> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. ACCOUNTING POLICIES

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

1.1 Statement of compliance

The consolidated annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2016 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

1.2 Basis of measurement

The consolidated annual financial statements are prepared on the historical cost basis, modified by the restatement of certain financial instruments to fair value and insurance and defined retirement benefit liabilities measured in accordance with actuarial valuations.

1.3 Insurance

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

1.4 Consolidation

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

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

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date on which control was obtained or lost respectively.

Total comprehensive income of subsidiaries is attributed to owners of Imperial and to non-controlling interests even if this results in non-controlling interests having a deficit balance.

In preparing the consolidated financial statements where a subsidiary of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions, appropriate adjustments are made to its financial statements to bring it in line with the group's accounting policies.

All intergroup transactions, balances and unrealised income and expenses are eliminated in full.

Changes in the group's ownership interest in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for in equity. Any difference between the amount by which non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly to the premium paid on purchase of non-controlling interests reserve in equity.

When the group loses control of a subsidiary a gain or loss is recognised in profit or loss.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 – Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in associate or a jointly controlled entity.

1.5 Business combinations

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

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

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

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

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

The excess of the aggregate of the consideration transferred, the non-controlling interest and the acquisition date fair value of previously held equity interest over the fair value of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is below the fair values of the identifiable net assets acquired (i.e. bargain purchase), then the difference is credited to profit or loss in the period of acquisition.

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

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

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

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

1.6 Foreign currencies

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

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

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

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

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

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

Goodwill and fair value adjustments on identifiable assets and liabilities acquired on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the rate of exchange prevailing at the end of each reporting period.

1.7 Investment in associates

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

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

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

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

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

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

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

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

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

Ukhamba Holdings (Pty) Ltd (Ukhamba)

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

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

1.8 Interests in joint ventures

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

1.9 Goodwill

Goodwill arising on acquisition is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

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

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

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

1.10 Intangible assets

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

Intangible assets are not revalued.

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

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

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

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

1.11 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the group assesses if there is any indication that such assets have suffered an impairment loss.

When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indeterminate useful lives and intangible assets not ready for their intended use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss.

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

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

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

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

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

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

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. Assets that are classified as held for sale are not depreciated.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation commences when the assets are ready for their intended use.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

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

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

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

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

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

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

1.13 Inventories

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

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

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

1.14 Leases

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

The group as lessor

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

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

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

The group as lessee

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

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

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

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

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

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

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

1.15 Incentive schemes

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

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

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

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

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

1.16 Retirement benefit obligations

Defined contribution plans

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

Defined benefit plans

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations carried out at the end of each reporting period.

Past-service costs are recognised immediately to the extent that the benefits are vested, otherwise it is amortised on a straight-line basis over the average period until the benefits become vested.

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

1.17 Provisions

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

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

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

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

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

Insurance claims

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

Dismantling and environmental risk

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

Onerous contracts

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

1.18 Income taxes

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

Current tax

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

Deferred tax

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

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income and equity, in which case the deferred tax is also taken directly to other comprehensive income and equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

Dividends tax

Dividends tax is levied on non-exempt shareholders. The group is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service (SARS). As this tax is levied on the shareholders and not the company, it does not form part of the tax expense recognised in profit or loss or in other comprehensive income. Dividends are reflected gross of tax.

1.19 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition.

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

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

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

1.20 Revenue recognition

Included in revenue are net invoiced sales to customers for goods and services, rentals from vehicles for hire, revenue from maintenance and warranty contracts and commissions. Where the Group acts as an agent and is remunerated on a commission basis, the commission is included in revenue. Where the Group acts as principal, the total value of business handled is included in revenue.

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

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

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

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

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

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

1.21 Interest and dividend income

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

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

1.22 Borrowing costs

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

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

1.23 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing net profit attributable to owners of Imperial by the weighted average number of ordinary shares in issue during the year, net of shares repurchased and the group's interest in its own ordinary shares held by an associate.

Diluted earnings per share

For diluted earnings per share, the weighted average number of ordinary shares in issue, net of shares repurchased, is adjusted for the dilutive effect of potential ordinary shares under the share incentive schemes and an associates obligation to deliver shares.

Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease basic earnings per share.

The effect of anti-dilutive potential ordinary shares is excluded from the calculation of diluted earnings per share.

Headline earnings per share and core earnings per share

The presentation of headline earnings per share is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 2/2015 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

Core earnings is a non-IFRS measure and excludes the impact of certain non-operational income and expense items from reported headline earnings. It is included to provide an additional basis on which to measure the group's normalised earnings performance.

1.24 Share issues costs, shares repurchased share based payments and dividend payments

Share issue costs

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

Shares repurchased

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

Share based payment transaction with parties other than employees

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

Dividend payments to owners of Imperial

Dividend distributions to owners of Imperial are recognised as a liability in the period in which the dividends are approved and declared. Interim and final dividends are accrued when approved by the board of directors.

Dividend payments to preference shareholders

Due to their cumulative nature the non-redeemable, non-participating preference shares are classified as debt financial instruments with no repayment terms. The dividends payable on the non-redeemable, non-participating preference shares are accrued on a time basis, with reference to the principal outstanding and the effective interest rate applicable, and recognised in profit or loss within finance cost. Interim and final preference dividends are payable when approved by the board of directors.

1.25 Events after the reporting period

The financial statements are adjusted to reflect events that occurred between the end of the reporting period and the date when the financial statements are authorised for issue, only if those events provide evidence of conditions that existed at the end of the reporting period.

Events that are indicative of conditions that arose after the reporting period are disclosed, with no adjustment of the financial statements.

1.26 Segment information

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

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

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

1.27 Financial instruments

Financial assets and financial liabilities are recognised in the group's consolidated statement of financial position when the group becomes party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

Financial assets and financial liabilities are initially recorded at fair value plus, in the case of financial assets and financial liabilities not fair valued through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets

Financial assets at fair value through profit or loss, including derivative assets, are subsequently measured at fair value without any deduction for transaction costs that may be incurred on sale or disposal.

Available-for-sale investments are subsequently remeasured to fair value. Any unrealised gain and loss is recognised in other comprehensive income and accumulated in the valuation reserve in equity until the investment is disposed of or impaired, at which time the cumulative gain or loss deferred in equity is reclassified to profit or loss.

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

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

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

Subsequent measurement of financial liabilities

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

Hedge accounting

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

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

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

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

Put arrangements over non-controlling interests

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

Cash resources

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

1.28 Significant accounting judgements, estimates and assumptions judgements

Significant judgement

Consolidated statement of financial position presentation based on liquidity

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

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

Assets

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

Certain vehicles for hire have an operating cycle of more than 12 months. Vehicles that have reached the end of the useful life as rental assets are shown as inventory.

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

Cash resources are unrestricted.

Liabilities

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

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

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

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

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

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

A component of the group is classified as a discontinued operation if:
> It represents a separate major line of business or geographical area of operation;
> It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
> It is a subsidiary acquired exclusively with a view to resale as a discontinued operation.

Contingent liabilities

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

Estimates and assumptions

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

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

Residual values of assets

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

Income taxes

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

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

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

Revenue recognition – maintenance and warranty contracts

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

Significant judgments made to determine the stage of completion, known as burn rates, of contracts include:
> Vehicles parts inflation
> Foreign currency movements
> Estimated use of vehicles

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in an active market, their fair value is measured using the discounted cash flow (DCF) valuation techniques. The input to these models are taken from observable markets, but where this is not feasible, a degree of judgement is required in establishing fair values. The key assumptions used in the measurement of the put option liabilities and contingent consideration liabilities include the assumed probability of achieving profit targets and discount rates applied. Discounts rates are calculated with observable market data. Assumed profitability is based on historical performances adjusted for expected growth (refer to note 38.2.2).

Impairment of non-financial assets

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

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

Share based payments

Estimating fair value of share based payment transactions requires determination of the most appropriate valuation model, which depends on the term and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the life of the share schemes, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity settled transactions with employees at the grant date the Group uses the Black-Scholes pricing model for both the share appreciation rights and deferred bonus plan schemes. The assumptions used for estimating the fair value of share-based payment transactions are disclosed in note 18.2.

Retirement benefit obligations

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality and fluctuation rates and future salary and pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually (refer to note 20).

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

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

Provision for doubtful debts

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

Provision against inventory

Inventory is counted at least once a year and any shortages and obsolete stock identified are written off immediately.

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

2. CHANGE IN ACCOUNTING POLICY

2.1 Floorplans

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

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

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

2.2 Restatement of the segmental information

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

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

2.3 Presentation of discontinued operations and disposal groups

Financial statements

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

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

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

The notes to the financial statements

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

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

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

PRONOUNCEMENT	TITLE	EFFECTIVE DATE
IFRS 15	**IFRS 15 – Revenue From Contracts With Customers** The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: > Identify the contract(s) with a customer > Identify the performance obligations in the contract > Determine the transaction price > Allocate the transaction price to the performance obligations in the contract > Recognise revenue when (or as) the entity satisfies a performance obligation. Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment. A detailed review of the potential impact of IFRS 15 is ongoing.	Annual periods beginning on or after 1 January 2018
IFRS 16	**IFRS 16 – Leases** IFRS 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term longer than 12 months. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest on the lease liability. In terms of lessor accounting IFRS 16 substantially carries forward the requirements in IAS 17 Leases and accordingly a lessor continues to account for its leases as operating leases or finance leases. The Group anticipates that the application of IFRS 16 will have an impact on amounts reported in respect of the group's financial assets and financial liabilities. A detailed review of the potential impact of IFRS 16 is ongoing.	Annual periods beginning on or after 1 January 2019
IAS 7	**IAS 7 – Statement of Cash Flows** The amendments to IAS 7 are intended to improve information provided to users of financial statements about an entity's financing activities.	Annual periods beginning on or after 1 January 2018

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016 – Continued

4. GOODWILL AND INTANGIBLE ASSETS

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

~ *The above excludes movements from the discontinued operations. This differs from the amounts in the consolidated statement of cash flows and the notes to the consolidated statement of cash flows which includes amounts from discontinued operations. The amounts disclosed in the notes to the consolidated statement of profit or loss relate to continuing operations only. Refer to note 15 for disclosures provided for discontinued operations.*

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

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

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

4. GOODWILL AND INDETERMINATE USEFUL LIFE INTANGIBLE ASSETS continued

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

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

* *The CGU's within this division have changed in line with their business reporting segments.*
~ *Included in customer lists and contracts above.*

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

4. GOODWILL AND INDETERMINATE USEFUL LIFE INTANGIBLE ASSETS continued

Goodwill impairment testing

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

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

Impairment of goodwill arises when the recoverable amount of the CGU, including goodwill is less than the carrying value. The recoverable amount is determined as the greater of the fair value less costs to sell or the value in use. In most instances it is difficult to use the fair value less costs to sell as no reliable estimate is easily obtainable in determining the recoverable amount. Therefore the value in use method is used to assess the goodwill for impairment.

Key assumptions used in value in use calculations

Cash flow projections

The value in use is calculated using the forecasted cash inflows and outflows which are expected to be derived from continuing use of the CGU and its ultimate disposal. Cash flow projections for financial forecasts are based on expected revenue, operating margins, working capital requirements and capital expenditure, which were approved by senior management.

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

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

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

The key assumptions used in arriving at projected cash flows were as follows:
Logistics Africa – Market share assumptions and operating margins.
Logistics International – Market share assumptions and operating margins.
Vehicle import, distribution and dealerships – Volume growth, exchange rates affecting the purchase price in relation to the vehicle selling price increases.
Vehicle retail, rental and after market parts – Market share assumptions and operating margins.

Growth rates

Growth rates applied are determined based on future trends within the industry, geographic location and past experience within the operating divisions. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates.

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

Discount rates applied

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

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

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

Change in key assumptions and conclusion

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

Impairment of goodwill and other intangible assets

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

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

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

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

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

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

5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

6. PROPERTY, PLANT AND EQUIPMENT

	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS Rm	EQUIPMENT AND FURNITURE Rm	MOTOR VEHICLES Rm	TOTAL Rm
At 30 June 2016				
Cost	**10 737**	**5 577**	**582**	**16 896**
Accumulated depreciation and impairment	**1 571**	**3 591**	**269**	**5 431**
	9 166	**1 986**	**313**	**11 465**
Net carrying value at beginning of year	**8 793**	**1 825**	**349**	**10 967**
Movements during the year~				
Net disposal of subsidiaries and businesses	**(369)**	**(269)**	**(17)**	**(655)**
Additions	**649**	**850**	**287**	**1 786**
Proceeds from disposal	**(135)**	**(45)**	**(164)**	**(344)**
Depreciation	**(150)**	**(530)**	**(124)**	**(804)**
Impairment charge	**(8)**	**(4)**		**(12)**
Profit from disposal	**36**	**3**	**5**	**44**
Currency adjustments	**437**	**174**	**(6)**	**605**
Reclassifications	**(11)**	**44**	**(2)**	**31**
Reclassification to assets of disposal groups	**(76)**	**(62)**	**(15)**	**(153)**
Net carrying value at end of year	**9 166**	**1 986**	**313**	**11 465**

~ *The above excludes movements from the discontinued operations. This differs from the amounts in the consolidated statement of cash flows and the notes to the consolidated statement of cash flows which includes amounts from discontinued operations. The amounts disclosed in the notes to the consolidated statement of profit or loss relate to continuing operations only. Refer to note 15 for disclosures provided for discontinued operations.*

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

Depreciation is calculated on a straight-line basis to write off the cost of each component of an asset to its residual value over its estimated useful life as follows:

– Buildings	20 years
– Equipment and furniture	3 to 10 years
– Motor vehicles	3 to 5 years

Certain property, plant and equipment were encumbered as security for interest-bearing borrowings amounting to R66 million (2015: R80 million), refer to note 21.

	2016 Rm	2015 Rm

7. TRANSPORT FLEET

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

Depreciation is calculated on a straight-line basis to write off the cost of each component of the transport asset to its residual value over its estimated useful life between 3 to 12 years.

Certain transport fleet assets have been encumbered as security for interest-bearing borrowings amounting to R297 million (2015: R317 million), refer to note 21.

8. DEFERRED TAX

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

~ *The above excludes movements from the discontinued operations. This differs from the amounts in the consolidated statement of cash flows and the notes to the consolidated statement of cash flows which includes amounts from discontinued operations. The amounts disclosed in the notes to the consolidated statement of profit or loss relate to continuing operations only. Refer to note 15 for disclosures provided for discontinued operations.*

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

8. DEFERRED TAX continued

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

Where entities within the group are expecting to be profitable and have a high prospect of utilising any noted assessed losses in the future, deferred tax assets are recognised. The assessments are performed on a continuous basis and if required the deferred tax asset raised is impaired. Management has assumed that the recoverability of the remaining unrecognised losses is still in doubt because a trend of profitable growth in the respective entities has not yet been established and hence have not raised deferred tax assets on this balance.

Deferred tax assets were impaired where entities do not show signs of profitability in the foreseeable future.

9. INVESTMENTS AND LOANS

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

For further disclosures refer to note 38.

	2016 Rm	2015 Rm

10. OTHER FINANCIAL ASSETS

	2016 Rm	2015 Rm
Cross-currency and interest rate swap instruments at fair value (Level 2 in the fair value hierarchy)	**8**	36
	8	36

The cross currency and interest rate swap instruments mature in July 2017.

For further disclosures refer to note 38.

11. VEHICLES FOR HIRE

	2016 Rm	2015 Rm
Cost	**4 031**	4 413
Accumulated depreciation and impairment	**562**	810
	3 469	3 603
Net carrying value at beginning of year	**3 603**	2 945
Net disposal of subsidiaries and businesses	**(736)**	
Additions	**4 311**	3 268
Proceeds from disposal	**(2 700)**	(1 737)
Depreciation	**(923)**	(921)
Profit from disposal	**5**	5
Currency adjustments	**2**	1
Reclassifications	**(93)**	42
Net carrying value at end of year	**3 469**	3 603

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

Certain vehicles for hire have been encumbered during the year as security for interest-bearing borrowings amounting to R429 million (refer to note 21).

12. INVENTORIES

	2016 Rm	2015 Rm
New vehicles	**8 801**	8 591
Used vehicles	**3 921**	3 150
Spares, accessories and finished goods	**2 283**	1 971
Pharmaceutical goods	**936**	996
Fast moving consumer goods	**446**	355
Merchandise	**109**	185
Work in progress	**96**	119
Fuel and oil	**125**	98
	16 717	15 465
Inventories carried at net realisable value included above	**4 168**	6 715
Net amount of inventory write-down expensed in profit or loss	**71**	28

The carrying value of inventories that have been encumbered as security for interest-bearing borrowings and interest-bearing trade payables amounts to R1 458 million (2015: R927 million), refer to note 21 and note 25.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

For further disclosures refer to note 38.

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

Discontinued operations

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

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

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

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

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

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

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

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS continued

ANALYSIS OF PROFIT FROM DISCONTINUED OPERATIONS	Notes	2016 Rm	2015 Rm
Revenue	15.1	**3 111**	3 034
Net operating expenses		**(2 582)**	(2 442)
Profit before depreciation, impairments and recoupments		**529**	592
Depreciation, amortisation, impairments and recoupments	15.2		(28)
Operating profit		**529**	564
Other non-operating items	15.3	**(16)**	(8)
Profit before share of result of associates and joint ventures		**513**	556
Share of result of associates and joint ventures			(1)
Profit before tax		**513**	555
Income tax expense		**(180)**	(178)
Profit for the year		**333**	377

15.1 Analysis of revenue

	2016 Rm	2015 Rm
Rendering of services	**129**	111
Gross premiums received	**2 981**	2 918
Other	**1**	5
External revenue	**3 111**	3 034
Inter-group revenue	**62**	64
Total revenue	**3 173**	3 098

15.2 Depreciation, amortisation, impairments and recoupments

	2016 Rm	2015 Rm
Depreciation and amortisation		
Intangible assets		(10)
Property, plant and equipment		(18)
		(28)

15.3 Other non-operating items

	2016 Rm	2015 Rm
Fair value loss on derivatives	**(1)**	(1)
Change in economic assumptions of insurance funds	**(4)**	(6)
Capital items	**(11)**	(1)
	(16)	(8)

15.4 Cash flows from discontinued operations

	2016 Rm	2015 Rm
Cash flows from operating activities	**390**	391
Cash flows from investing activities	**(30)**	(1 103)
Cash flows from financing activities	**(1)**	(31)

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS continued

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

	2016 Rm	2015 Rm
15.5 Assets		
Goodwill and intangible assets	**204**	122
Investment in associates and joint ventures	**40**	17
Property, plant and equipment	**164**	146
Current and deferred tax assets	**24**	20
Investments and other financial assets	**3 197**	3 250
Trade and other receivables	**217**	218
Cash resources	**1 237**	845
Assets of discontinued operations	**5 083**	4 618
15.6 Liabilities		
Insurance and investment contracts	**1 384**	1 361
Current and deferred tax liabilities	**214**	197
Trade and other payables and provisions	**1 140**	1 155
Liabilities of discontinued operations	**2 738**	2 713

Investments and other financial assets consists of listed investments of R2 481 million (2015: R2 288 million) (level 1 in the fair value hierarchy), fixed and negotiable deposits of R589 million (2015: R733 million) (level 2 in the fair value hierarchy) and reinsurance receivables of R127 million (2015: R229 million) at amortised cost.

Disposal groups

These assets include various businesses in the Logistics Africa, Vehicle Import Distribution and Dealership division and the Vehicle Retail Rental and Aftermarket Parts division, and a listed associate. These businesses will be recovered through disposal rather than through continuing use.

	2016 Rm	2015 Rm
15.7 Assets		
Goodwill and intangible assets	**34**	
Investment in associates and joint ventures	**476**	
Property, plant and equipment	**114**	
Transport fleet	**53**	
Current and deferred tax assets	**65**	
Investments and other financial assets	**17**	
Inventories	**340**	
Trade and other receivables	**251**	
Cash resources	**119**	
Assets of disposal groups	**1 469**	
15.8 Liabilities		
Current and deferred tax liabilities	**3**	
Trade and other payables and provisions	**373**	
Liabilities of disposal groups	**376**	

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

* *For non-redeemable, non-participating preference shares in issue refer to note 19.*
~ *For movements in the number of issued shares refer to the Directors report on page 12.*

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

The directors have been given general authority until the next annual general meeting to issue:

> not more than five percent of the issued ordinary share capital at 30 June 2015;
> not more than five million of the non-redeemable, non-participating preference shares.

Ordinary shares

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

Deferred ordinary shares

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

To the end of the current financial year 13 393 091 (2015: 12 561 622) deferred ordinary shares have been converted into ordinary shares.

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

Directors interests in issued share capital

The aggregate shareholdings of the directors in the issued ordinary share capital of the company are outlined in note 40.

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

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

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

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

18.1 Foreign currency translation reserve~

	2016 Rm	2015 Rm
Balance at beginning of year	**1 161**	1 470
Goodwill and intangible assets	**1 100**	(53)
Investments, loans, other financial assets, associates and joint ventures	**128**	(39)
Property, plant and equipment	**605**	(166)
Transport fleet	**508**	(152)
Deferred tax	**16**	(13)
Vehicles for hire	**2**	1
Inventories	**100**	25
Current tax	**(112)**	11
Trade and other receivables	**737**	(182)
Cash resources	**145**	7
Non-controlling interests	**(93)**	(5)
Retirement benefit obligations	**(230)**	78
Interest-bearing borrowings	**(1 178)**	117
Insurance, investment, maintenance and warranty contracts	**(18)**	(4)
Other financial liabilities	**(378)**	(58)
Provisions for liabilities and charges	**(92)**	23
Trade and other payables	**(710)**	101
Balance at end of year	**1 691**	1 161

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

18.2 Share based payment reserves

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

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

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

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

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

18.2 Share based payment reserves

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

Rights entitle participants to invest in Imperial shares, which, if held for three years, will be matched by the company on a one-for-one basis by the allocation of an equal number of Imperial shares for no consideration.

CONDITIONAL SHARE PLAN (CSP)	NUMBER OF RIGHTS	AVERAGE EXERCISE PRICE (RAND)	EXPIRY DATE
Grant date			
September 2014	**67 064**	**197,77**	**September 2017**
October 2015	**48 915**	**174,65**	**September 2018**
May 2016	**80 340**	**127,77**	**September 2019**

The CSP is utilised in exceptional circumstances only. Employees receive grants of conditional awards and the vesting is subject to performance conditions. The performance conditions for the CSP will be based on individual targets set by the board. Upon exercise by participants the group will settle the value of the difference between the exercise and grant price by delivering shares, alternatively as a fall back provision only by settling the value in cash.

Based on prior years' vesting experience, hedges and shares have been purchased to cover the anticipated number of share appreciation rights and deferred bonuses that will convert. During the 2016 financial year the group repurchased 3 387 507 shares, and now holds 3 707 507 shares as hedges. Refer note 17.

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

The inputs into the model established at the grant dates and which have not changed were as follows:

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

^ *Granted during the current financial year.*

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

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

Directors' interests in issued share capital

The aggregate allocations to the directors in the Share Appreciation Rights Scheme, the Deferred Bonus Scheme and the Conditional Share Plan of the company are outlined in note 40.

18.3 Premium paid on purchase of non-controlling interests

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

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

	2016 Rm	2015 Rm
19. NON-REDEEMABLE, NON-PARTICIPATING PREFERENCE SHARES		
Non-redeemable, non-participating preference shares at cost	**441**	441

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

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

The coupon is payable semi-annually on 1 April and 1 October and annually this amounts to R37 million (2015: R35 million) which is included in finance costs in profit or loss.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

	2016 Rm	2015 Rm
20. RETIREMENT BENEFIT OBLIGATIONS		
Defined contribution plans		
The group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to profit or loss. The large majority of South African employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pensions Funds Act, 1956.		
Total cost charged to profit or loss	**845**	766
Defined benefit plans		
Imperial Logistics International GmbH, a subsidiary located in Germany, operates a number of defined benefit plans for its employees in Europe with a majority of the plans being unfunded. Under the plans the employees are entitled to retirement benefits which are dependent on seniority, length of service and level of pay.		
The benefit obligations in Europe are provided for based on actuarial valuations prepared using the projected unit credit method, with the following assumptions:	**%**	%
– Discount rate	**1,42**	2,30
– Projected pension payment increase	**1,75**	1,75
– Projected salary and other contribution increase	**2,00**	2,00
– Fluctuation rate (depends on the age of male or female)	**0,00 – 8,00**	0,00 – 8,00
The latest actuarial valuation was performed in June 2016. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2017.		
The amounts, included in staff costs, recognised in profit or loss in respect of the plans are as follows:		
Current service cost	**22**	16
Interest cost	**26**	30
	48	46
The amount included on the consolidated statement of financial position arising from the Group's obligations are as follows:		
Defined retirement benefit obligations		
Carrying value at beginning of year	**1 157**	1 083
(Disposal) acquisition of subsidiaries and businesses	**(90)**	1
Remeasurement in other comprehensive income	**228**	137
Payments to retired employees	**(44)**	(32)
Plan assets transferred	**2**	
Currency adjustments	**230**	(78)
Amounts charged to profit or loss	**48**	46
Carrying value at end of year	**1 531**	1 157

The expected payments to retired employees for the next financial year is R52 million and the average duration of the retirement plans varies from 9 to 31 years with a median of 18 years.

A quantitative sensitivity analysis for significant assumptions as at 30 June 2016 is shown below:

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

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

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

21. INTEREST-BEARING BORROWINGS

	2016 Rm	2015* Rm
Long-term		
– Loans secured by mortgage bonds over fixed property	**121**	117
– Liabilities under capitalised finance leases	**579**	201
– Instalment sale creditors secured by assets	**8**	12
– Corporate bonds	**5 348**	5 841
– Listed on the Bond Exchange of South Africa		
– IPL 5 – matured in September 2015		500
– IPL 6 – maturing in September 2017	**1 537**	1 537
– IPL 7 – maturing in April 2018	**765**	763
– IPL 8 – maturing in October 2020	**1 530**	1 526
– IPL 9 – maturing in May 2021	**758**	757
– IPL 10 – maturing in May 2021	**758**	758
– Syndicated bank term loans	**2 429**	2 862
– Notice loans	**1 044**	118
– Bilateral loan	**871**	1 012
– Revolving credit facility term loans	**5 027**	3 012
– Unsecured loans	**15**	22
	15 442	13 197
Short term		
– Unsecured loans, call borrowings and bank overdrafts	**2 831**	2 661
– Commercial paper	**123**	299
Total borrowings at amortised cost	**18 396**	16 157
Less: Current portion of interest-bearing borrowings	**3 865**	3 893
Long-term borrowings	**14 531**	12 264

INTEREST RATE ANALYSIS	CURRENT YEAR INTEREST RATES (%)	2016 Rm	2015* Rm
Fixed			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	2,0 – 11.8	**241**	272
– Corporate bonds – IPL 6	9,8	**1 537**	1 537
– Corporate bonds – IPL 10	9,4	**758**	758
– Notice loans	2,0 – 4,1	**64**	65
– Unsecured loans			4
– Bilateral loan	2,3	**871**	1 012
Variable linked			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	5,3 – 10,0	**467**	58
– Corporate bonds – IPL 5	8,1		500
– Corporate bonds – IPL 7	7,7 – 8,8	**765**	763
– Corporate bonds – IPL 8	7,9 – 9,0	**1 530**	1 526
– Corporate bonds – IPL 9	7,8 – 8,9	**758**	757
– Syndicated Bank term loans	1,2 – 1,7	**2 429**	2 862
– Revolving credit facility term loans	1,6 – 8,9	**5 027**	3 012
– Notice loans	6,6 – 8,1	**980**	53
– Unsecured loans	0,1 – 12,0	**15**	18
– Floorplans with financial institutions	3,4 – 11,3	**598**	414
– Commercial paper	6,5 – 7,8	**123**	299
– Call borrowings	2,5 – 11,0	**1 246**	1 313
– Bank overdrafts	1,0 – 10,5	**987**	934
		18 396	16 157

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

21. INTEREST-BEARING BORROWINGS continued

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

DETAILS OF ENCUMBERED ASSETS	CARRYING VALUE OF DEBT SECURED Rm	CARRYING VALUE OF ASSETS ENCUMBERED Rm	PROPERTY, PLANT AND EQUIPMENT Rm	TRANSPORT FLEET Rm	VEHICLES FOR HIRE Rm	INVENTORIES Rm
Debt Instruments						
Mortgage bonds, capitalised leases and instalment sale creditors	**771**	**792**	**66**	**297**	**429**	
Floorplan with financial institutions	**598**	**598**				**598**
2016	**1 369**	**1 390**	**66**	**297**	**429**	**598**
2015*	714	717	80	317		320

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

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

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

21. INTEREST-BEARING BORROWINGS continued

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

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

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

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

	2016 Rm	2015 Rm

22. INSURANCE, INVESTMENT, MAINTENANCE AND WARRANTY CONTRACTS

	2016 Rm	2015 Rm
Maintenance and warranty contracts	**3 156**	3 191
Maintenance and warranty contracts		
– Maturing within one year	**873**	981
– Maturing after one year but within five years	**2 070**	1 799
– Maturing after five years	**213**	411
	3 156	3 191

23. OTHER FINANCIAL LIABILITIES

	2016 Rm	2015 Rm
Cross currency and interest-rate swap instruments (Level 2 in the fair value hierarchy)	**267**	233
Contingent consideration liabilities (Level 3 in the fair value hierarchy)	**19**	31
Other payables	**174**	115
Put option liabilities (Level 3 in the fair value hierarchy)	**1 875**	1 640
	2 335	2 019

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

24. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

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

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

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

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

25. TRADE AND OTHER PAYABLES

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

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

For further disclosures refer to note 38.

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

* *The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 15 for certain disclosures relating to discontinued operations.*
^ *Include dividends received from the Regent cell captives amounting to R147 million (2015: R115 million).*

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

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

	2016* Rm	2015* Rm
31. INCOME TAX EXPENSE		
South African normal tax		
– Current	**911**	960
– Prior year over (under) provisions	**80**	(148)
	991	812
Foreign tax		
– Current	**405**	240
– Prior year over provisions	**(27)**	(2)
	378	238
Deferred tax		
– Current	**(280)**	(56)
– Prior year (over) under provisions	**(150)**	29
– Impairment (impairment reversal)	**72**	(2)
– Tax rate adjustment	**(2)**	
	(360)	(29)
Capital gains tax		
– Current	**45**	6
– Deferred	**(9)**	3
	36	9
Withholding and secondary taxes	**4**	5
Income tax expense	**1 049**	1 035
Reconciliation of tax rates:	**%**	%
Profit before tax, excluding share of result of associates and joint ventures – effective tax rate	**27,7**	25,8
Income tax effect of:		
– Profit on sale of businesses	**3,7**	0,1
– Dividend income	**1,7**	1,3
– Profit on sale of property, plant and equipment	**0,2**	0,3
– Impairment of goodwill and other intangible assets	**(3,0)**	(0,5)
– Impairment of investment in associates	**(0,7)**	
– Business acquisition costs	**(0,5)**	(0,1)
– Reclassification of loss on disposal of available-for-sale investment		(0,3)
– Remeasurement of put option liabilities and contingent consideration liabilities	**(0,4)**	(0,3)
– Disallowable expenses	**(1,6)**	(1,7)
– Other		0,2
– Foreign tax differential	**1,1**	0,4
– Tax assets not recognised and deferred tax impairments	**(1,9)**	0,1
– Withholding and secondary taxes	**(0,1)**	(0,1)
– Capital gains tax	**(0,9)**	(0,2)
– Tax rate adjustment	**0,1**	
– Prior year net overprovisions	**2,6**	3,0
	28,0	28,0

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

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

Based on its interpretation of tax law and prior experience the group believes that its accrual for tax liabilities are adequate for all open tax years.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

32. EARNINGS PER SHARE

	2016 Rm	2015 Rm
Ordinary shares		
Net profit attributable to owners of Imperial – basic earnings	**3 049**	3 054
Saving of finance costs by associate on potential sale of Imperial shares		44
Diluted earnings	**3 049**	3 098
Weighted average number of ordinary shares in issue (million)	**192,9**	193,1
Basic earnings per share (cents)	**1 581**	1 582
Continuing operations	**1 425**	1 416
Discontinued operations	**156**	166
Weighted average number of ordinary shares (million)	**192,9**	193,1
Adjusted for weighted average potential ordinary shares resulting from:		
– Dilutive effect of shares allocated in terms of the share schemes (million)	**0,6**	
– Potential disposal of shares held by an associate (million)	**4,5**	4,5
Weighted average number of ordinary shares for diluted earnings (million)	**198,0**	197,6
Diluted earnings per share (cents)	**1 540**	1 568
Continuing operations	**1 388**	1 406
Discontinued operations	**152**	162

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

32. EARNINGS PER SHARE continued

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

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

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS~

33.1 Cash generated by operations before capital expenditure on rental assets

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

	2016 Rm	2015* Rm
33.4 Net replacement capital expenditure – excluding rental assets		
Expenditure		
– Intangible assets	**(350)**	(371)
– Plant and equipment	**(1 140)**	(876)
– Transport fleet	**(390)**	(520)
	(1 880)	(1 767)
Proceeds from disposals		
– Intangible assets	**8**	10
– Plant and equipment	**201**	173
– Transport fleet	**274**	339
	483	522
Net expenditure		
– Intangible assets	**(342)**	(361)
– Plant and equipment	**(939)**	(703)
– Transport fleet	**(116)**	(181)
	(1 397)	(1 245)
33.5 Cash and cash equivalents		
Cash resources	**2 317**	2 271
Cash resources included in 'Assets of discontinued operations and disposal groups.'	**1 356**	845
Short-term loans and overdrafts	**(2 954)**	(3 078)
	719	38

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

34. ORDINARY DIVIDENDS

Interim

– In the current year a dividend of 370 cents per share was paid on 29 March 2016
– In the prior year a dividend of 350 cents per share was paid on 30 March 2015

Final

– A dividend of 425 cents per share is payable on 26 September 2016
– In the prior year a dividend of 445 cents per share was paid on 28 September 2015

Dividends are reflected gross of tax.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

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

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

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

	2016 Rm	2015 Rm
36. CONTINGENT LIABILITIES		
Subsidiary companies have received summons for claims amounting to R8 million. The group and its legal advisors believe that these claims are unlikely to succeed.	**8**	17
The group has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of associates, for facilities in the normal course of business to the extent that they are used. The utilisation of facilities was:	**69**	73
Guarantees issued by Imperial Logistics International GmbH, to suppliers of services including a R332 million guarantee issued on behalf of Neska in respect of property rentals but with a contractual right of recourse against the purchaser of Neska.	**497**	235
As part of the sale of Uvundlu Investment (Pty) Limited during the year the company has issued a guarantee to bankers in respect of a rental book. The guarantee issued will amortise to nil over three years.	**116**	
As part of the NAC sale in 2013 Imperial Holdings have issued a guarantee to secure vendor funding for five years for R80 million.	**80**	80

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

37. RELATED PARTY TRANSACTIONS

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

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

Interest of directors in contracts

The directors have confirmed that they were not interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regard to directors' interest in contracts does not exist.

Subsidiaries

Details of interests in principal subsidiaries are disclosed in note 39.

Shareholders

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016 – Continued

37. RELATED PARTY TRANSACTIONS continued

Associates and joint ventures

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

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

	2016 Rm	2015 Rm
KEY MANAGEMENT PERSONNEL		
Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group.		
Key management personnel remuneration comprises:		
Non-executive directors' fees	**8**	7
Short-term employee benefits	**245**	233
Long-term employee benefits	**15**	14
	268	254
Number of key management personnel	**59**	53
Net gains on share options and cash retention plan bonus	**19**	47
The group has many different operations, retail outlets and service centres where the group staff may be transacting.		
Key management have to report any transactions with the group in excess of R100 000. The total value of the goods and services supplied to or from key management on an arm's length basis amounted to:	**12**	16
The group received insurance premiums on an arm's length basis from the group pension and provident funds to the amount of:	**8**	9
The group pays for legal services on an arm's length basis from a firm of attorneys in which a director of the company has an interest, amounting to:	**7**	8

38. FINANCIAL INSTRUMENTS

38.1 Financial risk factors

The Group's treasury activities are aligned to the company's decentralised business model and the asset and liability committee's (Alco) strategies. The Alco is a board subcommittee responsible for implementing best practice asset and liability risk management with its main objectives being the management of liquidity, interest rate, price and foreign exchange risk. The Alco meets every quarter and follows a comprehensive risk management process. The treasury implements the Alco risk management policies and directives and provides financial risk management services to the various divisional businesses, coordinates access to domestic and international financial markets for bank as well as debt capital markets funding. The treasury monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.

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

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

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

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

38.1.1 Market risk

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

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

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

38.1.2 Currency risk

This is the risk of losses arising from the effects of adverse movements in exchange rates on net foreign currency asset or liability positions.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. In order to manage these risks, the Group may enter into hedging transactions, which make use of derivatives. Derivative instruments are used by the Group for hedging purposes. Such instruments include forward exchange contracts, futures and certain currency options authorised by Alco.

The policy of the Group is to maintain a fully covered foreign exchange risk position in respect of foreign currency commitments with a few exceptions authorised by the Alco. Automotive spare parts may be settled in the spot markets and where specific South African Exchange Control authorisation has been obtained from authorised dealers in foreign exchange up to 75% of forecast annual sales can be covered. The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units within the Group's hedging policies and guidelines. Trade-related import exposures are managed through the use of natural hedges arising from foreign assets as well as forward exchange contracts and the option structures authorised by Alco.

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016 – Continued

38. FINANCIAL INSTRUMENTS continued

38.1 Financial risk factors continued

38.1.2 Currency risk continued

Fair value is calculated as the difference between the contracted value and the value to maturity. The derivative assets and liabilities are included in trade and other receivables and trade and other payables.

The impact from a 10% movement in the valuation of the Rand would approximately have a R534 million (2015: R593 million) impact on Group's equity. The 10% sensitivity rate is based on management's assessment of a reasonable possible change in foreign exchange rates over the foreseeable future, with regards to market value.

The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains or losses on remeasurement of foreign denominated financial assets and liabilities translated at spot rates are offset by equivalent gains or losses in currency derivatives.

Divisional currency risk

Logistics Africa

The risk in this division relates to certain transactions in foreign currencies, which result in foreign currency denominated debtors and creditors. In order to mitigate the risks which arise from this exposure, these items are settled immediately or where foreign exchange contracts are available the risk is hedged within a 50% minimum Group risk policy for African businesses. Inter company loans in different currencies can cause translation gains and losses through the statement of profit or loss. No net investment hedges are in place.

Logistics International

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

Vehicle import, Distribution and Dealerships

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

Vehicle Retail, Rental and Aftermarket Parts

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

Insurance (Discontinued operation)

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

38.1.3 Interest rate risk

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

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

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

The interest rate profile of total borrowings is reflected in note 21.

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

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

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

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

The 50 basis points increase or decrease in interest rates represents management's assessment of the reasonably possible changes in interest risk. The impact of a 50 basis points increase in interest rates will have an annualised R33 million (2015: R26 million) effect on Group after tax profit and equity.

38.1.4 Equity price risk

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

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

Divisional equity price risk

Insurance (discontinued operation)

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

38. FINANCIAL INSTRUMENTS continued

38.1 Financial risk factors continued

38.1.5 Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure on 30 June 2016. None of the financial assets below were given as collateral for any security provided.

The Group only enters into long-term financial deposits with authorised financial institutions of high credit ratings assigned by international or recognised credit-rating agencies.

Cash resources

It is Group policy to deposit short-term cash with reputable financial institutions with investment grade credit ratings assigned by international or recognised credit-rating agencies or counterparties authorised by the investment committee.

Trade accounts receivable

Trade accounts receivable consist of a large, widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Creditworthiness of trade receivables is assessed when credit is first extended and is reviewed regularly thereafter. The granting of credit is controlled by the application of account limits. Where considered appropriate, use is made of credit guarantee insurance.

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

Based on past experience, the Group believes that no impairment is necessary in respect of trade receivables not past due as the amount relates to customers that have a good track record with the Group, and there has been no objective evidence to the contrary.

Included in trade receivables are receivables which are past the original expected collection date (past due) at the reporting date. There has not, however, been a significant change in credit quality and the amounts are still considered recoverable. Those which are not considered to be recoverable have been included in the provision for doubtful debts below. A summarised age analysis of past due trade receivables is set out above.

The overdue trade receivables ageing profile above is considered typical of the various industries in which certain of our businesses operate. Given this, existing insurance cover, and the nature of the related counterparties these amounts are considered recoverable.

Provision for doubtful debts for trade receivables

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

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

PROVISION FOR DOUBTFUL DEBTS FOR TRADE RECEIVABLES	2016 Rm	2015 Rm
Set out below is a summary of the movement in the provision for doubtful debts for the year:		
Carrying value at the beginning of the year	**511**	429
Net (disposal) acquisition of subsidiaries and businesses	**(15)**	51
Amounts reversed to profit or loss	**(58)**	(5)
Charged to profit or loss	**73**	135
Amounts utilised during the year	**(34)**	(18)
Currency adjustments	**45**	1
Reclassification to assets classified as held for sale	**(93)**	(82)
Carrying value at the end of the year	**429**	511

Divisional credit risk

Logistics

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

Vehicle Import, Distribution and Dealerships

Risk exposures arise from the supply of vehicles and equipment to external dealerships and customers. Where vehicles are supplied to external dealerships these are generally covered by a dealer floorplan with a bank, and will usually settle within credit terms, and exposure to credit risk is therefore minimised. When dealing with external customers, the vehicle is required to be fully financed before delivery, thereby mitigating credit risk to the division.

Vehicle Retail, Rental and Aftermarket Parts

Risk exposures arise from the granting of credit to customers for parts, spares and vehicle rental. The risk is managed by monthly review of trade receivables ageing. The risk is mitigated by stringent background checks and credit limits being imposed on all new customers, continuous review of credit limits, as well as taking legal action against defaulting customers. Where our dealerships are transacting with external customers, the vehicles are required to be fully financed before delivery, thereby mitigating credit risk to the division.

Insurance

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

Guarantees

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

38. FINANCIAL INSTRUMENTS continued

38.1 Financial risk factors continued

38.1.6 Liquidity risk

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

The responsibility for liquidity risk management rests with the Alco, which has developed an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding requirements. The Group accesses the corporate bond market to ensure that there is sufficient long term funding within the funding mix together with long-term bank facilities.

The Group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised committed borrowing facilities are maintained. Unutilised borrowing facilities are reflected in note 21.

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

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

MATURITY PROFILE OF FINANCIAL LIABILITIES	CARRYING AMOUNT Rm	CONTRACTUAL CASH FLOWS Rm	LESS THAN ONE YEAR Rm	ONE TO FIVE YEARS Rm	MORE THAN FIVE YEARS Rm
Interest-bearing borrowings*	**18 396**	**19 730**	**5 064**	**14 609**	**57**
Other financial liabilities	**2 335**	**2 335**	**266**	**1 254**	**815**
Trade payables and accruals	**18 105**	**18 105**	**18 105**		
Current derivative financial liabilities	**479**	**479**	**479**		
2016	**39 315**	**40 649**	**23 914**	**15 863**	**872**
2015	36 536	39 546	22 991	10 909	5 646

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

38.2 Fair value measurement

38.2.1 Fair value hierarchy

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

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments. These instruments consist of listed equity securities. (Refer to note 15)

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments classified as level 2 are mainly comprised of over the counter (OTC) derivatives instruments.

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

38.2.2 Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R 1 894 million were estimated by applying an income approach valuation method including a present value discount technique . The fair value measurement is based on significant inputs that are not observable in the market. Key assumptions used in the valuations includes the assumed probability of achieving profits targets and the discount rates applied. The assumed profitabilities were based on historical performances but adjusted for expected growth.

The following table shows how the fair value of the level 3 financial liabilities as at 30 June 2016 would change if the significant assumptions were to be replaced by a reasonable possible alternative.

FINANCIAL INSTRUMENTS	VALUATION TECHNIQUE	MAIN ASSUMPTION	CARRYING VALUE Rm	INCREASE IN LIABILITIES Rm	DECREASE IN LIABILITIES Rm
Put option liabilities	Income approach	Earnings growth	1 875	13	(129)
Contingent consideration liabilities	Income approach	Assumed profits	19		(4)

Movements in level 3 financial instruments carried at fair value

The following tables shows a reconciliation of the opening and closing balances of level 3 financial instruments carried at fair value at 30 June 2016:

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

Transfers between hierarchy levels

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

38.2.3 Fair value of financial instruments carried at amortised cost

The following table sets out instances where the carrying amount of financial liabilities, as recognised on the statement of financial position at 30 June 2016, differs from their fair values. In all other instances the carrying amounts of the Group's financial assets and liabilities approximate their fair values, due to the nature of the financial instruments.

	CARRYING VALUE Rm	FAIR VALUE* Rm
Listed corporate bonds (included in interest bearing borrowings)	**5 348**	**5 278**
Listed non-redeemable, non-participating preference shares	**441**	**345**

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

38.3 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns and growth for shareholders and benefits for other stakeholders. The Group maintains an appropriate mix of equity and equity like instruments and debt in order to optimise the weighted average cost of capital (WACC) within an appropriate risk profile. Capital allocation is evaluated against the expected and forecast return on invested capital against the appropriate WACC for that division or business.

The Group has externally imposed capital requirements in terms of debt covenants on bank facilities. The covenant requires the Group to maintain a net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) of below 3.5:1. The ratio at 30 June 2016 is 1.78:1 (2015: 1.81:1). Our insurance businesses have externally imposed regulatory.

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

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

* *Includes R441 million non-redeemable, non-participating preference shares.*
** *Excludes discontinued and disposal groups cash.*

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

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

39. INTEREST IN OTHER ENTITIES

39.1 Composition of the group

Imperial is a diversified, international group of companies involved in mobility. The consolidated financial statements include the accounts of Imperial Holdings Limited (the Company) and all of its subsidiaries at 30 June 2016.

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

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

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

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

39. INTEREST IN OTHER ENTITIES continued

39.1 Composition of the group continued

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

SUBSIDIARY	PLACE OF INCORPORATION	OWNERSHIP INTEREST (%)	NATURE OF BUSINESS
Imperial Holdings International Cooperation U.A.	Netherlands	100	Business conducted by Imperial Holdings International Cooperation U.A and its subsidiaries comprises integrated logistics solutions and vehicle sales. Further details on the composition of Imperial Holdings International Cooperation U.A. is provided in note 39.1.3.
Imperial Group Limited	South Africa	100	Business conducted by Imperial Group Limited comprises vehicle rental, motor trading, automotive parts, property investments, transportation, logistics, sale of motor components, panel beating and group services. Details on the businesses included are provided in note 39.1.4
Midas	South Africa	89	The Midas group markets and distributes quality automotive parts and accessories, D.I.Y and leisure products through selected channels. The group consists of Parts Incorporated Africa, the national hub and spoke distribution business, NAPA, the marketing co-operative to the members of the leading local brands, and the franchises Midas, Motolek, ADCO, CBS and Auto Care & Diagnostics. The Group increased its interest in Midas to 100% after the reporting period.
Regent Insurance Company Limited~ (Held for sale)	South Africa	100	Regent Insurance is a registered short term insurer of motor related value added insurance products, including extended warranties, credit insurance, paint protection, commercial vehicles, goods in transit cover and comprehensive passenger car cover. Regent Insurance operates in South Africa, Botswana and Lesotho.
Regent Life Assurance Company Limited~ (Held for sale)	South Africa	100	Regent Life is a registered life assurer. Its products include credit life, funeral cover, underwritten risk cover and savings products sold primarily through dealers, financial institutions, brokers and affinity schemes. Regent Life operates in South Africa, Botswana and Lesotho.
Imperial Capital Limited	South Africa	100	Imperial Capital is a registered Domestic Treasury Management Company (DTMC) entity. It holds the 68% interest in Eco Health Limited as well as Imperial's interest in other African Logistics and Vehicle Distribution and Dealership operations. Eco Health is a leading distributor of pharmaceutical products in Nigeria. Based in Lagos, Nigeria, the company also has operations in Ghana and Dubai. Further details are provided on the non-controlling interest, refer to note 39.4.
Pharmed Pharmaceutical (Pty) Limited	South Africa	62,5	Pharmed specialises in the wholesale supply and distribution of healthcare related products – including ethical, generic, patent and homeopathic medicines; surgical, dental and veterinary products; and medical equipment.

** Further details are provided on the non-controlling interest, refer to note 39.4.*
~ Certain restrictions apply to this subsidiary, refer to note 39.2.

39.1.2 Principal subsidiaries of Associated Motor Holdings (Pty) Limited, held directly or indirectly, are as follows:

SUBSIDIARY	PLACE OF INCORPORATION	OWNERSHIP INTEREST (%)	NATURE OF BUSINESS
Accordian Investments (Pty) Limited	South Africa	60	Accordian is an importer and distributor of Tata vehicles and parts for South Africa.
Hyundai Auto South Africa (Pty) Limited	South Africa	100	Hyundai Auto SA is an importer and distributor of Hyundai vehicles and parts for Southern Africa. The Group has established a network of dealerships in South Africa, Namibia and Botswana.
Imperial Car Imports (Pty) Limited	South Africa	100	Imperial Car Imports has a 60% interest in Renault SA (Pty) Limited. Renault SA through distribution agreements with Renault SAS France imports and distributes Renault motor vehicles and parts in South Africa.
Kia Motors SA (Pty) Limited	South Africa	100	Kia Motors is an importer and distributor of Kia vehicles and parts for South Africa.
KMSA Holdings (Pty) Limited	South Africa	93	KMSA is an importer of all Kawasaki motorcycle and personal watercraft products for Southern Africa.

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

SUBSIDIARY	PLACE OF INCORPORATION	OWNERSHIP INTEREST (%)	NATURE OF BUSINESS
Imperial Logistics International GmbH	Germany	100	The subsidiary houses the Imperial Shipping Group. Imperial Shipping implement efficient transport solutions on Europe's waterways. It has a fleet of inland vessels used on European waterways. In addition to dry cargo, tanker, gas and coastal shipping, the range of services includes container transport and industrial logistics.
Imperial Shipping Paraguay S.A.	Germany	95	Imperial Shipping Paraguay implements transportation of goods and materials on the South American waterways. Currently it has a fleet of inland vessels used on the Rio Parana river, transporting iron ore, grain and other bulk products between Brazil to Argentina.
Panopa	Germany	100	A contract logistics specialist providing a broad range of services from the beginning to the end of the supply chain. Panopa services the steel, automotive and spare parts industries.
Lehnkering Group	Germany	100	Lehnkering specialises in chemical logistics, offering transport, warehousing distribution and extensive value added services such as manufacturing and packaging on behalf of its customers. It has 55 locations in Europe and one in the USA.
Imperial Mobility UK	United Kingdom	100	Imperial Mobility UK is involved in the commercial vehicle market, from light commercial to medium, heavy and extra-heavy commercial vehicles. It sells new and used vehicles and vans as well as related financial services, parts and servicing.
Associated Motors Australia (Pty) Ltd	Australia	100	This operation retails Ford, Mitsubishi and Renault through six dealerships in the Sydney area.
Imres BV*	Netherlands	80	Imres, a wholesaler of pharmaceutical and medical supplies to NGO's, hospitals and retailers, operates in the international medical relief industry, targeting mainly African emerging countries with developing healthcare markets and needs.

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016 – Continued

39. INTEREST IN OTHER ENTITIES continued

39.1 Composition of the group continued

39.1.4 Principal businesses of Imperial Group Limited

SUBSIDIARY	PLACE OF INCORPORATION	OWNERSHIP INTEREST (%)	NATURE OF BUSINESS
Logistics	South Africa	100	These businesses provide a complete logistics solution including transportation, warehousing, distribution and related value added services in South Africa.
Automotive	South Africa	100	The automotive business within Imperial Group Limited comprises of bikes, passenger, light, medium and heavy commercial vehicle dealerships in South Africa. The franchise dealerships represent virtually every major OEM brand.
Car rental	South Africa	100	The car rental operations housed within Imperial Group Limited comprises of three business units: Car Rental (Europcar and Tempest), Used Car Sales (Auto Pedigree brand) and Panel repair centres. This unit operates in Southern Africa.
Finance	South Africa	100	Provides the treasury function of the Group.

39.2 Significant restrictions

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

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

39.3 Business combinations during the year

Acquisitions during the reporting period

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

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

Details of contingent consideration

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

Acquisition costs

Acquisition costs for business acquisitions concluded during the year amounted to R9 million and have been recognised as an expense in profit or loss in the 'Other non-operating items' line.

Impact of the acquisitions on the results of the group

From the dates of acquisition the businesses acquired during the year contributed revenue of R1 071 million, operating profit of R22 million. Had all the acquisitions been consolidated from 1 July 2015, they would have contributed revenue of R1 588 million, operating profit of R3 million. The Group's continuing revenue for the year would have been R116 255 million, operating profit would have been R5 874 million.

Other details

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

Acquisitions after the reporting period

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

39. INTEREST IN OTHER ENTITIES continued

39.4 Non-controlling interests in the group's activities

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

SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	OPERATING SEGMENT	OWNERSHIP INTEREST HELD BY NCI (%) 2016	2015
Associated Motor Holdings (Pty) Limited (AMH)^	South Africa	Vehicle Import, Distribution and Dealerships		10
Imres B.V.	Africa	Logistics Africa	**20**	30
Eco Health Limited	Nigeria	Logistics Africa	**32**	32

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

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

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

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

39.5 Interest in associates and joint ventures

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

	MDS LOGISTICS PLC	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%

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

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

Immaterial associates and joint ventures

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

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

40 DIRECTORS REMUNERATION AND INTEREST IN SHARES

40.1 Directors' and prescribed officer's remuneration

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

1. *Other benefits include the fringe benefit value of company cars and motor car allowances and long-term performance-based retention payments.*
2. *This represents the expected value of all long-term incentive awards made in the reporting year. The expected value is calculated using a Black Scholes valuation model.*
3. *Prescribed officers are persons, not being directors, who either alone or with others exercise executive control and management of the whole or a significant portion of the business of the company.*

^ *For part of the year.*

* *Amended to include value of Conditional Share Plan allocation..*

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016 – Continued

40. DIRECTORS REMUNERATION AND INTEREST IN SHARES

40.2 Incentive schemes

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

Participation in the share appreciation rights scheme

EXECUTIVE DIRECTOR	ALLOCATION DATE	PRICE ON ALLOCATION DATE (R)	VESTING DATE	NUMBER OF RIGHTS*	NUMBER OF RIGHTS FORFEITED	NUMBER OF RIGHTS REMAINING
OS Arbee	2 Jun 2010	96,71	15 Sep 2013	55 302		55 302
	14 Jun 2011	116,59	15 Sep 2014	23 377		23 377
	13 Jun 2012	170,57	26 Aug 2015	44 743	(3 973)	40 770
	11 Jun 2013	195,20	15 Sep 2016	77 582		77 582
MP de Canha	14 Jun 2011	116,59	15 Sep 2014	25 011		25 011
	13 Jun 2012	170,57	26 Aug 2015	47 876	(4 251)	43 625
	11 Jun 2013	195,20	15 Sep 2016	68 215		68 215
PB Michaux	13 Jun 2012	170,57	26 Aug 2015	31 241	(2 774)	28 467
	11 Jun 2013	195,20	15 Sep 2016	51 092		51 092
M Swanepoel	13 Jun 2012	170,57	26 Aug 2015	44 743	(3 973)	40 770
	11 Jun 2013	195,20	15 Sep 2016	68 641		68 641

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

Participation in the deferred bonus plan

EXECUTIVE DIRECTOR	ALLOCATION DATE	VESTING DATE	NUMBER OF SHARES COMMITTED TO THE PLAN*	VESTED DURING THE YEAR	BALANCE REMAINING
MJ Lamberti	1 Mar 2014	15 Sep 2017	60 787		60 787
	6 Oct 2015	15 Sep 2018	37 217		37 217
	18 May 2016	16 Sep 2019	43 383		43 383
OS Arbee	13 Jun 2012	26 Aug 2015	6 727	(6 727)	
	11 Jun 2013	15 Sep 2016	5 872		5 872
	30 Jun 2014	15 Sep 2017	30 965		30 965
	6 Oct 2015	15 Sep 2018	36 416		36 416
	18 May 2016	16 Sep 2019	54 003		54 003
MP de Canha	13 Jun 2012	26 Aug 2015	8 064	(8 064)	
	11 Jun 2013	15 Sep 2016	6 276		6 276
	30 Jun 2014	15 Sep 2017	28 384		28 384
	6 Oct 2015	15 Sep 2018	32 350		32 350
	18 May 2016	16 Sep 2019	44 220		44 220
PB Michaux	13 Jun 2012	26 Aug 2015	4 793	(4 793)	
	11 Jun 2013	15 Sep 2016	4 634		4 634
	30 Jun 2014	15 Sep 2017	24 256		24 256
	6 Oct 2015	15 Sep 2018	28 629		28 629
	18 May 2016	16 Sep 2019	43 046		43 046

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

EXECUTIVE DIRECTOR	ALLOCATION DATE	VESTING DATE	NUMBER OF SHARES COMMITTED TO THE PLAN*	VESTED DURING THE YEAR	BALANCE REMAINING
M Swanepoel	13 Jun 2012	26 Aug 2015	6 156	(6 156)	
	11 Jun 2013	15 Sep 2016	5 164		5 164
	30 Jun 2014	15 Sep 2017	27 352		27 352
	6 Oct 2015	15 Sep 2018	32 350		32 350
	18 May 2016	16 Sep 2019	50 873		50 873

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

CONDITIONAL SHARE PLAN (CSP)	NUMBER OF CSP'S
The following CSP's were granted to MJ Lamberti:	
Granted on 10 September 2014 in relation to the 1 July 2014 to 30 June 2017 performance period	**67 064**
Granted on 6 October 2015 in relation to the 1 July 2015 to 30 June 2018 performance period	**48 915**
Granted on 18 May 2016 in relation to the 1 July 2016 to 30 June 2019 performance period	**80 340**
	196 319

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

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

40.4 Directors' interests in shares

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