Deferred tax asset recognised in respect of such losses	777	878
Remaining tax losses not recognised	(1 156)	(983)

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.

	2016 Rm	2015 Rm
9. INVESTMENTS AND LOANS		
Investments and loans consists of loans receivable at amortised cost	291	357
Maturity analysis of loans		
– Maturing within one year	52	152
– Maturing after one year but within five years	199	94
– Maturing after five years	40	111
	291	357
Effective interest rates on loans	4,2% – 15,5%	2,5% – 10,0%

For further disclosures refer to note 38.

	2016 Rm	2015 Rm
10. OTHER FINANCIAL ASSETS		
Cross-currency and interest rate swap instruments at fair value (Level 2 in the fair value hierarchy)	8	36
	8	36
The cross currency and interest rate swap instruments mature in July 2017.		
For further disclosures refer to note 38.		
11. VEHICLES FOR HIRE		
Cost	4 031	4 413
Accumulated depreciation and impairment	562	810
	3 469	3 603
Net carrying value at beginning of year	3 603	2 945
Net disposal of subsidiaries and businesses	(736)	
Additions	4 311	3 268
Proceeds from disposal	(2 700)	(1 737)
Depreciation	(923)	(921)
Profit from disposal	5	5
Currency adjustments	2	1
Reclassifications	(93)	42
Net carrying value at end of year	3 469	3 603
Depreciation is calculated on a straight-line basis to write off the cost of each component of the vehicle to its residual value over its estimated useful life of between 1 to 5 years.		
Certain vehicles for hire have been encumbered during the year as security for interest-bearing borrowings amounting to R429 million (refer to note 21).		
12. INVENTORIES		
New vehicles	8 801	8 591
Used vehicles	3 921	3 150
Spares, accessories and finished goods	2 283	1 971
Pharmaceutical goods	936	996
Fast moving consumer goods	446	355
Merchandise	109	185
Work in progress	96	119
Fuel and oil	125	98
	16 717	15 465
Inventories carried at net realisable value included above	4 168	6 715
Net amount of inventory write-down expensed in profit or loss	71	28
The carrying value of inventories that have been encumbered as security for interest-bearing borrowings and interest-bearing trade payables amounts to R1 458 million (2015: R927 million), refer to note 21 and note 25.		

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	2016 Rm	2015 Rm
13. TRADE AND OTHER RECEIVABLES		
Trade receivables	11 345	11 531
– Gross receivables	11 774	12 042
– Provision for doubtful debts	(429)	(511)
Prepayments and other receivables	1 323	1 233
Derivative financial instruments (Level 2 in the fair value hierarchy)	44	85
	12 712	12 849
For further disclosures refer to note 38.		
14. CASH RESOURCES		
Deposits and funds at call	891	1 196
Cash on hand and at bank	1 426	1 075
	2 317	2 271
Effective interest rates	0,1% – 6,5%	0,1% – 5,3%
For further disclosures refer to note 38.		

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

Discontinued operations

The Regent business consists of long and short term insurance licenses in South Africa, Botswana and Lesotho. It covers both motor-related insurance as well as a number of non-motor areas.

While the business of Regent has grown strongly since its establishment, a large fast growing portion of Regent's revenue and profits are unrelated to the Group's core vehicle and logistics businesses and enjoy no strategic, competitive or financial advantage from Imperial's ownership.

As a result the Group determined that the growth prospects and value of these unrelated businesses would be better advanced by owners with established capability and scale in financial services and insurance.

Accordingly, and consistent with its strategy to invest in its core capabilities, Imperial decided to dispose of the business and insurance licenses of Regent, in a transaction structured to allow the Group continued access, with its cell captive arrangements, to the income flows generated by the distribution of vehicle related insurance and value added products, through Imperial's extensive dealership network.

The Group expects that the fair value less cost to sell the business will be higher than the aggregate carrying amount of the related assets and liabilities.

The disposal has been finalised and is subject to regulatory approval.

The following disclosures regarding the Insurance business are reflected after inter-group eliminations.

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS continued

ANALYSIS OF PROFIT FROM DISCONTINUED OPERATIONS	Notes	2016 Rm	2015 Rm
Revenue	15.1	3 111	3 034
Net operating expenses		(2 582)	(2 442)
Profit before depreciation, impairments and recoupments		529	592
Depreciation, amortisation, impairments and recoupments	15.2		(28)
Operating profit		529	564
Other non-operating items	15.3	(16)	(8)
Profit before share of result of associates and joint ventures		513	556
Share of result of associates and joint ventures			(1)
Profit before tax		513	555
Income tax expense		(180)	(178)
Profit for the year		333	377
15.1 Analysis of revenue			
Rendering of services		129	111
Gross premiums received		2 981	2 918
Other		1	5
External revenue		3 111	3 034
Inter-group revenue		62	64
Total revenue		3 173	3 098
15.2 Depreciation, amortisation, impairments and recoupments			
Depreciation and amortisation			
Intangible assets			(10)
Property, plant and equipment			(18)
			(28)
15.3 Other non-operating items			
Fair value loss on derivatives		(1)	(1)
Change in economic assumptions of insurance funds		(4)	(6)
Capital items		(11)	(1)
		(16)	(8)
15.4 Cash flows from discontinued operations			
Cash flows from operating activities		390	391
Cash flows from investing activities		(30)	(1 103)
Cash flows from financing activities		(1)	(31)

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS continued

The major classes of assets and liabilities of the discontinued operations classified as held for sale at 30 June were as follows:

	2016 Rm	2015 Rm
15.5 Assets		
Goodwill and intangible assets	204	122
Investment in associates and joint ventures	40	17
Property, plant and equipment	164	146
Current and deferred tax assets	24	20
Investments and other financial assets	3 197	3 250
Trade and other receivables	217	218
Cash resources	1 237	845
Assets of discontinued operations	5 083	4 618
15.6 Liabilities		
Insurance and investment contracts	1 384	1 361
Current and deferred tax liabilities	214	197
Trade and other payables and provisions	1 140	1 155
Liabilities of discontinued operations	2 738	2 713
Investments and other financial assets consists of listed investments of R2 481 million (2015: R2 288 million) (level 1 in the fair value hierarchy), fixed and negotiable deposits of R589 million (2015: R733 million) (level 2 in the fair value hierarchy) and reinsurance receivables of R127 million (2015: R229 million) at amortised cost.		
Disposal groups		
These assets include various businesses in the Logistics Africa, Vehicle Import Distribution and Dealership division and the Vehicle Retail Rental and Aftermarket Parts division, and a listed associate. These businesses will be recovered through disposal rather than through continuing use.		
15.7 Assets		
Goodwill and intangible assets	34	
Investment in associates and joint ventures	476	
Property, plant and equipment	114	
Transport fleet	53	
Current and deferred tax assets	65	
Investments and other financial assets	17	
Inventories	340	
Trade and other receivables	251	
Cash resources	119	
Assets of disposal groups	1 469	
15.8 Liabilities		
Current and deferred tax liabilities	3	
Trade and other payables and provisions	373	
Liabilities of disposal groups	376	

	2016 Rm	2015 Rm
16. SHARE CAPITAL AND SHARE PREMIUM		
Authorised share capital		
394 999 000 (2015: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2015: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2015: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2015: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2015: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each*	2	2
	20	20
Issued and fully paid share capital[~]		
208 172 968 (2015: 202 782 278) ordinary shares of 4 cents each	8	8
9 362 298 (2015: 10 193 767) deferred ordinary shares of 4 cents each	1	1
	9	9
Share premium	1 021	373
Share capital and premium	1 030	382

* For non-redeemable, non-participating preference shares in issue refer to note 19.

~ For movements in the number of issued shares refer to the Directors report on page 12.

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 2015;
- > 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 13 393 091 (2015: 12 561 622) deferred ordinary shares have been converted into ordinary shares.

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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 40.

	NUMBER OF SHARES	2016 Rm
17. SHARES REPURCHASED		
Shares repurchased, at 30 June 2016, consists of 11 571 963 (2015: 8 184 456) ordinary shares held by a wholly owned subsidiary of the company. The movement in the shares repurchased were as follows:		
Carrying value at the beginning of year	8 184 456	(668)
Repurchase of 3 387 507 ordinary shares at R164.78 each, including transaction costs	3 387 507	(558)
Carrying value at end of year	11 571 963	(1 226)

3 707 507 of the shares repurchased are held to settle obligations in respect of share schemes.

	2016 Rm	2015 Rm
18. OTHER RESERVES		
Foreign currency translation reserve (refer note 18.1)	1 691	1 161
Share-based payment reserve (Refer note 18.2)	(165)	(71)
Hedge accounting reserve	(152)	78
Statutory reserve	242	222
Premium paid on purchase of non-controlling interests (refer note 18.3)	(706)	(399)
Valuation reserve	8	8
Changes in net assets of associates and joint ventures	85	90
	1 003	1 089

For movements in other reserves, see consolidated statement of changes in equity on page 18.

18.1 Foreign currency translation reserve[~]

Balance at beginning of year	1 161	1 470
Goodwill and intangible assets	1 100	(53)
Investments, loans, other financial assets, associates and joint ventures	128	(39)
Property, plant and equipment	605	(166)
Transport fleet	508	(152)
Deferred tax	16	(13)
Vehicles for hire	2	1
Inventories	100	25
Current tax	(112)	11
Trade and other receivables	737	(182)
Cash resources	145	7
Non-controlling interests	(93)	(5)
Retirement benefit obligations	(230)	78
Interest-bearing borrowings	(1 178)	117
Insurance, investment, maintenance and warranty contracts	(18)	(4)
Other financial liabilities	(378)	(58)
Provisions for liabilities and charges	(92)	23
Trade and other payables	(710)	101
Balance at end of year	1 691	1 161

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

18.2 Share based payment reserves

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

	2016		2015	
	NUMBER OF RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE (RAND)	NUMBER OF RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE (RAND)
SHARE APPRECIATION RIGHTS SCHEME (SAR)				
Share Appreciation Rights Scheme				
Rights granted at beginning of year	9 371 072	181,94	10 925 436	176,38
Rights allocated during the year relating to the prior year*	2 972 091	174,65		
Rights allocated during the year	5 344 965	127,77		
Rights exercised during the year	(355 665)	122,80	(934 431)	113,67
Rights forfeited during the year	(861 531)	183,74	(619 933)	186,64
Unexercised rights at end of year	16 470 932	164,23	9 371 072	181,94

* This arose because allocations could not be made during the closed period in respect of the Imperial share schemes.

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.

Grant date	NUMBER OF RIGHTS	AVERAGE EXERCISE PRICE (RAND)	EXPIRY DATE
Share Appreciation Rights Scheme – details of rights by year of grant			
June 2010	184 070	96,71	June 2017
June 2011	304 281	116,59	June 2018
June 2012	1 850 229	170,57	June 2019
June 2013	3 156 253	195,20	June 2020
June 2014	2 801 972	193,77	June 2021
October 2015	2 829 162	174,65	June 2022
May 2016	5 344 965	127,77	June 2021
Total unexercised rights at end of year	16 470 932		
Total weighted average exercise price		164,23	

	NUMBER OF RIGHTS	
	2016	2015
DEFERRED BONUS PLAN		
Rights granted at beginning of year		305 495
Rights granted during the year (2015 allocation)*	306 466	
Rights exercised during the year	(280 899)	(280 546)
Rights forfeited during the year	(25 567)	(24 949)
Prior year rights carried forward		
Rights granted during the year (2016 allocation)	489 770	
Unexercised rights at end of year	489 770	

* This arose because allocations could not be made during the closed period in respect of the Imperial Share Schemes.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

18.2 Share based payment reserves

DEFERRED BONUS PLAN – details of rights taken up and to be vested	NUMBER OF RIGHTS	VESTING DATE
Rights taken up		
September 2013	82 221	September 2016
June 2014	60 787	June 2017
September 2014	214 143	September 2017
October 2015	275 922	September 2018

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

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 2016 financial year the group repurchased 3 387 507 shares, and now holds 3 707 507 shares as hedges. Refer note 17.

The fair values for the share-based payment expense are 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:

	2016 [^]	2015 [^]	2014	2013
Share Appreciation Rights Scheme				
Volatility (%)	34,00	32,00	28,41	29,50
Weighted average share price (Rand)	127,77	174,65	193,77	195,20
Weighted average exercise price (Rand)	127,77	174,65	193,77	195,20
Weighted average fair value (Rand)	39,08	48,76	46,67	47,02
Expected life (years)	4,39	4,27	4,28	4,32
Average risk-free rate (%)	8,75	7,47	7,75	6,50
Expected dividend yield (%)	3,75	3,5	4,34	3,89
Deferred Bonus Plan and Conditional Share Plan				
Volatility (%)	34,00	32,00	28,41	29,50
Weighted average share price (Rand)	127,77	174,65	193,77	195,20
Weighted average fair value (Rand)	112,76	156,08	168,45	171,89
Expected life (years)	3,33	3,21	3,23	3,27
Average risk-free rate (%)	8,75	7,47	7,75	6,50
Expected dividend yield (%)	3,75	3,5	4,34	3,89

[^] Granted during the current financial year.

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.

The current year's share based payment expense charged to profit or loss amounted to R148 million of which R17 million related to discontinued operations. A current income tax benefit of R5 million was recognised directly in equity.

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 40.

18.3 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 14.06% interest from non-controlling shareholders of Midas	(42)	(71)	(113)
Acquisition of remaining 10% interest from the non-controlling shareholder of Associated Motor Holdings (Pty) Limited, Associated Motors Australia (Pty) Limited, Boundlesstrade 154 (Pty) Limited and Automotive Distributors Africa Limited.	(176)	(574)	(750)
Acquisition of a net 10% interest from non-controlling shareholders of Imres BV. This transaction resulted in a decrease in the put option liability of R166 million with an opposite entry in equity.	(43)	(25)	(68)
Other transactions which resulted in a change in ownership interest without a change in control.	(105)	(45)	(150)
2016	(366)	(715)	(1 081)
2015	(47)	(43)	(90)

	2016 Rm	2015 Rm
19. 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 R37 million (2015: R35 million) which is included in finance costs in profit or loss.		

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	2016 Rm	2015 Rm
20. 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	845	766
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.		
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	1,42	2,30
– 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 2016. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2017.		
The amounts, included in staff costs, recognised in profit or loss in respect of the plans are as follows:		
Current service cost	22	16
Interest cost	26	30
	48	46
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	1 157	1 083
(Disposal) acquisition of subsidiaries and businesses	(90)	1
Remeasurement in other comprehensive income	228	137
Payments to retired employees	(44)	(32)
Plan assets transferred	2	
Currency adjustments	230	(78)
Amounts charged to profit or loss	48	46
Carrying value at end of year	1 531	1 157

The expected payments to retired employees for the next financial year is R52 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 2016 is shown below:

ASSUMPTIONS	DISCOUNT RATE		FUTURE PENSION COST	
	1% INCREASE Rm	1% DECREASE Rm	1% INCREASE Rm	1% DECREASE Rm
SENSITIVITY LEVEL				
Impact on defined benefit obligation	(219)	288	201	(164)

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.

	2016 Rm	2015* Rm
21. INTEREST-BEARING BORROWINGS		
Long-term		
- Loans secured by mortgage bonds over fixed property	121	117
- Liabilities under capitalised finance leases	579	201
- Instalment sale creditors secured by assets	8	12
- Corporate bonds	5 348	5 841
- Listed on the Bond Exchange of South Africa		
- IPL 5 – matured in September 2015		500
- IPL 6 – maturing in September 2017	1 537	1 537
- IPL 7 – maturing in April 2018	765	763
- IPL 8 – maturing in October 2020	1 530	1 526
- IPL 9 – maturing in May 2021	758	757
- IPL 10 – maturing in May 2021	758	758
- Syndicated bank term loans	2 429	2 862
- Notice loans	1 044	118
- Bilateral loan	871	1 012
- Revolving credit facility term loans	5 027	3 012
- Unsecured loans	15	22
	15 442	13 197
Short term		
- Unsecured loans, call borrowings and bank overdrafts	2 831	2 661
- Commercial paper	123	299
Total borrowings at amortised cost	18 396	16 157
Less: Current portion of interest-bearing borrowings	3 865	3 893
Long-term borrowings	14 531	12 264
	CURRENT YEAR INTEREST RATES (%)	
INTEREST RATE ANALYSIS		
Fixed		
- Mortgage bonds, capitalised finance leases and instalment sale creditors	2,0 – 11,8	272
- Corporate bonds – IPL 6	9,8	1 537
- Corporate bonds – IPL 10	9,4	758
- Notice loans	2,0 – 4,1	64
- Unsecured loans		4
- Bilateral loan	2,3	871
Variable linked		
- Mortgage bonds, capitalised finance leases and instalment sale creditors	5,3 – 10,0	58
- Corporate bonds – IPL 5	8,1	500
- Corporate bonds – IPL 7	7,7 – 8,8	763
- Corporate bonds – IPL 8	7,9 – 9,0	1 530
- Corporate bonds – IPL 9	7,8 – 8,9	757
- Syndicated Bank term loans	1,2 – 1,7	2 429
- Revolving credit facility term loans	1,6 – 8,9	5 027
- Notice loans	6,6 – 8,1	980
- Unsecured loans	0,1 – 12,0	15
- Floorplans with financial institutions	3,4 – 11,3	598
- Commercial paper	6,5 – 7,8	123
- Call borrowings	2,5 – 11,0	1 246
- Bank overdrafts	1,0 – 10,5	987
		18 396
		16 157

* Restated for the change in accounting policy as described in note 2.1.

For interest-rate swap arrangements and further disclosures refer to note 38.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

21. INTEREST-BEARING BORROWINGS continued

CAPITALISED FINANCE LEASES	ONE TO FIVE YEARS Rm	LESS THAN ONE YEAR Rm	2016 Rm	2015 Rm
Total minimum lease payments	124	515	639	222
Amounts representing finance charges	(11)	(49)	(60)	(21)
Present value of minimum lease payments	113	466	579	201

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 leases and instalment sale creditors	771	792	66	297	429	
Floorplan with financial institutions	598	598				598
2016	1 369	1 390	66	297	429	598
2015*	714	717	80	317		320

* Restated for the change in accounting policy as described in note 2.1.

MATURITY ANALYSIS OF INTEREST-BEARING BORROWINGS BY GEOGRAPHIC	2021 AND ONWARDS Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015* Rm
South Africa	4 519	714	402	5 668	2 329	13 632	11 062
Europe	104	2 477	220	398	672	3 871	4 429
United Kingdom							36
Australia					512	512	320
Other	15	3	5	6	352	381	310
	4 638	3 194	627	6 072	3 865	18 396	16 157

MATURITY ANALYSIS OF INTEREST-BEARING BORROWINGS BY CURRENCY	2021 AND ONWARDS Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015* Rm
SA rand	4 511	375	308	5 065	2 280	12 539	10 645
Euro	19	1 870	199	379	612	3 079	4 098
US dollar	62	650	21	550	96	1 379	355
Australian dollar					512	512	341
Other	46	299	99	78	365	887	718
	4 638	3 194	627	6 072	3 865	18 396	16 157

21. INTEREST-BEARING BORROWINGS continued

ANALYSIS OF DEBT BY DENOMINATED CURRENCY	%	2016	2015*
	of total	Rm	Rm
SA rand	68,2	12 539	10 645
Euro	16,7	3 079	4 098
US dollar	7,5	1 379	355
Australian dollar	2,8	512	341
Japanese yen	1,6	296	258
Nigerian naira	1,5	268	175
Other	1,7	323	285
	100,0	18 396	16 157

* Restated for the change in accounting policy as described in note 2.1.

BORROWING FACILITIES	2016	2015
	Rm	Rm
Total direct borrowing facilities established	21 650	18 644
Less: Utilised	11 604	9 272
Unutilised borrowing capacity	10 046	9 372

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

22. INSURANCE, INVESTMENT, MAINTENANCE AND WARRANTY CONTRACTS	2016	2015
	Rm	Rm
Maintenance and warranty contracts	3 156	3 191
Maintenance and warranty contracts		
– Maturing within one year	873	981
– Maturing after one year but within five years	2 070	1 799
– Maturing after five years	213	411
	3 156	3 191
23. OTHER FINANCIAL LIABILITIES		
Cross currency and interest-rate swap instruments (Level 2 in the fair value hierarchy)	267	233
Contingent consideration liabilities (Level 3 in the fair value hierarchy)	19	31
Other payables	174	115
Put option liabilities (Level 3 in the fair value hierarchy)	1 875	1 640
	2 335	2 019

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 B.V. who have the right to put their remaining shareholding to Imperial International B.V.

For a maturity analysis and further disclosures refer to note 38.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	DISMANTLING AND ENVIRONMENTAL RISK			TOTAL 2015 Rm
	2016 Rm	OTHER 2016 Rm	TOTAL 2016 Rm	
24. PROVISIONS FOR LIABILITIES AND OTHER CHARGES				
At 30 June 2016				
Carrying value at beginning of year	383	221	604	980
Amounts added	111	321	432	287
Unused amounts reversed	(33)	(83)	(116)	(96)
Charged to profit or loss	78	238	316	191
Amounts utilised	(27)	(47)	(74)	(397)
Net (disposals) acquisitions of subsidiaries and businesses	(104)	3	(101)	16
Currency adjustments	84	5	89	(23)
Reclassifications		(38)	(38)	
Reclassified to liabilities of disposal groups (2015: discontinued operations)		(18)	(18)	(163)
Carrying value at end of year	414	364	778	604
Maturity profile				
Maturing in less than one year	98	251	349	211
Maturing in one to five years	94	52	146	49
Maturing in more than five years	222	61	283	344
	414	364	778	604

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 cover various estimated liabilities including an onerous contract provision of R33 million, pending litigation of R50 million and roadside assistance of R46 million.

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

	2016 Rm	2015* Rm
25. TRADE AND OTHER PAYABLES		
Trade payables and other accruals	17 245	17 683
Secured interest-bearing floorplan from franchisor	860	607
Deferred income	131	83
Derivative financial instruments (Level 2 in the fair value hierarchy)	479	70
	18 715	18 443

* Restated for change in accounting policy as described in note 2.1.

For further disclosures refer to note 38.

	2016* Rm	2015* Rm
26. REVENUE		
26.1 An analysis of the group's revenue is as follows:		
Sale of goods	70 228	63 966
Rendering of services	45 510	43 487
	115 738	107 453
Revenue includes:		
26.2 Revenue received from the group's associates and joint ventures		
Sale of goods	91	3
Rendering of services	110	149
	201	152
Revenue excludes:		
26.3 Revenue between group entities		
Sale of goods	1 863	1 686
Rendering of services	1 486	1 049
	3 349	2 735
27. NET OPERATING EXPENSES		
Purchase of goods	63 131	59 877
Changes in inventories	(1 442)	(1 530)
Cost of outside services	16 589	15 602
Staff costs	16 378	15 085
Staff share-based costs	131	110
Other operating income	(1 656)	(1 508)
Other operating costs	14 155	11 654
	107 286	99 290
The above includes:		
Auditors' remuneration		
– Audit fees	73	66
– Other services	2	6
	75	72
Rental and operating lease charges		
– Property	1 068	1 207
– Plant and equipment	398	344
– Vehicles	60	76
– Transport fleet	448	230
– Other	11	7
	1 985	1 864
Additional lease charges contingent upon turnover		
– Property	14	16
Dividend income ^	259	181

* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 15 for certain disclosures relating to discontinued operations.

^ Include dividends received from the Regent cell captives amounting to R147 million (2015: R115 million).

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	2016*	2015*
	Rm	Rm
28. DEPRECIATION, AMORTISATION, IMPAIRMENTS AND RECOUPMENTS		
Depreciation and amortisation		
Intangible assets	96	85
Total amortisation of intangible assets	533	500
Less: amortisation of intangible assets arising on business combinations	(437)	(415)
Property, plant and equipment	804	744
Transport fleet	778	770
Vehicles for hire	923	921
	2 601	2 520
Impairments		
Intangible assets	16	
Total impairment of intangible assets excluding goodwill	167	
Less: impairment of intangible assets arising on business combinations	(151)	
Plant and equipment	4	7
Transport fleet		17
	2 621	2 544
Recoupments		
Intangible assets	(1)	
Plant and equipment excluding land, buildings and leasehold improvements	(8)	(8)
Transport fleet	(48)	(39)
Vehicles for hire	(5)	(5)
	2 559	2 492
Recoupments from sale of properties, net of impairments		
Recoupments from sale of properties	36	33
Impairment of properties	(8)	(4)
	28	29
29. OTHER NON-OPERATING ITEMS		
Remeasurement of financial instruments not held-for-trading	(122)	(15)
Foreign exchange (loss) gain on foreign currency monetary items	(72)	75
Charge for remeasurement of put option liabilities	(64)	(49)
Gains on remeasurement of contingent consideration liabilities	14	2
Reclassification of loss on disposal of available-for-sale investments		(43)
Capital items	20	(65)
Impairment of goodwill	(258)	(66)
(Impairment) profit from disposal of investments in associates	(89)	2
Profit on disposal of subsidiaries and businesses	520	15
Impairment losses on assets of disposal group	(90)	
Business acquisition costs	(63)	(16)
	(102)	(80)
30. FINANCING COST		
Interest paid on financial liabilities not fair valued through profit or loss	1 615	1 312
Fair value (gain) loss on interest-rate swap instruments	(22)	14
Finance cost including fair value losses	1 593	1 326
Finance income on financial assets not fair valued through profit or loss	(153)	(132)
	1 440	1 194

* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 15 for certain disclosures relating to discontinued operations.

	2016*	2015*
	Rm	Rm
31. INCOME TAX EXPENSE		
South African normal tax		
– Current	911	960
– Prior year over (under) provisions	80	(148)
	991	812
Foreign tax		
– Current	405	240
– Prior year over provisions	(27)	(2)
	378	238
Deferred tax		
– Current	(280)	(56)
– Prior year (over) under provisions	(150)	29
– Impairment (impairment reversal)	72	(2)
– Tax rate adjustment	(2)	
	(360)	(29)
Capital gains tax		
– Current	45	6
– Deferred	(9)	3
	36	9
Withholding and secondary taxes	4	5
Income tax expense	1 049	1 035
Reconciliation of tax rates:	%	%
Profit before tax, excluding share of result of associates and joint ventures – effective tax rate	27,7	25,8
Income tax effect of:		
– Profit on sale of businesses	3,7	0,1
– Dividend income	1,7	1,3
– Profit on sale of property, plant and equipment	0,2	0,3
– Impairment of goodwill and other intangible assets	(3,0)	(0,5)
– Impairment of investment in associates	(0,7)	
– Business acquisition costs	(0,5)	(0,1)
– Reclassification of loss on disposal of available-for-sale investment		(0,3)
– Remeasurement of put option liabilities and contingent consideration liabilities	(0,4)	(0,3)
– Disallowable expenses	(1,6)	(1,7)
– Other		0,2
– Foreign tax differential	1,1	0,4
– Tax assets not recognised and deferred tax impairments	(1,9)	0,1
– Withholding and secondary taxes	(0,1)	(0,1)
– Capital gains tax	(0,9)	(0,2)
– Tax rate adjustment	0,1	
– Prior year net overprovisions	2,6	3,0
	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 15 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.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	2016 Rm	2015 Rm
32. EARNINGS PER SHARE		
Ordinary shares		
Net profit attributable to owners of Imperial – basic earnings	3 049	3 054
Saving of finance costs by associate on potential sale of Imperial shares		44
Diluted earnings	3 049	3 098
Weighted average number of ordinary shares in issue (million)	192,9	193,1
Basic earnings per share (cents)	1 581	1 582
Continuing operations	1 425	1 416
Discontinued operations	156	166
Weighted average number of ordinary shares (million)	192,9	193,1
Adjusted for weighted average potential ordinary shares resulting from:		
– Dilutive effect of shares allocated in terms of the share schemes (million)	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)	198,0	197,6
Diluted earnings per share (cents)	1 540	1 568
Continuing operations	1 388	1 406
Discontinued operations	152	162

IMPERIAL HOLDINGS LIMITED AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

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

R million	GROSS AMOUNT	INCOME TAX	NON- CONTROLLING INTEREST	2016 Rm	2015 Rm
Earnings – diluted				3 049	3 098
Impairment of property, plant and equipment and transport fleet (IAS 36)	12	(4)		8	21
Impairment of intangible assets (IAS 36)	167	(4)	(46)	117	
Profit from disposal of property, plant and equipment, transport fleet and vehicles for hire (IAS 16)	(97)	17	3	(77)	(63)
Profit from disposal of intangible assets (IAS 38)	(1)			(1)	
Impairment of goodwill (IAS 36)	258		(10)	248	56
Impairment loss (profit) on disposal of investment in associates and joint ventures (IAS 28)	89			89	(2)
Profit on disposal of subsidiaries and businesses (IFRS 10)	(520)	46		(474)	(15)
Impairment losses on assets of disposal group	90	5	(10)	85	
Reclassification of loss on disposal of available-for-sale investments (IAS 39)					43
Adjustments included in result of associates and joint ventures	2			2	41
Headline earnings -diluted				3 046	3 179
Saving of finance cost by associate on potential sale of Imperial shares					(44)
Headline earnings – basic				3 046	3 135
Weighted average number of ordinary shares in issue (million)				192,9	193,1
Basic headline earnings per share (cents)				1 579	1 624
Continuing operations				1 423	1 458
Discontinued operation				156	166
Weighted average number of ordinary shares for diluted earnings (million)				198,0	197,6
Diluted headline earnings per share (cents)				1 538	1 609
Continuing operations				1 386	1 446
Discontinued operation				152	163

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

32. 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	2016 Rm	2015 Rm
Headline earnings – diluted				3 046	3 179
Amortisation of intangible assets arising on business combinations	437	(122)	(41)	274	260
Change in economic assumptions on insurance funds	4	(1)		3	4
Remeasurement of contingent consideration and put option liabilities	50			50	47
Non-recurring foreign exchange gain on inter-group monetary item	(92)	25		(67)	(75)
Business acquisition costs	63			63	16
Core earnings – diluted				3 369	3 431
Saving of finance cost by associate on potential sale of Imperial shares					(44)
Core earnings – basic				3 369	3 387
Weighted average number of ordinary shares in issue (million)				192,9	193,1
Basic core earnings per share (cents)				1 747	1 754
Continuing operations				1 589	1 586
Discontinued operations				158	168
Weighted average number of ordinary shares for diluted earnings (million)				198,0	197,6
Diluted core earnings per share (cents)				1 702	1 736
Continuing operations				1 548	1 571
Discontinued operations				154	165

	2016 Rm	2015* Rm
33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS~		
33.1 Cash generated by operations before capital expenditure on rental assets		
Profit before net financing costs	5 744	5 761
Continuing operations	5 231	5 205
Discontinued operations	513	556
Adjusted for:		
Amortisation of intangible assets, net of recoupments	95	95
Amortisation of intangible assets arising on business combinations	437	415
Impairment of intangible assets arising on business combinations	151	
Depreciation of property, plant and equipment	804	762
Depreciation of transport fleet, net of recoupments	730	731
Depreciation of vehicles for hire, net of recoupments	918	916
Profit from disposal of property, plant and equipment	(44)	(41)
Impairment of assets	28	28
Impairment of goodwill	258	67
Loss (profit) from disposal of investments in associates and joint ventures	101	(2)
Profit on disposal of subsidiaries and businesses	(520)	(15)
Impairment losses on assets of disposal group	90	
Fair value gains on investments	(11)	(82)
Foreign exchange gains	(116)	(170)
Fair value gains	79	97
Reclassification of loss on disposal of available-for-sale financial asset		43
Recognition of share-based costs	148	130
Net movement in insurance, investments, maintenance and warranty contracts	(59)	237
Remeasurement of contingent consideration liabilities	(14)	(2)
Remeasurement of put option liabilities	64	49
Business acquisition costs	63	16
Increase in retirement benefit obligations	6	14
Cash generated by operations before changes in working capital	8 952	9 049
Working capital movements		
Increase in inventories	(537)	(1 566)
Increase in trade and other receivables	(7)	(715)
(Decrease) increase in trade and other payables and provisions	(284)	2 290
	8 124	9 058

* Restated for change in accounting policy as described in note 2.1.

~ 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 FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	2016 Rm	2015 Rm
33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS~ continued		
33.2 Acquisition of subsidiaries and businesses		
Goodwill	79	513
Intangible assets	113	355
Investments, loans and associates and joint ventures	46	2
Property, plant and equipment	52	126
Transport fleet	14	19
Inventories	67	761
Trade and other receivables	160	679
Cash resources	89	84
Net deferred tax liabilities	(30)	(63)
Non-controlling interests	(27)	(199)
Retirement benefit obligations		(1)
Interest-bearing borrowings	(46)	(432)
Provisions for liabilities and other charges	(4)	(16)
Trade and other payables	(160)	(732)
Net current tax liabilities	(1)	(20)
Purchase consideration transferred	352	1 076
Contingent consideration	(21)	(17)
Business acquisition costs	63	16
Cash resources acquired	(89)	(84)
Cash flow on acquisition	305	991
33.3 Disposal of subsidiaries and businesses		
Goodwill	209	50
Intangible assets	14	
Investments, loans, associates and joint ventures	7	
Property, plant and equipment	707	19
Transport fleet	123	11
Net deferred tax liabilities	(27)	(2)
Other financial assets	78	1
Vehicles for hire	736	
Inventories	357	
Trade and other receivables	851	83
Cash resources	163	7
Non-controlling interests	(117)	8
Retirement benefit obligations	(90)	
Interest-bearing borrowings	(1 005)	(27)
Other financial liabilities	(1)	(20)
Net current tax liabilities	(4)	
Provisions for liabilities and other charges	(105)	
Trade and other payables	(1 247)	(67)
Net assets disposed	649	63
Cash resources disposed	(163)	(7)
Premium paid on purchase of non-controlling interests	59	12
Profit (loss) on disposal of subsidiaries and businesses	520	(15)
Cash flow on disposal	1 065	53

	2016 Rm	2015* Rm
33.4 Net replacement capital expenditure – excluding rental assets		
Expenditure		
– Intangible assets	(350)	(371)
– Plant and equipment	(1 140)	(876)
– Transport fleet	(390)	(520)
	(1 880)	(1 767)
Proceeds from disposals		
– Intangible assets	8	10
– Plant and equipment	201	173
– Transport fleet	274	339
	483	522
Net expenditure		
– Intangible assets	(342)	(361)
– Plant and equipment	(939)	(703)
– Transport fleet	(116)	(181)
	(1 397)	(1 245)
33.5 Cash and cash equivalents		
Cash resources	2 317	2 271
Cash resources included in ‘Assets of discontinued operations and disposal groups.’	1 356	845
Short-term loans and overdrafts	(2 954)	(3 078)
	719	38
* Restated for the application of the change in accounting policy (refer to note 2.1).		
34. ORDINARY DIVIDENDS		
Interim		
– In the current year a dividend of 370 cents per share was paid on 29 March 2016		
– In the prior year a dividend of 350 cents per share was paid on 30 March 2015		
Final		
– A dividend of 425 cents per share is payable on 26 September 2016		
– In the prior year a dividend of 445 cents per share was paid on 28 September 2015		
Dividends are reflected gross of tax.		

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	2016 Rm	2015 Rm
35. COMMITMENTS		
Capital expenditure commitments to be incurred		
Contracted	978	1 342
Authorised by directors but not contracted	331	947
	1 309	2 289

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 borrowing facilities.

	MORE THAN FIVE YEARS Rm	ONE TO FIVE YEARS Rm	LESS THAN ONE YEAR Rm	2016 Rm	2015 Rm
Operating lease payables					
Property	904	1422	593	2 919	3 316
Plant and equipment	1	112	70	183	153
Transport fleet	118	815	581	1 514	968
	1 023	2 349	1 244	4 616	4 437
Operating lease receivables					
Property		17	13	30	80
Plant and equipment	3	338	181	522	608
	3	355	194	552	688

36. CONTINGENT LIABILITIES

Subsidiary companies have received summons for claims amounting to R8 million. The group and its legal advisors believe that these claims are unlikely to succeed.

8 17

The group has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of associates, for facilities in the normal course of business to the extent that they are used. The utilisation of facilities was:

69 73

Guarantees issued by Imperial Logistics International GmbH, to suppliers of services including a R332 million guarantee issued on behalf of Neska in respect of property rentals but with a contractual right of recourse against the purchaser of Neska.

497 235

As part of the sale of Uvundlu Investment (Pty) Limited during the year the company has issued a guarantee to bankers in respect of a rental book. The guarantee issued will amortise to nil over three years.

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

Except for the above claims, there is no current or pending litigation that is considered likely to have a material adverse effect on the group.

37. RELATED PARTY TRANSACTIONS

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

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 39.

Shareholders

The top 10 shareholders of the company at 30 June 2016 were as follows:

	SHARE CLASS	NUMBER OF SHARES (000)	% OF ISSUED VOTING CAPITAL
Public Investment Corporation Limited	Ordinary	25 270	12,1
Lazard Asset Management LLC Group	Ordinary	22 733	10,9
Prudential Group	Ordinary	21 908	10,5
Ukhamba Holdings (Pty) Ltd	Ordinary	13 393	6,4
Ukhamba Holdings (Pty) Ltd	Deferred Ordinary	9 362	4,5
Lynch Family Holdings	Ordinary	8 276	4,0
Fidelity Management and Research	Ordinary	8 079	3,9
BlackRock Inc	Ordinary	7 172	3,4
Dimensional Fund Advisors	Ordinary	6 687	3,2
Wooddale Investments (Pty) Ltd including MP de Canha direct holdings	Ordinary	6 293	3,0
Vanguard Group	Ordinary	5 664	2,7

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

37. RELATED PARTY TRANSACTIONS continued

Associates and joint ventures

Details of investments in associates and joint ventures that are material to the Group are disclosed in note 39.

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

	2016 Rm	2015 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	8	7
Short-term employee benefits	245	233
Long-term employee benefits	15	14
	268	254
Number of key management personnel	59	53
Net gains on share options and cash retention plan bonus	19	47
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:		
	12	16
The group received insurance premiums on an arm's length basis from the group pension and provident funds to the amount of:		
	8	9
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:		
	7	8

38. FINANCIAL INSTRUMENTS

38.1 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), credit risk and liquidity risk.

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

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

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

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

38.1.1 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, interest rates and equity prices.

38.1.2 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.

The average exchange rates shown include the cost of forward cover. The amounts represent the net Rand equivalent of commitments to purchase and sell foreign currencies, and have all been recorded at fair value.

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

FOREIGN CURRENCY	FOREIGN AMOUNT (million)	AVERAGE EXCHANGE RATE	CONTRACT VALUE Rm	MARKED TO MARKET Rm
2016				
Imports				
US dollar	(124)	15,14	(1 871)	(1 780)
Euro	(176)	17,33	(3 049)	(2 904)
Pound sterling	(35)	20,40	(709)	(699)
			(5 629)	(5 383)
Interest-bearing borrowings				
Japanese yen	340	0,13	46	47
			(5 583)	(5 336)
2015				
Imports				
US dollar	276	12,16	3 358	3 370
Euro	172	13,71	2 355	2 363
Pound sterling	(9)	17,75	(167)	(181)
			5 546	5 552
Interest-bearing borrowings				
Japanese yen	3 757	0,10	379	379
			5 925	5 931

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

38. FINANCIAL INSTRUMENTS *continued*

38.1 Financial risk factors *continued*

38.1.2 Currency risk *continued*

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 R534 million (2015: R593 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.

Divisional currency risk

Logistics Africa

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.

Vehicle import, Distribution and Dealerships

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

Vehicle Retail, Rental and Aftermarket Parts

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

Insurance (Discontinued operation)

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

38.1.3 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 21.

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

Details of the interest rate derivative instruments at 30 June 2016 were as follows:

	NOTIONAL AMOUNT RM	CURRENT YEAR EFFECTIVE RATE (VARIABLE) %	DERIVATIVE CONTRACT RATE (FIXED) %
Corporate bonds – IPL7 (swap from variable to fixed)	500	7,7 – 8,8	8,7
Revolving credit facility term loan (swap from variable to fixed)	1 500	7,4 – 7,7	8,8
Syndicated bank term loans (swap from variable to fixed)	2 429	1,2 – 1,7	1,6

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

The 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 R33 million (2015: R26 million) effect on Group after tax profit and equity.

38.1.4 Equity price risk

The Group through its insurance business is exposed to equity price risk as it holds equity securities, which are designated as fair value through profit or loss.

The sensitivity analysis has been determined based on the exposure to equity price risk at 30 June. The impact of a 10% change in the equity index will have a R18 million (2015: R37 million) effect on Group's after tax profit and a R18 million (2015: R37 million) impact on equity. The sensitivity is based on management's assessment of a reasonable move in equity prices over the foreseeable future.

Divisional equity price risk

Insurance (discontinued operation)

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

38. FINANCIAL INSTRUMENTS *continued*

38.1 Financial risk factors *continued*

38.1.5 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 2016. 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.

	2016 Rm	2015 Rm
Trade and other receivables that are neither past due nor impaired	8 288	8 680
Past due trade receivables	3 057	2 851
Less than 1 month	2 126	1 859
Between 1 – 3 months	528	533
More than 3 months	244	242
Past due more than 1 year	159	217
Total trade receivables	11 345	11 531

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.

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	2016	2015
	Rm	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	511	429
Net (disposal) acquisition of subsidiaries and businesses	(15)	51
Amounts reversed to profit or loss	(58)	(5)
Charged to profit or loss	73	135
Amounts utilised during the year	(34)	(18)
Currency adjustments	45	1
Reclassification to assets classified as held for sale	(93)	(82)
Carrying value at the end of the year	429	511

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.

Vehicle Import, Distribution and Dealerships

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.

Vehicle Retail, Rental and Aftermarket Parts

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.

Insurance

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

Guarantees

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

38. FINANCIAL INSTRUMENTS *continued*

38.1 Financial risk factors *continued*

38.1.6 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 21.

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

Contractual maturities (which includes interest) of financial liabilities are as follows:

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*	18 396	19 730	5 064	14 609	57
Other financial liabilities	2 335	2 335	266	1 254	815
Trade payables and accruals	18 105	18 105	18 105		
Current derivative financial liabilities	479	479	479		
2016	39 315	40 649	23 914	15 863	872
2015	36 536	39 546	22 991	10 909	5 646

* Excludes R441 million non-redeemable, non-participating preference shares (refer to note 19).

38.2 Fair value measurement

38.2.1 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. These instruments consist of listed equity securities. (Refer to note 15)

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.

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	AT FAIR VALUE			AT AMORTISED COST Rm
		LEVEL 1 Rm	LEVEL 2 Rm	LEVEL 3 Rm	
Financial assets					
Loans	291				291
Non-current financial asset	8		8		
Trade and other receivables	12 712		44		12 668
Trade receivables and prepayments	12 668				12 668
Derivative instruments	44		44		
Cash resources	2 317				2 317
	15 328		52		15 276
Financial liabilities					
Non-redeemable, non-participating preference shares	441				441
Interest-bearing borrowings	18 396				18 396
Other financial liabilities	2 335		267	1 894	174
Cross currency and interest-rate swap liabilities	267		267		
Contingent consideration liabilities	19			19	
Loans payable	174				174
Put option liability	1 875			1 875	
Trade and other payables	18 584		479		18 105
Trade payables and accruals	17 245				17 245
Secured interest-bearing floorplan from franchisor	860				860
Derivative instruments	479		479		
	39 756		746	1 894	37 116

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

38.2.2 Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R 1 894 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 2016 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 LIABILITIES Rm	DECREASE IN LIABILITIES Rm
Put option liabilities	Income approach	Earnings growth	1 875	13	(129)
Contingent consideration liabilities	Income approach	Assumed profits	19		(4)

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 2016:

FINANCIAL LIABILITIES	PUT OPTION LIABILITIES	CONTINGENT CONSIDERATION LIABILITIES	2016 Rm	2015 Rm
Carrying value at beginning of year	1 640	31	1 671	1 072
Derecognition in equity	(166)		(166)	473
Arising on acquisition of businesses		21	21	17
Fair valued through profit or loss	64	(14)	50	47
Settlements		(23)	(23)	(64)
Currency adjustments	337	4	341	126
Carrying value at the end of the year	1 875	19	1 894	1 671

Transfers between hierarchy levels

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

38.2.3 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 2016, 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)	5 348	5 278
Listed non-redeemable, non-participating preference shares	441	345

^{*}The fair values were determined with reference to unadjusted observable market data (level 1 in the fair value hierarchy).

38.3 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, taxation, depreciation and amortisation (EBITDA) of below 3.5:1. The ratio at 30 June 2016 is 1.78:1 (2015: 1.81:1). Our insurance businesses have externally imposed regulatory.

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.

	2016 Rm	2015 Rm
Interest-bearing borrowings*	18 837	16 598
Less: Cash resources**	2 317	2 271
Net debt	16 520	14 327
Total equity	19 802	19 233
Gearing ratio	83,4%	74,5%

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

** Excludes discontinued and disposal groups cash.

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

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

39. INTEREST IN OTHER ENTITIES

39.1 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 2016.

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 three of the Group's subsidiaries. Material associates to the Group are MDS Logistics and Ukhamba Holdings. Details are provided below.

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

SUBSIDIARY	PLACE OF INCORPORATION	OWNERSHIP	
		INTEREST (%)	NATURE OF BUSINESS
Associated Motor Holdings (Pty) Limited*	South Africa	100	Associated Motor Holdings (Pty) Limited imports and distributes passenger and light and heavy commercial vehicles, automotive products, motorcycles and industrial equipment in Southern Africa. It also sells maintenance and warranty products. Further details on the composition of the Associated Motor Holdings (Pty) Limited Group is provided in note 39.1.2.
Boundlesstrade 154 (Pty) Limited	South Africa	100	E-Z-GO, a distributor of golf carts is housed within Boundlesstrade. Its market includes golf courses and estates as well as healthcare and hospitality industries. This subsidiary also houses associates and joint ventures which distribute Chery and Foton motor vehicles.

* Further details are provided on non-controlling interest, refer to note 39.4

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

39. INTEREST IN OTHER ENTITIES continued

39.1 Composition of the group continued

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

SUBSIDIARY	PLACE OF INCORPORATION	OWNERSHIP INTEREST (%)	NATURE OF BUSINESS
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 39.1.3.
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, panel beating and group services. Details on the businesses included are provided in note 39.1.4
Midas	South Africa	89	The Midas group markets and distributes quality automotive parts and accessories, D.I.Y and leisure products through selected channels. The group 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 Midas, Motolek, ADCO, CBS and Auto Care & Diagnostics. The Group increased its interest in Midas to 100% after the reporting period.
Regent Insurance Company Limited~ (Held for sale)	South Africa	100	Regent Insurance is a registered short term insurer of motor related value added insurance products, including extended warranties, credit insurance, paint protection, commercial vehicles, goods in transit cover and comprehensive passenger car cover. Regent Insurance operates in South Africa, Botswana and Lesotho.
Regent Life Assurance Company Limited~ (Held for sale)	South Africa	100	Regent Life is a registered life assurer. Its products include credit life, funeral cover, underwritten risk cover and savings products sold primarily through dealers, financial institutions, brokers and affinity schemes. Regent Life operates in South Africa, Botswana and Lesotho.
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 on the non-controlling interest, refer to note 39.4.
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.

* Further details are provided on the non-controlling interest, refer to note 39.4.

~ Certain restrictions apply to this subsidiary, refer to note 39.2.

39.1.2 Principal subsidiaries of Associated Motor Holdings (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.

39.1.3 Principal subsidiaries of Imperial Holdings International Cooperation U.A.

SUBSIDIARY	PLACE OF INCORPORATION	OWNERSHIP INTEREST (%)	NATURE OF BUSINESS
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	80	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.

* Further details are provided on the non-controlling interest, refer to note 39.4.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

39. INTEREST IN OTHER ENTITIES continued

39.1 Composition of the group continued

39.1.4 Principal businesses of Imperial Group Limited

SUBSIDIARY	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.
Finance	South Africa	100	Provides the treasury function of the Group.

39.2 Significant restrictions

The following table shows significant restrictions that apply to two of the Group's subsidiaries. The amounts disclosed represent the carrying values of total assets and total liabilities in the consolidated statement of financial position net of inter-group eliminations.

	TOTAL ASSETS		TOTAL LIABILITIES	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Discontinued operations	5 083	4 618	2 738	2 713
Our long-term insurance operations have regulatory imposed capital adequacy requirements. The capital adequacy requirement is an estimate of the minimum capital that will be required to meet fairly substantial deviations from the main assumptions affecting their business. At 30 June 2016 the capital adequacy requirements was R108 million (2015: R82 million) and the ratio of excess assets to capital adequacy requirements was 4.5 (2015 : 5.2).				
Our short-term insurance operations are required to maintain, at all times, a statutory surplus asset ratio and free assets after spreading limitations. The returns submitted by the company to the regulator showed that the company met the minimum capital requirements with a solvency ratio of 56% (2015: 46%) at 30 June 2016.				

39.3 Business combinations during the year

Acquisitions during the reporting period

A number of businesses were acquired during the year to complement existing businesses. These businesses are individually and collectively immaterial in terms of size and value. The fair value of assets acquired and liabilities assumed at the acquisition date were as follows.

R million	INDIVIDUALLY IMMATERIAL ACQUISITIONS
Assets	
Intangible assets	113
Property, plant and equipment	52
Transport fleet	14
Investments, loans and associates and joint ventures	46
Inventories	67
Trade and other receivables	160
Cash resources	89
	541
Liabilities	
Net income tax liabilities	31
Interest-bearing borrowings	46
Trade, other payables and provisions	164
	241
Acquirees' carrying amount at acquisition	300
Non-controlling interests	(27)
Net assets acquired	273
Purchase consideration transferred	352
Cash paid	331
Contingent consideration	21
Excess of purchase price over net assets acquired	79

Details of contingent consideration

The contingent consideration requires the Group to pay the vendors an additional total amount of R21 million over three years if the entities' net profit after tax exceeds certain profit targets.

Acquisition costs

Acquisition costs for business acquisitions concluded during the year amounted to R9 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 R1 071 million, operating profit of R22 million. Had all the acquisitions been consolidated from 1 July 2015, they would have contributed revenue of R1 588 million, operating profit of R3 million. The Group's continuing revenue for the year would have been R116 255 million, operating profit would have been R5 874 million.

Other details

Trade and other receivables had gross contractual amounts of R167 million of which R7 million was doubtful. Non-controlling interests have been calculated based on their proportionate share in the acquiree's net assets. None of the resulting goodwill is deductible for tax purposes.

Acquisitions after the reporting period

The Group acquired a 95% interest in Palletways Group Limited in July 2016 for R3 billion (£155 million). Palletways provides an express delivery solution for small consignments of palletised freight through more than 400 depots and 14 hubs across Europe. As the initial accounting for the business combination was not complete at the time that the financial statements were authorised for issue no further disclosures are made.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

39. INTEREST IN OTHER ENTITIES continued

39.4 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 (%)	
			2016	2015
Associated Motor Holdings (Pty) Limited (AMH) [^]	South Africa	Vehicle Import, Distribution and Dealerships		10
Imres B.V.	Africa	Logistics Africa	20	30
Eco Health Limited	Nigeria	Logistics Africa	32	32

The following is summarised financial information for AMH, Imres and Eco Health, 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.

R million	AMH [^]		IMRES [*]		ECO HEALTH	
	2016	2015	2016	2015	2016	2015
Revenue	22 900	23 111	1 147	982	2 851	1 944
Net profit for the year	531	701	126	130	(2)	16
Net profit attributable to non-controlling interests	1	97	32	39	(1)	5
Other comprehensive (loss) income	(274)	161	95	(13)	71	68
Total comprehensive income (loss)	257	862	221	117	69	84
Income attributable to non-controlling interests	(86)	67	56	35	22	27
Total assets	15 237	15 663	773	688	1 813	1 673
Total liabilities	10 677	10 321	163	271	1 338	1 114
Total equity	4 560	5 342	610	417	475	559
Equity attributable to non-controlling interests	(62)	655	122	125	152	179
Dividends paid to non-controlling interests	109	54	34	25	49	21

[^] The non-controlling shareholding in Associated Motors Holdings (Pty) Limited was bought out at the end of April 2016. The net profits attributable to the non-controlling interest includes a credit of R46 million being their share of the impairment of the goodwill and intangible assets in Renault SA (Pty) Limited.

^{*} During the year the group acquired 10% from the non-controlling shareholder. Refer to note 18.3.

39.5 Interest in associates and joint ventures

The following associates are material to the Group. They are all equity accounted.

	MDS LOGISTICS PLC	UKHAMBHA 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%

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.

R million	MDS LOGISTICS PLC		UKHAMBHA HOLDINGS (PTY) LIMITED	
	2016	2015	2016	2015
Revenue	371	305		
Net profit (loss) for the year	52	59	(82)	(150)
Other comprehensive income (loss)	1	(34)	(438)	(116)
Total comprehensive income (loss)	53	25	(520)	(266)
Total assets	691	639	3 290	4 160
Total liabilities	75	70	1 774	2 202
Total equity	616	569	1 516	1 958
Group's proportional interest in net assets of investee at beginning of year	279	314	918	1 008
Share of total comprehensive income	26	12	(244)	(124)
Dividends (received from) paid to associate	(3)	(47)	36	34
Group's proportional interest in net assets of investee	302	279	710	918
Reversal of fair value adjustments on Imperial shares and losses that exceeds the Group's net interest in the associate			(710)	(918)
Carrying value of interest in investee at end of year	302	279		

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 Groups consolidated financial statements:

R million	Associates		Joint ventures	
	2016	2015	2016	2015
Group's share of:				
- Net profit	84	67	(24)	(15)
- Other comprehensive income		(2)	10	4
Total comprehensive income	84	65	(14)	(11)
Carrying value of interest in immaterial associates	332	301	53	75

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

40 DIRECTORS REMUNERATION AND INTEREST IN SHARES

40.1 Directors' and prescribed officer's remuneration

	SALARY R'000	BONUS R'000	RETIREMENT AND MEDICAL CONTRIBUTIONS R'000	OTHER BENEFITS (NOTE 1) R'000
Non executive directors				
P Cooper				
GW Dempster				
ST Dingaen				
S Kana (Chairman) (Appointed during year)				
RM Kgosana (Appointed during year)				
P Langeni				
V Moosa				
RJA Sparks				
A Tugendhaft (Deputy Chairman)				
Y Waja				
HR Brody (Resigned)				
S Engelbrecht (Resigned)				
TS Gcabashe (Resigned during year)				
RL Hiemstra (Resigned)				
MJ Leeming (Resigned during year)				
Executive directors				
M Lamberti				
OS Arbee	5 309	7 200	691	360
MP de Canha	4 924	4 600	567	159
PB Michaux	4 171	4 600	589	240
M Swanepoel	4 732	5 000	739	180
GW Riemann (Resigned)				
M Akoojee (Resigned during year)	811	963	122	30
JJ Strydom (Resigned during year)	1 834		165	120
Total June 2016	21 781	22 363	2 873	1 089
Total all directors 2016	21 781	22 363	2 873	1 089
Total all directors June 2015	27 808	26 175	4 660	1 059
Prescribed officer 2016 – C Taucke	5 796	8 050	998	354
Prescribed officer 2015 – C Taucke	4 037	5 492	778	216

1. Other benefits include the fringe benefit value of company cars and motor car allowances and long-term performance-based retention payments.
 2. This represents the expected value of all long-term incentive awards made in the reporting year. 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.
- ^ For part of the year.
* Amended to include value of Conditional Share Plan allocation..

IMPERIAL HOLDINGS LIMITED AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

DIRECTORS' FEES R'000	SUBSIDIARY/ ASSOCIATE AND SUB-COMMITTEE FEES R'000	TOTAL 2016 R'000	TOTAL 2015 R'000	EXPECTED VALUE OF LONG-TERM INCENTIVE AWARDS MADE IN 2016 (NOTE 2) R'000	EXPECTED VALUE OF LONG-TERM INCENTIVE AWARDS MADE IN 2015 (NOTE 2) R'000
239	472	711	78 [^]		
239	375	614	78 [^]		
239	232	471	510		
715	343	1 058			
239	498	737			
239	307	546	499		
239	253	492	464		
239	890	1 129	895		
656	251	907	839		
239	699	938	989		
			233		
			214		
479		479	1 305		
			173		
164		164	960		
3 926	4 320	8 246	7 237		
		13 560		22 423	15 043*
		10 250	10 000	6 089	6 360
		9 600	8 000	4 986	5 650
		10 651	7 700	4 854	5 000
			9 300	5 736	5 650
			11 812		
		1 926	6 200		3 850
		2 119	7 100		
		48 106	60 112	44 088	41 553
3 926	4 320	56 352	67 349	44 088	41 553
3 903	3 744	67 349			
		15 198			
			10 523		

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

40. DIRECTORS REMUNERATION AND INTEREST IN SHARES

40.2 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		VESTING DATE	NUMBER OF RIGHTS*	NUMBER OF RIGHTS FORFEITED	NUMBER OF RIGHTS REMAINING
		DATE	(R)				
OS Arbee	2 Jun 2010		96,71	15 Sep 2013	55 302		55 302
	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		77 582
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		68 215
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		51 092
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		68 641

* 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 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 2019	43 383		43 383
OS Arbee	13 Jun 2012	26 Aug 2015	6 727	(6 727)	
	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
MP de Canha	13 Jun 2012	26 Aug 2015	8 064	(8 064)	
	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	13 Jun 2012	26 Aug 2015	4 793	(4 793)	
	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

* 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.

EXECUTIVE DIRECTOR	ALLOCATION DATE	VESTING DATE	NUMBER OF SHARES COMMITTED TO THE PLAN*	VESTED DURING THE YEAR	BALANCE REMAINING
M Swanepoel	13 Jun 2012	26 Aug 2015	6 156	(6 156)	
	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

* 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
	196 319

40.3 Gains by directors on SAR, DBP and CRP during the year

EXECUTIVE DIRECTOR	2016 R'000	2015 R'000
OS Arbee	1 564	2 465
MP de Canha	1 823	2 560
M Swanepoel	1 465	3 896
PB Michaux	1 108	2 220
M Akoojee (Resigned during the year)	703	1 969
JJ Strydom (Resigned during the year)	947	1 753

40.4 Directors' interests in shares

	2016		2015	
	BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL
Non-executive director				
GW Dempster	99		99	
SP Kana	9 417		9 417	
MJ Leeming				6 928
RJA Sparks	40 000	20 000	40 000	20 000
Y Waja	3 000		3 000	
	52 516	20 000	52 516	26 928
Executive director				
MJ Lamberti	600 000		500 000	
OS Arbee	121 771		71 344	
MP de Canha	6 292 670		1 725 385	
M Swanepoel	88 366		38 672	
PB Michaux	57 519		48 243	
M Akoojee (Resigned during the year)			34 873	
JJ Strydom (Resigned during the year)			56 865	
	7 160 326		2 475 382	
	7 212 842	20 000	2 527 898	26 928

> COMPANY STATEMENT OF FINANCIAL POSITION

at 30 June 2016

	NOTES	2016 Rm	2015 Rm
ASSETS			
Interest in subsidiaries	2	9 746	8 648
Investment in associates	3	50	50
Investments	4	47	47
Current tax asset		1	2
Cash resources		2	
Interest in subsidiaries classified as held for sale	2	603	603
Total assets		10 449	9 350
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	5	1 030	382
Other reserves			70
Retained earnings		8 955	8 418
Total equity		9 985	8 870
Liabilities			
Non-redeemable, non-participating preference shares	6	441	441
Trade payables and other liabilities	7	23	39
Total liabilities		464	480
Total equity and liabilities		10 449	9 350

> COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTES	2016 Rm	2015 Rm
Revenue	8	2 254	1 476
Net operating expenses	9	(16)	(19)
Other non-operating items	10	(96)	(196)
Profit before net financing income		2 142	1 261
Finance cost		(37)	(35)
Finance income		28	37
Profit before tax		2 133	1 263
Income tax	11	(13)	12
Net profit and total comprehensive income for the year		2 120	1 275

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

> COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	SHARE CAPITAL AND SHARE PREMIUM Rm	OTHER RESERVES Rm	RETAINED EARNINGS Rm	TOTAL Rm
At 30 June 2014	382	401	9 474	10 257
Total comprehensive income for the year			1 275	1 275
Ordinary dividends declared			(1 597)	(1 597)
Expiration of Lereko call option		(309)	(756)	(1 065)
Direct transfer to retained earnings		(22)	22	
At 30 June 2015	382	70	8 418	8 870
Total comprehensive income for the year			2 120	2 120
Ordinary dividends declared			(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

> COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTES	2016 Rm	2015 Rm
Cash flows from operating activities			
Cash generated by operations	12	2 232	1 535
Finance cost paid		(37)	(35)
Finance income received		28	37
Tax paid	13	(12)	(14)
		2 211	1 523
Cash flows from investing activities			
(Additions) disposals of investments and loans to subsidiaries, associated companies and joint ventures *		(546)	107
Settlement of contingent consideration liabilities		(10)	(33)
		(556)	74
Cash flows from financing activities			
Dividends paid		(1 653)	(1 597)
		(1 653)	(1 597)
Net increase in cash and cash equivalents		2	
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at end of year		2	

* The additions to the investment of Associated Motor Holdings (Pty) Limited and Boundlestrade 154 (Pty) Limited resulting from the share issue was treated as non-cash flow.

> NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. ACCOUNTING POLICIES

The principle accounting policies adopted and methods of computation used in the preparation of the company's 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

Investments in associates 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 cash resources are carried at cost which is also fair value.

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

Derecognition

Financial assets are derecognised when the right to receive cash flows have 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 contracts are discharged, cancelled or expired.

1.5 Revenue

Dividend income from interest in subsidiaries, investments in associates 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 taxes

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.

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 the contingent consideration liabilities.

1.10 New and revised international financial reporting standards in issue but not yet effective

The following are applicable amendments to IFRS that could have an impact on the company's financial statements.

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.

	2016 Rm	2015 Rm
2. INTEREST IN SUBSIDIARIES		
Shares at cost, net of impairments	7 279	6 495
Indebtedness by subsidiaries, net of impairments	2 467	2 153
	9 746	8 648
<p>The investment in Regent Insurance and Regent Life have been reclassified as held for sale as the Group has agreed to dispose of these investments, subject to regulatory approval.</p> <p>Details of the company's principal subsidiaries are reflected in note 39 of the consolidated annual financial statements.</p>		
3. INVESTMENT IN ASSOCIATES		
Unlisted shares at cost	33	45
Impairments		(12)
	33	33
Indebtedness by associates	17	17
	50	50
Lereko Mobility (Pty) Ltd (Lereko) call option		
Balance at beginning of year		1 173
Fair value adjustment through profit or loss		(108)
Expiration of call option		(1 065)
Balance at end of year		
4. INVESTMENTS		
Unlisted shares at cost, net of impairments	47	47

> NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	2016 Rm	2015 Rm
5. SHARE CAPITAL AND SHARE PREMIUM		
Authorised share capital		
394 999 000 (2015: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2015: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2015: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2015: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2015: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
	20	20
Issued and fully paid share capital		
208 172 968 (2015: 202 782 278) ordinary shares of 4 cents each	8	8
9 362 298 (2015: 10 193 767) deferred ordinary shares of 4 cents each	1	1
	9	9
Share premium	1 021	373
Share capital and premium	1 030	382

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

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 2015;
- > 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 13 393 091 (2015: 12 561 622) 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 40 of the consolidated annual financial statements.

	2016 Rm	2015 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 R37 million (2015: R35 million) which is included as part of finance cost in profit or loss.		
7. TRADE PAYABLES AND OTHER LIABILITIES		
Trade payables and accruals at amortised cost	19	26
Contingent consideration liabilities (Level 3 financial instrument)	4	13
	23	39
The fair value of the trade payables and accruals approximate their fair value.		
Movements in contingent consideration liabilities (Level 3 financial instrument)		
Balance at beginning of year	13	40
Settlements	(10)	(33)
Remeasured to profit or loss	1	
Amounts raised		6
	4	13
8. REVENUE		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries and associates	2 236	1 467
Fees received	18	9
	2 254	1 476
9. NET OPERATING EXPENSES		
The following disclosable items have been included in operating expenses:		
Auditors' remuneration	2	2
Non-executive directors' emoluments*	8	7
Professional fees	5	5
Acquisition costs		5
* Refer to note 40 in the consolidated annual financial statements for the executive directors emoluments.		
10. OTHER NON-OPERATING ITEMS		
Remeasurement of financial instruments not held-for-trading		(108)
Fair value loss on Lereko Mobility (Pty) Ltd call option		(108)
Capital items	(96)	(88)
Profit (loss) on sale of subsidiaries and businesses	150	(42)
Profit on sale of investment in associates	25	
Impairment of investments in subsidiaries, loans to subsidiaries and associates	(271)	(46)
	(96)	(196)

> NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	2016 Rm	2015 Rm
11. INCOME TAX		
South African normal tax		
– Current	13	12
Capital gains tax		
– Prior year over provision of current tax		(27)
Withholding tax on dividends		3
	13	(12)
Reconciliation of tax rate:	%	%
Profit before tax – effective tax rate	0,6	(1,0)
Tax effect of:		
– Withholding tax on dividends		(0,2)
– Disallowable charges/capital losses	(1,8)	(1,2)
– Exempt income	29,2	30,6
– Fair value adjustment on Lereko Mobility (Pty) Ltd call option		(2,3)
– Prior year overprovision		2,1
	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.		
12. CASH GENERATED BY OPERATIONS		
Profit before net financing costs	2 142	1 261
Exceptional items	96	88
Fair value gain on Lereko Mobility (Pty) Ltd call option		108
Remeasurement of contingent consideration liabilities	1	
Acquisition costs		5
Working capital movements		
– Decrease in trade and other receivables		68
– (Decrease) Increase in trade and other payables	(7)	5
	2 232	1 535
13. TAX PAID		
Balance at beginning of year	2	(24)
Current tax recognised in profit or loss	(13)	12
Balance at end of year	(1)	(2)
	(12)	(14)

	2016 Rm	2015 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:	12 217	8 942
The company has guaranteed the obligations to the investors in the commercial paper and corporate bond issued:	5 471	6 140
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:	235	167
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:	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	
As part of the NAC sale in 2013 Imperial Holdings have issued a guarantee to secure vendor funding for five years for:	80	80
As part of the Uvundlu Investments sale Imperial Holdings have issued a guarantee to bankers for a rental book which will be amortised over 3 years:	116	

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 point increase in interest rates will have an annualised R2 million (2015: 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 instruments 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 425 cents has been declared by the board of Imperial on 22 August 2016.

> ANNEXURE A – ADDITIONAL INFORMATION ON INSURANCE BUSINESSES

ACCOUNTING POLICIES

Insurance and investment contracts

Classification of contracts

Long-term insurance operations

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

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

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

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

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

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

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

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

Short-term insurance operations

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

Reinsurance of long-term and short-term insurance operations

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

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

Revenue recognition

Long-term insurance operations:

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than group schemes. Premium receivable in respect of group schemes that is due after the year end date is ignored. However, where the operating ratios exceed 100%, a deficiency reserve would be established to offset any expected losses up until the next renewal date. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in trade and other payables. Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities.

Short-term insurance operations:

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

Insurance results

Long-term insurance operations:

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

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

Short-term insurance operations:

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

Unearned premiums

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

Claims

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

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

Incurred but not reported – IBNR

Provision is made in the policyholders' liabilities under insurance contracts for the estimated cost at the end of the year for claims IBNR at that date. IBNR provisions are calculated using run-off triangle techniques. These liabilities are not discounted due to the short-term nature of outstanding claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Unexpired risk provision

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

Cash-back provisions

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

Deferred acquisition costs

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

Cell Captives

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

> ANNEXURE B – SUMMARY OF EMPLOYMENT EQUITY REPORT

SUMMARY OF GLOBAL WORKFORCE

South African (including foreign nationals)
Non-South African

Total workforce

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

OCCUPATIONAL LEVELS	Male			
	A	C	I	W
Permanent staff				
Top management	4	1	6	74
Senior management	30	9	45	321
Professionally qualified and experienced specialists and mid-management	246	188	303	1 319
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2 366	967	800	2 398
Semi-skilled and discretionary decisions-making	9 909	1 742	599	784
Unskilled and defined decision-making	3 828	521	66	57
	16 383	3 428	1 819	4 953
Non-permanent staff	118	29	19	42
	16 501	3 457	1 838	4 995

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

The above is an aggregation of all South African operating entities

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							2016	2015
							37 750	37 654
							13 506	13 707
							51 256	51 361
	Female				Foreign nationals		Total 2016	Total 2015
	A	C	I	W	M	F		
	1	4	4	6	1	2	103	120
	13	5	23	66	2		514	529
	170	115	156	797	12	10	3 316	3 330
	1 015	417	273	1 319	72	14	9 641	9 627
	2 685	849	389	1 090	89	15	18 151	17 501
	1 005	118	7	37	34	6	5 679	6 069
	4 889	1 508	852	3 315	210	47	37 404	37 176
	86	18	7	27			346	478
	4 975	1 526	859	3 342	210	47	37 750	37 654

– Corporate information –

Directors

SP Kana[#] (Chairman), A Tugendhaft^{##}, (Deputy Chairman), MJ Lamberti (Chief Executive), OS Arbee (Chief Financial Officer), MP de Canha, P Cooper[#], G Dempster[#], T Dinga[#], RM Kgosana[#], P Langeni[#], P Michaux, MV Moosa^{##}, RJA Sparks[#], 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, 70 Marshall Street, Johannesburg, 2001

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

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Preference share code: IPLP ISIN: ZAE000088076

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