



IMPERIAL HOLDINGS LIMITED AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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Directors' responsibility for the 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 2018 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Council and the requirements of the South African Companies Act, 2008.

The group's independent external auditors, Deloitte & Touche, have audited the separate and consolidated financial statements and their unmodified report appears on page 2.

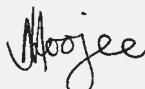
The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material 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 16 to 105 which are available on the group's website at www.imperial.co.za were approved by the board of directors on 20 August 2018 and are signed on their behalf by:



SP Kana
Chairman



M Akoojee
Acting Chief Executive Officer and Chief Financial Officer

Certificate by company secretary

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2018, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, No 71 of 2008, as amended and that all such returns are true, correct and up to date.



RA Venter
Company Secretary

20 August 2018

Preparer of the 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

20 August 2018

Independent auditor's report

to the shareholders of Imperial Holdings Limited



REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Imperial Holdings Limited (the group) set out on pages 16 to 105, which comprise the statements of financial position as at 30 June 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the 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 the group as at 30 June 2018, 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 requirements in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our opinion.

KEY AUDIT MATTERS

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

For the audit committee chairman's review of areas of significant judgement see page 9.

CONSOLIDATED FINANCIAL STATEMENTS

Key audit matter	How our audit addressed the key audit matter
<p>Group restructure</p> <p>The group has undergone an internal restructure in anticipation of the possible unbundling of the Motus business through a distribution to owners of Imperial during the 2019 financial year. The restructure has resulted in:</p> <p>Alignment of the Imperial Logistics and Motus businesses' statutory structures</p> <p>The statutory structures of the Imperial Logistics and Motus businesses have been aligned with their operational structures in order to facilitate the possible unbundling. This has included the sale and transfer of various companies within the group resulting in the recording of significant inter-group profits which are required to be eliminated for the purposes of the consolidated financial statements.</p> <p>Due to the large number of companies which were transferred and the value of the sale and transfer transactions, this has been identified as a key audit matter.</p>	<p>1) Alignment of the Imperial Logistics and Motus businesses statutory structures</p> <p>In order to ensure the internal group restructure was accounted for correctly we focused our audit procedures on the following areas:</p> <ul style="list-style-type: none"> › We performed an in-depth analysis of the inter-group contracts entered into in order to implement the group restructure. › With the assistance of our IFRS accounting experts, we evaluated the accounting treatment adopted by the directors for the different aspects of the internal restructuring against the appropriate accounting standards. › Where necessary we involved our internal corporate finance experts to audit the valuation of the businesses which were transferred. › We involved our taxation experts to assess the tax consequences of the restructuring. › We critically analysed the elimination of the inter-group profits to assess whether appropriate consolidation journal entries had been processed in order to eliminate the inter-group profits. <p>Based on the results of these procedures, we are satisfied that the internal restructuring has been accounted for in accordance with the inter-group contracts and relevant accounting standards and all material inter-group profits arising on the restructure have been eliminated for group purposes.</p>

Key audit matter	How our audit addressed the key audit matter
Group restructure continued	
<p>Presentation of Motus as held for distribution to owners of Imperial</p> <p>The group financial statements have been presented in accordance with IFRS 5 <i>Non-Current Assets Classified as Held for Sale and Discontinued Operations</i> (IFRS 5). This has resulted in:</p> <ul style="list-style-type: none"> › The results of the Motus business being presented as held for distribution to owners of Imperial in the consolidated statement of profit or loss and related notes, including the restatement of the comparative financial information. › The assets and liabilities of the Motus business in the consolidated statement of financial position being presented as held for distribution to owners of Imperial. <p>Due to the significant contribution which the Motus business makes to the group as well as the importance of accurately and completely reflecting the remaining Imperial Logistics business as a continuing operation this has been identified as a key audit matter.</p> <p>Refer to notes 4 and 14 where the disclosure relating to the planned distribution of the Motus business to owners of Imperial is provided.</p>	<p>2) Presentation of Motus as held for distribution to owners of Imperial</p> <p>We evaluated the presentation of the Motus business in the group financial statements against the requirements of IFRS 5 in order to determine whether the requirements of IFRS 5 had been met and were appropriately implemented. This included obtaining an in-depth understanding of the proposed unbundling and the resulting impact on the group's results and financial position. We involved the use of our internal IFRS and JSE experts to assist in these processes. We are satisfied that the presentation of Motus as held for distribution to owners of Imperial is in accordance with the requirements of IFRS 5.</p> <p>We critically reviewed the analysis provided by the directors to confirm that the Imperial Group had been appropriately separated into the Logistics businesses which remain within the existing Imperial Group (continuing operations) and the Motus operations which will be unbundled (held for distribution to owners of Imperial).</p> <p>Based on the results of these procedures, we are satisfied that the split of operations between the continuing Logistics operations and Motus operations to be unbundled are materially correct.</p> <p>We consider that the disclosure provides relevant information on the planned distribution of the Motus business to the owners of Imperial and is in compliance with the relevant accounting standards.</p>
Valuation of goodwill and indeterminate useful life intangible assets	
<p>Goodwill and indeterminate useful life intangible assets comprise 11% (2017: 10%) of the continuing and discontinued assets of the group. Goodwill and indeterminate useful life intangible 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 5, 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 and indeterminate useful life intangible assets relate.</p> <p>The impairment tests of these assets is considered to be a key audit matter.</p> <p>Refer to note 5 for disclosure in this regard.</p>	<p>We focused our testing of the impairment of goodwill and indeterminate useful life intangible assets on the key assumptions made by the directors. Our audit procedures included:</p> <ul style="list-style-type: none"> › Critically evaluating whether the model used by the directors, to calculate the various fair values and values in use of the individual cash generating units, complies with the requirements of IAS 36 <i>Impairment of Assets</i> (IAS 36). › Engaging our internal experts to assist with validating the assumptions used to calculate the discount rates and recalculating these rates. › Analysing the future projected cash flows, including the revenue, operating margins and exchange rate fluctuations, 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 and indeterminate useful life intangible assets to be relevant and useful.</p>

Key audit matter	How our audit addressed the key audit matter
Maintenance and warranty contracts	
<p>The group's Motus operation has a liability for maintenance and warranty contracts, in terms of which they are obligated to provide maintenance and repair services over a future specified period. At 30 June 2018 the value of the liability is R2 846 million (2017: R3 022 million).</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 <i>Revenue</i> is complex. The values recognised are based on the expected earnings curves of the contracts, which are dependent upon forecast 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>The directors have engaged specialists to assist with determining the adequacy of the liabilities for service, maintenance and warranty contracts.</p> <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 1.27 and 14.4.</p>	<p>We assessed and challenged the assumptions that the directors made in valuing the 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 expert 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 independence, objectivity, 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 2018. We are satisfied that the consequential revenue recognised in the period is appropriate. The related disclosure is sufficient.</p>

SEPARATE FINANCIAL STATEMENTS

Key audit matter	How our audit addressed the key audit matter
Group restructure	
<p>The group has undergone an internal restructure in anticipation of the possible unbundling of the Motus business through a distribution to owners of Imperial during the 2019 financial year. The restructure was necessary to align the Imperial Logistics and Motus statutory structures with their current operational structures.</p> <p>The restructuring has resulted in the sale of investments, receipt of investments as dividends in specie and contributions of investments to other companies within the group by Imperial Holdings Limited (the company). In line with certain debt holder requirements, these inter-group transactions were implemented at fair value resulting in significant inter-group profits and increased investments held at a company level. This represents a change in accounting policy in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p> <p>The directors engaged specialists to assist with determining the fair value of the Motus operations transferred to the new holding company.</p> <p>The restructuring and change in accounting policy has resulted in a significant increase in the values of the investments and equity of the company as well as a restatement of the comparative financial information for the year ended 30 June 2018 and is therefore considered to be a key audit matter.</p> <p>Refer to notes 1.10, 2 and 3 of the company financial statements where the necessary disclosure is provided.</p>	<p>In order to ensure the internal group restructure was accounted for correctly we focused our audit procedures on the following areas:</p> <ul style="list-style-type: none"> › We performed an in-depth analysis of the contracts entered into in order to assess the accounting for the sales, dividends in specie and contributions of investments; › With the assistance of our IFRS accounting experts, we evaluated the accounting treatment adopted by the directors against the appropriate accounting standards. › We involved our internal corporate finance experts to audit the valuation of these businesses. › We involved our taxation experts to assess the tax consequences of the restructuring on the company. › For purposes of the Motus valuation, where necessary we made use of our internal corporate finance specialists to assist with: <ul style="list-style-type: none"> • Assessing the appropriateness of the valuation models utilised; and • Testing the appropriateness of the inputs into the valuation models such as cash flow forecasts and earnings multiples. <p>Based on the results of these procedures, we are satisfied that the sales, dividends in specie and contributions of investments in group companies into and out of the company have been correctly accounted for and that the disclosure provided is adequate.</p>

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 auditor's report and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with 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 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 auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- › Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- › Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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



Deloitte & Touche

Trevor Brown

Partner

Registered Auditor

20 August 2018

Report of the audit committee

for the year ended 30 June 2018



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 IV).

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 2018 comprised Mr RJA Sparks (chairman), Mr GW Dempster, Ms T Skweyiya and Ms P Langeni, (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 2019, and their appointments are being submitted to shareholders for approval at the next annual general meeting (AGM) on 30 October 2018. The abridged curricula vitae of the members are included 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.

	Meetings attended
RJA Sparks (chairman) (member since 2006)	4
GW Dempster (member since 2015)	4
T Skweyiya (member since 2014)	4
P Langeni (member since 2005)	4

RM Kgosana and Y Waja resigned as directors and members of the audit committee during the year.

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 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:

- › fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;
- › 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 report and annual financial statements;
- › oversees the activities of, and ensures coordination between, the internal and external auditors;
- › fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;
- › receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters;
- › conducts annual reviews of the 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.

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FINANCE RISK REVIEW COMMITTEES (FIRC)

Due to the size and diverse nature of the group, the audit committee has established divisional FIRCs which perform the functions of the audit committee at the divisions. These FIRCs 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 2018 financial year, it has performed all the functions required to be performed by an audit committee as set out in the Companies 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 Companies Act during the year under review as follows:

External audit

The committee among other matters:

- › nominated Deloitte & Touche and Mr T Brown as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 30 June 2018, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- › nominated the external auditor for each material subsidiary company for re-appointment;
- › reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- › obtained an annual confirmation from the auditor that their independence was not impaired;
- › maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- › approved non-audit services with Deloitte & Touche in accordance with the committee's policy;
- › approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- › obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its material subsidiaries;
- › considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No 26 of 2005;
- › considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment;
- › considered the tenure of the external auditor and found it to be appropriate; and
- › noted the requirement relating to mandatory audit firm rotation and that this will be implemented at the appropriate time.

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

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

Internal audit

The audit committee:

- › reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter;
- › considered the reports of the internal auditor on the group's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- › received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- › reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

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

ADEQUACY AND FUNCTIONING OF THE GROUP'S INTERNAL CONTROLS

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

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

FINANCIAL REPORTING

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

The committee among other matters:

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

Proactive monitoring

The audit committee hereby confirms that it has considered the findings contained in the proactive monitoring reports when preparing the annual financial statements for the year ended 30 June 2018.

KEY AUDIT MATTERS

The audit committee has considered the key audit matters as outlined in the auditor's report on page 2. These matters have been covered in the significant areas of judgement below.

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 1.3 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
- › Maintenance and warranty contracts
- › Put option liabilities
- › Unbundling of Motus and discontinued operations
- › Valuation of subsidiaries sold within the group.

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

Inventories

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

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

The FRRCs and audit committee consider the carrying value of inventory to be fairly stated. Refer to notes 11 and 14.4 in the consolidated annual financial statements for the amounts.

Trade receivables

The significant 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 ageing of the group's trade receivables. Based on the ageing and management's judgement of the receivables' collectability, a provision for doubtful debts is raised.

The FRRCs and audit committee consider the carrying value of trade receivables to be fairly stated. Refer to note 36.1.4 in the consolidated annual financial statements.

Land, buildings and leasehold improvements

These assets need to be assessed annually for their residual value, useful lives and impairment. Buildings have estimated useful lives of 20 years.

To arrive at the residual value of a building in today's values, the usage of the building and its forecast 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.

The FRRCs and the audit committee considered the carrying values to be fairly stated. Refer to notes 6, 14.4 and 26 in the consolidated annual financial statements.

Goodwill and intangible assets

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

The audit committee considered the impairment tests noting the assumptions used, their sensitivities and the head room.

The customer lists and networks are amortised.

FRRCs and the audit committee agreed with the impairment of the goodwill and intangible assets where required and that the carrying value of the goodwill and intangible assets are fairly stated. Refer to notes 5, 14.4, 27 and 37.4 in the annual financial statements for further details.

Tax

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

The FRRCs 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 advisers.

The audit committee considers the probability of the recovery of significant deferred tax assets, based on forecasts prepared by management.

The effective tax rate for continuing operations of 35,2% was up compared to 21,9% in the prior year mainly due to the recognition of tax assets in the previous year.

No significant tax issues arose during the year.

Refer to notes 1.17, 9 and 29 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 forecast 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 1.19, 1.27 and 14.4 for further details.

Put option liabilities

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

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

The audit committee considers that the carrying value is fairly reflected. Refer to notes 1.27, 21, 36.2.1 and the statement of changes in equity for further details.

Unbundling of Motus and discontinued operations

Motus covers the areas of the group that import, distribute, retail and rent vehicles together with allied operations in Aftermarket Parts and Motor-Related Financial Services.

At the board of directors meeting on 21 June 2018 it was agreed to proceed with the unbundling of the Motus operations subject to shareholder approval. The group has been restructured to ensure all of the Motus subsidiaries are now owned by Motus Holdings Limited which will be unbundled to shareholders. For every share owned in Imperial, a share in Motus Holdings Limited will be received by shareholders.

This has resulted in the Motus operations being disclosed as discontinued as at 30 June 2018. The 2017 statement of profit or loss has been restated accordingly.

Refer to note 4 for the presentation of Motus as a discontinued operation and note 14 for the results of the discontinued operation.

Valuation of subsidiaries sold within the group

Subsidiaries sold within the group as a part of the group restructure were done at fair value as required by the group's bankers. Significant judgement is required for the inputs used in the valuation models that resulted in the fair values.

Refer to notes 1.3, 1.10, 2 and 3 of the company financial statements for further details.

As noted below under common control all resulting profits arising from the group restructure have been eliminated in the group results.

Other significant group restatements

It was identified that the elimination of inter-member revenue eliminations have not been performed historically in Palletways. This elimination is between revenue and operating costs and had no impact on the operating or attributable profits.

Refer to note 3 for details of the prior year restatement.

COMMON CONTROL

The restructuring of the group to create Motus Holdings Limited and its subsidiaries was done to internally sell the entities at fair value. This resulted in the creation of a profit on sale by the selling entity and a premium paid by the acquiring entity above the net asset value of the entities sold and is included as a negative common control reserve in equity and is not reflected as an asset.

At the Imperial Holdings Limited Group level the profit has been eliminated against common control reserve in equity and so has no effect on the consolidated financial statements.

Motus Holdings Limited acquired its subsidiaries from Imperial Holdings Limited at fair value and settled the purchase price by a share issue. When Motus Holdings Limited is unbundled, the common control reserve will reflect as a reduction to equity offsetting the share issue which was made at fair value.

QUALITY OF EARNINGS

The reconciliation of the attributable profits to headline earnings is outlined in note 30.

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 whistle-blowing 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 section 3.84(h) of the JSE Limited Listings Requirements, the audit committee has satisfied itself that the chief financial officer, Mr M Akoojee, has the appropriate expertise and experience. In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the group's requirements.

SUBSIDIARY COMPANIES

The functions of the committee are also performed for each subsidiary company of Imperial Holdings Limited that has not appointed an audit committee, on the basis that the committee delegates the performance of such functions to sub-committees referred to as finance and risk review committees.

Divisional finance and risk review committees have been constituted and these committees report significant issues to the group audit committee. Each divisional finance and risk review committee is chaired by an independent chairman with no operational role in the divisions.

INTEGRATED REPORT

Following the review by the committee of the consolidated and separate annual financial statements of Imperial Holdings Limited for the year ended 30 June 2018, the committee is of the view that in all material respects they comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended.

The committee will also satisfy itself of the integrity of the integrated report and the sustainability information reported therein.

Having achieved its objectives, the committee has recommended the consolidated and separate annual financial statements and the integrated report for the year ended 30 June 2018 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.



R Sparks
Chairman

20 August 2018

Directors' report

for the year ended 30 June 2018



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 48 000 people who generate annual revenues in excess of R128 billion, in more than 30 countries on five continents.

FINANCIAL PERFORMANCE

During the year the decision to unbundle Motus was taken resulting in classification as a discontinued operation. The net attributable profit from continuing operations was R928 million (2017: R802 million).

The group net attributable profit for the year amounted to R3 273 million (2017: R2 601 million). Basic earnings per share for the year was 1 681 cents (2017: 1 339 cents).

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

SHARE CAPITAL

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

The number of shares in issue on 30 June 2018 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	201 139 981	(3 472 583)	197 667 398
Deferred ordinary shares converted to ordinary shares	831 469		831 469
Ordinary shares acquired to hedge share schemes		(712 857)	(712 857)
Ordinary shares delivered to settle share schemes		1 000 105	1 000 105
Ordinary shares at the end of year	201 971 450	(3 185 335)	198 786 115
Deferred ordinary shares			
The movement in the deferred ordinary shares was as follows:			
Deferred ordinary shares at the beginning of year	8 530 829		8 530 829
Converted into ordinary shares	(831 469)		(831 469)
Deferred ordinary shares at the end of year	7 699 360		7 699 360
Total issued shares	209 670 810	(3 185 335)	206 485 475
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. Refer to page 15 for details of the subsequent events.

DIRECTORS AND SECRETARY

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

In accordance with the memorandum of incorporation, P Cooper, P Langeni and T Skweyiya retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election. This is subject to any changes required by the unbundling of Motus.

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

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

IMPERIAL HOLDINGS SHARE APPRECIATION RIGHTS, DEFERRED BONUS AND CONDITIONAL SHARE PLAN SCHEMES

Details of the rights granted in terms of the schemes are set out in note 17.2 of this report.

DIVIDENDS

Details of the dividends declared are set out in note 32 of this report.

SUBSIDIARIES

Details of the company's principal subsidiaries are reflected in note 37.1 of this report.

MATERIAL SUBSIDIARIES ACQUIRED BY THE GROUP

Details of material subsidiaries acquired are reflected in note 37.4 of this report.

Material subsidiaries disposed of by the group

	Nature of business	Percentage interest
Schirm GmbH	Contract manufacturing	100%
Transport Holdings Botswana	Transport and warehousing	100%

RESTATEMENT OF 2017

The Motus operations have been classified as discontinued operations (held for distribution to owners of Imperial) with effect from 30 June 2018 following the decision by the board of directors to unbundle Motus Holdings to shareholders on a one-for-one basis. This required the restatement of the 2017 statement of profit or loss. Refer to note 4.

The revenue for the Palletways Group was restated down to eliminate inter-member revenue not previously dealt with.

There were restatements to the prior year cash flow statement due to the change in the definition of cash and cash equivalents.

See note 3 for details.

SPECIAL RESOLUTIONS

The company passed the following special resolutions at its annual general meeting held on 31 October 2017:

- › Granting to the directors of the company general authority for the acquisition by the company or any subsidiary, of ordinary shares in the company.
- › Granting to the directors of the company specific authority to provide financial assistance to related and inter-related parties as contemplated in section 44 and 45 of the Companies Act, 2008 (the Act).
- › Approving the directors' fees payable from 1 July 2017 to 30 June 2018.

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

- › Granting to the directors of the companies specific authority to provide financial assistance to related and inter-related parties as contemplated in section 45 of the Act.
- › Granting to the companies authority to make distributions as contemplated in section 46 of the Act.
- › Approving directors' fees.
- › Adopting new memoranda of incorporation.

EVENTS AFTER THE REPORTING PERIOD

Shareholders are advised that a preference and an ordinary dividend has been declared by the board of Imperial on 20 August 2018. For more detail please refer to note 32.

On 6 August 2018 the group redeemed its listed issued bonds at market value out of existing facilities at a premium to their carrying value of R14 million.

On 13 August 2018 the group published an announcement of its intention to redeem the non-redeemable preference shares which are classified as debt on the statement of financial position. This is subject to shareholder approval.

ACCOUNTING POLICIES AND NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

These are outlined in notes 1 and 2 of this report.

Consolidated statement of financial position[^]

at 30 June 2018



	Notes [^]	2018 Rm	2017 Rm	2016 Rm
ASSETS				
Goodwill and intangible assets	5	8 575	9 529	7 501
Investment in associates and joint ventures	37.3	752	1 002	993
Property, plant and equipment	6	3 042	10 371	11 602
Transport fleet	7	5 358	5 560	5 953
Deferred tax assets	9	783	1 509	1 387
Investments and other financial assets	10	206	805	404
Vehicles for hire	8		3 963	3 469
Inventories	11	2 194	16 953	16 717
Tax in advance		364	330	484
Trade and other receivables	12	9 774	13 353	12 717
Cash resources	13	2 818	4 499	2 321
Assets held for distribution to owners of Imperial	14	36 637		
Assets and businesses held for sale			979	6 287
Total assets		70 503	68 853	69 835
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium	15	1 030	1 030	1 030
Shares repurchased	16	(560)	(574)	(1 226)
Other reserves	17	271	24	1 003
Retained earnings		22 050	20 262	19 366
Attributable to owners of Imperial		22 791	20 742	20 173
Put arrangement over non-controlling interest		(566)	(1 148)	(1 307)
Non-controlling interest		900	667	909
Total equity		23 125	20 261	19 775
Liabilities				
Non-redeemable non-participating preference shares	18	441	441	441
Retirement benefit obligation	19	1 216	1 229	1 531
Interest-bearing borrowings	20	6 626	13 235	14 531
Maintenance and warranty contracts			3 022	3 156
Deferred tax liabilities	9	1 137	1 115	881
Other financial liabilities	21	1 209	1 952	2 335
Provisions for liabilities and other charges	22	521	1 012	778
Trade and other payables	23	9 566	20 338	18 852
Current tax liabilities		236	337	673
Current portion of interest-bearing borrowings	20	1 472	5 911	3 865
Liabilities associated with assets held for distribution to owners of Imperial	14	24 954		
Liabilities associated with businesses held for sale				3 017
Total liabilities		47 378	48 592	50 060
Total equity and liabilities		70 503	68 853	69 835

[^] Please refer to note 4 on page 42.

Consolidated statement of profit or loss[^]

for the year ended 30 June 2018



	Notes [^]	2018 Rm	2017~ Rm
CONTINUING OPERATIONS			
Revenue	24	51 303	49 635
Net operating expenses	25	(47 408)	(45 772)
Profit from operations before depreciation and recoupments		3 895	3 863
Depreciation, amortisation, impairments and recoupments	26.1	(1 082)	(1 124)
Operating profit		2 813	2 739
Recoupments from sale of properties, net of impairments	26.2	22	181
Amortisation of intangible assets arising on business combinations		(417)	(505)
Foreign exchange losses		(50)	(194)
Other non-operating items	27	(113)	(257)
Profit before net finance costs		2 255	1 964
Finance cost	28	(756)	(1 030)
Finance income	28	107	199
Profit before share of results of associates and joint ventures		1 606	1 133
Share of results of associates and joint ventures		56	61
Profit before tax		1 662	1 194
Income tax expense	29	(566)	(228)
Profit for the year from continuing operations		1 096	966
DISCONTINUED OPERATIONS			
Profit for the year from Motus (held for distribution to owners of Imperial)		2 312	1 599
Profit for the year from Regent		2 312	1 320
			279
Net profit for the year		3 408	2 565
Net profit attributable to:			
Owners of Imperial			
		3 273	2 601
– Continuing operations		928	802
– Discontinued operations		2 345	1 799
Motus		2 345	1 571
Regent			228
Non-controlling interest			
		135	(36)
– Continuing operations		168	164
– Discontinued operations		(33)	(200)
Motus		(33)	(251)
Regent			51
Earnings per share (cents)	30		
Continuing operations			
– Basic		477	412
– Diluted		463	401
Discontinued operations			
– Basic		1 204	927
Motus		1 204	809
Regent			118
– Diluted		1 171	901
Motus		1 171	786
Regent			115
Total operations			
– Basic		1 681	1 339
– Diluted		1 634	1 302

[^] Please refer to note 4 on page 42.

~ Represented for discontinued operations. Revenue for continuing operations was restated, refer to note 3.1.

Consolidated statement of comprehensive income[^]

for the year ended 30 June 2018

	2018 Rm	2017 Rm
Net profit for the year	3 408	2 565
Other comprehensive income (loss)	655	(405)
Items that may be reclassified subsequently to profit or loss	722	(521)
Exchange gains (losses) arising on translation of foreign operations	538	(724)
Reclassification of gain on disposal of investment in associate		(8)
Movement in hedge accounting reserve	184	211
– Effective portion of changes in fair value of cash flow hedges	272	334
– Amount removed from hedge accounting reserve on matured contracts	29	(90)
– Income tax relating to hedge accounting reserve movements	(117)	(33)
Items that will not be reclassified subsequently to profit or loss	(67)	116
Remeasurement of defined benefit obligations	(75)	199
Income tax on remeasurement of defined benefit obligations	8	(83)
Total comprehensive income for the year	4 063	2 160
Total comprehensive income attributable to:		
Owners of Imperial	3 899	2 209
Non-controlling interest	164	(49)
	4 063	2 160

[^] Please refer to note 4 on page 42.

Consolidated statement of cash flows[^]

for the year ended 30 June 2018



	Notes [^]	2018 Rm	2017~ Rm
Cash flows from operating activities			
Cash receipt from customers		127 688	118 856
Cash paid to suppliers and employees		(118 156)	(109 780)
Cash generated by operations before interest and taxes paid	31.1	9 532	9 076
Finance cost paid		(1 525)	(1 920)
Finance income received		139	250
Tax paid		(1 336)	(1 520)
Cash generated by operations before capital expenditure on rental assets		6 810	5 886
Expansion capital expenditure – rental assets		(293)	(1 118)
Net replacement capital expenditure – rental assets		(786)	(591)
– Expenditure		(4 052)	(3 422)
– Proceeds		3 266	2 831
		5 731	4 177
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	31.2	(1 211)	(1 706)
Disposal of subsidiaries and businesses	31.3	2 070	19
Net proceeds from the sale of fixed assets – excluding rental assets		1 248	45
Net replacement capital expenditure – excluding rental assets	31.4	(1 008)	(999)
Net movement in other associates and joint ventures			514
Net movement in investments, loans and non-current financial instruments		(209)	188
		890	(1 939)
Cash flows from financing activities			
Hedge cost premium paid		(362)	(10)
Settlement of cross-currency swap instruments		(152)	
Repurchase of ordinary shares		(113)	
Dividends paid		(1 478)	(1 688)
Change in non-controlling interests		(684)	(252)
Capital raised from non-controlling interests		223	149
Net (decrease) increase in other interest-bearing borrowings	31.5	(4 382)	613
		(6 948)	(1 188)
Net (decrease) increase in cash resources			
Effects of exchange rate changes on cash resources in a foreign currency		129	(224)
Cash resources at beginning of year		4 499	3 673
Cash resources at end of year	31.6	4 301	4 499

[^] Please refer to note 4 on page 42.

~ Restated, refer to note 3.2.

Consolidated statement of changes in equity[^]

for the year ended 30 June 2018



	Share capital and premium Rm	Shares repurchased Rm	Share-based payment reserve Rm	Hedge accounting reserve Rm	Statutory reserve Rm
At 30 June 2016	1 030	(1 226)	(165)	(152)	242
Total comprehensive income for the year				159	
Transfer of reserves on disposal of Mix Telematics Limited					
Movement in statutory reserve					11
Share-based cost charged to profit or loss			150		
Share-based equity reserve transferred to retained earnings on vesting			102		
Shares delivered to settle share-based obligations		39	(39)		
Share-based equity reserve hedge cost			(222)		
Ordinary dividend of 425 cents per share paid in September 2016					
Ordinary dividend of 320 cents per share paid in March 2017					
Cancellation of 7 865 456 ordinary shares		613			
Non-controlling interest acquired, net of disposals and shares issued					
Net decrease in non-controlling interest through buy-outs					
Realisation on disposal of subsidiaries					(228)
Non-controlling interest share of dividends					
At 30 June 2017	1 030	(574)	(174)	7	25
Total comprehensive income for the year				193	
Share-based cost charged to profit or loss			219		
Share-based equity reserve transferred to retained earnings on vesting			135		
Shares delivered to settle share-based obligations		170	(170)		
Share-based equity reserve hedge cost			(32)		
Ordinary dividend of 330 cents per share paid in September 2017					
Ordinary dividend of 323 cents per share paid in March 2018					
Repurchase of 712 857 shares at an average cost of R219 per share		(156)			
Non-controlling interest acquired, net of disposals and shares issued					
Net decrease in non-controlling interest through buy-outs					
Realisation on disposal of subsidiaries					
Non-controlling interest share of dividends					
At 30 June 2018	1 030	(560)	(22)	200	25

[^] Please refer to note 4 on page 42.

Consolidated statement of changes in equity[^]

— continued

for the year ended 30 June 2018

Foreign currency reserve Rm	Premium paid on purchase of non- controlling interest Rm	Valuation reserve Rm	Changes in net assets of associates and joint ventures Rm	Retained earnings Rm	Attributable to owners of Imperial Rm	Put arrangement over non- controlling interest Rm	Non- controlling interest Rm	Total equity Rm
1 691	(706)	8	85	19 366	20 173	(1 307)	909	19 775
(659)		(8)		2 717	2 209		(49)	2 160
(50)	27		(85)	108				
				(11)	150			150
				(102)				
					(222)			(222)
				(831)	(831)			(831)
				(630)	(630)			(630)
				(613)				
	(167)				(167)	159	119	119
(32)	62			258	60		(85)	(93)
							(227)	60
								(227)
950	(784)			20 262	20 742	(1 148)	667	20 261
500				3 206	3 899		164	4 063
					219			219
				(135)				
					(32)			(32)
				(649)	(649)			(649)
				(636)	(636)			(636)
					(156)			(156)
	(596)				(596)	582	350	350
(2)				2			(88)	(102)
							(193)	(193)
1 448	(1 380)			22 050	22 791	(566)	900	23 125

Segmental information – continuing operations

at 30 June 2018



FINANCIAL POSITION	Imperial		Logistics South Africa		Logistics African Regions	
	2018	2017	2018	2017	2018	2017
R million						
Assets						
Goodwill and intangible assets	8 575	9 529	860	920	2 601	2 210
Property, plant and equipment	3 042	10 371	1 333	1 256	387	356
Transport fleet	5 358	5 560	2 475	2 528	156	306
Vehicles for hire		3 963				
Investments in associates (excluding loans advanced to associates)	510	686	70	17	296	298
Investments	30	403	29	23		
Inventories	2 194	16 953	417	324	1 623	1 157
Trade and other receivables	9 774	13 353	4 080	3 824	1 993	1 356
Cash resources		207				
Operating assets*	29 483	61 025	9 264	8 892	7 056	5 683
– South Africa	9 050	34 668	9 264	8 892		
– Rest of Africa	7 056	6 464			7 056	5 683
– International	13 377	19 893				
Liabilities						
Retirement benefit obligations	1 216	1 229				
Maintenance and warranty contracts		3 022				
Trade and other payables and provisions	10 087	21 350	3 727	4 076	2 387	1 922
Other financial liabilities	194	399	24	33	157	76
Operating liabilities*	11 497	26 000	3 751	4 109	2 544	1 998
– South Africa	4 055	15 773	3 751	4 109		
– Rest of Africa	2 544	2 223			2 544	1 998
– International	4 898	8 004				
Net working capital*	1 881	8 956	770	72	1 229	591
– South Africa	434	6 963	770	72		
– Rest of Africa	1 229	914			1 229	591
– International	218	1 079				
Net debt*	5 720	15 088	2 217	1 108	659	2 473
– South Africa	1 944	7 182	2 217	1 108		
– Rest of Africa	659	2 781			659	2 473
– International	3 117	5 125				
Net capital expenditure^{^*}	(839)	(2 710)	(397)	141	216	(93)
– South Africa	(1 213)	(1 900)	(397)	141		
– Rest of Africa	161	(165)			216	(93)
– International	213	(645)				

~ The assets and liabilities of Motus at 30 June 2018 have been reclassified to assets held for distribution to owners of Imperial and are therefore not included on this segment financial position for 2018. Refer to page 24 for a Motus segment financial position.

[^] Net capital expenditure for 2017 excludes Regent's net capital expenditure inflow of R47 million. The net capital expenditure on the statement of cash flows amounts to R2 663 million which includes the R47 million inflow from Regent.

* Refer to glossary of terms on page 107.

Segmental information – continuing operations – continued

at 30 June 2018

Logistics International		Eliminations		Total Logistics		Head Office and Eliminations		Motus~	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
5 105	5 540	21	4	8 587	8 674	(12)	9		846
1 433	2 278	54	178	3 207	4 068	(165)	90		6 213
2 760	2 763			5 391	5 597	(33)	(37)		3 963
176	137	(39)		503	452	7	8		226
5	5			34	28	(4)	54		321
154	249			2 194	1 730				15 223
3 744	3 830	(11)	83	9 806	9 093	(32)	(16)		4 276
									207
13 377	14 802	25	265	29 722	29 642	(239)	108		31 275
		25	265	9 289	9 157	(239)	(15)		25 526
13 377	14 802			7 056	5 683				781
				13 377	14 802		123		4 968
1 216	1 229			1 216	1 229				3 022
3 680	3 945	142	276	9 936	10 219	151	228		10 903
2		(1)		182	109	12	172		118
4 898	5 174	141	276	11 334	11 557	163	400		14 043
		141	276	3 892	4 385	163	372		11 016
4 898	5 174			2 544	1 998				225
				4 898	5 174		28		2 802
218	134	(153)	(193)	2 064	604	(183)	(244)		8 596
		(153)	(193)	617	(121)	(183)	(369)		7 453
218	134			1 229	591				323
				218	134		125		820
3 117	5 516	(195)	198	5 798	9 295	(78)	14		5 779
		(195)	198	2 022	1 306	(78)	817		5 059
3 117	5 516			659	2 473				308
				3 117	5 516		(803)		412
(373)	(554)	(24)	14	(578)	(492)	61	(45)	(322)	(2 173)
		(24)	14	(421)	155	61	(44)	(853)	(2 012)
(373)	(554)			216	(93)			(55)	(71)
				(373)	(554)		(1)	586	(90)

Segmental information – discontinued operations

at 30 June 2018



FINANCIAL POSITION	Motus		Vehicle Import and Distribution	
	2018	2017	2018	2017
R million				
Assets				
Goodwill and intangible assets	1 230	846	122	110
Property, plant and equipment	6 787	6 213	682	511
Vehicles for hire	3 924	3 963	1 685	1 991
Investments in associates (excluding loans advanced to associates)	263	226	27	21
Investments	653	321	4	4
Inventories	15 636	15 223	3 798	5 445
Trade and other receivables	5 258	4 276	2 649	1 977
Cash resources		207		
Operating assets*	33 751	31 275	8 967	10 059
– South Africa	24 471	25 526	8 448	9 439
– Rest of Africa	710	781	519	620
– International	8 570	4 968		
Liabilities				
Maintenance and warranty contracts	2 846	3 022		
Trade and other payables and provisions	14 014	10 903	5 766	5 212
Other financial liabilities	94	118	50	102
Operating liabilities*	16 954	14 043	5 816	5 314
– South Africa	11 571	11 016	5 593	5 105
– Rest of Africa	253	225	223	209
– International	5 130	2 802		
Net working capital*	6 880	8 596	681	2 210
– South Africa	5 183	7 453	493	1 916
– Rest of Africa	229	323	188	294
– International	1 468	820		
Net debt*	5 845	5 779	1 099	2 895
– South Africa	4 796	5 059	960	2 658
– Rest of Africa	196	308	139	237
– International	853	412		
Net capital expenditure*	(322)	(2 173)	(124)	(1 227)
– South Africa	(853)	(2 012)	(120)	(1 212)
– Rest of Africa	(55)	(71)	(4)	(15)
– International	586	(90)		

* Refer to glossary of terms on page 107.

Segmental information – discontinued operations – continued

at 30 June 2018

Vehicle Retail and Rental		Aftermarket Parts		Motor-Related Financial Services		Eliminations	
2018	2017	2018	2017	2018	2017	2018	2017
649	355	455	364	4	9		8
5 590	5 279	420	413	109	11	(14)	(1)
2 231	1 959			1 732	1 915	(1 724)	(1 902)
53	17	122	119	52	61	9	8
				653	317	(4)	
10 167	8 350	1 446	1 121	270	397	(45)	(90)
3 131	2 295	691	592	453	682	(1 666)	(1 270)
					207		
21 821	18 255	3 134	2 609	3 273	3 599	(3 444)	(3 247)
13 333	13 198	2 912	2 588	3 273	3 599	(3 495)	(3 298)
172	139	19	21				1
8 316	4 918	203				51	50
				2 895	2 915	(49)	107
9 435	6 936	1 127	987	709	747	(3 023)	(2 979)
43	11	1	5				
9 478	6 947	1 128	992	3 604	3 662	(3 072)	(2 872)
4 365	4 132	1 082	989	3 604	3 662	(3 073)	(2 872)
23	13	7	3				
5 090	2 802	39				1	
3 863	3 709	1 010	726	14	332	1 312	1 619
2 429	2 871	933	716	14	332	1 314	1 618
32	18	10	10			(1)	1
1 402	820	67				(1)	
4 648	3 678	945	555	(1 426)	(1 450)	579	101
3 638	3 239	1 068	536	(1 426)	(1 450)	556	76
39	52	18	19				
971	387	(141)				23	25
(170)	(1 112)	(14)	(263)	8	(596)	(22)	1 025
(706)	(967)	(14)	(262)	8	(596)	(21)	1 025
(51)	(55)		(1)				
587	(90)					(1)	

Segmental information – continuing operations

for the year ended 30 June 2018



PROFIT OR LOSS R million	Imperial		Logistics South Africa		Logistics African Regions	
	2018	2017 [^]	2018	2017	2018	2017
Revenue	51 303	49 635	16 324	16 106	10 251	8 647
– South Africa	16 214	16 416	16 324	16 106		
– Rest of Africa	10 823	9 947			10 251	8 647
– International	24 266	23 272				
Operating profit	2 813	2 739	950	936	708	702
– South Africa	926	906	950	936		
– Rest of Africa	759	740			708	702
– International	1 128	1 093				
Depreciation, amortisation, impairments and recoupments	(1 477)	(1 448)	(509)	(386)	(288)	(239)
– South Africa	(526)	(407)	(509)	(386)		
– Rest of Africa	(297)	(260)			(288)	(239)
– International	(654)	(781)				
Net finance cost	(649)	(831)	(276)	(298)	(223)	(212)
– South Africa	(205)	(389)	(276)	(298)		
– Rest of Africa	(232)	(229)			(223)	(212)
– International	(212)	(213)				
Pre-tax profits~	1 837	1 344	683	771	292	85
– South Africa	758	659	683	771		
– Rest of Africa	332	101			292	85
– International	747	584				
ADDITIONAL SEGMENT INFORMATION						
Analysis of revenue by type						
– Sale of goods	9 747	8 751	1 072	860	8 664	7 106
– Rendering of services	41 556	40 884	15 148	15 186	1 523	1 474
External revenue	51 303	49 635	16 220	16 046	10 187	8 580
Inter-group revenue			104	60	64	67
	51 303	49 635	16 324	16 106	10 251	8 647
Analysis of depreciation, amortisation, impairments and recoupments	(1 477)	(1 448)	(509)	(386)	(288)	(239)
Depreciation and amortisation	(1 126)	(1 204)	(539)	(553)	(80)	(83)
Recoupments and impairments	66	261	78	211	(22)	10
Amortisation of intangible assets arising from business combinations	(417)	(505)	(48)	(44)	(186)	(166)
Share of results of associates (included in pre-tax profits)	56	61	7	5	14	19
Operating margin (%)	5,5	5,5	5,8	5,8	6,9	8,1

~ Refer to glossary of terms on page 107.

[^] Revenue restated refer to note 3 on page 41.

Segmental information – continuing operations – continued

for the year ended 30 June 2018

Logistics International		Businesses held for sale		Eliminations		Total Logistics		Head Office and Eliminations	
2018	2017 [^]	2018	2017	2018	2017	2018	2017	2018	2017
23 200	21 517	1 717	3 522	(93)	(77)	51 399	49 715	(96)	(80)
		79	469	(93)	(77)	16 310	16 498	(96)	(82)
		572	1 300			10 823	9 947		
23 200	21 517	1 066	1 753			24 266	23 270		2
1 084	972	111	159		(5)	2 853	2 764	(40)	(25)
		2	(12)		(5)	952	919	(26)	(13)
		51	38			759	740		
1 084	972	58	133			1 142	1 105	(14)	(12)
(643)	(637)	(21)	(166)	(7)	(6)	(1 468)	(1 434)	(9)	(14)
		(1)	(5)	(7)	(6)	(517)	(397)	(9)	(10)
		(9)	(21)			(297)	(260)		
(643)	(637)	(11)	(140)			(654)	(777)		(4)
(221)	(195)	(22)	(52)	32	(11)	(710)	(768)	61	(63)
		(9)	(10)	32	(11)	(244)	(319)	39	(70)
		(13)	(17)			(232)	(229)		
(221)	(195)	(13)	(25)			(234)	(220)	22	7
702	563	80	17	33	(16)	1 790	1 420	47	(76)
		2	(29)	33	(16)	718	726	40	(67)
		40	16			332	101		
702	563	38	30			740	593	7	(9)
			772	11	12	9 747	8 750		1
23 186	21 517	1 665	2 627	34	44	41 556	40 848		36
23 186	21 517	1 665	3 399	45	56	51 303	49 598		37
14		52	123	(138)	(133)	96	117	(96)	(117)
23 200	21 517	1 717	3 522	(93)	(77)	51 399	49 715	(96)	(80)
(643)	(637)	(21)	(166)	(7)	(6)	(1 468)	(1 434)	(9)	(14)
(491)	(487)	(15)	(87)	(7)	(6)	(1 132)	(1 216)	6	12
25	66					81	287	(15)	(26)
(177)	(216)	(6)	(79)			(417)	(505)		
29	28					50	52	6	9
4,7	4,5					5,6	5,6		

Segmental information – discontinued operations

for the year ended 30 June 2018

PROFIT OR LOSS R million	Motus		Vehicle Import and Distribution		Vehicle Retail and Rental	
	2018	2017	2018	2017	2018	2017 [^]
Revenue	77 659	66 540	20 128	18 157	62 759	53 362
– South Africa	53 798	50 842	19 144	17 116	40 051	38 850
– Rest of Africa	1 199	1 224	984	1 041	176	150
– International	22 662	14 474			22 532	14 362
Operating profit	3 593	3 310	788	728	1 687	1 478
– South Africa	3 095	2 903	748	730	1 258	1 067
– Rest of Africa	94	52	40	(2)	54	57
– International	404	355			375	354
Depreciation, amortisation, impairments and recoupments	(751)	(1 390)	(515)	(622)	(182)	(721)
– South Africa	(1 206)	(1 287)	(495)	(606)	(657)	(635)
– Rest of Africa	(62)	(42)	(20)	(16)	(42)	(25)
– International	517	(61)			517	(61)
Net finance cost	(737)	(849)	(347)	(499)	(429)	(356)
– South Africa	(589)	(751)	(328)	(483)	(302)	(276)
– Rest of Africa	(31)	(27)	(19)	(16)	(12)	(11)
– International	(117)	(71)			(115)	(69)
Pre-tax profits~	3 448	2 090	432	(178)	1 842	1 127
– South Africa	2 516	1 789	435	(145)	935	809
– Rest of Africa	40	32	(3)	(33)	42	46
– International	892	269			865	272
ADDITIONAL SEGMENT INFORMATION						
Analysis of revenue by type						
– Sale of goods	68 668	58 836	7 920	6 274	54 727	46 317
– Rendering of services	8 712	7 418	222	186	7 195	6 372
External revenue	77 380	66 254	8 142	6 460	61 922	52 689
Inter-group revenue	279	286	11 986	11 697	837	673
	77 659	66 540	20 128	18 157	62 759	53 362
Analysis of depreciation, amortisation, impairments and recoupments	(751)	(1 390)	(515)	(622)	(182)	(721)
Depreciation and amortisation	(1 340)	(1 371)	(527)	(637)	(760)	(690)
Recoupments and impairments	604	(3)	12	15	585	(20)
Amortisation of intangible assets arising from business combinations	(15)	(16)			(7)	(11)
Share of results of associates (included in pre-tax profits)	34	42	12	(6)	3	3
Operating margin (%)	4,6	5,0	3,9	4,0	2,7	2,8

~ Refer to glossary of terms on page 107.

[^] Revenue of R2 271 million was incorrectly included in Vehicle Retail and Rental's inter-group revenue. 2017 had been restated to reallocate the R2 271 million from Vehicle Retail and Rental to Eliminations. The impact was a decrease in the revenue of Vehicle Retail and Rental with an opposite increase in Elimination. Motus' total revenue remained the same.

Segmental information – discontinued operations – continued

for the year ended 30 June 2018

Aftermarket Parts		Motor-Related Financial Services		Businesses held for sale		Eliminations	
2018	2017	2018	2017	2018	2017	2018	2017 [^]
6 632	6 153	2 166	2 036		427	(14 026)	(13 595)
6 464	6 120	2 166	2 036		315	(14 027)	(13 595)
38	33					1	
130					112		
447	406	889	833		(2)	(218)	(133)
421	409	889	833		(3)	(221)	(133)
(1)	(3)					1	
27					1	2	
(40)	(41)	(174)	(183)			160	177
(40)	(40)	(174)	(183)			160	177
	(1)						
(68)	(69)	(49)	(10)		(11)	156	96
(66)	(69)	(49)	(10)		(10)	156	97
(2)					(1)		(1)
388	364	844	828		(16)	(58)	(35)
362	345	844	828		(13)	(60)	(35)
	19					1	
26					(3)	1	
6 540	6 055				371	(519)	(181)
2	2	1 098	823		50	195	(15)
6 542	6 057	1 098	823		421	(324)	(196)
90	96	1 068	1 213		6	(13 702)	(13 399)
6 632	6 153	2 166	2 036		427	(14 026)	(13 595)
(40)	(41)	(174)	(183)			160	177
(39)	(37)	(173)	(184)			159	177
6	1	(1)	1			2	
(7)	(5)					(1)	
15	39	4	5				1
6,7	6,6	41,0	40,9				

Notes to the consolidated annual financial statements

for the year ended 30 June 2018

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 for determining the components of cash and cash equivalents as detailed in note 3.2 on page 42.

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 2018 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 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 inter-group 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.

1.4 Business combinations

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

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

The excess of the aggregate of the consideration transferred, the non-controlling interest and the acquisition date fair value of previously held equity interest over the fair value of the identifiable net assets acquired is recognised as goodwill.

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

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.

Assets and liabilities acquired in a combination of entities or businesses under common control are accounted for at predecessor carrying values. The excess of the purchase price over the net carrying value of the assets and liabilities acquired, paid by the acquiring entity, are eliminated against the profit on the disposal of the selling entity. Therefore the consolidated financial statements are not affected by business combinations under common control.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

1.5 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.

1.6 Investment in associates

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

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

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

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

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

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

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

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

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

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

Ukhamba Holdings (Pty) Ltd (Ukhamba)

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

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

1.7 Interests in joint ventures

The group's interest in joint ventures is accounted in the same manner as investments in associates described above.

1.8 Goodwill

Goodwill arising on acquisition is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised.

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

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

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.

1.9 Intangible assets

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

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

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

Intangible assets are not revalued. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

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

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

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

1.10 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.

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

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

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

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.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

Depreciation commences when the assets are ready for their intended use and is recognised in profit or loss.

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

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

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

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

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

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

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

1.12 Inventories

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

- › Vehicles at specific cost
- › Spares and accessories weighted average cost
- › Fuel, oil and merchandise first in, first out
- › Fast moving consumer goods first in, first out.

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

1.13 Leases

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

The group as lessor

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

Assets leased under operating leases are included under the appropriate category of assets in the statement of financial position.

They are depreciated over their expected useful lives on a basis consistent with similar items of property, plant and equipment.

The group as lessee

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

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

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

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

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

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

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

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

1.14 Incentive schemes

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

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

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

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

1.15 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.

1.16 Provisions

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

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

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

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

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

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.

1.17 Income taxes

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

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.

1.18 Assets and associated liabilities held for distribution to owners of Imperial

The assets and associated liabilities held for distribution to owners of Imperial are measured at the lower of its carrying amount or fair value less cost to distribute. No impairment was required immediately after the initial classification as held for distribution, hence the assets and liabilities are measured at their carrying amounts at initial classification on 30 June 2018. For the presentation of the discontinued operation refer to note 4.

1.19 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 are 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 1.13.

Revenue from vehicle maintenance and warranty 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 forecast inflationary adjustment on an annual basis. The balance of the unearned revenue is recognised on termination of the contract when the contract mileage has been reached.

1.20 Interest and dividend income

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

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

1.21 Borrowing costs

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

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

1.22 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 associate's 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.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

Headline earnings per share

The presentation of headline earnings per share is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 4/2018 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

1.23 Share issues costs, shares repurchased, share-based payments and dividend payments

Share issue costs

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

Shares repurchased

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

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.

1.24 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.

1.25 Segment information

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

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

Segment revenue reflects both sales to external parties and inter-group 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.

1.26 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 or loss is recognised in other comprehensive income and accumulated in the valuation reserve in equity until the investment is disposed of or impaired, at which time the cumulative gain or loss deferred in equity is reclassified to profit or loss.

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

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

Subsequent measurement of financial liabilities

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

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

Hedge accounting

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

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

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

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

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

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a loss or a portion thereof has been considered to be unrecoverable the amount that is not expected to be recovered will be reclassified from equity to profit or loss.

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

Impairment of financial assets

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

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

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

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

Put arrangements over non-controlling interests

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

Cash resources

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

1.27 Significant accounting judgements, estimates and assumptions

Consolidated statement of financial position presentation based on liquidity

Management believes that the presentation of the statement of financial position on a liquidity basis provides information that is reliable and more relevant compared to a current and non-current presentation. The nature of the group's operations is diverse and as such it becomes more difficult to clearly identify a single operating cycle that would be relevant across all business segments. Maturity profiles of financial assets and liabilities are provided in the notes to the consolidated annual financial statements.

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

Assets

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

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

Cash resources are unrestricted.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

Liabilities

Liabilities that the group expects to settle in its normal operating cycle include trade and other payables and provisions.

Trade and other payables are normally settled within one year from the reporting period, whereas some amounts of provisions mature over periods longer than 12 months.

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

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

Contingent liabilities

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

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

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

Residual values of assets

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

Income taxes

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

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

Tax losses not recorded in the consolidated statement of financial position and carried forward relate to subsidiaries that have a history of losses, tax losses that do not expire, and losses that may not be used to offset taxable income elsewhere in the group. These subsidiaries neither have any taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets (see note 9). Refer to note 29 for the current year income tax expense.

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 forecast 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 judgements made to determine the stage of completion, known as burn rates, of contracts include:

- › Vehicles parts inflation;
- › Foreign currency movements; and
- › Estimated use of vehicles.

Refer to note 14.4.

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 36.2.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

Useful life of intangible assets

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

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

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

Refer to note 5.

Impairment of non-financial assets

Impairment exists 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 CGUs are disclosed and further explained in note 5.

Share-based payments

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

Retirement benefit obligations

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

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

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

Provision for doubtful debts

Provision is made for doubtful debts based on management's estimate of the prospect of recovering the debt. Where management has determined that a debt is no longer recoverable, the amount is written off. Refer to note 36.1.4.

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. Refer to notes 11 and 14.4.

Unbundling of Motus and discontinued operations

Motus covers the areas of the group that import, distribute, retail and rent vehicles together with allied operations in Aftermarket Parts and Motor-Related Financial Services.

At the board of directors meeting on 21 June 2018 it was agreed to proceed with the unbundling of the Motus operations subject to shareholder approval. The group has been restructured to ensure all of the Motus subsidiaries are now owned by Motus Holdings Limited which will be unbundled to shareholders. For every share owned in Imperial, a share in Motus Holdings Limited will be received by shareholders.

This has resulted in the Motus operations being disclosed as discontinued as at 30 June 2018. The 2017 statement of profit or loss has been restated accordingly.

Refer to note 4 for the presentation of Motus as a discontinued operation and note 14 for the results of the discontinued operation.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

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

The following new and revised International Financial Reporting Standards could have an impact on the group's future financial statements. The group is in the process of 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 Financial Instruments introduces a single classification and measurement model for financial assets which is dependent on the entity's 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 consequential disclosures as required in IFRS 7 Financial Instruments: Disclosures.</p> <p>The group anticipates that the application of IFRS 9 will have no material impact on amounts reported in respect of the group's financial assets and financial liabilities.</p>	Annual periods beginning on or after 1 January 2018. This will be effective for the group for the year ending 30 June 2019.
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; and › 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 judgement.</p> <p>A detailed review of the potential impact of IFRS 15 has been finalised. The group, especially in the Logistics operations, has a substantial number of long-term contracts. All material contracts have been assessed for any impact in terms of the five-step approach. This review shows that there will not be a material impact on the current measurement of revenue. The implementation will also result in increased disclosure.</p>	Annual periods beginning on or after 1 January 2018. This will be effective for the group for the year ending 30 June 2019.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

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

Pronouncement	Title	Effective date
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 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> <p>The initial assessment has been done and it is estimated that the right of use asset and lease liability that will be recognised on adoption of the standard in the continuing operations will amount to R7,7 billion (Motus: R1,6 billion).</p>	Annual periods beginning on or after 1 January 2019. This will be effective for the group for the year ending 30 June 2020.

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

3. RESTATEMENT OF COMPARATIVE INFORMATION

3.1 Revenue restatement

Revenue from continuing operations for 2017 has been restated. In 2017 inter-company revenue was incorrectly included in external revenue and as a consequence was not eliminated from the consolidated revenue for the group. This error originated from the International Logistics segment. The restatement had no impact on profits, cash flows and the financial position, it only affected revenue and net operating expenses as detailed below.

STATEMENT OF PROFIT OR LOSS	2017 Rm
Revenue (decrease)	(950)
Net operating expenses (decrease)	950
Profit from operations before depreciation and recoupments (no impact)	

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

3. RESTATEMENT OF COMPARATIVE INFORMATION continued

3.2 Cash flow restatements

To facilitate improved understanding of the statement of cash flow the group decided to change the definition of cash and cash equivalents by excluding short-term loans and overdrafts. As a result the 30 June 2017 statement of cash flows was restated. The movements in short-term loans and overdrafts which were previously included in cash and cash equivalents in the statement of cash flows are now reflected as cash flows under financing activities. The restatement resulted in an increased outflow under financing activities of R896 million as illustrated below.

STATEMENT OF CASH FLOWS	2017 Rm
Financing activities	
Net decrease in interest-bearing borrowings	(896)
	(896)
Net decrease in cash and cash equivalents	(896)
Cash and cash equivalents at beginning of the year	2 954
Cash and cash equivalents at end of the year	2 058

The R2 058 million above represents short-term loans and overdrafts previously included in cash and cash equivalents. The statement of cash flows now reconciles to cash resources on the face of the statement of financial position and cash resources held for distribution to owners of Imperial. The restatement had no impact on the group's financial position.

4. PRESENTATION OF DISCONTINUED OPERATIONS (MOTUS)

Financial statements

The result of Imperial's vehicle business (Motus) 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 held for distribution to owners of Imperial' and 'Liabilities directly associated with assets held for distribution to owners of Imperial' on the consolidated statement of financial position. The 2017 statement of profit and loss has been represented in line with this presentation. The 2017 statement of financial position was not represented. The consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows are shown in total for continuing operations (Imperial Logistics) and Motus. The 2017 movements in equity and cash flows include Regent which was disposed of in the 2017 financial year. Further disclosure for Motus is provided in note 14 on page 51.

Notes to the financial statements

Certain notes to the consolidated statement of financial position include movements from Motus in the current year up until the date of reclassification as held for distribution to owners of Imperial. The notes to the consolidated statement of profit or loss relate to continuing operations (Imperial Logistics). 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 14 of the financial statements and the Motus segment reports should be taken into consideration.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

5. GOODWILL AND INTANGIBLE ASSETS

	Goodwill Rm	Customer lists, contracts and networks Rm	Computer software Rm	Other intangibles Rm	Total Rm
At 30 June 2018					
Cost	7 298	3 838	843	113	12 092
Accumulated amortisation and impairment	1 077	2 025	376	39	3 517
	6 221	1 813	467	74	8 575
Net carrying value at beginning of year	6 694	2 231	524	80	9 529
Movements during the year~					
Net acquisition (disposal) of subsidiaries and businesses	213	107	(6)		314
Additions			145	17	162
Proceeds from disposal			(1)		(1)
Loss from disposal			(5)		(5)
Impairment charge	(92)		(4)	(11)	(107)
Amortisation		(434)	(110)	(16)	(560)
Currency adjustments	359	114	13		486
Reclassifications		(26)	(9)	22	(13)
Reclassification to assets held for distribution to owners of Imperial	(953)	(179)	(80)	(18)	(1 230)
Net carrying value at end of year	6 221	1 813	467	74	8 575

~ The above include movements from the discontinued operations up to the point of reclassification to assets held for distribution to owners of Imperial. The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 14 for certain disclosures relating to the discontinued operation.

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

Intangible assets, other than goodwill and indeterminate life intangibles, are amortised using the straight-line basis over their estimated useful lives between 2 and 10 years.

Refer to note 37.4 for details of new business combinations during the year.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

5. GOODWILL AND INTANGIBLE ASSETS continued

Goodwill and indeterminate useful life intangible assets

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

	Carrying amount		Pre-tax discount rate		Terminal growth rate	
	2018 Rm	2017 Rm	2018 %	2017 %	2018 %	2017 %
CGUs WITH SIGNIFICANT GOODWILL						
LOGISTICS						
Logistics South Africa and African Regions						
CIC Holdings Limited	481	495	19,4	19,0	5,7	5,7
Imperial Health Sciences	191	191	20,3	21,3	4,9	5,7
Eco Health Limited	598	570	19,5	22,2	9,0	9,0
Imres B.V.	459	428	10,6	9,8	2,6	2,6
Imperial Managed Logistics (Pty) Limited	57	67	22,2	22,3	5,3	5,4
Surgipharm	356		18,7		7,0	
Logistics International						
Shipping Group	831	746	7,8	6,7	0,8	0,8
Road Group	389	406	7,8	6,7	0,8	0,8
Automotive Group	217	182	7,8	6,6	0,8	0,8
Industrial Group	76	51	7,8	6,6	0,8	0,8
Retail Group	162	136	7,8	6,7	0,8	0,8
Chemicals Group	364	888	7,8	6,7	0,8	0,8
Lubcke Marine	71	60	7,8	6,6	0,8	0,8
Palletways	1 855	1 744	7,1	6,4	0,8	0,8
Significant goodwill	6 107	5 964				
Other goodwill	114	191				
Carrying value of goodwill	6 221	6 155				
Indeterminate useful life intangible assets~						
Express Freight – Division of Palletways	317	298	7,8	6,4	0,8	0,8
Goodwill and intangible assets	6 538	6 453				
MOTUS						
Vehicle Retail and Rental						
S&B Commercials plc	58	55	10,7	9,9	2,5	2,5
Orwell Trucks Limited	62	58	10,6	10,6	2,5	2,5
Pentagon Motors Holdings Limited	189		10,7		2,5	
SWT Group (Pty) Limited	199		13,5		2,3	
Aftermarket Parts						
Africa Automotive Aftermarket Parts Solutions	185	202	18,0	18,6	5,3	5,4
Beekman Super Canopies (Pty) Limited	76	76	17,9	18,7	5,3	5,4
Arco Motor Industry Co Limited	70		18,4		2,0	
Significant goodwill	839	391				
Other goodwill	114	148				
Carrying value of goodwill	953	539				
Indeterminate useful life intangible assets						
Renault SA (Pty) Limited	107	107	15,5	15,4	5,3	5,4
Goodwill and intangible assets	1 060	646				

~ Included in customer lists, contracts and networks above.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

5. GOODWILL AND INTANGIBLE ASSETS *continued*

Goodwill and indeterminate useful life intangible assets *continued*

Goodwill impairment testing

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

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

Impairment of goodwill arises when the recoverable amount of the CGU, including goodwill is less than the carrying value. The recoverable amount is determined as the greater of the fair value less costs to sell or the value in use. In most instances it is inappropriate 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 forecast 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 forecast period and is based on the average market share in the period immediately before the forecast period. Volume growth was based on average growth experienced in recent years. The exchange rates used in the cash flow projections were consistent with external sources of information.

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

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

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

- › Logistics South Africa and African Regions – Market share assumptions and operating margins.
- › Logistics International – Market share assumptions and operating margins.
- › Vehicle Import and Distribution – Volume growth, exchange rates affecting the purchase price in relation to the vehicle selling price increases.
- › Vehicle Retail, Rental and Aftermarket Parts – Market share assumptions, operating margins and the impact of foreign exchange rates.

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 forecast 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 CGUs.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

5. GOODWILL AND INTANGIBLE ASSETS continued

Goodwill and indeterminate useful life intangible assets continued

Impairment of goodwill

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

	2018 Rm	2017 Rm
OPERATING SEGMENT		
Logistics South Africa	26	2
Logistics International		84
Total Logistics	26	86
Vehicle Import and Distribution		37
Vehicle Retail and Rental	29	
Aftermarket Parts	24	
Motor-Related Financial Services	13	
Total Motus	66	37
	92	123

6. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
At 30 June 2018				
Cost	2 985	3 164	379	6 528
Accumulated depreciation and impairment	1 204	2 073	209	3 486
	1 781	1 091	170	3 042
Net carrying value at beginning of year	8 030	2 020	321	10 371
Reclassifications from properties held for sale*	739			739
Movements during the year~				
Net (disposal) acquisition of subsidiaries and businesses	(90)	(568)	18	(640)
Additions	366	515	149	1 030
Proceeds from disposal	(1 673)	(32)	(77)	(1 782)
Depreciation	(136)	(464)	(108)	(708)
Impairment charge	(114)	(3)		(117)
Profit from disposal	753	(8)	8	753
Currency adjustments	95	74	3	172
Reclassifications		10	1	11
Reclassified to assets held for distribution to owners of Imperial	(6 189)	(453)	(145)	(6 787)
Net carrying value at end of year	1 781	1 091	170	3 042

* Relates to properties classified as held for sale at 30 June 2017 and sold during 2018. Their proceeds and profit from disposal are included in the movements above.

~ The above include movements from the discontinued operations up to the point of reclassification to assets held for distribution to owners of Imperial. The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 14 for certain disclosures relating to the discontinued operation.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

6. PROPERTY, PLANT AND EQUIPMENT continued

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

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 R116 million (2017: R41 million), refer to note 20.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
7. TRANSPORT FLEET		
Cost	10 950	11 136
Accumulated depreciation and impairment	5 592	5 576
	5 358	5 560
Net carrying value at beginning of year	5 560	5 953
Movements during the year		
Net (disposal) acquisition of subsidiaries and businesses	(144)	249
Additions	686	560
Proceeds from disposal	(336)	(333)
Depreciation	(622)	(674)
Profit from disposal	56	95
Currency adjustments	158	(334)
Reclassifications		44
Net carrying value at end of year	5 358	5 560

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 three and 12 years.

Certain transport fleet assets have been encumbered as security for interest-bearing borrowings amounting to R287 million (2017: R409 million), refer to note 20.

	2018 Rm	2017 Rm
8. VEHICLES FOR HIRE		
Cost		4 572
Accumulated depreciation and impairment		609
		3 963
Net carrying value at beginning of year	3 963	3 469
Movements during the year		
Additions	4 345	4 540
Proceeds from disposal	(3 266)	(2 831)
Depreciation	(1 008)	(1 061)
Impairment charge	(2)	
Profit from disposal		(1)
Currency adjustments		1
Reclassifications	(108)	(154)
Reclassified to assets held for distribution to owners of Imperial	(3 924)	
Net carrying value at end of year		3 963

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

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
9. DEFERRED TAX		
Movement of deferred tax~		
Net carrying value at beginning of year	(394)	(506)
Charged to profit or loss		
– Current year	(94)	(365)
– Prior year net overprovisions	(18)	(15)
– Impairment charge and assessed loss	19	46
– Capital gains tax		(1)
Recognised in other comprehensive income	73	141
Net acquisitions of subsidiaries and businesses	(3)	333
Currency adjustments	12	(27)
Reclassified to assets and liabilities held for distribution to owners of Imperial	759	
Net liability (asset) at end of year	354	(394)

~ The above include movements from the discontinued operations up to the point of reclassification to assets held for distribution to owners of Imperial. The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only.

	2018 Rm	2017 Rm
Analysis of deferred tax		
– Intangible assets	435	531
– Property, plant and equipment	107	230
– Transport fleet	501	606
– Vehicles for hire		24
– Investments	21	10
– Inventories		(173)
– Provisions and maintenance contracts	(269)	(1 109)
– Retirement benefit obligation	(152)	(146)
– Tax losses	(237)	(347)
– Other	(52)	(20)
	354	(394)
Net deferred tax comprises:		
Deferred tax assets	(783)	(1 509)
Deferred tax liabilities	1 137	1 115
Unrecognised tax losses		
Unused tax losses available for offset against future profits	(1 255)	(2 745)
Deferred tax asset recognised in respect of such losses	846	1 238
Remaining tax losses not recognised	(409)	(1 507)

Where entities within the group are, based on approved budgets, expecting to be profitable and have a high prospect of utilising any 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 in the prior year where entities do not show signs of profitability in the foreseeable future.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
10. INVESTMENTS AND OTHER FINANCIAL ASSETS		
Preference shares (level 3 in the fair value hierarchy)		377
Other unlisted investments – at amortised cost	30	26
Loans and receivables at amortised cost	176	396
Cross-currency and interest rate swap instruments (level 3 in the fair value hierarchy)		6
	206	805
Effective interest rates	3,0% – 15,0%	3,5% – 15,5%
For further disclosures refer to note 36.		
11. INVENTORIES		
New vehicles		8 541
Used vehicles		4 538
Spares, accessories and finished goods	155	2 183
Pharmaceutical goods	1 526	1 059
Fast moving consumer goods	427	351
Merchandise		110
Work in progress		94
Fuel and oil	86	77
Net carrying value at end of year	2 194	16 953
Inventories carried at net realisable value included above		4 640
Net amount of inventory write-down expensed in profit or loss		94
12. TRADE AND OTHER RECEIVABLES		
Trade receivables	9 030	12 011
– Gross receivables	9 414	12 576
– Provision for doubtful debt	(384)	(565)
Dividends receivable on preference shares		271
Other receivables	735	1 003
Derivative financial instruments (level 2 in the fair value hierarchy)	9	68
	9 774	13 353

Certain trade receivables have been encumbered as security for interest-bearing borrowings amounting to R535 million, refer to note 20.

Refer note 36 for further details on trade and other receivables including the provision for doubtful debt.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
13. CASH RESOURCES		
Deposits and funds on call	1 242	2 450
Cash on hand and at bank	1 576	2 049
	2 818	4 499
Effective interest rates	0,0% – 6,0%	0,1% – 6,5%

14. DISCONTINUED OPERATIONS – MOTUS

The transformation and development of Imperial in recent years has been directed at value creation through strategic clarity, managerial focus and shareholder insight. The first has been achieved through portfolio rationalisation, the second through organisation structure and the third through disclosure. This approach exposed the absence of operational synergies and resulted in the rapid establishment of Imperial Logistics and Motus as two large independent divisions. Both are now managed and currently reported on separately, with separate chief executive officers, boards and executive committees, and have self-sufficient balance sheets with decreasing functional support from the holding company.

After considering whether the long-term prospects of Imperial Logistics and Motus will be enhanced by them being separately listed, the board believes that the separation of the two divisions will enable the component parts of Imperial's businesses to operate in a more focused and efficient manner, thereby allowing each of the businesses to achieve their respective strategic goals and unlocking value for shareholders over the long term.

On 21 June 2018, the board of Imperial resolved to proceed with the steps required to implement the separate listing of Motus. This strategic decision will provide shareholders with the opportunity to participate directly in Imperial Logistics and or Motus.

Supported by over 18 300 employees and as southern Africa's largest vehicle group Motus is a diversified, non-manufacturing, service provider to the automotive sector with unrivalled scale and scope in South Africa, and a selected international presence in the United Kingdom and Australia. Motus' unique business model is fully integrated across the motor value chain – Import and Distribution, Retail and Rental, Motor-Related Financial Services and Aftermarket Parts. This business model provides diversified service offerings, maximises revenue and income opportunities, and provides returns in excess of WACC, enabling Motus to maintain sustainable free cash flow and pay an attractive dividend.

The results of the Motus businesses are presented in the consolidated statement of profit or loss as discontinued operations. The following shows the combined results of Imperial Logistics (continuing operations) and Motus (discontinued operations) after eliminating inter-group transactions. Motus' net profit for the year was R2 312 million (2017: R1 320 million). Regent's results for 2017, R279 million, has been included as a single line item under discontinued operations.

Notes to the consolidated annual financial statements – continued



for the year ended 30 June 2018

14. DISCONTINUED OPERATIONS – MOTUS continued

	Percentage change		
	Total	Continuing	Discontinued
Revenue (excluding inter-group revenue)	11	3	17
Net operating expenses			
Profit from operations before depreciation and recoupments			
Depreciation, amortisation, impairments and recoupments (refer to note 14.1)			
Operating profit	6	3	9
Recoupments from sale of properties, net of impairments			
Amortisation of intangible assets arising on business combinations			
Foreign exchange losses			
Other non-operating items (for discontinued operations refer to note 14.2)			
Profit before net finance costs			
Net finance cost	(18)	(22)	(13)
Profit before share of results of associates and joint ventures			
Share of results of associates and joint ventures			
Profit before tax			
Income tax expense			
Net profit for the year	49	13	75
Net profit for the year – Regent			
	33	13	45
Net profit attributable to:			
Owners of Imperial			
Non-controlling interest			
Earnings per share (cents)			
Basic	26	16	30
– Excluding Regent	38	16	49
– Regent			
Diluted	25	15	30
– Excluding Regent	38	15	49
– Regent			
Headline earnings per share (cents)			
Basic	13	43	2
– Excluding Regent	27	43	19
– Regent			
Diluted	13	43	2
– Excluding Regent	27	43	19
– Regent			

~ Restated revenue and net operating expense, refer to note 3.1 on page 41.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	Total operations	Continuing operations	Discontinued operations	Total operations	Continuing operations	Discontinued operations
	2018 Rm	2018 Rm	2018 Rm	2017~ Rm	2017 Rm	2017 Rm
	128 683 (119 842)	51 303 (47 408)	77 380 (72 434)	115 889 (107 311)	49 635 (45 772)	66 254 (61 539)
	8 841 (2 435)	3 895 (1 082)	4 946 (1 353)	8 578 (2 529)	3 863 (1 124)	4 715 (1 405)
	6 406 639 (432) (93) (358)	2 813 22 (417) (50) (113)	3 593 617 (15) (43) (245)	6 049 212 (521) (619) (357)	2 739 181 (505) (194) (257)	3 310 31 (16) (425) (100)
	6 162 (1 386)	2 255 (649)	3 907 (737)	4 764 (1 680)	1 964 (831)	2 800 (849)
	4 776 90	1 606 56	3 170 34	3 084 103	1 133 61	1 951 42
	4 866 (1 458)	1 662 (566)	3 204 (892)	3 187 (901)	1 194 (228)	1 993 (673)
	3 408	1 096	2 312	2 286 279	966	1 320 279
	3 408	1 096	2 312	2 565	966	1 599
	3 273 135	928 168	2 345 (33)	2 601 (36)	802 164	1 799 (200)
	3 408	1 096	2 312	2 565	966	1 599
	1 681	477	1 204	1 339	412	927
	1 681	477	1 204	1 221 118	412	809 118
	1 634	463	1 171	1 302	401	901
	1 634	463	1 171	1 187 115	401	786 115
	1 570	543	1 027	1 390	379	1 011
	1 570	543	1 027	1 240 150	379	861 150
	1 526	527	999	1 351	368	983
	1 526	527	999	1 205 146	368	837 146

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
14. DISCONTINUED OPERATIONS – MOTUS continued		
14.1 Depreciation, amortisation, impairments and recoupments		
Depreciation and amortisation		
Intangible assets	(45)	(30)
Property, plant and equipment	(288)	(280)
Vehicles for hire	(1 008)	(1 061)
	(1 341)	(1 371)
Impairments		
Plant and equipment	(2)	3
Intangible assets		(30)
	(2)	(27)
Profit/(loss) on disposal		
Intangible assets	(6)	
Property, plant and equipment	(4)	(8)
Vehicles for hire		1
	(10)	(7)
	(1 353)	(1 405)
Recoupments from sale of properties, net of impairments		
Recoupments from sale of properties	720	40
Impairment of properties	(103)	(9)
	617	31
14.2 Other non-operating items		
The following are included in other non-operating items:		
Impairment of goodwill	(66)	(37)
Impairment of associates	(8)	(34)
Impairment/recognition of long-term receivables	(165)	
Profit (loss) on disposal of subsidiaries and businesses	2	(25)
Business acquisition costs	(8)	(4)
	(245)	(100)
14.3 The cash flows of the discontinued operations were as follows:		
The net cash flows of Motus attributable to operating, investing and financing activities were as follows:		
Cash flows from operating activities	4 312	1 272
Cash flows from investing activities	(61)	(591)
Cash flows from financing activities	(3 623)	(273)

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

		2018 Rm
14.	DISCONTINUED OPERATIONS – MOTUS continued	
14.4	Analysis of major classes of assets and liabilities	
	The major classes of assets and liabilities classified as held for distribution to owners of Imperial at 30 June 2018 were as follows:	
	Assets	
	Goodwill and intangible assets	1 230
	Property, plant and equipment	6 787
	Vehicles for hire~	3 924
	Investments, investment in associates and joint ventures	1 001
	Inventory~	15 636
	Trade and other receivables	5 258
	Income tax assets	1 084
	Cash resources	1 483
	Properties held-for-sale	234
	Assets held for distribution to owners of Imperial	36 637
	Liabilities	
	Interest-bearing borrowings	7 328
	Maintenance and warranty contracts	2 846
	Trade and other payables and provisions	14 014
	Income tax liabilities	672
	Other liabilities	94
	Liabilities associated with assets held for distribution to owners of Imperial	24 954

~ Refer to note 20 on page 62 for details of vehicles for hire and inventory that have been encumbered as security for interest-bearing borrowings.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
15. SHARE CAPITAL AND SHARE PREMIUM		
Authorised share capital		
394 999 000 (2017: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2017: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2017: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2017: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2017: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each*	2	2
	20	20
Issued and fully paid share capital~		
201 971 450 (2017: 201 139 981) ordinary shares of 4 cents each	8	8
7 699 360 (2017: 8 530 829) deferred ordinary shares of 4 cents each	1	1
Share capital	9	9
Share premium	1 021	1 021
Share capital and premium	1 030	1 030

* For non-redeemable, non-participating preference shares in issue refer to note 18.

~ For movements in the number of issued shares refer to the directors' report on page 13.

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

The directors have been given general authority until the next annual general meeting to issue not more than five percent of the issued ordinary share capital at 30 June 2017 and not more than five million of the non-redeemable, non-participating preference shares.

Ordinary shares

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

Deferred ordinary shares

The deferred ordinary shares were issued to Ukhamba, the group's BBBEE partner. The shares convert into ordinary shares annually at a fixed rate of 831 469 shares. At 30 June 2018, 15 056 029 (2017: 14 224 560) deferred ordinary shares have been converted into the same amount of ordinary shares. The last conversion will be on 30 June 2025. These shares carry one vote per share and are not entitled to dividends.

Directors' interests in issued share capital

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

16. SHARES REPURCHASED

Shares repurchased, at 30 June 2018, consist of 3 185 335 (2017: 3 472 583) ordinary shares held by a wholly owned subsidiary of the company. The movement in the shares repurchased was as follows:

	Number of shares	Rm
At 30 June 2016	11 571 963	(1 226)
Cancellation of 7 864 456 shares surplus to requirement	(7 864 456)	613
234 924 shares delivered to settle obligations in respect of share schemes	(234 924)	39
At 30 June 2017	3 472 583	(574)
Repurchase of 712 857 ordinary shares at R219 each (including non-cash component of R43 million)	712 857	(156)
1 000 105 shares delivered to settle obligations in respect of share schemes	(1 000 105)	170
At 30 June 2018	3 185 335	(560)

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
17. OTHER RESERVES		
Foreign currency translation reserve (refer note 17.1)	1 448	950
Share-based payment reserve (refer note 17.2)	(22)	(174)
Hedge accounting reserve	200	7
Statutory reserve	25	25
Premium paid on purchase of non-controlling interests (refer note 17.3)	(1 380)	(784)
	271	24
For movements in other reserves, see consolidated statement of changes in equity on pages 20 and 21.		
17.1 Foreign currency translation reserve		
Balance at beginning of year	950	1 691
Goodwill and intangible assets	486	(908)
Investments, loans, other financial assets, associates and joint ventures	28	(99)
Property, plant and equipment	172	(405)
Transport fleet	158	(334)
Deferred tax	(12)	27
Vehicles for hire		(1)
Inventories	74	(618)
Current tax	(15)	23
Trade and other receivables	450	(634)
Cash resources	129	(224)
Non-controlling interests	(38)	65
Retirement benefit obligations	(91)	129
Interest-bearing borrowings	(373)	1 247
Insurance, investment, maintenance and warranty contracts		10
Other financial liabilities	(99)	15
Provisions for liabilities and charges	(31)	55
Trade and other payables	(340)	911
Balance at end of year	1 448	950

17.2 Share-based payment reserve

The group is in the process of unbundling its Motus operation which is subject to shareholder approval. On the basis that Motus is unbundled it will impact the settlement of the various share schemes as follows:

- › The DBPs and CSPs are currently settled on the basis of one Imperial share being allocated for every right held. Once Motus is unbundled they will be settled in both Imperial and Motus shares. For every right granted the participants will receive both an Imperial share and a Motus share.
- › The SARs are currently settled with sufficient Imperial shares for the value of the SAR subject to the performance conditions. Once Motus is unbundled they will be settled in the shares of the participants' listed holding company only. The performance conditions will be based on the combined values of both Imperial and Motus. The value created that needs to be settled in shares will compare the combined share prices of Imperial and Motus to the original strike price.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

17. OTHER RESERVES continued

17.2 Share-based payment reserve continued

The following details apply to the group's share schemes:

Share Appreciation Rights Scheme (SAR)	2018		2017	
	Number of rights	Weighted average exercise price (Rand)	Number of rights	Weighted average exercise price (Rand)
Rights granted at beginning of year	20 160 185	159,18	16 470 932	164,23
Rights allocated during the year relating to the prior year*	941 751	152,65		
Rights allocated during the year			5 674 211	148,80
Rights exercised during the year	(3 679 453)	181,40	(323 366)	117,85
Rights forfeited during the year	(2 177 360)	165,24	(1 661 592)	187,30
Unexercised rights at end of year	15 245 123	152,52	20 160 185	159,18

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

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.

Share Appreciation Rights Scheme – details of rights by year of grant	Number of rights	Average exercise price	Expiry date
Grant date			
June 2012	392 700	170,57	June 2019
June 2013	758 452	195,20	June 2020
June 2014	743 818	193,77	June 2021
June 2015	2 524 975	174,65	June 2022
June 2016	5 123 733	127,77	June 2021
June 2017	5 701 445	152,65	June 2022
Total unexercised rights at end of year	15 245 123	152,52*	

* Weighted average.

Deferred Bonus Plan – details of rights taken up and to be vested [#]	Number of rights	Vesting dates
Rights taken up		
October 2015	271 451	September 2018
May 2016	44 337	September 2018
August 2016	56 919	September 2018
June 2017	39 306	September 2018
August 2017	69 123	September 2018
May 2016	339 551	September 2019
June 2017	298 341	September 2020
	1 119 028	

[#] 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.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

17. OTHER RESERVES continued
17.2 Share-based payment reserve continued

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

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 vesting the participant will receive one Imperial share for every right held. Refer to note 39 relating to Mr Lamberti's settlement.

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 2018 financial year the group delivered 1 000 105 shares to settle share scheme rights and now holds 3 185 335 shares as hedges. Refer to note 16.

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

The inputs into the model established in the prior years at the grant dates and which have not changed were as detailed below. There were no grants during 2018.

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

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

Share-based payment expense charged to profit or loss amounted to R219 million (2017: R150 million) of which R89 million related to discontinued operations. A tax benefit of R67 million (2017: R9 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 39.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

17. OTHER RESERVES *continued*

17.3 Premium paid on purchase of non-controlling interests (NCI)

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:

	Premium paid on purchase of NCI Rm	Decrease in NCI Rm	Consideration amount Rm
Acquisition of a further 18,8% interest in Eco Health Limited	(510)	(72)	(582)
Acquisition of the remaining 25% interest in Resolve Solutions Partners	(68)	(6)	(74)
Other	(18)	(10)	(28)
2018	(596)	(88)	(684)
Acquisition of remaining 10,94% interest in Midas	(52)	(36)	(88)
Acquisition of 10% interest in Imres B.V.	(107)	(52)	(159)
Other	(8)	3	(5)
2017	(167)	(85)	(252)

18. NON-REDEEMABLE, NON-PARTICIPATING PREFERENCE SHARES

Non-redeemable, non-participating preference shares at cost

	2018 Rm	2017 Rm
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. Due to the cumulative nature of these preference shares they are classified as debt with no repayment terms.

The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R39 million (2017: R37 million) which is included in finance costs in profit or loss.

Subsequent to 30 June 2018 the group resolved to propose a repurchase and delisting of the non-redeemable, non-participating preference shares, subject to the fulfilment of certain conditions.

19. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

Total cost charged to profit or loss

	2018 Rm	2017 Rm
Total cost charged to profit or loss	555	521

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.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

19. RETIREMENT BENEFIT OBLIGATIONS continued

Defined benefit plans

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

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

	2018 %	2017 %
– Discount rate	1,70	2,00
– 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 2018. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next actuarial valuation will be conducted in June 2019. The change in actuarial assumptions since the previous year have occurred due to changes in the economic environment where the plans operate.

The amounts, included in staff costs, recognised in profit or loss in respect of the plans are as follows:

	2018 Rm	2017 Rm
Current service cost	26	27
Interest cost	24	24
	50	51

The amounts included on the consolidated statement of financial position arising from the group's obligations are as follows:

Defined retirement benefit obligations	2018 Rm	2017 Rm
Carrying value at beginning of year	1 229	1 531
(Disposal) acquisition of subsidiaries and businesses	(180)	9
Remeasurement in other comprehensive income	75	(199)
Payments to retired employees	(45)	(31)
Plan assets transferred	(4)	(3)
Currency adjustments	91	(129)
Amounts charged to profit or loss	50	51
Carrying value at end of year	1 216	1 229

The expected payments to retired employees for the next financial year is R42 million and the average duration of the retirement plans varies from nine to 31 years with a median of 18 years.

A quantitative sensitivity analysis for significant assumptions as at 30 June 2018 is shown below:

Assumption	Discount rate		Projected pension payment increase	
	1% increase	1% decrease	1% increase	1% decrease
(Decrease) increase in defined benefit obligation (Rm)	(175)	227	161	(133)

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

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

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

20. INTEREST-BEARING BORROWINGS

As previously announced the group, subject to shareholders' approval, will separate with the unbundling of the Motus operations which will be separately listed. Currently the group is negotiating revised facilities separately for Imperial Logistics and Motus. This will result in revised pricing and maturities. The revised facilities will be adequate for the requirements of both Imperial Logistics and Motus and has an immaterial impact on cost of funding. Should the unbundling not occur the existing facilities will remain intact.

The disclosures below reflects the interest-bearing borrowings of the combined continued and discontinued operations with pricing, ageing, currency analysis and borrowing facilities as at 30 June 2018.

	2018 Rm	2017 Rm
Long term		
– Loans secured by mortgage bonds over fixed property	90	93
– Liabilities under capitalised finance leases	115	195
– Instalment sale creditors secured by assets	3	2
– Corporate bonds listed on the Bond Exchange of South Africa [^]	3 548	5 341
– IPL 6 – matured in September 2017		1 025
– IPL 7 – matured in April 2018		765
– IPL 8 – maturing in October 2020 [^]	1 529	1 530
– IPL 9 – maturing in May 2021 [^]	757	758
– IPL 10 – maturing in May 2021 [^]	758	758
– IPL 11 – maturing in May 2022 [^]	504	505
– Syndicated bank term loans	3 958	4 711
– Bilateral loan	200	478
– Revolving credit facility term loans	2 904	3 862
– Notice loans	533	752
– Term loans	1 618	1 619
– Unsecured loans	13	35
Longer term	12 982	17 088
Shorter term – Unsecured loans, floorplans, call borrowings and bank overdrafts	2 444	2 058
Total borrowings at amortised cost	15 426	19 146
Less: Borrowing associated with assets classified as held for distribution to owners of Imperial	(7 328)	
Interest-bearing borrowings associated with continuing operations	8 098	19 146
Less: Current portion of interest-bearing borrowings	1 472	5 911
Long-term borrowings associated with continuing operations	6 626	13 235

[^] On the 23 July 2018 the redemption of the bonds was approved by bondholders and were redeemed on 6 August 2018. Refer to events after the reporting period detailed in note 38 on page 93.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

20. INTEREST-BEARING BORROWINGS continued

Interest rate analysis	Current year interest rates (%)	2018 Rm	2017 Rm
Fixed			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	1,7 – 9,0	152	106
– Corporate bonds – IPL 6			1 025
– Corporate bonds – IPL 10 [^]	9,4	758	758
– Syndicated bank term loans	1,2 – 2,1	1 946	1 864
– Notice loans			47
– Bilateral loan	1,7	200	478
– Term loans	9,8 – 10,4	615	1 004
Variable linked			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	0,1 – 11,8	56	188
– Corporate bonds – IPL 7			765
– Corporate bonds – IPL 8 [^]	9,3	1 529	1 530
– Corporate bonds – IPL 9 [^]	8,9	757	757
– Corporate bonds – IPL 11 [^]	9,0 – 9,4	504	505
– Syndicated bank term loans	1,2 – 2,7	2 012	2 848
– Revolving credit facility term loans	1,8 – 8,9	2 904	3 862
– Notice loans	1,7 – 8,8	533	705
– Unsecured loans	0,1 – 14,0	13	32
– Floorplans	3,4 – 12,0	1 320	962
– Call borrowings			512
– Term loans	9,2 – 9,7	1 003	615
– Bank overdrafts	0,1 – 12,0	1 124	583
		15 426	19 146

[^] On the 23 July 2018 the redemption of the bonds was approved by bondholders and were redeemed on 6 August 2018. Refer to events after the reporting period detailed in note 38 on page 93.

For interest rate swap arrangements and further disclosures refer to note 36.

Capitalised finance leases	One to five years Rm	Less than one year Rm	2018 Rm	2017 Rm
Total minimum lease payments	76	55	131	247
Amounts representing finance charges	(11)	(5)	(16)	(52)
Present value of minimum lease payments	65	50	115	195

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

20. INTEREST-BEARING BORROWINGS continued

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	Trade receivables Rm
Debt instruments							
Mortgage bonds, capitalised finance leases, instalment sale creditors and other secured debt	558	1 231	116	287		293	535
Floorplans	1 320	1 019			414	605	
2018	1 878	2 250	116	287	414	898	535
2017	1 485	1 399	41	409	441	508	
	2023 and onwards Rm	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm
Maturity analysis of interest-bearing borrowings by geographic area							
South Africa	1 575	505	5 369	286	1 097	8 832	12 463
Europe	60	14	27	3 993	660	4 754	5 663
Australia					781	781	445
Nigeria					168	168	280
Other	11	1	2	489	388	891	295
	1 646	520	5 398	4 768	3 094	15 426	19 146
Maturity analysis of interest-bearing borrowings by currency							
SA Rand	1 575	505	4 679	58	1 052	7 869	11 583
Euro	39	8	21	981	413	1 462	3 240
British Pound			690	2 173	156	3 019	2 044
US Dollar				1 546	101	1 647	1 064
Australian Dollar					781	781	445
Nigerian Naira					168	168	280
Other	32	7	8	10	423	480	490
	1 646	520	5 398	4 768	3 094	15 426	19 146

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

20. INTEREST-BEARING BORROWINGS continued

Analysis of debt by denominated currency	% of total	2018 Rm	2017 Rm
SA Rand	50,9	7 869	11 583
Euro	9,5	1 462	3 130
British Pound	19,6	3 019	2 044
US Dollar	10,7	1 647	1 174
Australian Dollar	5,1	781	445
Nigerian Naira	1,1	168	280
Other	3,1	480	490
	100,0	15 426	19 146
Borrowing facilities			
Total direct borrowing facilities established		24 249	24 968
Less: Utilised		10 338	12 518
Unutilised borrowing capacity		13 911	12 450

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

For interest rate swap instruments and further disclosures refer to note 36.

21. OTHER FINANCIAL LIABILITIES

	2018 Rm	2017 Rm
Cross-currency and interest rate swap instruments (level 2 in the fair value hierarchy)	22	145
Contingent consideration liabilities (level 3 in the fair value hierarchy)	14	45
Put option liabilities (level 3 in the fair value hierarchy)	1 015	1 553
Other payables	158	209
	1 209	1 952

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, and where the non-controlling shareholders of Imres B.V. have the right to put their remaining shareholding to Imperial Mobility International B.V.

For a maturity analysis and further disclosures refer to note 36.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	Dismantling and environmental risks	Other	2018 Rm	2017 Rm
22. PROVISIONS FOR LIABILITIES AND OTHER CHARGES				
At 30 June 2018				
Carrying value at beginning of year	426	586	1 012	778
Movements during the year~				
Amounts added	154	168	322	353
Unused amounts reversed	(111)	(33)	(144)	(50)
Charged to profit or loss	43	135	178	303
Amounts utilised	(142)	(96)	(238)	(101)
Net disposals of subsidiaries and businesses				(6)
Currency adjustments	31		31	(55)
Reclassifications	(6)	94	88	93
Reclassified to liabilities associated with assets held for distribution to owners of Imperial		(550)	(550)	
Carrying value at end of year	352	169	521	1 012
Maturity profile				
Maturing in less than one year	266	83	349	681
Maturing in one to five years	68	26	94	179
Maturing in more than five years	18	60	78	152
	352	169	521	1 012

~ The above include movements from the discontinued operations up to the date of reclassification to held for distribution to owners of Imperial.

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

Other provisions include warranty and after sales provisions.

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

	2018 Rm	2017 Rm
23. TRADE AND OTHER PAYABLES		
Trade payables and other accruals	9 464	19 514
Deferred income	87	137
Derivative financial instruments (level 2 in the fair value hierarchy)	15	31
Secured interest-bearing floorplan from franchisor		656
	9 566	20 338

For further disclosures refer to note 36.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
24. REVENUE*		
24.1 An analysis of the group's continuing revenue is as follows:		
Sale of goods	9 747	8 751
Rendering of services	41 556	40 884
	51 303	49 635
Revenue includes:		
24.2 Revenue received from the group's associates and joint ventures		
Rendering of services	47	47
	47	47
Revenue excludes:		
24.3 Revenue between group entities		
Rendering of services	96	117
	96	117
25. NET OPERATING EXPENSES*		
Purchase of goods	(8 220)	(7 115)
Changes in inventories	439	86
Cost of outside services	(20 325)	(20 078)
Staff costs	(11 189)	(10 635)
Staff share-based costs	(130)	(93)
Other operating income	658	752
Other operating costs	(8 641)	(8 689)
	(47 408)	(45 772)
The above includes:		
Auditors' remuneration		
– Audit fees	(53)	(49)
– Other services	(3)	(2)
	(56)	(51)
Rental and operating lease charges		
– Property	(1 045)	(1 014)
– Plant and equipment	(674)	(334)
– Vehicles	(16)	(42)
– Transport fleet	(261)	(483)
– Other	(5)	(14)
	(2 001)	(1 887)

* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 4 for the presentation of discontinued operations and to note 14 for certain disclosures relating to discontinued operations. Refer to note 3 for details of the prior year restatement relating to elimination of inter-company revenue.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
26. DEPRECIATION, AMORTISATION, IMPAIRMENTS AND RECOUPMENTS*		
26.1 Depreciation, amortisation, impairments and recoupments		
Depreciation and amortisation		
Intangible assets	(85)	(83)
Total amortisation of intangible assets	(502)	(588)
Less: Amortisation of intangible assets arising on business combinations	417	505
Property, plant and equipment	(420)	(447)
Transport fleet	(622)	(674)
	(1 127)	(1 204)
Impairments		
Equipment and furniture	(1)	(26)
Intangible assets	(15)	
	(16)	(26)
Profit (loss) on disposal		
Intangible assets	1	(3)
Plant and equipment	4	14
Transport fleet	56	95
	61	106
	(1 082)	(1 124)
26.2 Recoupments from sale of properties, net of impairments		
Recoupments from sale of properties	33	182
Impairment of properties	(11)	(1)
	22	181
27. OTHER NON-OPERATING ITEMS*		
Remeasurement of financial instruments not held for trading	73	(29)
Remeasurement of put option liabilities	42	(39)
Gain on remeasurement of contingent consideration liabilities	31	2
Reclassification of gain on disposal of investment in associate		8
Capital items	(186)	(228)
Impairment of goodwill	(26)	(86)
Loss on disposal of subsidiaries and businesses	(149)	(64)
Business acquisition costs	(11)	(78)
	(113)	(257)
28. NET FINANCE COST*		
Interest paid on financial liabilities not fair valued through profit or loss	(756)	(1 020)
Fair value loss on interest rate swap instruments		(10)
Finance cost including fair value losses	(756)	(1 030)
Finance income on financial assets not fair valued through profit or loss	107	199
	(649)	(831)

* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 4 for the presentation of discontinued operations and to note 14 for certain disclosures relating to discontinued operations.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
29. INCOME TAX EXPENSE*		
Current tax		
– Current year charge	(556)	(546)
– Prior year underprovisions	(22)	21
	(578)	(525)
Deferred tax		
– Current year charge	46	365
– Prior year overprovisions	2	5
– Impairment reversals		(46)
	48	324
Capital gains tax		
– Current	(11)	(16)
– Deferred		1
	(11)	(15)
Withholding taxes	(25)	(12)
	(566)	(228)
Reconciliation of tax rates:	%	%
Profit before tax, excluding share of result of associates and joint ventures – effective tax rate	35,2	21,9
Income tax effect of:		
– Loss on sale of businesses	(2,6)	(2,1)
– Profit on sale of property, plant and equipment	0,9	3,1
– Impairment of goodwill and other intangible assets	(0,4)	(3,3)
– Impairment of investment in associates	(0,1)	(0,9)
– Business acquisition costs	(0,2)	(2,1)
– Remeasurement of put option liabilities and contingent consideration liabilities	0,7	(1,0)
– Disallowable expenses	(2,1)	(1,9)
– Foreign tax differential	1,4	4,6
– Tax assets recognised		13,8
– Tax assets not recognised	(1,2)	(4,0)
– Withholding taxes	(1,5)	(1,2)
– Capital gains tax (CGT)	(0,7)	(1,4)
– Prior year net overprovisions	(1,4)	2,5
	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 4 for the presentation of discontinued operations and to note 14 for certain disclosures relating to discontinued operations.

Disallowable expenses include non-deductible depreciation on buildings, interest incurred on the non-redeemable non-participating preference shares, depreciation on leasehold improvements 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 annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
30. EARNINGS PER SHARE*		
Ordinary shares		
Net profit attributable to owners of Imperial – basic earnings and diluted earnings	3 273	2 601
Weighted average number of ordinary shares in issue (million)	194,7	194,3
Basic earnings per share (cents)	1 681	1 339
Continuing operations	477	412
Discontinued operations – Motus	1 204	809
Discontinued operations – Regent		118
Weighted average number of ordinary shares (million)	194,7	194,3
Adjusted for weighted average potential ordinary shares resulting from:		
– Dilutive effect of shares allocated in terms of the share schemes (million)	1,1	1,0
– Potential disposal of shares held by an associate (million)	4,5	4,5
Weighted average number of ordinary shares for diluted earnings (million)	200,3	199,8
Diluted earnings per share (cents)	1 634	1 302
Continuing operations	463	401
Discontinued operations – Motus	1 171	786
Discontinued operations – Regent		115

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

	Gross amount Rm	Tax Rm	Non- controlling interest Rm	2018 Rm	2017 Rm
Earnings – basic and diluted				3 273	2 601
Impairment of property, plant and equipment (IAS 36)	117	(18)		99	24
Impairment of intangible assets (IAS 36)	15	(1)	(3)	11	22
Recoupment for disposal of property, plant and equipment (IAS 16)	(809)	240		(569)	(247)
Loss on disposal of intangible assets (IAS 38)	5			5	2
Impairment of goodwill (IAS 36)	92			92	123
Reclassification of gain on disposal of investment in associate					(8)
Impairment of investments in associates and joint ventures (IAS 28)	8			8	34
Loss on disposal of subsidiaries and businesses (IFRS 10)	147		(3)	144	149
Adjustments included in result of associates and joint ventures	(6)			(6)	
Headline earnings – basic and diluted				3 057	2 700
Basic headline earnings per share (cents)				1 570	1 390
Continuing operations				543	379
Discontinued operations – Motus				1 027	861
Discontinued operations – Regent					150
Diluted headline earnings per share (cents)				1 526	1 351
Continuing operations				527	368
Discontinued operations – Motus				999	837
Discontinued operations – Regent					146

* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 4 for the presentation of discontinued operations and to note 14 for certain disclosures relating to discontinued operations.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
31. NOTES TO THE STATEMENT OF CASH FLOWS~		
31.1 Cash generated by operations before interest and taxes paid		
Profit before net finance costs	6 162	5 202
– Continuing operations	2 255	1 964
– Discontinued operations (Motus and Regent in the prior year)	3 907	3 238
Adjusted for:		
Depreciation, amortisation, impairment and recoupments	2 435	2 529
Recoupments from sale of properties, net of impairments	(639)	(212)
Amortisation of intangible assets arising on business combinations	432	521
Impairment of goodwill	92	123
Loss on disposal of investments in associates and joint ventures	8	34
Profit on disposal of subsidiaries, businesses and associates	147	151
Impairment losses of other financial assets	184	13
Net movement on interest rate swaps	(4)	8
Fair value (gains) losses on investments	(62)	11
Foreign exchange (gains) losses	(51)	220
Fair value losses (gains)	25	(207)
Reclassification of gain on disposal of available-for-sale financial asset		(8)
Recognition of share-based costs	219	147
Net movement in insurance, investments, maintenance and warranty contracts	(175)	(280)
Remeasurement of contingent considerations	(31)	(2)
Remeasurement of put option liabilities	(41)	39
Business acquisition costs	19	82
Increase in retirement benefit obligations	1	17
Cash generated by operations before changes in working capital	8 721	8 388
Working capital movements		
Decrease (increase) in inventories	1 411	(710)
Increase in trade and other receivables	(1 023)	(483)
Increase in trade and other payables and provisions	423	1 881
	9 532	9 076

~ 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 profit or loss which excludes amounts for the discontinued operations.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
31. NOTES TO THE STATEMENT OF CASH FLOWS continued		
31.2 Acquisition of subsidiaries and businesses		
Goodwill	841	2 012
Intangible assets	243	1 489
Investments, loans, associates and joint ventures		19
Property, plant and equipment	413	79
Transport fleet		269
Other financial assets		49
Inventories	2 364	48
Trade and other receivables	833	744
Cash resources	235	226
Net deferred tax liabilities	(38)	(336)
Non-controlling interests	(191)	(133)
Retirement benefit obligations		(9)
Other financial liabilities	(198)	(96)
Interest-bearing borrowings	(392)	(1 617)
Provisions for liabilities and other charges		(117)
Trade and other payables	(2 582)	(813)
Net current tax liabilities	1	(18)
Purchase consideration transferred	1 529	1 796
Contingent consideration	(102)	(36)
Fair value of previously held interest		90
Business acquisition costs	19	82
Cash resources acquired	(235)	(226)
Cash flow on acquisition	1 211	1 706
31.3 Disposal of subsidiaries and businesses		
Goodwill	628	28
Intangible assets	142	252
Investments, loans, associates and joint ventures	17	2 281
Property, plant and equipment	1 053	134
Transport fleet	144	25
Other financial assets		258
Inventories	294	304
Trade and other receivables	763	292
Cash resources	250	1 914
Premium paid on purchase of non-controlling interest	1	62
Non-controlling interests	(65)	(388)
Net deferred tax liabilities	(35)	(158)
Retirement benefit obligations	(180)	
Interest-bearing borrowings	(105)	(208)
Insurance, investment, maintenance and warranty contracts		(1 315)
Other financial liabilities		(7)
Net current tax liabilities	(1)	20
Provisions for liabilities and other charges		(167)
Trade and other payables	(439)	(1 018)
Net assets disposed	2 467	2 309
Cash resources disposed	(250)	(1 914)
Fair value of deferred consideration receivable		(225)
Loss on disposal of subsidiaries and businesses	(147)	(151)
Cash flow on disposal	2 070	19

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	Restated 2017 Rm
31. NOTES TO THE STATEMENT OF CASH FLOWS continued		
31.4 Net replacement capital expenditure – excluding rental assets		
Expenditure		
– Intangible assets	(163)	(300)
– Plant and equipment	(664)	(1 035)
– Transport fleet	(627)	(294)
	(1 454)	(1 629)
Proceeds from disposals		
– Intangible assets	1	27
– Plant and equipment	109	270
– Transport fleet	336	333
	446	630
Net expenditure		
– Intangible assets	(162)	(273)
– Plant and equipment	(555)	(765)
– Transport fleet	(291)	39
	(1 008)	(999)
31.5 Net (decrease) increase in other interest-bearing borrowings		
The following are significant cash repayments of amounts borrowed and cash proceeds from issuing debt instruments. For more detailed movements on interest-bearing borrowings refer to note 20.		
Settlement of listed corporate bonds	(1 750)	(500)
Proceeds from issue of corporate bonds		500
Repayment of revolving credit facility	(1 797)	
Repayment of bilateral and syndicated bank term loans	(1 031)	
Draw down on revolving credit facility	727	
Other movements	(531)	613
	(4 382)	613
31.6 Cash resources at end of year		
Cash resources	2 818	4 499
Cash resources included in 'Assets held for distribution to owners of Imperial'	1 483	
	4 301	4 499
32. ORDINARY DIVIDENDS		
Interim		
– In the current year a dividend of 323 cents per share was paid on 26 March 2018		
– In the prior year a dividend of 320 cents per share was paid on 27 March 2017		
Final		
– A dividend of 387 cents per share is payable on 1 October 2018		
– In the prior year a dividend of 330 cents per share was paid on 26 September 2017		
Dividends are reflected gross of tax.		

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
33. COMMITMENTS		
Capital expenditure commitments to be incurred		
Contracted	202	764
Authorised by directors but not contracted	14	684
	216	1 448

The commitments at 30 June 2018 are for the replacement of transport fleet to be used by Imperial Logistics, which will be financed from proceeds from disposals and existing facilities.

The operating lease payables and receivables detailed below relate to the lease commitments of Imperial Logistics. Relates to continuing operations only.

	More than five years Rm	One to five years Rm	Less than one year Rm	2018 Rm
Operating lease payables				
Property	2 383	2 495	871	5 749
Plant and equipment	204	1 542	765	2 511
Transport fleet		254	230	484
	2 587	4 291	1 866	8 744
Operating lease receivables				
Property	12	80	22	114
Plant and equipment		18	8	26
	12	98	30	140

	2018 Rm	2017 Rm
34. CONTINGENT LIABILITIES		
Guarantees issued by Imperial Logistics International GmbH, including a R273 million guarantee issued on behalf of Neska in respect of property rentals but with a counter guarantee for similar value	398	454
Other contingencies including litigations and guarantees	17	195
Total	415	649

All indemnities and warranties relating to the disposal of Regent have been provided to the extent of its probability. 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.

35. RELATED-PARTY TRANSACTIONS

The company has no holding company. Subsidiaries, associates, joint ventures, the group pension and provident funds and key management personnel, 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.

Significant related-party transactions during the year

As part of the implementation process for the separate listing of Imperial's automotive operations, known as Motus, the following significant transfer of businesses, between related parties within the group occurred during the year.

Imperial Group Limited transferred its logistics business to Imperial Logistics South Africa Holdings (Pty) Limited. Imperial Group Limited is to be renamed Motus Group Limited.

Imperial Holdings Limited transferred its interest in Motus Group Limited, Motus Corporation (Pty) Limited and Motus Capital Limited to the newly formed Motus Holdings Limited. Prior to the transfer of Motus Corporation (Pty) Limited and Motus Capital Limited to Motus Holdings Limited, Imperial Holdings Limited transferred its automotive subsidiaries in South Africa to Motus Corporation (Pty) Limited and its Southern African automotive subsidiaries to Motus Capital Limited. Motus Holdings Limited, the new parent of Motus Group Limited, Motus Corporation (Pty) Limited and Motus Capital Limited is the designated entity for separate listing on the Johannesburg Stock Exchange.

The above transfers of businesses were completed in terms of asset-for-share transactions, at fair value. The group's consolidated financial statements were not affected by the above transactions as all inter-group income and expenses were eliminated in full.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

35. RELATED-PARTY TRANSACTIONS continued

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 37.1.

Shareholders

The top 10 shareholders of the company at 30 June 2018 were as follows:

Shareholder	Share class	Number of shares (000)	% of issued voting capital
Lazard Asset Management (New York)	Ordinary	21 128	10,46
Public Investment Corporation (Pretoria)	Ordinary	20 401	10,10
M&G Investment Management (London)	Ordinary	18 080	8,95
Ukhamba Holdings (Pty) Ltd (South Africa)	Ordinary	15 056	7,45
Lynch Family Holdings (South Africa)	Ordinary	8 211	4,07
Ukhamba Holdings (Pty) Ltd (South Africa)	Deferred Ordinary	7 699	3,82
Dimensional Fund Advisors (London)	Ordinary	7 202	3,57
Mr Manuel P de Canha (South Africa)	Ordinary	6 201	3,07
BlackRock Investment Management (San Francisco)	Ordinary	5 663	2,80
Vanguard Group (Philadelphia)	Ordinary	5 559	2,75
Fidelity Management and Research (Boston)	Ordinary	5 023	2,49

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

Associates and joint ventures

Details of investments in associates and joint ventures that are material to the group are disclosed in note 37.3.

Details of revenue derived from associates and joint ventures are outlined in note 24.2.

	2018 Rm	2017 Rm
Key management personnel		
Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group.		
Key management personnel remuneration comprises:		
Non-executive directors' fees	9	9
Short-term employee benefits	251	234
Long-term employee benefits	10	11
	270	254
Number of key management personnel	34	38
Net gains on share options and cash retention plan bonus	66	14
The group has many different operations, retail outlets and service centres where the group staff may be transacting.		
Key management have to report any transaction 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:	17	3
The group pays for legal services, on an arm's length basis, to a firm of attorneys in which a director of the company has an interest, amounting to:	10	6

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

36. FINANCIAL INSTRUMENTS

36.1 Financial risk factors

The group's treasury activities are aligned to the company's business model and the asset and liability committee's (Alco) strategies. The Alco is a board sub-committee 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, co-ordinates 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.

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 risk management guidelines.

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

36.1.1 Market risk

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

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

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

36.1.2 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. Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange contracts, futures and certain currency options authorised by the 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. 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 risk management 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 the Alco.

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, holding cash in hard currency 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.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

36. FINANCIAL INSTRUMENTS continued

36.1 Financial risk factors continued

36.1.2 Currency risk continued

Divisional currency risk continued

Logistics International

Currency risk exposure arises from the conclusion of transactions in currencies other than the functional currencies of operations in the United Kingdom, Netherlands, Belgium, France, Germany, Poland, Switzerland, Sweden and South America. 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.

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 the Alco that relate to importation of inventories at 30 June and specific foreign commitments not yet due. The details of these contracts are as follows:

Foreign currency	Foreign amount (million)	Average exchange rate	Contract value Rm	Market value Rm
2018 – Bought by Imperial Logistics				
US Dollar	22	12,71	285	294
Euro	1	15,33	19	20
2018 – Bought by Imperial Logistics			304	314
2018 – Sold by Imperial Logistics				
Ghanaian Cedi	235	0,20	48	47
2018 – Bought by Motus				
US Dollar	252	12,87	3 227	3 470
Euro	164	15,64	2 565	2 676
Pound Sterling		17,61	5	5
Japanese Yen	681	0,21	79	86
2018 – Bought by Motus			5 876	6 237
2017 – Bought				
US Dollar	249	13,52	3 367	3 294
Euro	211	14,59	3 078	3 180
Pound Sterling	1	16,73	11	11
Japanese Yen	592	0,12	71	70
2017 – Bought			6 527	6 555
2017 – Sold				
US Dollar	14	13,21	185	185

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 R449 million (2017: R637 million) impact on the 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.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

36. FINANCIAL INSTRUMENTS continued

36.1 Financial risk factors continued

36.1.3 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 the 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 monthly risk management.

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

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

Details of the interest rate derivative instruments at 30 June 2018 were as follows:

	Notional amount Rm	Variable effective rate (%)	Fixed derivative rate (%)
Corporate bonds – IPL 8 (swap from variable to fixed)	1 000	9,04 – 9,25	9,25
Corporate bonds – IPL 9 (swap from variable to fixed)	750	8,95 – 8,95	8,93
Revolving credit facility term loan (swap from variable to fixed)	1 500	8,68 – 8,68	10,93
Revolving credit facility term loan (swap from variable to fixed)	480	1,35 – 2,34	1,92
Syndicated bank term loans (swap from variable to fixed)	1 841	1,15 – 2,72	2,35

The 50 basis points increase or decrease in interest rates represents management's assessment of the reasonably possible changes in interest risk. The impact of a 50 basis points increase in interest rates will have an annualised R11 million (2017: R21 million) effect on group after tax profit and equity.

36.1.4 Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure on 30 June 2018. Some of the financial assets below were given as collateral for any security provided. Refer to note 20 for further details.

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.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

36. FINANCIAL INSTRUMENTS continued

36.1 Financial risk factors continued

36.1.4 Credit risk continued

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 (continuing).

	2018 Rm	2017 Rm
Trade and other receivables that are neither past due nor impaired	7 010	8 649
Past due trade receivables not impaired	2 020	3 362
Less than 1 month	1 172	2 439
Between 1 and 3 months	419	508
More than 3 months	211	219
Past due more than 1 year	218	196
Total trade receivables	9 030	12 011

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.

Set out below is a summary of the movement in the provision for doubtful debts for the year:

	2018 Rm	2017 Rm
Carrying value at beginning of year	565	429
Net acquisition of subsidiaries and businesses	45	48
Amounts reversed to profit or loss	(1)	(11)
Charged to profit or loss	77	194
Amounts utilised during the year	(120)	(66)
Currency adjustments	20	(29)
Reclassification to assets held for distribution to owners of Imperial	(202)	
Carrying value at end of year	384	565

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.

Guarantees

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

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

36. FINANCIAL INSTRUMENTS continued

36.1 Financial risk factors continued

36.1.5 Liquidity risk

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

The responsibility for liquidity risk management rests with the Alco, which has developed an appropriate liquidity risk management framework for the management of the group's short-, medium- and long-term funding requirements. The group accessed the corporate bond market for long-term funding within the funding mix together with long-term bank facilities. The listed corporate bonds at 30 June 2018 have been redeemed on 6 August 2018.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised committed borrowing facilities are maintained. Unutilised borrowing facilities are reflected in note 20.

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

Maturity profile of financial assets	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Other unlisted investments	30	9		21
Loans receivable	176	77	88	11
Trade and other receivables	9 774	9 774		
2018	9 980	9 860	88	32
2017	14 158	13 517	235	406

During the year trade receivables with a value of R707 million (2017: R433 million) were sold as part of a factoring arrangement. The group retains no continuing involvement with these trade receivables.

Maturity profile of financial liabilities	Carrying amount Rm	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Interest-bearing borrowings*	15 426	17 755	4 059	12 612	1 084
Other financial liabilities	1 209	1 209	177	308	724
Trade payables and accruals	9 464	9 464	9 464		
Current derivative financial liabilities	15	15	15		
2018	26 114	28 443	13 715	12 920	1 808
2017	41 299	44 637	27 805	14 277	2 555

* Excludes R441 million non-redeemable, non-participating preference shares (refer to note 18).

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

36. FINANCIAL INSTRUMENTS continued

36.2 Fair value measurement

36.2.1 Fair value hierarchy

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

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

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

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

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

	Carrying value Rm	At fair value		At cost/ amortised cost Rm
		Level 2 Rm	Level 3 Rm	
Financial assets				
Other unlisted investments	30			30
Loans receivable	176			176
Trade and other receivables	9 774	9		9 765
– Trade receivables	9 030			9 030
– Other receivables	735			735
– Derivative instruments	9	9		
Cash resources	2 818			2 818
	12 798	9		12 789
Financial liabilities				
Non-redeemable, non-participating preference shares	441			441
Interest-bearing borrowings	8 098			8 098
Other financial liabilities	1 209	22	1 029	158
– Cross-currency and interest rate swap liabilities	22	22		
– Contingent consideration liabilities	14		14	
– Other loans payable	158			158
– Put option liability	1 015		1 015	
Trade and other payables	9 479	15		9 464
– Trade payables and accruals	9 464			9 464
– Derivative instruments	15	15		
	19 227	37	1 029	18 161

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

36. FINANCIAL INSTRUMENTS continued

36.2 Fair value measurement continued

36.2.2 Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R1 029 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 include the assumed probability of achieving profit 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 2018 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	1 015	3	(17)
Contingent consideration liabilities	Income approach	Assumed profits	14		(1)

Movements in level 3 financial instruments carried at fair value

The following table shows a reconciliation of the opening and closing balances of level 3 financial liabilities carried at fair value at 30 June 2018:

	Put option liabilities Rm	Contingent consideration liabilities Rm	2018 Rm	2017 Rm
Carrying value at beginning of year	1 553	45	1 598	1 894
Derecognition in equity	(582)		(582)	(159)
Arising on acquisition of businesses		102	102	36
Fair valued through profit or loss	(42)	(31)	(73)	37
Settlements		(100)	(100)	(8)
Currency adjustments	86	(2)	84	(202)
Carrying value at end of year	1 015	14	1 029	1 598

Transfers between hierarchy levels

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

36.2.3 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 2018, 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)	3 548	3 533
Listed non-redeemable, non-participating preference shares	441	322

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

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

36. FINANCIAL INSTRUMENTS continued

36.3 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 2018 is 1,3:1 (2017: 1,8:1).

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

	2018 Rm	2017 Rm
Interest-bearing borrowings	15 867	19 587
Less: Cash resources*	4 301	4 499
Net debt*	11 566	15 088
Total equity*	23 125	20 261
Gearing ratio	50,0%	74,5%

* This is the total cash resources, equity and net debt for the group at 30 June 2018 and includes the non-redeemable, non-participating preference shares and the net debt associated with the assets held for distribution to owners of Imperial.

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.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES

37.1 Composition of the group

Imperial is a diversified, international group of companies involved in mobility. The consolidated financial statements include the financial information of Imperial Holdings Limited (the company) and all of its subsidiaries at 30 June 2018.

The group holds majority voting rights in all of its subsidiaries. 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.

37.1.1 The principal operating subsidiaries of the company and their activities are:

Subsidiary	Place of incorporation	% owned	Nature of business
Motus Holdings Limited	South Africa	100	Motus Holdings Limited is the holding company of the Motus group. Business conducted by the Motus group comprises import, distribution and retail sales of motor vehicles. The issued capital of Motus Holdings Limited is held for distribution to owners of Imperial. Further details on the composition of Motus Holdings Limited is provided in note 37.1.2.
Imperial Holdings International Cooperation U.A.	Netherlands	100	Business conducted by Imperial Holdings International Cooperation U.A. and its subsidiaries comprises integrated logistics solutions. Further details on the composition of Imperial Holdings International Cooperation U.A. is provided in note 37.1.3.
Imperial Logistics South Africa Holdings (Pty) Limited	South Africa	100	Imperial Logistics South Africa Holdings (Pty) Limited is the holding company of the South African Logistics group. Business conducted by the South African Logistics group comprises transportation, logistics and group services. Details on the businesses included are provided in note 37.1.6.
Imperial Capital Limited	South Africa	100	Imperial Capital is a registered Domestic Treasury Management Company (DTMC) entity. It holds the 87% interest in Eco Health Limited, a 70% interest in Surgipharm Limited and Imperial's interest in other African logistics and transport 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. Surgipharm, headquartered in Nairobi, is a leading distributor of pharmaceutical, medical and surgical supplies in Kenya. Further details are provided for the non-controlling interest in Eco Health, refer to note 37.2.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES continued

37.1 Composition of the group continued

37.1.2 Principal subsidiaries of Motus Holdings Limited (held for distribution to owners of Imperial), held directly or indirectly, are as follows:

Subsidiary	Place of incorporation	% owned	Nature of business
Motus Corporation Limited	South Africa	100	Motus Corporation Limited imports and distributes passenger, light and heavy commercial vehicles, automotive products and motorcycles in Southern Africa. It also sells maintenance and warranty products.
Motus Group Limited	South Africa	100	Business conducted by Motus Group Limited (previously known as Imperial Group Limited) comprises, vehicle rental, motor trading, automotive parts, property investments, sale of motor components and group services. Details on the businesses included are provided in note 37.1.4.
Motus Capital Limited	South Africa	100	Motus Capital is a registered Domestic Treasury Management Company (DTMC) entity. Business conducted by Motus Capital Limited comprises motor vehicle trading and aftermarket automotive part sales. Details on the businesses included are provided in note 37.1.5.
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. Further details are provided in non-controlling interest, refer to note 37.2.
Kia Motors SA (Pty) Limited	South Africa	100	Kia Motors is an importer and distributor of Kia vehicles and parts for South Africa.

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

Subsidiary	Place of incorporation	% owned	Nature of business
Imperial Mobility Finance B.V.	Netherlands	100	The subsidiary is a finance company that obtains funding for various entities within the group.
Imperial Logistics International GmbH	Germany	100	The subsidiary houses the Imperial Shipping Group. Imperial Shipping implements 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 and 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. It has 55 locations in Europe and one in the USA.
Imres B.V.	Netherlands	90	Imres, a wholesaler of pharmaceutical and medical supplies to NGOs, 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 in non-controlling interest, refer to note 37.2.
Palletways Group Limited	United Kingdom	95,2	Palletways provides an express delivery solution for small consignments of palletised freight through more than 400 depots and 14 hubs, which collects and distributes 40 000 daily or 10 million pallets annually across 20 European countries, where it currently handles one in every four pallets handled by palletised freight networks.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES continued

37.1 Composition of the group continued

37.1.4 Principal businesses of Motus Group Limited

Subsidiary	Place of incorporation	% owned	Nature of business
Automotive	South Africa	100	The Automotive business within Motus Group Limited comprises 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 Motus Group Limited comprises three business units: Car Rental (Europcar and Tempest), Used Car Sales (Auto Pedigree brand) and Panel repair centres. This unit operates in Southern Africa.
After Market Parts	South Africa	100	The After Market Parts business markets and distributes quality automotive parts and accessories, DIY 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.
Finance	South Africa	100	Provides the treasury function of the group.

37.1.5 Principal businesses of Motus Capital Limited

Subsidiary	Place of incorporation	% owned	Nature of business
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. It acquired a 100% interest in Pentagon Motor Holdings Limited, headquartered in Derbyshire, England which operates 20 prime retail dealerships.
Motus Australia Pty Ltd	Australia	100	This operation retails Ford, Mitsubishi and Renault through six dealerships in the Sydney area. It acquired a 75% interest in SWT, which operates 16 dealerships and is headquartered in Melbourne, Victoria, which retails Holden, Mercedes-Benz, VW, Subaru, Suzuki, Mazda, Mitsubishi, Isuzu, Peugeot, Landrover and Jaguar.
Arco Motor Industry Co Limited	Taiwan	60	Arco Motor retails motor vehicle engine parts to consumers around the world.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES continued

37.1 Composition of the group continued

37.1.6 Principal businesses of Imperial Logistics South Africa Holdings (Pty) Limited

Subsidiary	Place of incorporation	% owned	Nature of business
Imperial Logistics South Africa Group (Pty) Limited	South Africa	100	These businesses provide complete logistics solutions including transportation, warehousing, distribution and related value-added services in South Africa. This entity also provides group services and the treasury function of the Logistics Group.
Pharmed Pharmaceutical (Pty) Limited	South Africa	62,5	Pharmed specialises in the wholesale supply and distribution of healthcare-related products – including ethical, generic, patent and homeopathic medicines; surgical, dental and veterinary products; and medical equipment.
Itumele Bus Lines (Pty) Limited	South Africa	55	Itumele's primary business is providing public transport services on behalf of the provincial government to commuters in and around Bloemfontein. Founded in 1975, the operation comprises a fleet of 253 commuter buses and 32 luxury coaches. Itumele transports approximately 50 000 passengers daily and its buses travel approximately 17 million kilometres a year.
Goldfields Trucking (Pty) Limited	South Africa	60	The Goldfields Group offers specialist warehousing and distribution centre solutions for every supply chain need, as well as the supply of reliable primary transport of super link and bulk liquid (non-chemical) loads. Goldfields boasts an extensive national footprint with a fleet consisting of various types of vehicles for long haul and local distribution, and operates nationally and cross-border throughout Southern Africa.
KWS Carriers (Pty) Limited	South Africa	80	Imperial KWS Logistics operates in the agriculture and mining industries and offers transportation management solutions. The company moves approximately 160 000 metric tons per month throughout Southern Africa by using strategic asset owners.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES continued

37.2 Non-controlling interests in the group's activities

The following subsidiaries have non-controlling interests that are material to the Logistics Group:

Subsidiary	Principal place of business	Operating segment	Interest held by NCI (%)	
			2018	2017
Imres B.V.	Africa	Logistics Africa	10	10
Eco Health Limited	Nigeria	Logistics Africa	13	32
Palletways Group Limited	United Kingdom	Logistics International	5	5

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

	Imres		Eco Health		Palletways	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Revenue	886	947	2 381	2 194	5 020	5 573
Net profit for the year	48	115	140	67	227	219
– Net profit attributable to non-controlling interests	5	18	25	22	11	11
Other comprehensive income (loss)	45	(77)	33	17	231	(19)
Total comprehensive income (loss)	93	38	173	84	458	200
– Income attributable to non-controlling interests	9	6	31	27	22	9
Total assets	851	797	1 655	1 653	4 700	3 954
Total liabilities	212	197	1 276	1 222	1 158	872
Total equity	639	600	379	431	3 542	3 082
– Equity attributable to non-controlling interest	64	60	50	138	169	147
Dividends paid to non-controlling interest	5	16	47	41		
Cash paid for non-controlling interest		159	582			
Put option liabilities	175	222	840	1 331		
Capital injected by non-controlling interest						147

The following subsidiaries have non-controlling interests that are material to the Motus Group:

Subsidiary	Principal place of business	Operating segment	Interest held by NCI (%)	
			2018	2017
Renault (Pty) Ltd	South Africa	Vehicle Import and Distribution/Vehicle Retail and Rental	40	40

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES continued

37.2 Non-controlling interests in the group's activities continued

The following is summarised financial information for Renault based on its 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.

	Renault	
	2018 Rm	2017 Rm
Revenue	4 663	4 142
Net loss for the year	(88)	(462)
– Net loss attributable to non-controlling interests	(35)	(185)
Other comprehensive (loss) income	(25)	130
Total comprehensive income (loss)	(113)	(332)
– Income attributable to non-controlling interests	(45)	(133)
Total assets	2 265	2 533
Total liabilities	2 362	3 067
Total equity	(97)	(534)
– Equity attributable to non-controlling interest	(38)	(213)
Capital injected by non-controlling interest	220	
	2018 Rm	2017 Rm
37.3 Investment in associates and joint ventures		
Unlisted shares at cost	415	510
Share of post-acquisition equity	95	176
Carrying value of shares – equity accounted	510	686
Indebtedness by associates and joint ventures	242	316
– Less than one year	154	129
– More than one year	88	187
	752	1 002

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

	MDS Logistics Plc	Ukhamba Holdings (Pty) Limited
Nature of relationship with the group	Strategic supply chain provider, providing access to new markets in Africa.	Imperial's black economic empowerment partner.
Principal place of business/Country of incorporation	Nigeria	South Africa
Ownership interest/Voting rights held	49,0%	46,9%

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES continued

37.3 Investment in associates and joint ventures continued

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

	MDS Logistics		Ukhamba Holdings	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Revenue	216	226		
Net profit (loss) for the year	27	46	(65)	(168)
Other comprehensive income (loss)	22	(94)	378	120
Total comprehensive income (loss)	49	(48)	313	(48)
Total assets	594	591	4 087	3 370
Total liabilities	(77)	(101)	(2 229)	(1 806)
Total equity	517	490	1 858	1 564
Group's proportional interest in net assets of investee at beginning of year	241	302	734	762
Share of total comprehensive (loss) income	24	(23)	146	(23)
Dividends received from associate	(11)	(38)	(9)	(5)
Group's proportional interest in net assets of investee	254	241	871	734
Reversal of fair value adjustments on Imperial shares and losses that exceeds the group's net interest in the associate			(871)	(734)
Carrying value of interest in investee at end of year	254	241		
Dividends paid to associate			93	100

Immaterial associates and joint ventures

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

	Associates		Joint ventures	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Group's share of:				
– Net profit	43	90		(10)
– Other comprehensive income (loss)		(6)		
Total comprehensive income (loss)	43	84		(10)
Carrying value of interest in immaterial associates	256	445		

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES continued

37.4 Business combinations during the year

Businesses acquired	Nature of business	Operating segment	Date acquired	(%)	Rm
Surgipharm Limited	Markets and distributes pharmaceutical, medical, surgical and allied supplies in Kenya	Logistics African Regions	July 2017	70	485
Pentagon Motor Holdings Limited	Headquartered in Derbyshire, England, operates 20 prime retail dealerships for numerous leading car and van manufacturers	Vehicle Retail and Rental	August 2017	100	479
SWT Group Proprietary Limited	Based in Australia, operates 16 car dealerships	Vehicle Retail and Rental	September 2017	75	261
Arco Motor Industry Co Limited	Based in Taiwan, retails motor vehicle engine parts around the world	Aftermarket Parts	March 2018	60	185
Individually immaterial acquisitions					119
					1 529

Fair value of assets acquired and liabilities assumed at date of acquisition:

	Surgipharm Rm	Individually immaterial acquisitions Rm	Total Logistics Rm	Pentagon Rm	SWT Rm	Arco Rm	Individually immaterial acquisitions Rm	Total Motus* Rm
Assets								
Intangible assets (excluding goodwill)	191		191	2		43	7	52
Property, plant and equipment	33	5	38	338	26	4	7	375
Inventories	234	25	259	1 758	255	51	41	2 105
Trade and other receivables	280	34	314	427	55	25	12	519
Income tax assets	5		5	12	11			23
Cash resources	12	5	17	75	23	120		218
	755	69	824	2 612	370	243	67	3 292
Liabilities								
Interest-bearing borrowings	82		82	69	240		1	310
Other financial liabilities	198		198					
Income tax liabilities	35	3	38	4	8	15		27
Trade and other payables and provisions	234	24	258	2 230	58	26	10	2 324
	549	27	576	2 303	306	41	11	2 661
Acquirees' carrying amount at acquisition								
	206	42	248	309	64	202	56	631
Non-controlling interests	(62)	(13)	(75)	(19)	(16)	(81)		(116)
Net assets acquired								
	144	29	173	290	48	121	56	515
Purchase consideration transferred	485	52	537	479	261	185	67	992
Cash paid	393	42	435	479	261	185	67	992
Contingent consideration	92	10	102					
Excess of purchase price over net assets acquired								
	341	23	364	189	213	64	11	477

* The assets and liabilities of entities acquired by Motus have been reclassified to held for distribution to owners of Imperial at 30 June 2018.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES continued

37.4 Business combinations during the period continued

Reasons for the acquisitions

Imperial Logistics acquired a controlling interest of 70% in Surgipharm. Surgipharm, which is headquartered in Nairobi, is a leading distributor of pharmaceutical, medical, surgical and allied supplies in Kenya. Surgipharm was established in 1985 and has grown to become one of the leading pharmaceutical distribution companies in Kenya, with offices strategically located in Nairobi and Mombasa. This acquisition is in line with Imperial Logistics African growth strategy to be a significant route-to-market partner of multinational companies in the consumer goods and pharmaceutical sectors in Southern, East and West Africa. Surgipharm also complements Imperial Logistics prior acquisitions in the pharmaceutical sector being Imperial Health Sciences, Eco Health and Imres.

Motus acquired on 14 August 2017, 100% of Pentagon. Headquartered in Derbyshire, England, Pentagon operates 20 prime retail dealerships in Derbyshire, Nottinghamshire, Lincolnshire, Yorkshire and greater Manchester. This acquisition will expand our international retail footprint into the passenger and light commercial vehicle market in the UK. Pentagon was established in 1991 and has grown steadily from its initial Vauxhall franchise base to represent numerous leading car and van manufacturers including Peugeot, Seat, Mazda, Kia, Renault, Fiat, Alfa Romeo, Nissan, Mitsubishi and Jeep.

Motus acquired a 75% interest in SWT, an Australian-based group which operates 16 dealerships. Headquartered in Traralgon, Victoria, SWT operates 13 prime retail and four used vehicle dealerships in Traralgon, Leongatha, Morwell and Pakenham. SWT, established in 1978, has grown steadily from an initial Holden franchise base to represent leading car and van manufacturers Holden, Mercedes-Benz, VW, Subaru, Suzuki, Mazda, Mitsubishi, Isuzu, Peugeot, Landrover and Jaguar.

During March 2018, Motus acquired a 60% interest in Arco Motor Industry Co Limited. Arco is based in Taiwan and retails motor vehicle engine parts to consumers across the globe.

The Motus acquisitions are consistent with Motus' strategy to deploy capital and its vehicle retail expertise in pursuit of growth and returns beyond South Africa.

Details of contingent consideration

The contingent consideration required the group to pay the vendors an additional total amount of R102 million over a period of 18 to 24 months if the entities' net profit after tax exceeds certain profit targets. The contingent consideration liability pertaining to Surgipharm was paid during the year.

Acquisition costs

Acquisition costs for business acquisitions concluded during the year for continuing operations amounted to R2 million (Motus: R6 million) and have been recognised as an expense in profit or loss in the 'Other non-operating items' line.

Impact of the acquisition on the results of the group

R million	Logistics acquisitions	Motus acquisitions
The contributions of the new acquisitions during the year were as follows:		
Revenue	1 048	8 194
Operating profit	105	119
Profit after tax	48	38
The following was taken into account in arriving at the profit after tax:		
After tax funding cost for the new acquisitions	12	18
Amortisation of intangible assets arising on acquisition	33	3
Had the businesses been acquired at the beginning of the year their contributions would have been as follows:		
Revenue	1 154	10 070
Operating profit	117	132
Profit after tax	56	44
R million	Continuing operations	Discontinued operations
The results of the combined continuing operations and the combined discontinued operations would have been as follows:		
Revenue	51 409	79 256
Operating profit	2 825	3 606
Profit after tax	1 104	2 318

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

37. INTEREST IN OTHER ENTITIES continued

37.4 Business combinations during the period continued

Separate identifiable intangible assets

As at the acquisition date the fair value of the separate identifiable intangible assets for Surgipharma was R191 million and Arco was R42 million. This fair value, which is classified as level 3 in the fair value hierarchy, was determined using the Multiperiod Excess Earnings Method (MEEM) valuation technique for contract-based intangible assets and the Relief-from-royalty method for the brand name.

The significant unobservable valuation inputs were as follows:

Brand name/trademark	Surgipharma %	Arco %
- Discount rates	17,4	16,9
- Royalty rate	0,8	1,8
Contract-based intangible assets		
- Weighted average discount rates	15,0 – 15,8	14,5 – 14,9
- Terminal growth rates	5,6	2,0

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

Other details

Trade and other receivables acquired by Logistics had gross contractual amounts of R382 million of which R68 million was doubtful. The Motus acquisition had gross contractual receivables of R526 million with R7 million as doubtful. Non-controlling interests have been calculated based on their proportionate share in the acquiree's net assets. None of the goodwill is deductible for tax purposes.

38. EVENTS AFTER THE REPORTING PERIOD

Settlement of listed corporate bonds

On 6 August 2018 the group redeemed its listed corporate bonds at market value out of existing facilities at a premium of R14 million over their carrying value.

Proposal to repurchase preference shares

On 13 August 2018 the board of Imperial resolved to propose a repurchase and delisting of the non-redeemable, non-participating preference shares by way of a scheme of arrangement on 15 October 2018. The implementation of the scheme is subject to the fulfilment of certain conditions.

Dividends declared

For more detail please refer to note 32 on page 73 for the ordinary dividend declared.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

39. DIRECTORS' REMUNERATION AND INTEREST IN SHARES

39.1 Directors' remuneration

	Salary Rm	Bonus Rm	Retirement and medical contri- butions Rm	Other benefits Rm	Directors' fees Rm	Subsidiary/ Associate and sub- committee fees Rm	Total 2018 Rm	Total 2017 Rm
Non-executive directors								
SP Kana					1 205	509	1 714	1 523
P Cooper					268	610	878	753
GW Dempster					268	912	1 180	818
T Skweyiya					268	366	634	526
P Langeni					268	707	975	683
MV Moosa					268	284	552	521
RJA Sparks					737	1 098	1 835	1 639
A Tugendhaft					737	282	1 019	961
Resigned from Imperial								
RM Kgosana					45	191	236	1 136
Y Waja					69	221	290	950
2018 – Non-executives					4 133	5 180	9 313	9 510
Executive directors								
OS Arbee	8 872	12 065	451	360			21 748	15 644
M Swanepoel	8 678	10 700	442	180			20 000	17 077
M Akoojee	6 938	11 250	442	120			18 750	11 283
Resigned from Imperial								
M Lamberti	18 333	16 500					34 833	1 600
Retired								
MP de Canha	3 012	2 100	191	93			5 396	7 750
Resigned as a director								
PB Michaux								10 550
2018 – Executives	45 833	52 615	1 526	753			100 727	63 904
2018 – All directors	45 833	52 615	1 526	753	4 133	5 180	110 040	
2017 – All directors	29 796	31 000	2 049	1 059	4 152	5 358		73 414

MJ (Mark) Lamberti – Group CEO to 30 April 2018

Mark resigned as CEO with effect from 30 April 2018. In terms of his employment contract he would have retired as CEO at the end of February 2019, after completing a five-year term. Mark served Imperial with distinction since March 2014, leading a multifaceted portfolio, organisation and management restructuring, which has culminated in the decision to unbundle Motus, providing it and Imperial Logistics with direct access and accountability to capital markets.

In contrast to F2017 when Mark's annual fixed compensation and incentives were paid to him predominantly in the form of DBP and CSP, his 2018 remuneration was paid in cash.

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

39. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

39.1 Directors' remuneration continued

Fixed compensation and benefits

Mark received annual fixed compensation in an amount of R11 000 000 (2017: R7 265 000 – R1 600 000 in cash and R5 665 000 in DBP) and an amount of R7 333 333 to the end of his contractual term as CEO on 28 February 2019.

Annual incentive

The following short-term incentive performance criteria and weightings, as determined by the board, were used to calculate Mark's annual short-term incentive in an amount of R16 500 000 (2017: R13 000 000).

	2018 Weighting	Performance against target
Group HEPS growth	40%	Achieved
Group achievement of ROIC target over WACC	40%	Achieved
Group growth in black senior and middle management, BEE scorecard, succession and talent management	20%	Achieved
Discretionary	50%	Achieved
Maximum as percentage of deemed fixed compensation	150%	Achieved

Vesting of 2014 CSP and DBP

Consistent with his election to be aligned with the interests of shareholders, Mark received no cash compensation in 2014, 2015 or 2016.

Mark received 67 064 CSP to the value of R12 816 000 in 2014 in lieu of his variable remuneration for 2015 and 60 787 DBP to the value of R8 060 000 in terms of the group's long-term incentive scheme. On 18 September 2017, due to partial fulfilment of the CSP vesting conditions, 63 318 CSP shares vested and all of the DBP shares vested. The market value on the date of vesting was R11 951 236 in respect of the CSP shares and R11 473 546 in respect of the DBP shares.

Future vesting of CSP and DBP

Mark's CSP and DBP awarded to him in 2015, 2016 and 2017 in lieu of his annual fixed compensation, his annual incentive and his long-term incentives will vest on 15 September 2018, in accordance with the rules of the respective schemes.

39.2 Directors' interest in shares

	2018		2017	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Non-executive directors				
GW Dempster	99		99	
SP Kana	9 417		9 417	
RJA Sparks	40 000		40 000	20 000
Y Waja			1 000	
	49 516		50 516	20 000
Executive directors				
M Akoojee	72 365		51 064	
OS Arbee	161 476		134 850	
MP de Canha (retired)			7 298 946	
P Michaux (resigned as director)			95 931	
M Swanepoel	144 147		110 575	
MJ Lamberti (resigned from Imperial)			600 000	
	377 988		8 291 366	
	427 504		8 341 882	20 000

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

39. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

39.3 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 (SARs)

Executive director	Commencement date	Number of rights	Price	Vesting date	Vested	Exercised during the year	Balance
OS Arbee	14 Jun 2011	23 377	116,59	15 Sep 2014	23 377	23 377	
	13 Jun 2012	44 743	170,57	26 Aug 2015	40 770	40 770	
	11 Jun 2013	77 582	195,20	15 Sep 2016	49 986		49 986
M Swanepoel	13 Jun 2012	44 743	170,57	26 Aug 2015	40 770	40 770	
	11 Jun 2013	68 641	195,20	15 Sep 2016	44 225	44 225	
M Akoojee	13 Jun 2012	24 016	170,57	26 Aug 2015	21 883	21 883	
	11 Jun 2013	38 154	195,20	15 Sep 2016	24 583		24 583
	18 May 2016	103 976	127,77	16 Sep 2019			103 976
	21 Jun 2017	66 556	152,65	16 Sep 2020			66 556
M de Canha (retired)	14 Jun 2011	25 011	116,59	15 Sep 2014	25 011	25 011	
	13 Jun 2012	47 876	170,57	26 Aug 2015	43 625	43 625	
	11 Jun 2013	68 215	195,20	15 Sep 2016	43 950	43 950	

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

Participation in the Deferred Bonus Scheme (DBP)

Executive director	Commencement date	Number of rights allocated	Vesting date	Number of shares committed	Forfeited	Vested during the year	Balance
M Lamberti (resigned from Imperial)	1 Mar 2014	60 787	15 Sep 2017	60 787		60 787	
	6 Oct 2015	37 217	15 Sep 2018	37 217			37 217
	18 May 2016	44 337	15 Sep 2018	44 337			44 337
	23 Aug 2016	56 919	15 Sep 2018	56 919			56 919
	21 Jun 2017	39 306	15 Sep 2018	39 306			39 306
	16 Aug 2017	69 123	15 Sep 2018	69 123			69 123
OS Arbee	13 Jun 2014	30 965	15 Sep 2017	30 965		30 965	
	6 Oct 2015	36 416	15 Sep 2018	36 416			36 416
	18 May 2016	54 003	16 Sep 2019	54 003			54 003
	21 Jun 2017	62 234	16 Sep 2020	62 234			62 234
M Swanepoel	13 Jun 2014	27 352	15 Sep 2017	27 352		27 352	
	6 Oct 2015	32 350	15 Sep 2018	32 350			32 350
	18 May 2016	50 873	16 Sep 2019	50 873			50 873
	21 Jun 2017	60 924	16 Sep 2020	60 924			60 924
M Akoojee	13 Jun 2014	18 579	15 Sep 2017	18 579		18 579	
	6 Oct 2015	22 044	15 Sep 2018	17 301			17 301
	18 May 2016	31 940	16 Sep 2019	15 184	16 756		15 184
	21 Jun 2017	49 132	16 Sep 2020	39 880	9 252		39 880
M de Canha (retired)	13 Jun 2014	28 384	15 Sep 2017	28 384		28 384	
	6 Oct 2015	32 350	15 Sep 2018	32 350			32 350
	18 May 2016	44 220	16 Sep 2019	44 220			44 220

Notes to the consolidated annual financial statements – continued

for the year ended 30 June 2018

39. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

39.3 Incentive schemes continued

Participation in the Conditional Share Plan (CSP)

The following CSPs were granted to M Lamberti in prior years.

Executive director	Date of grant	Conditional awards	Vesting date	Forfeited	Vested during the year	Balance
M Lamberti (resigned)	10 Sep 2014	67 064	15 Sep 2017	3 746	63 318	
	6 Oct 2015	48 915	15 Sep 2018			48 915
	18 May 2016	80 340	15 Sep 2018			80 340
	21 Jun 2017	72 060	15 Sep 2018			72 060

39.4 Gains by directors on share schemes during the year

	2018 Rm	2017 Rm
OS Arbee	8 520	4 511
M Swanepoel	7 204	839
M Akoojee	4 037	536
M Lamberti (resigned from Imperial)	23 425	
MP de Canha (retired)	9 894	1 019
PB Michaux (resigned as director)		753

Company statement of financial position

at 30 June 2018



	Notes	2018 Rm	2017* Rm	2016 Rm
ASSETS				
Interest in subsidiaries	3	12 977	10 448	9 746
Investment in associates and joint ventures	4.1	24	48	50
Investments	4.2	1	71	47
Trade and other receivables		18	5	1
Cash resources			2	2
Interest in subsidiaries classified as held for distribution to owners of Imperial	3	24 095		603
Total assets		37 115	10 574	10 449
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium	5	1 030	1 030	1 030
Retained earnings		35 584	9 008	8 955
Total equity		36 614	10 038	9 985
Liabilities				
Non-redeemable, non-participating preference shares	6	441	441	441
Trade payables, provisions and other liabilities	7	60	93	23
Current tax liability			2	
Total liabilities		501	536	464
Total equity and liabilities		37 115	10 574	10 449

* Restated as described in note 2 on page 101.

Company statement of comprehensive income

for the year ended 30 June 2018

	Notes	2018 Rm	2017* Rm
Revenue	8	8 072	3 204
Net operating expenses	9	(48)	(19)
Other non-operating items	10	19 853	(271)
Profit before net financing income		27 877	2 914
Finance cost		(39)	(47)
Finance income		83	52
Profit before tax		27 921	2 919
Income tax expense	11	(32)	(22)
Net profit and total comprehensive income for the year		27 889	2 897

* Restated as described in note 2 on page 101.

There have 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 2018



	Share capital and share premium Rm	Retained earnings Rm	Total Rm
At 30 June 2016	1 030	8 955	9 985
Total comprehensive income for the year [^]		2 897	2 897
Ordinary dividends paid		(1 526)	(1 526)
Shares repurchased*		(1 318)	(1 318)
At 30 June 2017[^]	1 030	9 008	10 038
Total comprehensive income for the year		27 889	27 889
Ordinary dividends paid		(1 313)	(1 313)
At 30 June 2018	1 030	35 584	36 614

* 7 864 456 shares were repurchased from Imperial Corporate Services (Pty) Ltd and were subsequently cancelled.

[^] Restated as described in note 2 on page 101.

Company statement of cash flows

for the year ended 30 June 2018

	Notes	2018 Rm	2017 Rm
Cash flows from operating activities			
Cash generated by operations	12	2 687	2 972
Finance cost paid		(39)	(47)
Finance income received		83	52
Tax paid	13	(34)	(19)
		2 697	2 958
Cash flows used in investing activities			
Acquisition of subsidiaries			(392)
Disposal of subsidiaries		135	624
Additional investment in subsidiaries acquired		(2 637)	(707)
Additional investments acquired			(24)
Proceeds on investments		70	
Repayment of loans from subsidiaries		915	384
Proceeds received on loans to associates			3
Proceeds on disposal of associates		169	
Settlement of contingent consideration liabilities		(38)	(2)
		(1 386)	(114)
Cash flows used in financing activities			
Shares repurchased*			(1 318)
Dividends paid		(1 313)	(1 526)
		(1 313)	(2 844)
Net decrease in cash resources			
Cash resources at beginning of year		2	2
Cash resources at end of year			2

* 7 864 456 shares were repurchased in 2017 from Imperial Corporate Services (Pty) Ltd and were subsequently cancelled.

The following significant non-cash transactions occurred during the period:

Investments were sold to Motus Holdings Limited for shares in Motus Holdings Limited resulting in a profit of R18,3 billion.

Investments were sold to Imperial Logistics South Africa Holdings (Pty) Limited for shares in Imperial Logistics South Africa Holdings (Pty) Limited resulting in a profit of R1,7 billion.

Investments were obtained from Imperial Logistics South Africa Holdings (Pty) Limited in the form of a dividend amounting to R2,8 billion.

Investments in Imperial Mobility UK, Pentagon Motor Holdings Limited, Motus Australia Pty Ltd and SWT Group Proprietary Limited were received from Imperial Holdings International Corporation U.A. in the form of a dividend amounting to R2,5 billion.

Notes to the company annual financial statements

for the year ended 30 June 2018

1. ACCOUNTING POLICIES

The principal 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 except for the change in accounting policy referred to in note 2. These accounting policies should be considered in conjunction with the group accounting policies where applicable.

1.1 Statement of compliance

The 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 company at 30 June 2018 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 annual financial statements are prepared on the historical-cost basis, modified by the restatement of certain financial instruments to fair value.

1.3 Interest in subsidiaries, associates and joint ventures

Interests in subsidiaries and associates are initially recognised at fair value being the amount paid to a third party or the amount based on a valuation model where an investment is acquired (including through the receipt of dividends) from another group company. This represents a change in accounting policy, refer to note 2. Thereafter interest in subsidiaries and associates are subject to impairment tests and any impairment is recognised in profit or loss for the period.

1.4 Investments

Investments are carried at cost less accumulated impairment losses.

1.5 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 trade receivables are subsequently measured at amortised cost using the effective interest method, less any impairment where appropriate.

Trade payables are subsequently measured at amortised cost using the effective interest method, less any impairment where appropriate. Contingent consideration liabilities are measured at fair value.

Derecognition

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

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

1.6 Revenue

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

1.7 Finance cost and finance income

Finance cost comprises 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.

1.8 Income taxes

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

Current tax

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

Withholding tax

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

Notes to the company annual financial statements – continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES *continued*

1.9 Significant judgement and estimates

The preparation of the annual financial statements requires the company's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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.

Significant judgement is applied when determining the fair value of investments in subsidiaries and associates transferred from other group companies. This includes the assessment of the valuation model and the appropriateness and accuracy of the inputs to the model.

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

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

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

2. PRIOR YEAR RESTATEMENT – CHANGE IN ACCOUNTING POLICY

The company previously accounted for its interest in subsidiaries and associates at cost. However, in the current year this accounting policy was changed as a result of the group's debt funder requirements. As a result where interests in subsidiaries and associates are acquired from other companies within the group these investments are initially recognised at fair value as determined in accordance with an appropriate valuation model. This provides more useful information to users as it better represents the underlying value of the investment in subsidiary or associate. The change in accounting policy has been implemented retrospectively. The impact on the 2017 financial statements is as follows:

STATEMENT OF FINANCIAL POSITION	2017 Rm
ASSETS	
Interest in subsidiaries	212
Total assets	212
EQUITY AND LIABILITIES	
Retained earnings	212
Total equity	212

STATEMENT OF COMPREHENSIVE INCOME	2017 Rm
Revenue	212
Net profit and total comprehensive income for the year	212

The restatement had no impact to the cash flows of the company.

	2018 Rm	2017 Rm
3. INTEREST IN SUBSIDIARIES		
Shares at cost, net of impairments	11 884	8 440
Indebtedness by subsidiaries, net of impairments	1 093	2 008
	12 977	10 448
The investment in Motus Holdings Limited has been classified as held for distribution to owners of Imperial. The group has determined to unbundle this investment, subject to necessary shareholder approval being obtained. This is expected to occur within the next six months.	24 095	

Details of the company's principal subsidiaries are reflected in note 37.1 of the consolidated annual financial statements.

Notes to the company annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
4. INVESTMENTS		
4.1 Investment in associates and joint ventures		
Unlisted shares at cost, net of impairment	9	33
Indebtedness by associates and joint ventures	15	15
	24	48
4.2 Investments		
Unlisted shares at cost, net of impairments	1	71
5. SHARE CAPITAL AND SHARE PREMIUM		
Authorised share capital		
394 999 000 (2016: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2016: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2016: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2016: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2016: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
	20	20
Issued and fully paid share capital		
201 971 450 (2017: 201 139 981) ordinary shares of 4 cents each	8	8
7 699 360 (2017: 8 530 829) deferred ordinary shares of 4 cents each	1	1
Share capital	9	9
Share premium	1 021	1 021
Share capital and premium	1 030	1 030

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

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 2017;
- › not more than five million of the non-redeemable, non-participating preference shares.

Ordinary shares

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

Deferred ordinary shares

The deferred ordinary shares were issued to Ukhamba, the group's BBBEE partner. The shares convert into ordinary shares annually at a fixed rate of 831 469 shares. At 30 June 2018, 15 056 029 (2017: 14 224 560) deferred ordinary shares have been converted into the same amount of ordinary shares. The last conversion will be on 30 June 2025. These shares carry one vote per share and are not entitled to dividends.

Directors' interests in issued share capital

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

Notes to the company annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
6. NON-REDEEMABLE, NON-PARTICIPATING PREFERENCE SHARES		
Non-redeemable, non-participating preference shares at cost	441	441

4 540 041 preference shares listed on the JSE under specialist securities – preference shares sector.

These shares are entitled to a preference dividend being 82,5% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms.

The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R39 million (2017: R37 million) which is included as part of finance cost in profit or loss.

Subsequent to 30 June 2018 the group resolved to propose a repurchase and delisting of the non-redeemable, non-participating preference shares, subject to the fulfilment of certain conditions.

	2018 Rm	2017 Rm
7. TRADE PAYABLES, PROVISIONS AND OTHER LIABILITIES		
Trade payables, accruals and indemnity provisions	60	55
Contingent consideration liabilities (level 3 financial instrument)		38
	60	93

The fair value of the trade payables and accruals approximate their carrying value.

Movements in contingent consideration liabilities (level 3 financial instrument)

Balance at beginning of year	38	4
Settlement of contingent consideration	(38)	(2)
Amounts raised		36
		38

8. REVENUE		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries, associates and joint ventures	8 047	3 183
Fees received	25	21
	8 072	3 204

9. NET OPERATING EXPENSES		
The following items have been included in operating expenses:		
Admin fee paid to related party for services rendered	30	
Auditors' remuneration	2	4
Non-executive directors' emoluments*	10	8
Professional fees	5	9

* Refer to note 39 in the consolidated annual financial statements for the executive directors' emoluments.

10. OTHER NON-OPERATING ITEMS		
Capital items		
Profit on sale of investments to Motus Holdings Limited	18 381	
Profit (loss) on sale of other subsidiaries and associates	1 473	(199)
Business acquisition costs		(2)
Impairment of investments in subsidiaries, loans to subsidiaries and associates and joint ventures	(1)	(70)
	19 853	(271)

Notes to the company annual financial statements – continued

for the year ended 30 June 2018

	2018 Rm	2017 Rm
11. INCOME TAX		
South African normal tax		
– Current	30	20
– Withholding tax	2	
– Prior year overprovision of current tax		2
	32	22
Reconciliation of tax rate:	%	%
Profit before tax – effective tax rate	0,1	0,8
Tax effect of:		
– Profit on sale of investment to Motus Holdings Limited	18,4	
– Profit (loss) on sale of other subsidiaries and businesses	1,5	(1,9)
– Disallowable charges	(0,1)	(1,6)
– Exempt income	8,1	30,7
	28,0	28,0
Disallowable expenses include interest incurred on the non-redeemable, non-participating preference shares and expenses incurred in the production of exempt income.		
12. CASH GENERATED BY OPERATIONS		
Profit before net financing income	27 877	2 914
Other non-operating items	(19 853)	271
Dividend received in specie	(5 329)	(212)
Working capital movements		
– Increase in trade and other receivables	(13)	(5)
– Increase in trade and other payables	5	4
	2 687	2 972
13. TAX PAID		
Balance at beginning of year	(2)	1
Current tax recognised in profit or loss	(32)	(22)
Balance at end of year		2
	(34)	(19)
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:	11 670	13 515
The company has guaranteed the obligations to the investors in the commercial paper and corporate bond issued	3 548	5 341
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:	25	27
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:	278	221
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:	4	12
As part of the NAC sale in 2013 Imperial Holdings has issued a guarantee to secure vendor funding for five years for:		80
As part of the Uvundlu Investments sale Imperial Holdings has issued a guarantee to bankers for a rental book which will be amortised over three years	5	88

Notes to the company annual financial statements – continued

for the year ended 30 June 2018

15. FINANCIAL INSTRUMENTS

Fair value

The carrying amounts of financial instruments (except contingent consideration liabilities) approximates fair value.

Interest rate risk

This is the risk that fluctuations in interest rates may adversely impact the company's assets, liabilities and equity. Interest payable on the non-redeemable, non-participating preference shares and the interest received on the inter-group loan are exposed to interest risk.

A 50 basis points increase or decrease in interest rates represents management's assessment of the reasonably possible changes in interest risk for the non-redeemable, non-participating preference shares. The impact of a 50 basis points increase in interest rates will have an annualised R2 million (2017: R2 million) effect on the company's after tax profit and equity.

Liquidity risk

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

16. EVENTS AFTER THE REPORTING PERIOD

On 13 August 2018 the group published an announcement of its intention to redeem the non-redeemable preference shares which are classified as debt on the statement of financial position. This is subject to shareholder approval.

An ordinary dividend of 387 cents has been declared by the board of Imperial on 20 August 2018.

Annexure A – summary of employment equity report

Summary of global workforce	2018	2017
South African (including foreign nationals)	33 056	34 733
Non-South African	15 283	14 631
Total workforce	48 339	49 364

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

Occupational levels	Male (M)				Female (F)				Foreign nationals		Total 2018	Total 2017
	A	C	I	W	A	C	I	W	M	F		
Permanent staff												
Top management	3		7	29	4	2		2			47	77
Senior management	23	6	34	168	8	4	11	39			293	502
Professionally qualified and experienced specialists and mid-management	678	175	310	1 089	196	92	147	608	4	5	3 304	3 052
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1 913	700	475	1 385	848	293	182	740	12	4	6 552	8 658
Semi-skilled and discretionary decision making	9 541	1 736	673	911	2 664	898	305	1 050	31	8	17 817	17 169
Unskilled and defined decision making	3 011	385	70	43	914	111	5	6	18	13	4 576	4 932
Permanent staff	15 169	3 002	1 569	3 625	4 634	1 400	650	2 445	65	30	32 589	34 390
Non-permanent staff	330	19	12	22	58	14	2	10			467	343
	15 499	3 021	1 581	3 647	4 692	1 414	652	2 455	65	30	33 056	34 733

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

The above summary is an aggregation of all South African continuing and discontinued operating entities.

Net asset value per share	› equity attributable to owners of Imperial divided by total ordinary shares in issue net of shares repurchased (the deferred ordinary shares only participate to the extent of their par value of 0,04 cents).
Net debt	› is the aggregate of interest-bearing borrowings, non-redeemable, non-participating preference shares less cash resources.
Net capital expenditure	› is the aggregate of the expansion and replacement capital expenditure of rental assets and non-rental assets net of proceeds on sale.
Net working capital	› is inventories plus trade and other receivables less trade and other payables and provisions.
Operating assets	› total assets less loans receivable, tax assets, assets of discontinued operations, assets of disposal group and in the prior year cash resources in respect of non-financial services segments.
Operating liabilities	› total liabilities less interest-bearing borrowings, tax liabilities, put option liabilities, liabilities of discontinued operations and liabilities of disposal groups.
Operating margin (%)	› operating profit divided by revenue.
Pre-tax profit	› calculated as profit before tax, impairment of goodwill and profit or loss on sale of investment in subsidiaries, associates and joint ventures and other businesses.
Return on invested capital (%)	› this is the return divided by invested capital. › return is calculated by reducing the operating profit by a blended tax rate, which is an average of the actual tax rates applicable in the various jurisdictions in which Imperial operates, increased by the share of result of associates and joint ventures. › invested capital is a 12-month average of – total equity plus non-redeemable, non-participating preference shares plus interest-bearing borrowings less cash resources in non-financial services businesses.
Weighted average cost of capital (WACC) (%)	› calculated by multiplying the cost of each capital component by its proportional weight, therefore: $WACC = (\text{after tax cost of debt \% multiplied by average debt weighting}) + (\text{cost of equity multiplied by average equity weighting})$. The cost of equity is blended recognising the cost of equity in the different jurisdictions in which Imperial operates.

IMPERIAL HOLDINGS LIMITED

Registration number: 1946/021048/06

Ordinary share code: IPL

ISIN: ZAE000067211

Preference share code: IPLP

ISIN: ZAE000088076

Directors

SP Kana[#] (Chairman), A Tugendhaft^{##} (Deputy Chairman), RJA Sparks[#] (Lead Independent Director),
M Akoojee (Acting Chief Executive Officer and Chief Financial Officer), OS Arbee, P Cooper[#],
GW Dempster[#], P Langeni[#], MV Moosa^{##}, T Skweyiya[#], M Swanepoel

[#] Independent non-executive ^{##} Non-executive

Company Secretary

RA Venter

Group investor relations manager

E Mansingh

Business address and registered office

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79 Boeing Road East

Bedfordview, 2007

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15 Biermann Avenue

Rosebank, 2196

Auditors

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20 Woodlands Drive

The Woodlands

Woodmead

2052

Sponsor

Merrill Lynch SA Proprietary Limited

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Sandton, 2196

