IMPERIAL GROUP LIMITED
(Registration number 1983/009088/06)

AUDITED ANNUAL FINANCIAL STATEMENTS

30 June 2018

IMPERIAL GROUP LIMITED
(Registration number 1983/009088/06)
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2018

CONTENTS

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

CORPORATE INFORMATION

Registered Business Address
Imperial Place, Jeppe Quondam
79 Boeing Road East
Bedfordview
2007

Company Secretary
RA Venter

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the company at 30 June 2018; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the financial reporting pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the South African Companies Act, 2008. The company's independent external auditors, Deloitte & Touche, have audited the financial statements and their unmodified report appears on page 3 to 5.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future.

The annual financial statements set out on pages 6 to 57 were approved by the board of directors on 29 October 2018 and are signed on their behalf by:

M Akoojee

M Swanepoel

PREPARER OF FINANCIAL STATEMENTS

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

R Mumford

CERTIFICATE BY COMPANY SECRETARY

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

RA Venter

Deloitte.

Deloitte & Touche
Registered Auditors
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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Imperial Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Imperial Group Limited (the Company) set out on pages 12 to 57, which comprise the statements of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

For the Audit Committee chairman's review of areas of significant judgement see page 9.	
Key audit matter	**How the matter was addressed in the audit**
Sale of the Logistics divisions	
The Company has undergone an internal restructure during the year ended 30 June 2018. This internal restructure resulted in the sale of the Logistics divisions of the Company to a fellow subsidiary within the broader Imperial Group effective 1 July 2018.	In order to ensure the sale of the Logistics divisions was accounted for correctly we performed the following procedures: • We performed an in-depth analysis of the contract entered into in order to assess the accounting for the sale.

For the Audit Committee chairman's review of areas of significant judgement see page 9.	
Key audit matter	**How the matter was addressed in the audit**
Sale of the Logistics divisions	
In line with certain debt holder requirements, this disposal was implemented at fair value resulting in a significant profit being recorded in the current year. Due to the complexities involved in determining the fair value of the divisions disposed of, the tax treatment thereof and the accounting for the disposal to a related party, this has been identified as a key audit matter. Refer to note 11 where the details of the disposal are disclosed.	• With the assistance of our International Financial Reporting Standards (IFRS) accounting specialists, we evaluated the accounting treatment adopted by the directors for the sale of the Logistics divisions against the appropriate accounting standards. • We involved our internal corporate finance experts to audit the valuation of the divisions which were sold. • We involved our taxation specialists to assess the tax consequences of the sale. • We critically analysed the journal entries which were processed in order to account for the sale. Based on the results of these procedures, we are satisfied that the sale of the Logistics divisions has been accounted for in accordance with the inter-group contracts and relevant accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Report of the Audit Committee and Certificate by the Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Deloitte + Touche

Deloitte & Touche
Registered Auditor
Per: Trevor Brown
Partner
29 October 2018

REPORT OF THE AUDIT COMMITTEE

The audit committee has pleasure in submitting this report, which has been approved by the board and has been prepared in accordance with section 94(7)f of the Companies Act, No 71 of 2008 (the Act) and incorporating the recommendations of the King Code of Corporate Governance (King IV).

In summary, this committee assists the board in its responsibilities covering the:
- internal and external audit processes for the company taking into account the significant risks,
- adequacy and functioning of the company's internal controls, and
- integrity of the financial reporting.

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

Members of the audit committee and attendance at meetings

The audit committee processes for the company are dealt with by the group's audit committee set up to cover Imperial Holdings Limited and its subsidiaries.

The audit committee consists of the non-executive directors of Imperial Holdings Limited listed below and meets at least four times per annum in accordance with its charter.

All members act independently as described in the Act. The members of the committee in respect of the year ended 30 June 2018 comprised Mr RJA Sparks, Mr GW Dempster, Mrs T Skweyiya, and Ms P Langeni, all of whom are independent non-executive directors of the company's parent company, Imperial Holdings Limited.

During the year under review, four meetings were held and attendance of those meetings is set out in the table below:

Member	Number of meetings attended
RJA Sparks (Chairman) (Member since 2006)	4 / 4
GW Dempster (Member since 2015)	4 / 4
T Skweyiya (Member since 2014)	4 / 4
P Langeni (Member since 2005)	4 / 4

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

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

Role of the audit committee

The audit committee has adopted a formal charter, approved by the board of Imperial Holdings Limited, setting out its duties and responsibilities as prescribed in the Act and incorporating additional duties delegated to it by the Board.

The committee:
- fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;
- assists the board in overseeing the quality and integrity of the company's reporting process;
- ensures that an effective control environment in the company is maintained;
- provides the chief financial officer, external auditors and the head of internal audit with unrestricted access to the committee and its chairman as is required in relation to any matter falling within the ambit of the committee;
- meets with the external auditors, senior managers and executive directors as the committee may elect;
- meets confidentially with the internal and external auditors without other executive board members or the company's chief financial officer being present;
- reviews and recommends to the board the annual financial statements;
- oversees the activities of, and ensures coordination between, the activities of the internal and external auditors;
- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters;
- fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;
- conducts annual reviews of the committee's work and terms of reference; and
- assesses the performance and effectiveness of the committee and its members on a regular basis.

REPORT OF THE AUDIT COMMITTEE (continued)

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

Execution of functions during the year
The committee is satisfied that, for the 2018 financial year, it has performed all the functions required to be performed by an audit committee as set out in the Act and the committee's terms of reference.

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

External audit
The committee among other matters:
- nominated Deloitte & Touche and Mr. T Brown as the external auditor and designated auditor respectively to shareholder for appointment as auditor for the financial year ending 30 June 2018, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- reviewed the audit effectiveness and evaluated the external auditors' internal quality control procedures;
- obtained an annual confirmation from the auditor that their independence was not impaired;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company;
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- approved non-audit services with Deloitte & Touche in accordance with its policy;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act No 26 of 2005; and
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

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

REPORT OF THE AUDIT COMMITTEE (continued)

Internal audit

The audit committee:

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

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

Adequacy and functioning of the company's internal controls

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

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

Annual financial statements

The audit committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of the company.

The committee among other matters:

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

REPORT OF THE AUDIT COMMITTEE (continued)

Significant areas of judgement

In arriving at the figures disclosed in the financial statements there are many areas where judgement is needed. These are outlined in note 1.23 to the annual financial statements. The audit committee has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and decided to expand on the following:

- Inventories;
- Trade receivables;
- Land, buildings and leasehold improvements;
- Goodwill and intangible assets;
- Tax; and
- Valuation of businesses.

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

Inventories

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

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

The FRRC's and audit committee considers the carrying value of inventory to be fairly stated. Refer to note 8 in the annual financial statements for the amounts.

Trade receivables

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

The FRRC's and audit committee considers the carrying value of trade receivables to be fairly stated. Refer to note 9 in the annual financial statements.

Land, buildings and leasehold improvements

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

To further advance the review, the company has a process of valuing its property portfolio to assess for impairments. All properties will be valued over a five year cycle. The valuation was done by an internal expert using the income approach method. There were no material impairments during the year. The FRRC's and the audit committee considered the carrying values to be fairly stated. Refer to notes 5 and 22 in the annual financial statements.

Goodwill

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

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

REPORT OF THE AUDIT COMMITTEE (continued)

Tax

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

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

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

No major tax issues arose during the year.

Refer to notes 1.23, 15 and 25 in the annual financial statements for further details.

Risk management and information technology (IT) governance

The committee:

- reviewed the company's policies on risk assessment and risk management, including fraud risks and IT risks as they pertain to financial reporting and the going concern assessment, and found them to be sound; and
- considered the relevant findings and recommendations of the risk committee.

Legal and regulatory requirements

To the extent that these may have an impact on the annual financial statements, the committee:

- reviewed legal matters that could have a material impact on the company;
- reviewed the adequacy and effectiveness of the company's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via the company's whistleblowing service; and
- considered reports provided by management, internal audit and the external auditors regarding compliance with legal and regulatory requirements.

Expertise and experience of chief financial officer and the finance function

As required by 3.84(h) of the JSE Limited Listings Requirements, the audit committee has satisfied itself that the company's chief financial officer, Mr M Akoojee, has the appropriate expertise and experience.

In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the company's requirements.

Annual financial statements

Following the review by the committee of the annual financial statements of Imperial Group Limited for the year ended 30 June 2018, the committee is of the view that in all material respects they comply with the relevant provisions of the Act and IFRS and fairly present the financial position at that date and the results of operations and cash flows for the year then ended.

Having achieved its objectives, the committee has recommended the annual financial statements for the year ended 30 June 2018 for approval to the board. The board has subsequently approved the annual financial statements.

RJA Sparks
Chairman
26 October 2018

DIRECTORS' REPORT

Nature of business

Imperial Group Limited is a wholly owned subsidiary of Motus Holdings Limited.

Effective 30 May 2018 Imperial Group Limited's shares were sold by Imperial Holdings Limited to Motus Holdings Limited. Motus Holdings Limited is a wholly owned subsidiary of Imperial Holdings Limited.

Imperial Group Limited is in the business of vehicle retail, rental and autoparts, and houses the group treasury which raises funding from banks and provides funding to fellow subsidiaries of Imperial Group Limited.

Review of operations

The financial statements set out fully the financial position, financial performance and cash flows for the company for the financial year ended 30 June 2018.
Profit for the year amounted to R 1,855 million (2017: R 795 million).
Total equity amounts to R 3,018 million (2017: R 3,833 million) as at 30 June 2018.
Total assets decreased to R 16,474 million (2017: R 26,622 million) due to the unbundling of the logistics operations.

Businesses acquired

During the current year under review, the company acquired various individually immaterial acquisitions (see note 33).

Businesses disposed

Effective 1 July 2017, the sale of the logistics operations at market value from Imperial Group Limited to Imperial Logistics South Africa Group (Proprietary) Limited was completed in exchange for shares in Imperial Logistics South Africa Group (Proprietary) Limited which were subsequently distributed to Imperial Holdings Limited.

The net asset value of the logistics operations was R 768 million and was sold at a profit of R 1,248 million.

During the current year under review, certain Hyundai Dealerships were also sold.

Restatement

There was a restatement to the Statement of Cash Flows to facilitate improved understanding thereof. The company decided to change the definition of cash and cash equivalents by excluding short-term loans and overdrafts. Details can be found in note 2.

Directors

The directors who held office during the year were:
M Akoojee
OS Arbee
PB Michaux
M Swanepoel

After the reporting date, M Swanepoel resigned as a director and OJ Janse van Rensburg and R Mumford were appointed as directors.

Dividends

Dividends declared and paid during the year are noted in the statement of changes in equity on page 14.

Events after the reporting period

On 23 July 2018 the redemption of the corporate bonds was approved by the bondholders. On 6 August 2018 the company redeemed its listed corporate bonds at market value out of existing facilities at a premium of R14 million to their carrying value.

IMPERIAL GROUP LIMITED
(Registration number 1983/009088/06)
STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	2018 R '000	2017 R '000
ASSETS			
Goodwill and intangible assets	4	241,647	324,226
Property, plant and equipment	5	2,787,851	2,766,489
Deferred tax asset	15	59,735	101,363
Other financial assets	6	13,289	209,622
Amounts owing by related parties	32	4,469,368	7,866,090
Vehicles for hire	7	2,126,788	1,878,303
Inventories	8	4,574,239	4,288,200
Tax in advance		89,022	48,620
Trade and other receivables	9	1,389,320	1,369,991
Cash and cash equivalents	10	641,442	2,206,862
Properties classified as held for sale	5	80,807	169,449
Assets of discontinued operation	11	-	5,392,808
TOTAL ASSETS		16,473,508	26,622,023
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	12	1,259,080	1,259,080
Other reserves		45,008	(190,077)
Retained earnings		1,713,921	2,764,333
TOTAL EQUITY		3,018,009	3,833,336
Liabilities			
Interest-bearing borrowings	14	7,749,292	7,374,384
Amounts owing to related parties	32	979,799	1,646,422
Other financial liabilities	16	19,715	142,850
Provisions for liabilities and other charges	17	135,508	258,741
Trade and other payables	18	3,783,075	3,920,757
Current portion of interest-bearing borrowings	14	788,110	4,820,879
Liabilities of discontinued operation	11	-	4,624,653
TOTAL LIABILITIES		13,455,499	22,788,687
TOTAL EQUITY AND LIABILITIES		16,473,508	26,622,023

IMPERIAL GROUP LIMITED
(Registration number 1983/009088/06)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2018

		2018 R '000	2017 R '000
PROFIT OR LOSS			
CONTINUING OPERATIONS			
Revenue	19	29,186,937	27,824,197
Net operating expenses	20	(27,189,750)	(25,958,412)
Profit from operations before depreciation, amortisation, impairments and recoupments		1,997,187	1,865,785
Depreciation, amortisation, impairments and recoupments	22	(639,936)	(638,796)
Operating profit		1,357,251	1,226,989
Profit from sale of properties, net of impairments	22	87,438	15,880
Amortisation of intangible assets arising on business combinations	22	-	(4,696)
Fair value losses on derivatives		(36,485)	(6,495)
Other non-operating items	23	(170,131)	(5,854)
Profit before net financing costs		1,238,073	1,225,824
Finance costs	24	(1,020,746)	(873,898)
Finance income	24	649,064	507,927
Profit before tax		866,391	859,853
Income tax expense	25	(259,145)	(211,670)
Profit for the year from continuing operations		607,246	648,183
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	11	-	146,427
Profit on disposal of discontinued operation	11	1,247,899	-
Profit for the year		1,855,145	794,610

OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to profit or loss		
Movement in hedge accounting reserve	2,000	(4,433)
- Amounts reclassified from hedge accounting reserve to profit or loss	17,849	(128,143)
- Effective portion of change in fair value of cash flow hedges	(15,849)	123,711
Total other comprehensive income (loss)	2,000	(4,433)
Total comprehensive income for the year	1,857,145	790,177

IMPERIAL GROUP LIMITED
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STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2018

	Share capital and share premium R '000	Share-based payment reserve R '000	Hedge accounting reserve R '000	Retained earnings R '000	Total R '000
Balance as at 30 June 2016	1,259,080	(110,681)	1,944	2,032,572	3,182,915
Share-based payment reserve transferred to retained earnings	-	62,849	-	(62,849)	-
Share-based payment cost charged to profit or loss	-	98,619	-	-	98,619
Share-based payment reserve utilisation	-	(238,375)	-	-	(238,375)
Total comprehensive income for the year	-	-	(4,433)	794,610	790,177
Balance as at 30 June 2017	1,259,080	(187,588)	(2,489)	2,764,333	3,833,336
Share-based payment reserve transferred to retained earnings	-	102,359	-	(102,359)	-
Share-based payment cost charged to profit or loss	-	67,733	-	-	67,733
Share-based payment reserve recovery	-	55,780	-	-	55,780
Dividends paid	-	-	-	(860,000)	(860,000)
Dividend paid in specie relating to the sale of the logistics operations	-	-	-	(1,929,051)	(1,929,051)
Total comprehensive income for the year	-	-	2,000	1,855,145	1,857,145
Balance as at 30 June 2018	1,259,080	45,497	(489)	1,713,921	3,018,009

IMPERIAL GROUP LIMITED
(Registration number 1983/009088/06)
STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

		2018 R '000	2017 * R '000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		29,132,545	35,799,413
Cash paid to suppliers and employees		(27,514,209)	(33,204,152)
Cash generated by operations	26a.	1,618,336	2,595,261
Interest paid		(1,020,746)	(1,286,105)
Interest received		649,064	696,413
Tax paid		(171,718)	(301,392)
Cash generated by operations before net capital expenditure on rental assets		1,074,936	1,704,177
Purchase of vehicles for hire		(1,958,953)	(1,826,288)
Proceeds from sale of vehicles for hire		1,232,488	1,179,889
Net cash flows from operating activities		348,471	1,057,778
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of businesses	26b.	(69,814)	(715,209)
Disposal of business	26c.	(167,650)	-
Purchase of intangible assets		(2,856)	(146,199)
Purchase of property, plant and equipment		(555,675)	(715,697)
Purchase of transport fleet		-	(328,895)
Proceeds from sale of intangible assets		42,495	246
Proceeds from sale of property, plant and equipment		412,831	479,886
Proceeds from sale of transport fleet		-	147,464
Proceeds on asset held for sale realisation		-	204,638
Net movement in loans and other financial instruments		(21,586)	(169,711)
Net cash flows used in investing activities		(362,255)	(1,243,477)
CASH FLOWS FROM FINANCING ACTIVITIES			
Hedge cost premium paid		(361,716)	(11,229)
Dividends paid		(860,000)	-
Settlement of cross-currency swaps		(151,996)	-
Net movement of other financial liabilities		-	2,239
Net movements of amounts owing by/to related parties		3,278,344	2,625,366
Issue of bilateral loans		-	1,618,696
Issue of corporate bonds		-	504,760
Settlement of corporate bonds		(1,790,378)	-
Settlement of other long-term borrowings		(1,826,513)	(2,371,400)
Net cash flows (used in) from financing activities		(1,712,259)	2,368,432
Net (decrease) increase in cash resources		(1,726,043)	2,182,733
Cash resources at beginning of year		2,367,485	184,752
Cash resources at end of year	26d.	641,442	2,367,485

* Restated - refer to note 2

1. ACCOUNTING POLICIES

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

1.1. Statement of compliance

The annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the company at 30 June 2018 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

1.2. Basis of measurement

The annual financial statements are prepared on the historical cost basis, modified by the restatement of certain financial instruments to fair value.

1.3. Business combinations

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

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

The excess of the aggregate of the consideration transferred, 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.

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 company'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 company reports provisional amounts for the items where the accounting is incomplete. Those provisional amounts are adjusted during the measurement period where applicable.

Where a business is acquired from a fellow subsidiary within the Imperial Group, the assets and liabilities are recognised at the amounts that they have been recorded at in the Imperial Holdings Limited consolidated financial statements, including any at acquisition purchase price allocation adjustments, in accordance with IFRS 3 - Business Combinations.

1.4. Common control

The restructuring of the Imperial Group to create Imperial Logistics South Africa Holdings (Proprietary) Limited and its subsidiaries was done to internally sell the entities at fair value. This resulted in the creation of a profit on sale by the selling entity and a premium paid by the acquiring entity above the net asset value of the entities sold.

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

1.5. Foreign currencies

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

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

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

1.6. Goodwill

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

Goodwill is not amortised.

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.

1.7. 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.

1.8. Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the company 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill 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.

1.9. Impairment of tangible and intangible assets excluding goodwill (continued)

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.

1.10. Property, plant and equipment and vehicles for hire

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

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

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

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

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

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

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

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.

1.11. 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
Spares, accessories and finished goods	Weighted average cost
Fuel and oils	First in, first out

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

1.12. 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 company 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 company as lessee

Assets held under finance leases are initially recognised as assets of the company 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.

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.

1.13. Incentive schemes

The company 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 company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

1.14. 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.

1.15. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company 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.

Onerous contracts

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

1.16. Income taxes

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

Current tax

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

The company'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 company's 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 company 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 company intends to settle its current tax assets and liabilities on a net basis.

1.17. 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 company acts as an agent and is remunerated on a commission basis, the commission is included in revenue. Where the company 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 1.12.

1.18. Interest 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.

1.19. 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.

1.20. Dividend payments to owners of the company

Dividend distributions to owners of the company are recognised as a liability in the period in which the dividends are approved and declared.

1.21. 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.

1.22. Financial instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company 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.

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

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

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

Impairment of financial assets

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

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

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

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

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 statement of financial position.

1.23. Significant accounting judgements, estimates and assumptions

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 company'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 company annual financial statements.

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

Assets

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

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

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 company based its assumptions and estimates on parameters available when the company 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 company. Such changes are reflected in the assumptions when they occur.

Residual values of assets

The company 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 company 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.

1.23. Significant accounting judgements, estimates and assumptions (continued)

Income taxes

The company 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. Refer to note 25 for the current year income tax expense.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the 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. Refer to note 31.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. The company 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 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 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 recognised by the company. The key assumptions used to determine the value in use for the different CGU's are disclosed and further explained in note 4.

Provision for doubtful debts

Provision is made for doubtful debts based on management's estimate of the prospect of recovering the debt. Where management has determined that a debt is no longer recoverable, the amount is written off. Refer to note 31.

Provision against inventory

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

An allowance is made for slow-moving and obsolete inventory based on historical trends. Refer to note 8.

Share-based settlements

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 company uses the Black-Scholes pricing model for both the share appreciation rights and deferred bonus plan schemes.

Sale of Logistics divisions

In the prior year, the Logistics divisions were classified as a discontinued operation. In the current year, these were disposed of (refer to note 11 for details). The divisions were sold at fair value. Judgement was applied in determining the inputs to the valuation models that resulted in the fair values.

2. RESTATEMENT

To facilitate improved understanding of the Statement of Cash Flow the company decided to change the definition of cash and cash equivalents by excluding short-term loans and overdrafts.

As a result the 30 June 2017 Statement of Cash Flows was restated. The movements in short-term loans and overdrafts which were previously included in cash and cash equivalents in the statement of cash flows are now reflected as cash flows under financing activities.

The restatement resulted in an increased outflow under financing activities of R315,998 thousand as illustrated below.

Statement of Cash Flows	**2017**
Financing activities	**R '000**
Net decrease in other long-term borrowings	(315,998)
	(315,998)
Net decrease in cash and cash equivalents	(315,998)
Cash resources at beginning of year	1,696,869
Cash resources at end of year	1,380,871

The R1,380,871 thousand above represents short-term loans and overdrafts previously included in cash and cash equivalents.

The restatement had no impact on the company's financial position.

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

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

3.1. IFRS 9 - Financial Instruments (amendments)

IFRS 9 introduces a single classification and measurement model for financial assets which is dependent on the entities' business model objective for managing financial assets and on the contractual cash flow characteristics of financial assets.

Financial assets are classified as either amortised cost, fair value through profit or loss or fair value through other comprehensive income whilst financial liabilities are classified as amortised cost or fair value through profit or loss.

The standard also introduces a new impairment model which follows a three-stage approach based on changes in expected credit losses of a financial instrument. The model also determines the recognition of impairment as well as the recognition of interest revenue.

Amendments were also made to the criteria for applying hedge accounting, more specifically on the hedge effectiveness which requires the existence of an economic relationship between the hedge item and the hedging instrument and that credit risk does not dominate changes in the fair value of the hedge item or hedging instrument and lastly that the hedge ratio is the same for both the hedging relationship and the quantity of the hedged item actually hedged and the quantity of the hedging instrument used to hedge it.

The adoption of IFRS 9 will lead to consequential disclosures as required in IFRS 7 - Financial Instruments: Disclosures.

The company anticipates that the application of IFRS 9 will have no material impact on amounts reported on in respect of the company's financial assets and financial labilities.

The amendments become applicable for annual periods beginning on or after 1 January 2018.

This will be effective for the company for the year ending 30 June 2019.

3.2. 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 customers;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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 has been finalised by management.

The company has a substantial number of long term contracts. All material contracts have been assessed for any impact in terms of the five-step approach. This review shows that there will not be a material impact on the current measurement of revenue. The implementation will also result in increased disclosure.

The amendments become applicable for annual periods beginning on or after 1 January 2018.

This will be effective for the company for the year ending 30 June 2019.

3.3. IFRS 16 – Leases

IFRS 16 - Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term longer than 12 months.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest on the lease liability.

In terms of lessor accounting IFRS 16 substantially carries forward the requirements in IAS 17 and accordingly a lessor continues to account for its leases as operating leases or finance leases.

The company anticipates that the application of IFRS 16 will have an impact on amounts reported in respect of the company's financial assets and financial liabilities. A detailed review of the potential impact of IFRS 16 is ongoing.

The initial assessment has been done by management and it is estimated that the right of use asset and lease liability that will be recognised on adoption of the standard will amount to R289 million.

The amendments become applicable for annual periods beginning on or after 1 January 2019.

This will be effective for the company for the year ending 30 June 2020.

3.4. Other amendments and interpretations

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

4. GOODWILL AND INTANGIBLE ASSETS

	Goodwill R' 000	Computer Software R' 000	Other intangibles R' 000	Total R' 000
At 30 June 2018				
- Cost	208,720	115,528	43,846	368,094
- Accumulated amortisation and impairment	(23,753)	(85,697)	(16,997)	(126,447)
	184,967	29,831	26,849	241,647
Net carrying value at beginning of year	201,737	92,867	29,622	324,226
Net acquisition / (disposal) of businesses	10,978	(1,312)	6,983	16,649
Additions	-	882	1,974	2,856
Proceeds on sale	-	(35,780)	(6,715)	(42,495)
Impairment charge ^	(27,748)	(3,860)	-	(31,608)
Amortisation	-	(22,966)	(5,015)	(27,981)
Net carrying value at end of year	184,967	29,831	26,849	241,647
At 30 June 2017				
- Cost	237,744	194,134	48,052	479,930
- Accumulated amortisation and impairment	(36,007)	(101,267)	(18,430)	(155,704)
	201,737	92,867	29,622	324,226
Net carrying value at beginning of year	119,001	257,608	67,699	444,308
Net acquisition of businesses	201,737	1,942	33,373	237,052
Additions	-	114,572	31,627	146,199
Proceeds on sale	-	(246)	-	(246)
Loss on disposal	-	(1,108)	-	(1,108)
Impairment charge	-	(30,000)	-	(30,000)
Amortisation	-	(47,825)	(10,855)	(58,680)
Reclassification to assets of discontinued operation	(119,001)	(202,076)	(92,222)	(413,299)
Net carrying value at end of year	201,737	92,867	29,622	324,226

^ During the year, impairments of goodwill and computer software were recognised. The goodwill impaired related to certain branches within Africa Automotive Aftermarket Parts Solutions where the value in use calculation did not support the carrying amount of the goodwill. The computer software was impaired as it was considered obsolete.

Expenditure on externally acquired computer software and other intangibles is amortised on a straight-line basis over the assets' estimated useful lives between 2 to 10 years. Goodwill is not amortised, but it is tested for impairment annually.

4. GOODWILL AND INTANGIBLE ASSETS (continued)

A summary of the goodwill by cash generating unit and related assumptions applied for impairment testing purposes are as follows:

Cash generating unit (CGU)	Pre-tax discount rate %	Goodwill carrying amount R '000	Terminal growth rate %
2018			
Africa Automotive Aftermarket Parts Solutions	18.0	184 967	5.3
2017			
Africa Automotive Aftermarket Parts Solutions	18.6	201 737	5.4

Goodwill impairment testing

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

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.

The value in use method was 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 in the forecasted period and is based on the average market share immediately before the forecast period.

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 market share assumptions, operating margins and the impact of foreign exchange rates on aftermarket parts.

Growth rate

The growth rate applied is determined based on future trends within the industry, geographic location and past experience. The growth rate can fluctuate from year to year based on the assumptions used to determine the rate.

The company used a steady growth rate 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 the GCU operates.

4. GOODWILL AND INTANGIBLE ASSETS (continued)

Discount rates applied

The discount rates represent the current market assessment of the risks for the 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 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.

5. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvement R' 000	Equipment and furniture R' 000	Motor vehicles R' 000	Total R' 000
At 30 June 2018				
- Cost	2,673,891	733,181	175,304	3,582,376
- Accumulated depreciation and impairment	(199,201)	(525,763)	(69,561)	(794,525)
	2,474,690	207,418	105,743	2,787,851
Net carrying value at beginning of year	2,407,709	227,883	130,897	2,766,489
Net acquisition / (disposal) of businesses	-	(3,169)	5,171	2,002
Additions	420,077	72,884	62,714	555,675
Proceeds on sale	(349,930)	(4,202)	(58,699)	(412,831)
Profit on disposal	126,380	1,675	1,378	129,433
Depreciation	(9,797)	(87,653)	(35,718)	(133,168)
Impairment charge ^	(38,942)	-	-	(38,942)
Properties classified as held for sale *	(80,807)	-	-	(80,807)
Net carrying value at end of year	2,474,690	207,418	105,743	2,787,851

^ Certain properties have been impaired based on the location and condition of the properties.
* Properties held for sale mainly includes non-strategic properties.

At 30 June 2017				
- Cost	2,546,214	717,912	196,781	3,460,907
- Accumulated depreciation and impairment	(138,505)	(490,029)	(65,884)	(694,418)
	2,407,709	227,883	130,897	2,766,489
Net carrying value at beginning of year	3,059,512	440,129	143,778	3,643,419
Net acquisition of businesses	17,080	73,671	31,084	121,835
Additions	381,058	129,896	204,743	715,697
Proceeds on sale	(308,458)	(19,843)	(151,585)	(479,886)
Profit on disposal	120,480	8,340	5,868	134,688
Depreciation	(18,683)	(147,900)	(55,388)	(221,971)
Impairment charge	(11,440)	-	-	(11,440)
Reclassification to assets of discontinued operation	(662,391)	(256,410)	(47,603)	(966,404)
Properties classified as held for sale	(169,449)	-	-	(169,449)
Net carrying value at end of year	2,407,709	227,883	130,897	2,766,489

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

- Buildings and leasehold improvement	20 years
- Equipment and furniture	3 to 10 years
- Motor vehicles	3 to 5 years
- Land	Not depreciated

	2018 R '000	2017 R '000
6. OTHER FINANCIAL ASSETS		
Loans		
Other loans - at amortised cost	13,289	209,622
Maturity analysis:		
Maturing within one year	13,289	94,727
Maturing after one year but within five years	-	114,895
	13,289	209,622
Effective interest rates:	10.5% - 11.5%	10.5% - 11.5%

For further disclosures refer to note 31.

7. VEHICLES FOR HIRE		
- Cost	2,562,709	2,289,207
- Accumulated depreciation and impairment	(435,921)	(410,904)
	2,126,788	1,878,303
Net carrying value at beginning of year	1,878,303	1,674,267
Additions	1,958,953	1,826,288
Proceeds on sale	(1,232,488)	(1,179,889)
Profit (loss) on disposal	2,368	(800)
Depreciation	(480,348)	(441,563)
Net carrying value at end of year	2,126,788	1,878,303

Depreciation is calculated on a straight-line basis to write off the cost of each vehicle to its residual value over its estimated useful life between 1 to 2 years.

8. INVENTORIES		
New vehicles	935,308	1,137,421
Used vehicles	2,115,543	1,889,615
Spares, accessories and finished goods	1,493,456	1,230,646
Fuel and oils	8,697	9,228
Work in progress	21,235	21,290
Total	4,574,239	4,288,200
Inventories carried at net realisable value included above	1,407,597	1,451,880
Net amount of inventory write down expensed in profit or loss	58,276	74,258

Certain inventories have been encumbered as security for interest-bearing borrowings amounting to R72 million (2017: R 63 million), refer to note 14.

9. TRADE AND OTHER RECEIVABLES		
Trade receivables	1,294,890	1,258,330
- Gross receivables	1,400,075	1,394,830
- Provision for doubtful debts	(105,185)	(136,500)
Prepayments and other receivables	67,126	108,846
Current derivative assets	27,304	2,815
	1,389,320	1,369,991

For further disclosures refer to note 31.

10. CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	641,442	2,206,862
Effective interest rate	6.0%-6.5%	6.5%

For further disclosures refer to note 31.

11. DISCONTINUED OPERATION

The company's logistics businesses were disposed of to Imperial Logistics South Africa Group (Proprietary) Limited, a fellow subsidiary, on 1 July 2017, to enable the creation of a new holding company for all of the group's South African logistics operations.

This is required so that a Black Economic Empowerment partner can acquire an interest in the South African Logistics operations.

The operations were sold at market value in exchange for shares in Imperial Logistics South Africa Group (Proprietary) Limited which were declared to Imperial Holdings Limited as a dividend in specie, with the exception of operations relating to the African Regions, which were sold to Imperial Managed Solutions (Proprietary) Limited on loan account.

The disposal of the division was approved prior to the 2017 year end. The logistics operations were of such a nature that they represented a separate major line of business and as such were classified as a discontinued operation.

The net asset value attributable to the logistics operations was R 768 million and was sold at a profit of R 1,248 million.

The results and cash flows below are shown after inter-group eliminations:

ANALYSIS OF PROFIT FROM DISCONTINUED OPERATION

	2018 R '000	2017 R '000
Revenue	-	7,980,880
Net operating expenses	-	(7,249,555)
Profit from operations before depreciation, amortisation and recoupments	-	731,325
Depreciation, amortisation, impairments and recoupments	-	(359,970)
Operating profit	-	371,355
Profit on sale of property, net of impairments	-	93,160
Amortisation of intangible assets arising on business combinations	-	(6,122)
Other non-operating items	-	(33,973)
Profit before net financing cost	-	424,421
Finance cost including fair value gain	-	(422,329)
Finance income	-	188,486
Profit before tax	-	190,578
Tax expense	-	(44,151)
Net attributable profit	-	146,427

11.1 Revenue

An analysis of the company's revenue is as follows:

Sales of goods	-	6,826
Rendering of services	-	7,974,054
Total revenue	-	7,980,880

11.2 Cash flows from discontinued operation

Cash flows from operating activities	-	127,567
Cash flows from investing activities	-	(165,515)
Cash flows from financing activities	-	(306,195)

	2018 R '000	2017 R '000
11.3 Assets		
Goodwill and intangible assets	-	413,299
Property, plant and equipment	-	966,404
Transport fleet	-	1,752,655
Other financial assets	-	23,819
Amounts owing by related parties	-	658,057
Inventory	-	29,119
Trade and other receivables	-	1,388,832
Cash resources	-	160,623
TOTAL ASSETS	-	5,392,808
11.4 Liabilities		
Deferred tax liability	-	278,501
Amounts owing to related parties	-	3,017,172
Trade and other payables	-	1,298,429
Provisions for liabilities and charges	-	19,225
Current tax liability	-	11,326
TOTAL LIABILITIES	-	4,624,653

	2018 R '000	2017 R '000
12. SHARE CAPITAL AND SHARE PREMIUM		
Authorised share capital		
1 000 ordinary shares of R1 each	1	1
Issued share capital		
165 ordinary shares of R1 each	-	-
Share premium	1,259,080	1,259,080
	1,259,080	1,259,080

13. SHARE-BASED PAYMENT RESERVE

Please refer to the statement of changes in equity for details of the movements and closing balance.

The fair values for the share-based payment reserve were calculated using the Black-Scholes pricing model.

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

	2017	2016	2015
Share appreciation rights			
Volatility (%)	35.60	34.00	32.00
Weighted average share price (Rands)	152.65	127.77	174.65
Weighted average exercise price (Rands)	152.65	127.77	174.65
Weighted average fair value (Rands)	44.25	39.08	48.76
Expected life (years)	4.30	4.39	4.27
Average risk-free rate (%)	7.59	8.75	7.47
Expected dividend yield (%)	4.00	3.75	3.50
Deferred bonus plan			
Volatility (%)	35.60	34.00	32.00
Weighted average share price (Rand)	152.65	127.77	174.65
Weighted average fair value (Rand)	134.09	112.76	156.08
Expected life (years)	3.24	3.33	3.21
Average risk-free rate (%)	7.59	8.75	7.47
Expected dividend yield (%)	4.00	3.75	3.50

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

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.

Deferred bonus plan 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.

	2018 R '000	2017 R '000
14. INTEREST-BEARING BORROWINGS		
Long-term borrowings		
- Corporate bonds	3,548,171	5,340,476
IPL 6: maturing in September 2017	-	1,024,891
IPL 7: maturing in April 2018	-	765,487
IPL 8: maturing in October 2020 ^	1,528,794	1,530,318
IPL 9: maturing in May 2021 ^	757,011	757,190
IPL 10: maturing in May 2021 ^	757,830	757,830
IPL 11: maturing in May 2022 ^	504,536	504,760
- Revolving credit facility - term loans	2,347,324	3,073,325
- Other loans	534,510	706,671
	6,430,005	9,120,472
Short-term borrowings		
- Call borrowings, bank overdrafts and floorplans	488,939	1,456,095
- Bilateral loans	1,618,458	1,618,696
	2,107,397	3,074,791
Total borrowings	8,537,402	12,195,263
Less: Current portion of interest-bearing borrowings	(788,110)	(4,820,879)
Long-term borrowings	7,749,292	7,374,384

All interest bearing borrowings are held at amortised cost.

	Interest rates		
Interest rate analysis			
Fixed			
- Corporate bonds - IPL 6	9.8%	-	1,024,891
- Corporate bonds - IPL 10 ^	9.4%	757,830	757,830
Variable linked			
- Corporate bonds - IPL 7	8.7%	-	765,487
- Corporate bonds - IPL 8 ^	9.3%	1,528,794	1,530,318
- Corporate bonds - IPL 9 ^	8.9%	757,011	757,190
- Corporate bonds - IPL 11 ^	9.0% - 9.4%	504,536	504,760
- Revolving credit facility - term loans	7.5% - 8.8%	2,347,324	3,073,325
- Unsecured loans	6.0% - 9.8%	1,124	1,080
- Notice loans	1.7% - 8.8%	533,386	705,591
- Floorplans with financial institutions	6.0% - 12.0%	88,196	75,225
- Bilateral loans	9.2% - 10.4%	1,618,458	1,618,696
- Call borrowings	4.0% - 11.0%	150,839	830,608
- Bank overdrafts	7.5% - 11.0%	249,904	550,262
		8,537,402	12,195,263

For further disclosures refer to note 31.
^ Redeemed on 6 August 2018. Refer to events after the reporting period detailed in note 34.

14. INTEREST-BEARING BORROWINGS

Summary of interest-bearing borrowings by year of redemption or repayment in SA Rands

2023 onwards R '000	2022 R '000	2021 R '000	2020 R '000	2019 R '000	2018 Total R '000
1,618,458	504,536	5,357,728	268,570	788,110	8,537,402

2022 onwards R '000	2021 R '000	2020 R '000	2019 R '000	2018 R '000	2017 Total R '000
2,123,455	4,545,338	-	705,591	4,820,879	12,195,263

Imperial Holdings Limited guarantees the corporate bonds and bank facilities of Imperial Group Limited.

	2018 R '000	2017 R '000
Details of encumbered assets		
Carrying value of inventory encumbered	72,028	63,207
Carrying value of debt secured	94,087	75,225

Borrowing facilities

In terms of the Memorandum of Incorporation the borrowing powers of the company are unlimited.

Total facilities established	12,290,654	13,741,000
Less: Facilities utilised	(4,901,035)	(6,779,561)
Unutilised borrowing capacity	7,389,619	6,961,439

	2018 R '000	2017 R '000
15. DEFERRED TAX ASSET		
Movement of deferred tax		
Carrying value at beginning of the year	(101,363)	220,535
Acquisition of business	(299)	(2,935)
Disposal of business	2,138	-
Charged to profit or loss	36,304	(32,729)
Prior year provision	3,178	(5,823)
Capital gains tax	-	(1,910)
Recognised directly in equity	6,483	-
Reclassification	(6,176)	-
Reclassification to liabilities of discontinued operation	-	(278,501)
Carrying value at end of year	(59,735)	(101,363)
Analysis of deferred tax asset		
- Property, plant and equipment	112,991	86,729
- Vehicles for hire	35,243	37,316
- Inventory	(26,441)	(19,601)
- Receivables and prepayments	(24,264)	(31,134)
- Provisions and other payables	(84,834)	(113,236)
- Other	(72,430)	(61,437)
	(59,735)	(101,363)

Where Imperial Group is, based on approved budgets, expecting to be profitable and have a high prospect of utilising any assessed losses in the future, deferred tax assets are recognised. The assessments are performed on a continous basis and if required, the deferred tax asset raised is impaired.

16. OTHER FINANCIAL LIABILITIES		
Cross-currency swaps at fair value (Level 2 in the fair value hierarchy)	11,230	126,725
Interest rate swaps at fair value (Level 2 in the fair value hierarchy)	8,485	16,125
	19,715	142,850

For further disclosures refer to note 31.

17. PROVISIONS FOR LIABILITIES AND OTHER CHARGES		
Carrying value at beginning of the year	258,741	236,779
Amounts utilised	(81,281)	(1,980)
Charged to profit or loss	(41,952)	43,167
Reclassification to liabilities of discontinued operation	-	(19,225)
Carrying value at end of the year	135,508	258,741
Ageing of provisions for liabilities and charges		
Maturing in less than one year	129,846	230,249
Maturing in one to five years	5,662	28,492
	135,508	258,741

Provisions comprise of warranty and after sales obligations, maintenance funds and onerous contracts.
The ageing fairly reflects the timing and amounts of the estimated payments to be made.

18. TRADE AND OTHER PAYABLES		
Trade payables	3,028,621	3,004,939
Other payables and accruals	754,454	913,634
Derivative instruments	-	2,184
	3,783,075	3,920,757

For further disclosures refer to note 31.

	2018 R '000	2017 R '000
19. REVENUE		
An analysis of the company's revenue is as follows:		
Sales of goods	26,152,369	24,802,816
Rendering of services	3,034,568	3,021,381
Total revenue	29,186,937	27,824,197
Revenue includes transactions with fellow subsidiaries of Motus Holdings Limited and Imperial Holdings Limited amounting to:		
Sales of goods	304,418	191,543
Rendering of services	53,940	522,399
Total revenue	358,358	713,942
20. NET OPERATING EXPENSES		
Purchase of goods	22,135,310	21,252,895
Net movement in inventories before net acquisitions of businesses	395,908	194,779
Cost of outside services	820,628	815,848
Staff cost	2,723,394	2,507,635
Equity-settled staff share-based payment cost	67,733	63,995
Operating income	(756,340)	(815,606)
Other operating costs	1,803,117	1,938,866
	27,189,750	25,958,412
Rental and operating lease charges		
- Plant and equipment	10,987	10,713
- Properties	312,135	248,712
- Vehicles	-	6,296
	323,122	265,721
Consultancy and other technical fees	28,847	28,971
Defined contribution retirement plan costs	121,922	124,484

The company provides retirement fund 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 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, 1965.

21. DIRECTORS' REMUNERATION

	Salary R '000	Bonus R '000	Retirement and medical contri-butions R '000	Other benefits R '000	Total R '000 2018	Total R '000 2017
Directors						
M Akoojee	6,938	11,250	442	120	18,750	11,283
M Swanepoel	8,678	10,700	442	180	20,000	17,077
OS Arbee	8,872	12,065	451	360	21,748	15,644
Resigned from Imperial						
MJ Lamberti	18,333	16,500	-	-	34,833	1,600
Retired						
MP de Canha	3,012	2,100	191	93	5,396	7,750
Resigned as a director						
PB Michaux	-	-	-	-	-	10,550
Total	**45,833**	**52,615**	**1,526**	**753**	**100,727**	**63,904**

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

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

In contrast to 2017 when Mark's annual fixed compensation and incentives were paid to him predominantly in the form of DBP and CSP, his 2018 remuneration was paid in cash.

Fixed compensation and benefits

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

Annual incentive

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

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

21. DIRECTORS' REMUNERATION (continued)

Vesting of 2014 CSP and DBP

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

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

Future vesting of CSP and DBP

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

Incentive schemes

Executive directors participate in the incentive schemes of the company's parent company. The equity linked compensation benefits for directors are set below:

Participation in the Share Appreciation Rights Scheme (SAR)

Directors	Commence-ment date	Number of rights *	Price	Vested	Exercised during the year	Balance	Vesting date
M Akoojee	13 Jun 2012	24,016	170.57	21,883	21,883	-	26 Aug 2015
	11 Jun 2013	38,154	195.20	24,583		24,583	15 Sep 2016
	18 May 2016	103,976	127.77			103,976	16 Sep 2019
	21 Jun 2017	66,556	152.65			66,556	16 Sep 2020
M Swanepoel	13 Jun 2012	44,743	170.57	40,770	40,770	-	26 Aug 2015
	11 Jun 2013	68,641	195.20	44,225	44,225	-	15 Sep 2016
OS Arbee	14 Jun 2011	23,377	116.59	23,377	23,377	-	15 Sep 2014
	13 Jun 2012	44,743	170.57	40,770	40,770	-	26 Aug 2015
	11 Jun 2013	77,582	195.20	49,986		49,986	15 Sep 2016
MP de Canha (retired)	14 Jun 2011	25,011	116.59	25,011	25,011	-	15 Sep 2014
	13 Jun 2012	47,876	170.57	43,625	43,625	-	26 Aug 2015
	11 Jun 2013	68,215	195.20	43,950	43,950	-	15 Sep 2016

*The number of rights that will eventually vest in terms of the SARs 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.

21. DIRECTORS' REMUNERATION (continued)

Participation in the Deferred Bonus Plan (DBP)

	Allocation date	Number of rights allocated	Number of the Imperial Holdings shares committed	Forfeited	Vested during the year	Balance	Vesting date
Directors							
MJ Lamberti	01 Mar 2014	60,787	60,787		60,787	-	15 Sep 2017
(resigned)	06 Oct 2015	37,217	37,217			37,217	15 Sep 2018
	18 May 2016	44,337	44,337			44,337	15 Sep 2018
	23 Aug 2016	56,919	56,919			56,919	15 Sep 2018
	21 Jun 2017	39,306	39,306			39,306	15 Sep 2018
	16 Aug 2017	69,123	69,123			69,123	15 Sep 2018
M Akoojee	30 Jun 2014	18,579	18,579		18,579	-	15 Sep 2017
	06 Oct 2015	22,044	17,301			17,301	15 Sep 2018
	18 May 2016	31,940	15,184	16,756		15,184	16 Sep 2019
	21 Jun 2017	49,132	39,880	9,252		39,880	16 Sep 2020
M Swanepoel	13 Jun 2014	27,352	27,352		27,352	-	15 Sep 2017
	06 Oct 2015	32,350	32,350			32,350	15 Sep 2018
	18 May 2016	50,873	50,873			50,873	16 Sep 2019
	21 Jun 2017	60,924	60,924			60,924	16 Sep 2020
OS Arbee	13 Jun 2014	30,965	30,965		30,965	-	15 Sep 2017
	06 Oct 2015	36,416	36,416			36,416	15 Sep 2018
	18 May 2016	54,003	54,003			54,003	16 Sep 2019
	21 Jun 2017	62,234	62,234			62,234	16 Sep 2020
MP de Canha	30 Jun 2014	28,384	28,384		28,384	-	15 Sep 2017
(retired)	06 Oct 2015	32,350	32,350			32,350	15 Sep 2018
	18 May 2016	44,220	44,220			44,220	16 Sep 2019

Conditional Share Plan (CSP)

The following CSP's were granted to M J Lamberti:

Date of grant	Conditional awards	Vesting date	Vested during the year	Balance
10 Sep 2014	67,064	15 Sep 2017	67,064	-
06 Oct 2015	48,915	15 Sep 2018		48,915
18 May 2016	80,340	15 Sep 2018		80,340
07 Jun 2017	72,060	15 Sep 2018		72,060

Gains by directors on SAR, DBP and CSP exercised during the year

Directors		**2018 R '000**	**2017 R '000**
M Akoojee		4,037	536
M Swanepoel		7,204	839
OS Arbee		8,520	4,511
MJ Lamberti	(resigned from Imperial)	23,425	-
MP de Canha	(retired)	9,894	1,019
PB Michaux	(resigned as director)	-	753

	2018 R '000	2017 R '000
22. DEPRECIATION, AMORTISATION, IMPAIRMENTS AND RECOUPMENTS		
Depreciation and amortisation		
Intangible assets	27,981	23,687
- Total amortisation of intangible assets	27,981	28,383
- Less: amortisation of intangible assets arising on business combinations	-	(4,696)
Property, plant and equipment	133,168	143,869
Vehicles for hire	480,348	441,563
	641,497	609,120
Impairments		
Intangible assets	3,860	30,000
	3,860	30,000
(Recoupment) loss on disposal of assets		
Loss on disposal of intangible assets	-	8
Profit on disposal of plant and equipment	(3,053)	(1,132)
(Profit) loss on disposal of vehicles for hire	(2,368)	800
	639,936	638,796
Profit from sale of properties, net of impairments		
Profit on disposal of properties	(126,380)	(27,320)
Impairment of properties	38,942	11,440
	(87,438)	(15,880)

Certain properties have been impaired based on the location and condition of the properties.

23. OTHER NON-OPERATING ITEMS		
Remeasurement of financial instrument not held-for-trading	35,612	(5,854)
(Losses) gains on derivative instruments	(17,849)	128,143
Foreign exchange gains (losses)	53,461	(133,997)
Capital items	(205,743)	-
Impairment of long term receivable	(174,726)	-
Business acquisition costs	(3,268)	-
Impairment of goodwill	(27,748)	-
Total other non-operating items	(170,131)	(5,854)

24. FINANCING COSTS		
Interest paid	1,020,746	863,775
Fair value losses on interest derivative instruments	-	10,123
Finance costs including fair value losses	1,020,746	873,898
Finance income	(649,064)	(507,927)
Net finance cost	371,682	365,971

	2018 R '000	2017 R '000
25. INCOME TAX EXPENSE		
Tax charge		
South African normal tax		
- Current year	211,987	269,855
- Prior year over provision	-	(16,950)
	211,987	252,905
Deferred tax		
- Current year	36,304	(46,728)
- Prior year under provision	3,178	192
	39,482	(46,536)
Capital gains		
- Current tax	7,676	5,301
	7,676	5,301
	259,145	211,670
Reconciliation of tax rates:	%	%
Profit before taxation - effective rate	29.9	24.5
Tax effect of:		
- Share based option cost	(0.5)	(0.5)
- Share based payment expense	0.5	1.7
- Legal and professional fees of a capital nature	(0.2)	(0.1)
- Impairment of goodwill	(0.9)	-
- Other disallowable expenses^	-	(0.1)
- Impairment of long term receivable	(5.6)	-
- Withholding tax on dividends	-	(0.2)
- Amortisation of intangibles	(0.9)	(0.2)
- Exempt / capital income	2.9	0.7
- Profit on sale of property	4.1	0.9
- Capital gains	(0.9)	(0.6)
- Prior year (over) under provision	(0.4)	1.9
	28.0	28.0

^ Disallowable expenses include charitable donations, overseas travel, and penalties and fines.
There was no tax effect from the disposal of the logistics operations in terms of section 42 of the Income Tax Act, No 58 of 1962.

	2018 R '000	2017 R '000
26. NOTES TO THE CASH FLOW STATEMENT		
a. Cash generated by operations before net capital expenditure on rental assets		
Profit before net financing costs	1,238,073	1,650,245
- Continuing operations	1,238,073	1,225,824
- Discontinued operations	-	424,421
Adjustments for non cash movements		
- Amortisation of intangible assets, net of recoupments	27,981	59,788
- Depreciation of property, plant and equipment	133,168	221,971
- Depreciation of transport fleet net of recoupments	-	269,671
- Depreciation of vehicles for hire, net of recoupments	477,980	442,363
- Profit on disposal of property, plant and equipment	(129,433)	(134,688)
- Impairment of assets	42,802	41,440
- Recognition of share-based payments	67,733	98,619
- Capital items	205,743	16,431
- Impairment of other financial assets	3,019	-
- Fair value movements on derivative instruments	36,485	-
- Net movement on interest rate swaps	-	(1,928)
- Foreign exchange losses / (gains)	(53,461)	144,094
- Losses (gains) on derivative instruments	17,849	(128,143)
Cash generated by operations before changes in working capital	2,067,939	2,679,863
Working capital movements		
- Increase in inventories	(425,027)	(184,000)
- Increase in trade and other receivables	(54,392)	(5,665)
- Increase in trade and other payables and provisions	29,816	105,063
	1,618,336	2,595,261
b. Acquisition of businesses		
Goodwill	(10,978)	(201,737)
Property, plant and equipment	(7,043)	(121,835)
Intangible assets	(6,983)	(35,315)
Transport fleet	-	(11,752)
Deferred tax asset	(299)	(2,935)
Inventory	(40,245)	(741,625)
Trade and other receivables	(12,433)	(416,595)
Current derivative assets	-	(3,765)
Cash resources	-	(859)
Trade and other payables	11,435	639,367
Net assets acquired	(66,546)	(897,051)
Less: Cash resources acquired	-	859
Plus: Business acquisition cost	(3,268)	(3,984)
Cash flow on acquisition	(69,814)	(715,209)

For further disclosures refer to note 33.

	2018 R '000	2017 R '000
26. NOTES TO THE CASH FLOW STATEMENT (continued)		
c. Proceeds on sale of business		
Goodwill	119,000	-
Property, plant and equipment	971,446	-
Intangible assets	295,610	-
Transport fleet	1,752,655	-
Investments and other financial assets	23,819	-
Due by group entities	658,057	-
Inventory	198,955	-
Trade and other receivables	1,427,954	-
Cash resources	167,649	-
Deferred tax liability	(276,363)	-
Due to group entities	(3,017,172)	-
Trade and other payables	(1,522,903)	-
Provisions for liabilities and charges	(19,225)	-
Current tax liability	(11,326)	-
Net asset value	768,156	-
Less: Cash resources disposed of	(167,649)	-
Plus: Consideration received	(2,697,208)	-
Less: Non cash proceeds	1,929,051	-
Cash flow on disposal	(167,650)	-
d. Cash and cash equivalents		
Cash resources	641,442	2,206,862
Cash resources included in "Assets of discontinued operation"	-	160,623
	641,442	2,367,485

	2018 R '000	2017 R '000
27. DIVIDENDS		
Dividends paid	860,000	-
Dividend paid in specie relating to the sale of the logistics operations	1,929,051	-
Dividends paid during the year	2,789,051	-

The dividends paid in specie during the year relate to the sale of the logistics businesses. Refer to note 11 for details.

28. COMMITMENTS

Capital commitments to be incurred		
Contracted	514,270	656,321
Authorised by directors but not yet contracted	961,985	672,510
	1,476,255	1,328,831

The commitments are substantially for the acquisition of vehicle fleets and the construction of buildings to be used by the company. Expenditure will be financed from proceeds on disposals and existing facilities.

Operating lease commitments	**More than five years R '000**	**One to five years R '000**	**Less than one year R '000**	**Total R '000**
2018				
Property	25,715	262,873	155,135	443,723
Vehicles	-	569	46,673	47,242
Plant and equipment	-	111	28	139
	25,715	263,553	201,836	491,104
2017				
Property	15,697	273,225	168,589	457,511
Vehicles	1,352	124,642	96,598	222,592
Plant and equipment	-	237	316	553
	17,049	398,104	265,503	680,656

29. CONTINGENT LIABILITIES	**2018 R '000**	**2017 R '000**
The company has amounts owing by Imperial Holdings' direct and indirect, subsidiaries, associates and joint ventures that are subject to subordination agreements. The total exposure relating to these loans is	126,901	114,694
The company has issued an upstream indemnity in favour of Imperial Holdings Limited relating to banking facilities guaranteed by Imperial Holdings Limited. The amounts relating to this indemnity is	3,958,392	4,711,391

30. OPERATING LEASE RECEIVABLES

The minimum future lease payments receivable under non-cancellable operating leases are as follows:

Operating lease receivables	**One to five years R '000**	**Less than one year R '000**	**Total R '000**
2018			
Property	8,261	3,677	11,938
2017			
Property	40,811	17,068	57,879

31. FINANCIAL INSTRUMENTS

Financial risk factors

The company'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 company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk, interest rate risk, and price risk) and liquidity risk.

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

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

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

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

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

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

The policy of the company is to maintain a fully covered foreign exchange risk position in respect of foreign currency commitments with a few exceptions authorised by the Alco. The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units within the company'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. 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.

31. FINANCIAL INSTRUMENTS (continued)

Divisional currency risk

Vehicle Retail, Rental and Aftermarket Parts

This division is exposed to certain transactions in foreign currencies, which result in foreign currency denominated creditors. In order to mitigate the risks which arise from this exposure, forward exchange contracts are taken to hedge this exposure.

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

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

	Foreign amount '000	Average exchange	Contract value R '000	Marked to market R '000
Foreign currency				
2018				
Imports				
United States Dollar	22,858	12.77	291,868	316,628
Euro	2,791	15.48	43,201	45,029
Pound Sterling	256	17.61	4,512	4,654
Japanese Yen	75,911	0.12	8,873	9,448
			348,454	375,759
2017				
Imports				
United States Dollar	20,253	13.52	273,861	274,001
Euro	2,937	14.84	43,582	44,195
Pound Sterling	128	17.16	2,191	2,186
Japanese Yen	77,418	0.12	9,286	9,170
			328,920	329,552

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 R27 million (2017: R24 million) impact on the company'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.

31. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

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

The company 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 company 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 company'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 interest rate profile of total borrowings is reflected in note 14.

The company has entered into interest rate derivative contracts that entitle it to either pay or receive 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 2018 were as follows:

	Notional amount R '000	Current year effective rate (variable) %	Derivative contract rate (fixed) %
Swap from variable to fixed			
Corporate bonds – IPL8 (swap from variable to fixed) ^	1,000,000	9.04 - 9.25	9.25
Corporate bonds – IPL9 (swap from variable to fixed) ^	750,000	8.95 - 8.95	8.93
Revolving credit facility term loan	1,500,000	8.68 - 8.68	10.93

^ Redeemed on 6 August 2018. Refer to events after the reporting period detailed in note 34.

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 R16 million (2017: R24 million) effect on company after tax profit and equity.

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 company obtains appropriate collateral to mitigate risk. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards.

The carrying amount of financial assets represents the maximum credit exposure on 30 June 2018. None of the financial assets below were given as collateral for any security provided.

The company 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 company 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 Alco committee.

31. FINANCIAL INSTRUMENTS (continued)

Trade accounts receivable

Trade accounts receivable consist of a large, widespread customer base. The company monitors 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.

	2018 R '000	2017 R '000
Trade and other receivables that are neither past due nor impaired	956,900	889,346
Past due trade receivables not impaired		
Less than 1 month	243,103	226,102
Between 1-3 months	50,171	58,621
More than 3 months	31,521	39,197
Past due more than one year	13,195	45,064
	337,990	368,984
Total trade receivables	1,294,890	1,258,330

Based on past experience, the company 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 company, 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. 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, net of the provision for doubtful debts, is set out above.

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 company's revenue.

	2018 R '000	2017 R '000
Provision for doubtful debts for trade receivables		
Set out below is a summary of the movement in the provision for doubtful debts for the year:		
Carrying value at beginning of the year	136,500	102,415
Net acquisition of businesses	91	11,729
Amounts reversed to profit or loss	510	(2,120)
Charged to profit or loss	36,237	111,876
Amounts utilised during the year	(68,153)	(56,026)
Reclassification to assets of discontinued operations	-	(31,374)
Carrying value at end of the year	105,185	136,500

31. FINANCIAL INSTRUMENTS (continued)

Divisional credit risk

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 retail 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 retail customers, the vehicles are required to be fully financed before delivery, thereby mitigating credit risk to the division.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company'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 company'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 company's short, medium and long-term funding requirements.

The company 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 14.

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:

	Carrying amount R '000	Total contractual cash flow R '000	Less than one year R '000	One to five years R '000	More than five years R '000
Interest-bearing borrowings	8,537,402	11,403,845	2,439,375	7,896,717	1,067,753
Other financial liabilities	19,715	19,715	19,715	-	-
Trade and other payables	3,783,075	3,783,075	3,783,075	-	-
2018	12,340,192	15,206,635	6,242,165	7,896,717	1,067,753
Interest-bearing borrowings	12,195,263	15,046,902	5,539,604	7,693,062	1,814,236
Other financial liabilities	142,850	142,850	126,725	1,951	14,174
Trade and other payables	3,920,757	3,920,757	3,920,757	-	-
2017	16,258,870	19,110,509	9,587,086	7,695,013	1,828,410

31. FINANCIAL INSTRUMENTS (continued)

Fair value measurement

Fair value hierarchy

The company's financial instruments carried at fair value are classified as level 2 financial instruments.

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments. The company does not have any level 1 instruments.

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 company does not have any level 3 instruments.

The following shows the level 2 financial instruments on the statement of financial position that are carried at fair value. The company does not have any level 1 or level 3 financial instruments.

	2018 R '000	2017 R '000
Financial assets		
Current derivative instruments	27,304	2,815
	27,304	2,815
Financial liabilities		
Non-current derivative instruments	19,715	142,850
Current derivative instruments	-	2,184
	19,715	145,034

Amortised cost

The following shows the financial instruments on the statement of financial position that are carried at amortised cost.

	2018 R '000	2017 R '000
Financial assets		
Loans receivable	13,289	209,622
Amounts owing by related parties	4,469,368	7,866,090
Trade receivables and other receivables	1,294,890	1,258,330
Cash resources	641,442	2,206,862
	6,418,989	11,540,904
Financial liabilities		
Interest-bearing borrowings	8,537,402	12,195,263
Amounts owing to related parties	979,799	1,646,422
Trade payables and other accruals	3,783,075	3,918,573
	13,300,276	17,760,258

31. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments carried at amortised cost

Below are the corporate bonds, which are included in the interest bearing borrowings, where the carrying amount, as recognised on the statement of financial position, differs from their fair values. The fair values were determined with reference to unadjusted observable market data and would be classified as level 2 instruments. In all other instances the carrying amounts of the company's financial assets and liabilities approximate their fair values.

	Carrying value 2018 R '000	Fair value 2018 R '000	Carrying value 2017 R '000	Fair value 2017 R '000
Listed corporate bonds	3,548,171	3,533,028	5,340,476	5,294,583

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

Capital management

The company'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.

Banking facilities enjoyed by the company have imposed capital requirements in terms of debt covenants on Imperial Holdings Limited and the company. The covenant requires Imperial Holdings Limited to maintain a net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) of below 3,5:1. These covenants are being met by Imperial Holdings Limited.

The treasury operation assesses the company's borrowing requirements liaising with the bankers for the necessary funds which are on-lent to the operations. The debt levels of the company are thus dictated by the group requirements.

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.

32. RELATED PARTY TRANSACTIONS

The company's holding company is Motus Holdings Limited.

Ownership was transferred from Imperial Holdings Limited to Motus Holdings Limited during the year.

The logistics businesses were disposed of to Imperial Logistics South Africa Group (Proprietary) Limited. Details of this transaction can be found in note 11.

Fellow subsidiaries, associates, joint ventures and the group pension and provident funds of Imperial Holdings Limited are considered to be related parties. During the year the company and subsidiaries, associates and joint ventures of Imperial Holdings Limited, in the ordinary course of business, entered into various sale and purchase transactions. These transactions occurred under terms that are no more or less favourable than those arranged with third parties. The transactions encompass mainly the sale and leasing of vehicles.

Interest of directors in contracts

The directors have confirmed that they were not materially interested in any transaction of any significance with the company or any of Imperial Holdings Limited subsidiaries, associates and joint ventures.

Shareholder

The company is 100% held by Motus Holdings Limited, a wholly owned subsidiary of Imperial Holdings Limited.

Outstanding balances with related parties

All intercompany loans are interest bearing at market related rates and are payable on demand.

	2018 R '000	2017 R '000
Amounts owing to Imperial Holdings Limited	(599,755)	(1,275,587)
Amounts owing to Imperial Holdings Limited's direct and indirect subsidiaries, associates and joint ventures - refer below	(380,044)	(370,837)
Amounts owing to related parties	(979,799)	(1,646,422)
Amounts owing by Imperial Holdings Limited's direct and indirect subsidiaries, associates and joint ventures - refer below	4,469,368	7,866,090
Amounts owing by related parties	4,469,368	7,866,090
Included in:		
Trade payables owing to Imperial Holdings Limited's direct and indirect subsidiaries	(114,512)	(143,563)
Trade receivables from Imperial Holdings Limited's direct and indirect subsidiaries	45,885	36,684
Interest received from Imperial Holdings Limited's direct and indirect subsidiaries, associates and joint ventures	594,701	666,573
Interest paid by Imperial Holdings Limited's direct and indirect subsidiaries, associates and joint ventures	(97,198)	(93,067)
	497,503	573,506

32. RELATED PARTY TRANSACTIONS (continued)

	2018 R '000	2017 R '000
Material amounts owing by Imperial Holdings Limited's direct and indirect subsidiaries, associates and joint ventures		
Imperial Logistics South Africa Group (Proprietary) Limited	2,796,170	-
Motus Capital (Proprietary) Limited	1,048,366	-
Motus Corporation (Proprietary) Limited	263,190	3,181,175
Imperial Capital Limited	139,953	1,852,810
Imperial Airport Namibia (Proprietary) Limited	94,649	62,627
Brietta Trading (Proprietary) Limited	59,500	196,722
Associated Motor Financial Services - a division of Motus Corporation (Proprietary) Limited	39,008	67,147
Alert Engine Parts Namibia (Proprietary) Limited	19,193	20,162
Tannery Panelbeaters (Proprietary) Limited	1,710	1,710
African Car Hire Lesotho (Proprietary) Limited	1,684	937
Other subsidiaries, associates and joint ventures	5,945	2,482,800
	4,469,368	7,866,090
Material amounts owing to Imperial Holdings Limited's direct and indirect subsidiaries, associates and joint ventures		
Motus Holdings Limited	228,055	-
Beekman Canopies (Proprietary) Limited	48,677	30,791
Brian Porter Holdings Limited	26,107	26,107
Auto Pedigree (Proprietary) Limited	25,944	16,302
National Automobile Parts Association Limited	14,802	-
Murnau Holdings (Proprietary) Limited	12,211	12,211
Imperial Car Rental (Botswana) (Proprietary) Limited	8,765	-
Banoscene (Proprietary) Limited	6,544	-
Africa Automotive Aftermarket Solutions (Proprietary) Limited	1,643	17,906
Lereko Mobility (Proprietary) Limited	1,502	1,133
Other subsidiaries, associates and joint ventures	5,794	266,387
	380,044	370,837

32. RELATED PARTY TRANSACTIONS (continued)

Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the company. For directors remuneration, please refer to note 21. The company has many different operations, retail outlets and service centres where company staff may be transacting. Key management have to report any transactions with the company in excess of R100 000. The total value of goods and services supplied to key management on an arms-length basis amounted to R16.6 million (2017: R3.5 million).

The company also receives legal services from a firm of attorneys in which a non-executive director of Imperial Holdings Limited has an interest amounting to R10.2 million (2017: R6.2 million).

Net gains on share options excercised by key management personnel amounted to R66.0 million (2017: R13.3 million).

Key management personnel remuneration comprises:

	2018 R '000	2017 R '000
Short-term employee benefits	215,472	189,698
Long-term employee benefits	8,941	9,691
Termination benefits	27	59
	224 440	199 448
Number of key management personnel	30	34

33. BUSINESS COMBINATIONS

Businesses acquired 2018

The acquisition of these individually immaterial entities were financed with group loans from fellow subsidiaries.

	Total R '000
Assets	
Property, plant and equipment	7,043
Goodwill ^	10,978
Intangible assets	6,983
Deferred tax asset	299
Inventory	40,245
Trade and other receivables	12,433
Total assets	77,981
Liabilities	
Trade and other payables	11,435
Total liabilities	11,435
Net assets acquired	66,546

^ Goodwill is not deductable for tax purposes.

Impact on the acquisitions on the results of Imperial Group Limited

From the dates of acquisition, the acquired businesses contributed:	
Revenue	3,593,706
Net profit	85,362
Had the acquisitions taken place at the beginning of the year, they would have contributed:	
Revenue	6,307,072
Net profit	145,581

34. EVENTS AFTER THE REPORTING PERIOD

On 23 July 2018 the redemption of the corporate bonds was approved by the bondholders. On 6 August 2018 the company redeemed its listed corporate bonds at market value out of existing facilities at a premium of R14 million to their carrying value.