

Imperial Holdings Limited
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Leaders in mobility

Unaudited interim results for the six months ended 31 December 2014

Imperial Holdings is a JSE listed South African-based international Group of companies active predominantly in three major areas of mobility: consumer and industrial logistics; vehicle import, distribution, dealerships, retail, rental and aftermarket parts; and vehicle-related financial services.

Imperial employs almost 52 000 people who generate annual revenues in excess of R100 billion in Africa, Europe, South America, Australia and the United States through five major divisions which operate under separate management structures to enable decentralised entrepreneurial creativity within the Group's clearly-defined strategic, capital, budgetary and governance principles.

Imperial strives for focused value creation and leadership in its chosen markets by allocating capital and resources to those organic and acquisitive growth opportunities that will enhance and be enhanced by the Group's existing assets and capabilities.

Some of Imperial's strategic choices will be deliberate - the result of prior research and analysis, while others will be emergent - the result of unplanned or unexpected external developments. In both cases strictly defined capital allocation principles will be applied.

Highlights

Revenue up 9% to R56 234 million
Operating profit down 9% to R2 872 million
HEPS down 9% to 759 cents per share
EPS down 18% to 738 cents per share

Core EPS down 14% to 803 cents per share
Cash flow from operating activities up 73% to R1 013 million
Interim dividend of 350 cents per share

Overview

Imperial's portfolio of businesses performed to expectation in deteriorating trading conditions. Revenue growth of 9% to R56,2 billion was attributable mainly to acquisitions.

Operating profit decreased 9% to R2,9 billion due mainly to depressed margins caused by the delayed impact of a weakening Rand on the competitiveness and profitability of the Vehicle Import, Distribution and Dealership division. The profitability of the Logistics International division was depressed by low and declining activity levels in most Eurozone logistics sectors, and the Financial Services division's results were depressed by weaker equity markets in our insurance business. These declines were almost countered by an excellent performance from Logistics Africa, and a pleasing performance by the Vehicle Retail, Rental and Aftermarket Parts division.

Core EPS declined 14% to 803 cents and HEPS decreased 9% to 759 cents. A full reconciliation from earnings to headline earnings and core earnings is provided.

The return on equity of the Group was 17% on a rolling 12 month basis and cash flow from operating activities improved 73% to R1 billion largely as a result of a lower investment in working capital.

These results reflect progress with Imperial's previously espoused intent to decouple the Group's performance from the impact of currency weakness on the Vehicle Import, Distribution and Dealership division, as it pertains specifically to the competitiveness and profitability of new vehicles that are imported directly. Progress towards this objective has been achieved by investing in or developing less correlated activities within the vehicle value chain as well as in businesses where our capabilities, experience and expertise enable us to grow at acceptable, sustainable rates of return in new markets and geographies.

During the reporting period this approach resulted in non-vehicle revenue increasing 13% to R25 billion (45% of Group revenue) with foreign revenue increasing 23% to R21 billion (36% of Group revenue). Non-vehicle operating profit increased 6% to R1,7 billion (57% of Group operating profit) and operating profit from foreign operations increased 20% to R856 million (30% of Group operating profit), while operating profit from African operations outside of South Africa increased 60% to R383 million.

The refinement of the Imperial portfolio remains an imperative in pursuit of sharper executive focus and higher returns on capital and effort in the medium term. This will be accomplished firstly by investing in assets and acquisitions that will improve growth, returns and sustainability for stakeholders and secondly by disposing of those that are non-core, strategically misaligned, underperforming or of low return on effort.

Environment

Consumer and business confidence in South Africa remained fragile exacerbated by electricity shortages. Continually deteriorating business conditions were generally more challenging than in the comparable period.

African markets served by Imperial to the north of South Africa experienced higher growth, with terrorism and the more recent reduction of the oil price yet to have an impact on the performance of our businesses.

With the exception of the United Kingdom, the recovery of the Eurozone remained tentative, particularly in Germany where Imperial has extensive operations.

Divisional performance

Logistics Africa

	HY1	HY1		HY2	% change
R million	2014	2015	% change	2014	on HY2
				2014	2014
Revenue	10 895	13 265	22	11 195	19
Operating profit	650	802	23	620	29
Operating margin (%)	6,0	6,0		5,5	
Return on Invested Capital (%)*	12,6	11,9			
Weighted average cost of capital (%)*	8,6	8,9			

* Calculated on a rolling 12 month basis.

The division had an excellent six months, delivering strong revenue and operating profit growth in a difficult environment. The SA economy struggled to gain momentum with the manufacturing sector under pressure and many segments of the retail sector experiencing little or no growth. As a result, volumes remained subdued and declined in certain sectors of the South African economy. Recent acquisitions and new contract gains across industry sectors contributed to the strong performance.

The industrial logistics businesses, which service the manufacturing, mining, commodities, chemicals and construction industries, experienced declining volumes, industrial action in our customer base, and a competitive market. These factors depressed both revenue growth and operating margins.

The consumer logistics businesses showed good revenue and operating profit growth, mainly due to the acquisition of Pharmed and a turnaround at Imperial Cold Logistics. The market however remains depressed by lacklustre volume growth, mainly in our manufacturing client base.

The division's businesses in Africa beyond South Africa delivered strong growth, mainly due to the acquisitions of Imres and Ecohealth. Turnover and operating profit grew by 84% and 91% respectively. The FMCG distributorship business performed satisfactorily due to growing consumer demand and the addition of new principals. The component of the Imperial Health Sciences to the north saw excellent volume growth and performed in line with expectations. Ecohealth, a distributor of pharmaceutical products in Nigeria and Ghana acquired in March 2014, is performing in line with expectations despite tougher trading conditions arising from political uncertainty and a lower oil price, which has resulted inter alia in a weaker Naira.

Imres, acquired effective 1 September 2014, had an excellent four months and is performing to expectation. Imres is a wholesaler of pharmaceutical and medical supplies to its client base, which includes NGOs, hospitals and retailers. Imres adds sourcing and procurement capabilities to Imperial's service offering, while presenting the potential to leverage Imperial's existing network and capabilities on the African continent.

MDS, a logistics company in Nigeria in which we have a 49% equity interest, contributed to earnings growth and continues to perform well.

The division incurred net capital expenditure of R441 million (2014: R454 million), to fund replacement and expansion of fleet and facilities.

Our full year guidance for the Logistics Africa division is unchanged: we expect real growth of revenues with operating profit growing at a higher rate.

Logistics International

	HY1	HY1		HY2	% change
Euro million	2014	2015	% change	2014	on HY2
				2014	2014
Revenue	675	678	-	693	(2)
Operating profit	31	27	(13)	38	(29)
Operating margin (%)	4,6	4,0		5,5	
R million					
Revenue	9 110	9 595	5	10 139	(5)
Operating profit	412	386	(6)	559	(31)
Operating margin (%)	4,5	4,0		5,5	
Return on Invested Capital (%)*	8,5	7,6			
Weighted average cost of capital (%)*	6,6	6,7			

* Calculated on a rolling 12 month basis.

Profitability declined as this division experienced muted activity levels in most sectors of European logistics. The translation effects of an average weaker Rand exchange rate to the Euro enhanced the performance in Rands.

Transport volumes across the German inland shipping industry were down and freight rates were under pressure. Against this backdrop, Imperial's shipping business performed satisfactorily. The contract in South America, which commenced in February 2014, is performing in line with expectations and contributed positively for the period.

Lehnkering, which houses the non-shipping chemical logistics activities, including warehousing, road transport and contract chemical manufacturing services, experienced challenging conditions. Adverse weather in the USA and lower volumes in the European contract chemical manufacturing business impacted negatively on its performance.

Panopa, which provides parts distribution and in-plant logistics services to automotive, machinery and steel manufacturers, had a difficult six months. Despite good revenue growth resulting from new contract gains, margins were depressed by high start-up costs and operational inefficiencies on a new project.

Neska, the terminal operator, had a poor six months. Activity levels declined, particularly at paper and steel terminals. Performance was also undermined by the container terminal in Krefeld, which is operating well below capacity.

Divisional net capital expenditure of R614 million (2014: R643 million) was incurred during the period. The majority of this was spent on the expansion in South America where a further two convoys were commissioned in support of a 10 year contract. We now have a total of four convoys (four push boats and 48 barges) operating on the Rio Parana, transporting iron ore from Brazil to a steel mill in Argentina.

In view of the developments described above, our full year guidance for the Logistics International division has changed: we now expect real growth of revenues with operating profit in line with 2014.

Vehicle Import, Distribution and Dealerships

R million	HY1	HY1	% change	HY2	% change
	2014	2015		2014	on HY2 2014
Revenue	13 378	14 278	7	13 722	4
Operating profit	934	461	(51)	584	(21)
Operating margin (%)	7,0	3,2		4,3	
Return on Invested Capital (%)*	20,3	5,7			
Weighted average cost of capital (%)*	9,6	9,1			

* Calculated on a rolling 12 month basis.

The Vehicle Import, Distribution and Dealerships division is primarily an exclusive importer of 16 automotive and industrial vehicle brands (including Hyundai, Kia, Renault, Mitsubishi and Crown forklifts) and a distributor through 126 owned and 113 franchised dealerships, including six in Australia.

As predicted, the division faced extremely difficult trading conditions during the half year. Firstly, the cost of new inventory escalated with the weakening of the Rand plus the additional expense of increasing forward cover to mitigate the uncertainty of further Rand volatility. Secondly, pricing power (and therefore margin) was eroded by the relative competitive position of local Original Equipment Manufacturers (OEMs) who, as local manufacturers, enjoy the duty, rebate and cash benefits of the government's Automotive Production and Development Programme (APDP) and as exporters enjoy foreign currency inflows. The result was a decline in unit volumes on the comparable period much greater than anticipated, particularly in the last three months of the reporting period.

Although the division's South African new vehicle registrations as reported to NAAMSA were 11% higher, growth was boosted by the inclusion of Renault for a full six months compared to one month in the comparable period. Excluding Renault, unit sales were down 9%.

Moderate growth was experienced in pre-owned vehicle sales. Annuity revenue streams generated from after-sales parts and service grew strongly with revenue from the rendering of services up 16% for the period. The growing vehicle parc of our imported brands is delivering good levels of after-market activity for its dealerships.

Although the Australian business improved its performance from the comparable period, the business continues to produce inadequate returns on capital. New vehicle sales increased 12% and pre-owned vehicles decreased 4%.

The industrial products and services business performed satisfactorily despite a declining forklift market and lower demand from the mining sector.

It is important to draw shareholders' attention to the fact that the historic high margins of this division were achieved through the convergence of specific positive economic, consumer, currency and industry circumstances which are unlikely to occur in the future. Expected operating margins in future are likely to be closer to those of the current financial year than to the average of the past five financial years. Moreover profits will decline in periods when the Rand depreciation rate relative to the currencies in which we import vehicles is higher than the rate of South African new vehicle inflation.

Divisional net capital expenditure reduced by 42% to R273 million (2014: R471 million) as a result of a lower investment in properties compared to the comparable period.

In view of the current unit volume trend, our full year guidance for the Vehicle Import, Distribution and Dealerships division has changed: we expect real growth of revenues with operating profit well below 2014.

Vehicle Retail, Rental and Aftermarket Parts

R million	HY1	HY1	% change	HY2	% change
	2014	2015		2014	on HY2 2014
Revenue	17 519	18 726	7,0	16 478	14
Operating profit	740	791	7,0	819	(3)
Operating margin (%)	4,2	4,2		5,0	
Return on Invested Capital (%)*	14,6	16,2			
Weighted average cost of capital (%)*	8,9	9,7			

* Calculated on a rolling 12 month basis.

The Vehicle Retail, Rental and Aftermarket Parts division includes: 86 passenger vehicle dealerships franchising the products of 16 locally based OEM's; 20 commercial vehicle dealerships representing 12 brands in South Africa; 55 commercial vehicle dealerships and workshops in the United Kingdom; Car Rental (comprising Europcar and Tempest); Auto Pedigree, the pre-owned vehicle retailer; and Aftermarket Parts (comprising Midas, Alert Engine Parts and Turbo Exchange).

The division delivered good growth of revenue and operating profit in the period. In South Africa, the division retailed 15 611 (2014: 16 760) new and 16 249 (2014: 15 790) pre-owned vehicles during the period. Despite subdued unit sales, passenger vehicle revenue grew due to an improved sales mix and new vehicle price inflation. The latter influenced customers towards pre-owned vehicles, which experienced moderate growth. Good expense management and a well streamlined network of dealerships resulted in operating profit growth higher than revenue in the passenger vehicle business.

The South African medium and heavy commercial vehicle market, where we are mostly represented, experienced challenging trading conditions. As a result, both revenue and operating profit in the local commercial vehicle business declined on the comparable period.

The commercial vehicle division in the United Kingdom continues to perform well and good growth in unit sales was achieved. The results were enhanced by the recent acquisition of S&B Commercial, a Mercedes Benz commercial vehicle dealer, acquired effective 1 September 2014. The translation effects of a weaker Rand exchange rate assisted the growth in Rands.

After sales parts and service revenue grew 14% (9% ex UK). Parts revenue growth resulted from both price and volume increases. The significant increase in new vehicle sales over the last few years bodes well for the future after sales parts and services revenue of the division.

The car rental business experienced a difficult six months with lower volumes in most segments. Revenue days declined mainly as a result of the decision to improve the overall sales mix. Utilisation was down on the comparable period and the average fleet size was 12% lower. Operating margins declined as a result of reduced revenue and utilisation.

Unit sales at Auto Pedigree declined from the comparable period as banks tightened credit approval rates to consumers in lower income segments. Increased reconditioning costs depressed operating margins. New business gains in the panel business fell short of expectation, resulting in an unsatisfactory performance for the year.

The Aftermarket Parts business performed in line with the comparable period in a competitive and mature market. Price increases as a result of the weakening in the currency assisted revenue growth.

Divisional net capital expenditure of R766 million was incurred (2014: R746 million) largely on the car rental fleet and on property development in the vehicle retail businesses.

Our full year guidance for the Vehicle Retail, Rental and Aftermarket Parts division is unchanged: we expect real growth of revenue and operating profit.

Financial Services

R million				% change	
	HY1 2014	HY1 2015	% change	HY2 2014	on HY2 2014
Motor related financial services					
Revenue	563	658	17	603	9
Operating profit	237	258	9	240	8
Operating margin (%)	42,1	39,2		39,8	
Insurance					
Revenue	1 492	1 509	1	1 482	2
Operating profit	306	253	(17)	298	(18)
Adjusted investment income	168	87	(48)	108	(19)
Adjusted underwriting result	138	166	20	190	(13)
Operating margin (%)	20,5	16,8		20,1	
Underwriting margin (%)	9,2	11,0		12,8	
Total					
Revenue	2 055	2 167	6	2 085	4
Operating profit	543	511	(6)	538	(5)
Operating margin (%)	26,4	23,6		25,8	
Return on Invested Capital (%)*	31,4	28,9			
Weighted average cost of capital (%)*	11,3	12,4			

*Calculated on a rolling 12 month basis

The Financial Services division provides: maintenance and warranty products associated with the automotive market through LiquidCapital; insurance products and services with a bias towards the vehicle market through Regent; and vehicle leasing through Imperial Fleet Management and Ariva.

Motor Related Financial Services (largely LiquidCapital) grew operating profit by 9%, despite more conservative impairment provisions in the vehicle financing alliances and the impact on the maintenance funds of higher parts costs resulting from the weaker currency. The advances generated through the alliances with financial institutions grew encouragingly, as did the funds held under service, maintenance, roadside assistance and warranty plans. Innovative new products, improved retention and penetration rates in our sales channels also contributed positively to the growth in these businesses, providing valuable annuity earnings to underpin future profits.

Volumes in Imperial Fleet Management continue improving with new contract gains. Ariva, a private leasing joint venture, had a difficult six months as new business volumes declined in a tighter credit environment.

Insurance underwriting conditions in the short-term motor industry were more favourable than the comparable period, when weather related claims were higher. This, together with Regent's decision to focus on its core markets and distribution channels, increased underwriting profit by 20% with underwriting margins improving from 9,2% to 11,0%. Revenue growth was muted as a result of flat vehicle sales and more conservative motor underwriting. Regent Life performed as expected, with underwriting profit up 6% for the period. The individual life business in South Africa continues to grow steadily with revenue growth of 12%. Regional business beyond South Africa remains a meaningful contributor to the division. Equity markets were less favourable when compared to the comparable period, which led to lower investment returns on prudent equity positions.

Net capital expenditure in this division relates mainly to vehicles for hire. In the current period, a net R636 million was invested in the fleet, compared to R72 million in the comparable period when certain of these vehicles were leased through one of our banking alliances.

Our full year guidance for the Financial Services division is unchanged: we expect single digit growth of revenue and operating profit.

Acquisitions

Pharmed

Effective 9 July 2014 the Logistics Africa division acquired 62,5% of the issued share capital of Pharmed for a cash consideration of R148 million. Pharmed is a pharmaceutical wholesaler which generates turnover of approximately R600 million and employs approximately 560 staff based in Durban and Johannesburg. It purchases product from pharmaceutical companies, and warehouses, distributes and sells to hospitals, private pharmacies and dispensing doctors. The Pharmed acquisition augments Imperial Health Sciences in support of Imperial's strategy to integrate pharmaceutical wholesaling and distribution into its service offering.

Imres

Effective 1 September 2014, the Logistics Africa division acquired a 70% interest in Imres, for a cash consideration of R647 million (Euro46 million).

Imres is a wholesaler of pharmaceutical and medical supplies to its client base which includes NGO's, hospitals and retailers. It operates in the international medical relief industry, targeting mainly African and emerging countries with developing healthcare markets and needs.

Imres plays a key role in the supply chain to end users and its service offering includes: sourcing, inbound logistics, supplier audits, quality control, warehousing, distribution and transport coordination. Its product portfolio includes pharmaceuticals, medical kits, hospital equipment and related medical products.

Imres adds sourcing and procurement capabilities to Imperial's service offering with the potential to leverage off Imperial's existing network and capabilities on the African continent.

Imres has a capable, experienced management team and the organisational processes and structures appropriate to pharmaceutical distribution. Founded in 1980, the company is headquartered in Lelystad in the Netherlands with a facility in India which provides support services and vendor qualification. Imres has annual revenues of approximately R700 million (Euro50 million).

S&B Commercial

Effective 1 September 2014 the Vehicle Retail, Rental and Aftermarket parts division acquired 100% of the issued share capital of S&B Commercial plc for a cash consideration of R167 million (£9 million). S&B Commercial is a Mercedes Benz (Commercial and Van) and Fuso dealer in the UK with annual turnover of approximately R2,1 billion (£115 million). The acquisition enhances our current dealer network by adding new territories to our Mercedes Benz footprint while further diversifying our brand representation in the United Kingdom.

Group Financial Performance

R million	HY1		% change	% change	
	2014	2015		2014	on HY2 2014
Revenue	51 357	56 234	9	52 210	8
Operating profit	3 166	2 872	(9)	3 019	(5)
Operating margin (%)	6,2	5,1		5,8	

Profit and loss

Revenue increased 9% to R56,2 billion. Excluding acquisitions, revenue increased 1%.

The Group operating margin reduced from 6.2% to 5.1% mainly as a result of the R473 million decline in the Vehicle Import, Distribution and Dealership division's operating profit.

In aggregate, the Group's operating profit declined by 9%.

Net finance costs increased 42% to R598 million on higher debt levels and higher funding costs due to the lengthening in maturity of our debt profile. Despite the higher net finance costs, interest covered by operating profit remains good at 4,8 times (2014: 7,5 times).

Income from associates and joint ventures contributed R12 million (2014: R18 million) and declined mainly due to the negative performance of Ukhamba, a result of the impairment of its investment in DAWN (R19 million). AAD, the joint venture through which we import and distribute Chery and Foton products (Chinese automotive brands), was under pressure and significantly down on the comparable period. Mix Telematics, in which Imperial holds a 25,3% shareholding, contributed R15 million, up 17% from the comparable period.

The effective tax rate of 26,2% compared to 26,5% in the comparable period.

Net profit attributable to non-controlling interests (minorities) reduced from R197 million to R168 million. The increase in minorities as a result of the recent acquisitions was more than offset by significantly lower profits from the Vehicle Import, Distribution and Dealership division which has the most significant minorities.

Core earnings per share (Core EPS) was down 14%.

The table below summarises the reconciliation from Earnings to Headline and Core Earnings:

R million	HY1 2014	HY1 2015	% change
Net profit attributable to Imperial shareholders (earnings)	1 734	1 426	(18)
Profit on disposal of assets	(73)	(15)	
Impairments of goodwill and other assets	-	33	
Loss on sale of businesses	(87)	10	
Remeasurement included in associates and JVs	9	18	
Tax effects of remeasurements	21	(1)	
Other	1	(5)	
Headline earnings	1 605	1 466	(9)
Amortisation of intangibles	147	205	
Foreign exchange gain on intergroup monetary items	-	(104)	
Business acquisition costs	8	12	
Future obligations under an onerous contract	29	-	
Charge for amending conversion profile of deferred ordinary shares	70	-	
Remeasurement of contingent considerations and put option liabilities	-	17	
Other adjustments	2	(16)	
Tax effects	(51)	(28)	
Core earnings	1 810	1 552	(14)

Earnings in the comparable period were impacted positively by a profit from the disposal of property, plant and equipment (R73 million) and a profit on disposal of the tourism businesses (R87 million). This largely explains the difference between the 18% decline in earnings and the 9% decline in headline earnings.

The major difference between the 9% decline of headline earnings and the 14% decline of core earnings is the foreign exchange gain of R104 million on intergroup monetary items. With the creation of the Domestic Treasury Management Company ("DTMC"), and to better match the currency exposure of our investments to our funding, we transferred some of our recent acquisitions in Africa together with their related debt in Europe (euro denominated) into the DTMC structure (dollar denominated). The devaluation of the euro against the dollar resulted in a once off foreign exchange profit. This was hedged on transfer and no further gain or loss will be incurred on these transactions.

Financial position

Total assets increased by 9% to R64 billion (June 2014: R59 billion) mainly due to acquisitions and higher levels of working capital.

Property plant and equipment increased by R277 million to R10,7 billion, due to a further R308 million investment in our property portfolio, which occurred largely in the Logistics Africa and Logistics International divisions and in the South African vehicle businesses.

Goodwill and intangible assets rose to R7,4 billion from R6,8 billion as a result of the Imres, S&B Commercials and Pharmed acquisitions.

The transport fleet increased due to the R419 million expansion of the shipping fleet in the Logistics International division of which R310 million related to our expansion in South America.

Motor vehicles for hire is up R490 million compared to June 2014 due to seasonal requirements and increased by R123 million compared to December 2013 mainly due to the increased fleet of forklifts and industrial equipment in the Vehicle Import, Distribution and Dealerships division.

Investments and loans relate largely to the Regent investment portfolios where exposures to foreign equities and longer term investments were increased compared to June 2014 but lower than 31 December 2013.

Net working capital increased by 27% on June 2014 and 34% on December 2013 due to acquisitions, increases in inventory in the vehicle businesses and increases in accounts receivable in Logistics Africa, offset by increases in accounts payable. As a result, our average net working capital turn reduced to 11,3 times from 14,3 times in the comparable period.

Net debt (excluding preference shares) to equity at 83%, compared to 62% at the end of December 2013 and 63% at the end of June 2014. In addition to higher debt levels, this ratio was negatively impacted by equity declining R1.4 billion due to a put option liability relating to the minority shareholdings in Eco Health and Imres.

Net debt (excluding preference shares) was 32% higher than June 2014 due to the increase in working capital, acquisitions and expansion of the existing businesses during the period. While the net debt level is higher than the target gearing range of 60% to 80%; the net debt to EBITDA ratio at 2 times (2014: 1,4 times) still leaves room for further expansion of the Group.

The Group's liquidity position is strong with R6,3 billion in unutilised facilities (excluding asset based finance facilities). Fixed rate debt represents 45% of the total debt and 72% is of a long term nature. The Group's credit rating as determined by Moody's was unchanged at Baa3 with a stable outlook.

During the current period, shareholders' equity was impacted negatively by a put option liability of R391 million relating to the minority shareholdings in Imres; the strengthening of the Rand against the Euro, which resulted in a loss on the foreign currency translation reserve of R227 million; and a R140 million reduction in comprehensive income due to the re-measurement of defined benefit plans at the Logistics International division.

New business written on service, maintenance and warranty contracts generated by the Financial Services segment resulted in insurance, investment, maintenance and warranty contracts growing to R4,5 billion, up 4% from June 2014 and 9% from December 2013.

Cash flow

Cash generated by operations before capital expenditure on rental assets was 37% higher than the comparable period, at R2,9 billion. This was due mainly to a lower absorption of cash by working capital compared to the comparable period. The main drivers of this were reduced accounts payable outflows. After interest, tax payments and capital expenditure on rental assets, net cash flow from operating activities increased to R1,0 billion, up R426 million on the comparable period.

Capex on rental assets increased 46% mainly due to the car rental business. Earlier de-fleeting in the second half of the 2014 financial year led to lower proceeds on sale of vehicles in the current six month period.

The main contributors to the net R905 million invested in new business acquisitions during the period were Imres, Pharmed and S&B Commercials.

Net replacement and expansion capital expenditure excluding rental assets, was 15% lower than the comparable period, which included substantial investment by the Logistics International division in South America and higher investments by the South African businesses in properties.

Outflows from equities, investments and loans resulted mainly from our Insurance business investing in foreign equities and longer term investments.

Dividends amounting to R917 million were paid during the period.

Interim dividend

An interim dividend of 350 cents per ordinary share (2014: 400 cents per share) has been declared.

Board changes

During the period under review the resignations of Messrs Brody, Riemann and Hiemstra were announced.

On 23rd February 2015 Mr Schalk Engelbrecht resigned from the Board after serving as an independent non-executive director and a member of the Risk Committee since June 2008. The Board thanks him for his valued contribution to Imperial and wishes him well for the future.

The Board is pleased to announce the appointment, effective 24th February 2015, of Messrs Peter Cooper and Graham Dempster, both of whom have enjoyed highly distinguished executive careers, most recently with RMB Holdings and Nedbank respectively. Shareholders' attention is drawn to the SENS announcements of the 24th February 2015 providing additional information on these gentlemen.

After 13 years as an independent non-executive director and chairperson of the Audit Committee in which capacities his contribution to the progress of Imperial has been invaluable, Mr Mike Leeming has expressed his intention to retire from the Board on 30th August 2015. He will be succeeded, effective 1st September 2015 by Mr Moses Kgosana, a highly regarded member of the accounting profession, who established and later merged his own firm with KPMG where in recent years he served as Chief Executive and Senior Partner.

Prospects

The factors contributing to heightened uncertainty and volatility in economies, markets and industries globally are well publicised, as are the additional consequences of unemployment, low growth and confidence, increasing socio-political tensions, and electricity supply failures facing South African business. None of these are expected to change markedly in the short to medium term.

The factors most relevant to the fortunes of Imperial are: the weakening of the Rand against the currencies in which we import new vehicles; the poor state of the South African economy; a much slower than expected recovery of the German economy; and the impact of political uncertainty and a sustained low oil price on the economy and currency of Nigeria.

As described in the divisional reviews, the outlook for three divisions is unchanged (i.e. Logistics Africa; Vehicle Retail, Rental and Aftermarket Parts; and Financial Services). A slower recovery in Germany has caused us to reduce our full year expectations of the Logistics International division. Most significantly, the unit volume decline in the Vehicle Import, Distribution and Dealership division has necessitated a further reduction of expected profits.

We therefore expect Imperial's second half operating performance to be positive, but with earnings for the year to June 2015 to be below 2014.

Conclusion

In addition to the initiatives described in the Overview, the Group has embarked on various strategies to enhance the value added by Imperial Holdings and the competitiveness and sustainability of its subsidiaries. We are confident that these initiatives will improve risk adjusted returns and unlock shareholder value in the medium term.

MARK J. LAMBERTI - Chief Executive Officer

OSMAN S. ARBEE - Chief Financial Officer

The forecast financial information herein has not been reviewed or reported on by Imperial's auditors.

Declaration of preference and ordinary dividends
for the six months ended 31 December 2014

Preference shareholders

Notice is hereby given that a gross final preference dividend of 381,36473 cents per preference share has been declared payable, by the Board of Imperial, to holders of non-redeemable, non-participating preference shares. The dividend will be paid out of reserves.

The preference dividend will be subject to a local dividend tax rate of 15%. No STC credits will be utilised for the preference dividend. The net preference dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 324,16002 cents per share.

Ordinary shareholders

Notice is hereby given that a gross final ordinary dividend in the amount of 350 cents per ordinary share has been declared payable, by the Board of Imperial, to holders of ordinary shares. The dividend will be paid out of reserves.

The ordinary dividend will be subject to a local dividend tax rate of 15%. The total STC credits utilised for the ordinary dividend amounted to R9 251 862. The number of ordinary shares in issue at the date of the declaration was 207 815 753 and consequently the STC credits utilised amounted to 4,45195 cents per share. The net ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 298,16779 cents per share.

The company has determined the following salient dates for the payment of the preference dividend and ordinary dividend:

	2015
Last day for preference shares and ordinary shares respectively to trade cum-preference dividend and cum ordinary dividend	Friday, 20 March
Preference and ordinary shares commence trading ex-preference dividend and ex-ordinary dividend respectively	Monday, 23 March
Record date	Friday, 27 March
Payment date	Monday, 30 March

The company's income tax number is 9825178719.

Share certificates may not be dematerialised/rematerialised between Monday, 23 March 2015 and Friday, 27 March 2015, both days inclusive.

On Monday, 30 March 2015, amounts due in respect of the preference dividend and the ordinary dividend will be electronically transferred to the bank accounts of certificated shareholders that utilise this facility. In respect of those who do not, cheques dated 30 March 2015 will be posted on or about that date. Shareholders who have dematerialised their shares will have their accounts held at their CSDP or Broker, credited on Monday, 30 March 2015.

On behalf of the board

RA Venter
Group Company Secretary

23 February 2015

Condensed consolidated statement of profit or loss

	Notes	% change	Unaudited Six months ended 31 December 2014 Rm	Unaudited Six months ended 31 December 2013 Rm	Audited Financial year ended 30 June 2014 Rm
Revenue		9	56 234	51 357	103 567
Net operating expenses			(52 226)	(47 136)	(95 197)
Profit from operations before depreciation and recoupments			4 008	4 221	8 370
Depreciation, amortisation, impairments and recoupments			(1 136)	(1 055)	(2 185)
Operating profit		(9)	2 872	3 166	6 185
Recoupments from sale of properties, net of impairments			12	39	113
Amortisation of intangible assets arising on business combinations			(205)	(147)	(336)
Other non-operating items	6		63	(36)	(155)
Profit before net finance costs		(9)	2 742	3 022	5 807
Net finance costs	7	42	(598)	(420)	(926)
Profit before share of result of associates and joint ventures			2 144	2 602	4 881
Share of result of associates and joint ventures			12	18	76
Profit before tax		(18)	2 156	2 620	4 957
Income tax expense			(562)	(689)	(1 330)
Net profit for the period		(17)	1 594	1 931	3 627
Net profit attributable to:					
Owners of Imperial			1 426	1 734	3 272
Non-controlling interests			168	197	355
			1 594	1 931	3 627
Earnings per share (cents)					
- Basic		(18)	738	898	1 687
- Diluted		(16)	736	878	1 666

Condensed consolidated statement of comprehensive income

		Unaudited Six months ended 31 December 2014 Rm	Unaudited Six months ended 31 December 2013 Rm	Audited Financial year ended 30 June 2014 Rm
Net profit for the period	(17)	1 594	1 931	3 627
Other comprehensive income		(322)	303	177
Items that may be reclassified subsequently to profit or loss		(182)	277	133
Exchange (losses) gains arising on translation of foreign operations		(227)	419	521
Share of associates and joint ventures movement in foreign currency translation reserve		5	7	12
Movement in valuation reserve		(8)	12	45
Reclassification of gain on disposal of available-for-sale investment		(1)		(1)
Movement in hedge accounting reserve		50	(160)	(420)
Share of associates and joint ventures movement in hedge accounting reserve			2	(14)
Income tax relating to items that may be reclassified to profit or loss		(1)	(3)	(10)
Items that will not be reclassified to profit or loss		(140)	26	44
Remeasurement of retirement benefit obligations		(202)	38	64
Income tax on remeasurement of retirement benefit obligations		62	(12)	(20)
Total comprehensive income for the period	(43)	1 272	2 234	3 804
Total comprehensive income attributable to:				
Owners of Imperial	(46)	1 091	2 037	3 486
Non-controlling interests		181	197	318
		1 272	2 234	3 804

Earnings per share information

		Unaudited Six months ended 31 December 2014 Rm	Unaudited Six months ended 31 December 2013 Rm	Audited Financial year ended 30 June 2014 Rm
Headline earnings reconciliation				
Earnings - basic	(18)	1 426	1 734	3 272
Saving of finance costs by associate on potential sale of Imperial shares		29	29	60
Earnings - diluted		1 455	1 763	3 332
Profit on disposal of property, plant and equipment (IAS 16)		(15)	(73)	(193)
Profit on disposal of intangible assets (IAS 38)				1
Impairment of property, plant and equipment (IAS 36)		17		39
Impairment of intangible assets (IAS 36)				7
Impairment of goodwill (IAS 36)		16		38
(Profit) loss on disposal of investments in associates and joint ventures (IAS 28)			(1)	7
Loss (profit) on disposal of subsidiaries and businesses (IFRS 10)		11	(86)	(81)
Realised gain on disposal of available-for-sale investment (IAS 39)		(1)		(1)
Remeasurements included in share of result of associates and joint ventures		18	9	18
Tax effects of remeasurements		(1)	21	42
Non-controlling interests share of remeasurements		(5)	1	2
Headline earnings - diluted		1 495	1 634	3 211
Savings of finance costs by associate on potential sale of Imperial shares		(29)	(29)	(60)
Headline earnings - basic	(9)	1 466	1 605	3 151
Earnings per share (cents)				
- Basic	(18)	738	898	1 687
- Diluted	(16)	736	878	1 666
Headline earnings per share (cents)				
- Basic	(9)	759	831	1 625
- Diluted	(7)	756	813	1 606
Core earnings reconciliation				
Headline earnings - basic	(9)	1 466	1 605	3 151
Saving of finance costs by associate on potential sale of Imperial shares		29	29	60
Headline earnings - diluted	(9)	1 495	1 634	3 211
Amortisation of intangible assets arising on business combinations		205	147	336
Foreign exchange gain on inter-group monetary items		(104)		
Net cost of meeting obligations under onerous contract			29	64
Business acquisition costs		12	8	22
Remeasurement of contingent consideration and put option liabilities		17		(2)
Change in economic assumptions on insurance funds		(1)		7
Adjustments included in share of result of associates and joint ventures			2	
Charge for amending the conversion profile of deferred ordinary shares			70	70
Tax effects of core earnings adjustments		(28)	(51)	(119)
Non-controlling interests share of core earnings adjustments		(15)		(10)
Core earnings - diluted	(14)	1 581	1 839	3 579
Saving of finance costs by associate on potential sale of Imperial shares		(29)	(29)	(60)
Core earnings - basic	(14)	1 552	1 810	3 519
Core earnings per share (cents)				
- Basic	(14)	803	937	1 815
- Diluted	(13)	800	915	1 790
Additional information				
Net asset value per share (cents)	3	9 204	8 926	9 037
Dividend per ordinary share (cents)	(13)	350	400	820
Number of ordinary shares in issue (million)				
- total shares		207,8	210,0	207,8
- net of shares repurchased		193,8	196,2	194,1
- weighted average for basic		193,2	193,2	193,9
- weighted average for diluted		197,7	200,9	200,0
Number of other shares (million)				
- Deferred ordinary shares to convert into ordinary shares		9,1	10,0	9,1

Condensed consolidated statement of financial position

		Unaudited 31 December 2014 Rm	Unaudited 31 December 2013 Rm	Audited 30 June 2014 Rm
	Note			
ASSETS				
Goodwill and intangible assets	8	7 397	5 727	6 766
Investment in associates and joint ventures		1 392	1 235	1 418
Property, plant and equipment		10 746	10 023	10 469
Transport fleet		5 513	5 273	5 322
Vehicles for hire		2 793	2 670	2 303
Deferred tax assets		1 290	1 341	1 101
Investments and loans		3 102	3 679	2 468
Other financial assets		294	230	267
Inventories		15 197	12 506	13 774
Tax in advance		264	340	148
Trade and other receivables		13 470	11 692	11 882
Cash resources		2 620	1 693	3 103
Total assets		64 078	56 409	59 021
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium		382	382	382
Shares repurchased		(276)	(220)	(220)
Other reserves		1 053	1 395	1 149
Retained earnings		16 678	15 956	16 229
Attributable to owners of Imperial		17 837	17 513	17 540
Put arrangements over non-controlling interests		(1 391)		(1 000)
Non-controlling interests		1 816	1 326	1 569
Total equity		18 262	18 839	18 109
Liabilities				
Non-redeemable, non-participating preference shares		441	441	441
Retirement benefit obligations		1 261	1 098	1 083
Interest-bearing borrowings		17 729	13 298	14 544
Insurance, investment, maintenance and warranty contracts		4 497	4 130	4 310
Deferred tax liabilities		1 513	1 577	1 355
Other financial liabilities		1 914	468	1 711
Trade and other payables and provisions		17 683	15 975	16 981
Current tax liabilities		778	583	487
Total liabilities		45 816	37 570	40 912
Total equity and liabilities		64 078	56 409	59 021

Condensed consolidated statement of cash flows

	Note	% change	Unaudited Six months ended 31 December 2014 Rm	Unaudited Six months ended 31 December 2013 Rm	Audited Financial year ended 30 June 2014 Rm
Cash flows from operating activities					
Cash generated by operations before movements in net working capital			4 257	4 328	8 568
Movements in net working capital			(1 405)	(2 244)	(2 879)
Cash generated by operations before capital expenditure on rental assets		37	2 852	2 084	5 689
Expansion capital expenditure - rental assets			(406)	(251)	(137)
Net replacement capital expenditure - rental assets			(402)	(301)	(390)
- Expenditure			(885)	(1 100)	(1 959)
- Proceeds			483	799	1 569
Cash generated by operations			2 044	1 532	5 162
Net finance cost paid			(580)	(420)	(926)
Tax paid			(451)	(525)	(1 267)
		73	1 013	587	2 969
Cash flows from investing activities					
Net acquisitions of subsidiaries and businesses			(905)	148	(297)
Expansion capital expenditure - excluding rental assets			(806)	(1 015)	(1 626)
Net replacement capital expenditure - excluding rental assets			(611)	(647)	(1 162)
Net movement in associates and joint ventures			25	(75)	(144)
Net movement in investments, loans and other financial instruments			(997)	(129)	1 113
			(3 294)	(1 718)	(2 116)
Cash flows from financing activities					
Hedge cost premium paid			(118)	(112)	(108)
Ordinary shares repurchased			(56)		(502)
Dividends paid			(917)	(1 050)	(1 940)
Change in non-controlling interests			(32)	(89)	(364)
Capital raised from non-controlling interests				91	89
Repayment of corporate bond					(1 500)
Proceeds on the issue of corporate bonds				1 500	3 000
Net increase in other interest-bearing borrowings			1 352	450	1 805
			229	790	480
Net (decrease) increase in cash and cash equivalents			(2 052)	(341)	1 333
Effects of exchange rate changes on cash resources in a foreign currency			(6)	54	45
Cash and cash equivalents at beginning of period			898	(480)	(480)
Cash and cash equivalents at end of period	9	51	(1 160)	(767)	898

Condensed consolidated statement of changes in equity

	Share capital and share premium Rm	Shares re-purchased Rm	Other reserves Rm	Retained earnings Rm	Attributable to owners of Imperial Rm	Put arrangement over non-controlling interests Rm	Non-controlling interests Rm	Total equity Rm
Balance at 30 June 2013 - Audited	382	(220)	1 023	15 056	16 241		1 295	17 536
Total comprehensive income for the period			277	1 760	2 037		197	2 234
Net attributable profit for the period				1 734	1 734		197	1 931
Other comprehensive income			277	26	303			303
Movement in statutory reserves			4	(4)				
Share-based equity cost charged to profit or loss			61		61		2	63
Share-based equity reserve hedge cost reversal			13		13		(5)	8
Charge for amending the conversion profile of the deferred ordinary shares			70		70			70
Ordinary dividends paid				(854)	(854)			(854)
Realisation on disposal of subsidiaries			2	(2)				
Non-controlling interests disposed, net of acquisitions and shares issued							25	25
Net increase in non-controlling interests			(55)		(55)		8	(47)
Non-controlling interests share of dividends							(196)	(196)
Balance at 31 December 2013 - Unaudited	382	(220)	1 395	15 956	17 513		1 326	18 839
Total comprehensive income for the period			(107)	1 556	1 449		121	1 570
Net attributable profit for the period				1 538	1 538		158	1 696
Other comprehensive income			(107)	18	(89)		(37)	(126)
Movement in statutory reserve			6	(6)				
Share-based equity cost charged to profit or loss			40		40		1	41
Share-based equity reserve transferred to retained earnings on vesting			(16)	16				
Share-based equity reserve hedge cost utilisation			(108)		(108)			(108)
Ordinary dividends paid				(764)	(764)			(764)
Repurchase and cancellation of 2 971 808 ordinary shares from open market at an average price of R168,85 per share				(502)	(502)			(502)
Initial recognition of put options written over non-controlling interests						(1 289)		(1 289)
Share of changes in net assets in associates and joint ventures			91		91			91
Realisation on disposal of subsidiaries			27	(27)				
Non-controlling interests acquired, net of disposals and shares issued			(9)		(9)		351	342
Net decrease in non-controlling interests			(170)		(170)	289	(104)	15
Non-controlling interests share of dividends							(126)	(126)
Balance at 30 June 2014 - Audited	382	(220)	1 149	16 229	17 540	(1 000)	1 569	18 109
Total comprehensive income for the period			(195)	1 286	1 091		181	1 272
Net attributable profit for the period				1 426	1 426		168	1 594
Other comprehensive income			(195)	(140)	(335)		13	(322)
Movement in statutory reserve			19	(19)				
Share-based equity cost charged to profit or loss			65		65		2	67
Share-based equity reserve transferred to retained earnings on vesting			14	(14)				
Share-based equity reserve hedge cost reversal			11		11		(3)	8
Ordinary dividends paid				(804)	(804)			(804)
Repurchase of 320 000 ordinary shares from open market at an average price of R172,68 per share		(56)			(56)			(56)
Initial recognition of put option written over non-controlling interests*						(391)		(391)
Share of changes in net assets in associates and joint ventures			(2)		(2)			(2)
Non-controlling interests acquired							206	206
Net decrease in non-controlling interests			(8)		(8)		(26)	(34)
Non-controlling interests share of dividends							(113)	(113)
Balance at 31 December 2014 - Unaudited	382	(276)	1 053	16 678	17 837	(1 391)	1 816	18 262

* Initial fair value of the put option liability relating to the additional 30% that Imperial may acquire from the non-controlling shareholders of Imres.

Notes to the condensed consolidated financial statements

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and its Interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Group at 31 December 2014 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. The results are presented in accordance with IAS 34 - Interim Financial Reporting and comply with the Listings Requirements of the Johannesburg Stock Exchange Limited and the Companies Act of South Africa, 2008. These condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements as at and for the year ended 30 June 2014.

These condensed consolidated financial statements have been prepared under the supervision of R Mumford, CA (SA) and were approved by the board of directors on 23 February 2015.

2. Accounting policies

The accounting policies adopted and methods of computation used in the preparation of the condensed consolidated financial statements are in accordance with IFRS and are consistent with those of the annual financial statements for the year ended 30 June 2014.

New and amended accounting standards that became effective during the period

The Group applied the following amended statements during the reporting period. None of the amendments has had a material impact on the consolidated financial statements of the Group.

IAS 16 - Property plant and equipment (amended)

IAS 39 - Financial Instruments - Recognition and Measurements (amended)

IAS 19 - Employee Benefits (amended)

IFRS 2 - Share Based Payments (amended)

3. New and revised International Financial Reporting Standards in issue but not yet effective

The following standards will become applicable to the Group in future reporting periods:

IFRS 9 Financial Instruments (amended) will introduce new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition, with effect from 1 January 2018.

IFRS 15 Revenue From Contracts With Customers establishes the principles that an entity shall apply to report useful information to users of its financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. This standard was issued in May 2014 and replaces IAS 11 - Construction contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC-31 - Revenue - Barter Transactions Involving Advertising Services.

The Group is in the process of assessing the impact of these standards on its consolidated financial statements.

4. Presentation of statement of profit or loss

To improve the content and format of the statement of profit or loss, certain items that are not operational in nature have been shown in total with the details given in the notes.

	31 December 2014	31 December 2013	30 June 2014
5. Foreign exchange rates			
The following major rates of exchange was used in the translation of the Group's foreign operations:			
SA Rand : Euro			
- closing	14,06	14,45	14,51
- average	14,15	13,50	14,07
SA Rand : US Dollar			
- closing	11,57	10,49	10,62
- average	10,98	10,06	10,38
	Unaudited	Unaudited	Audited
	Six months ended	Six months ended	Financial year
	31 December	31 December	ended
	2014	2013	30 June
	Rm	Rm	2014
			Rm
6. Other non-operating items			
Remeasurement of financial instruments not held-for-trading	101	(16)	(28)
Foreign exchange gains (losses) on foreign currency monetary items	117	(16)	(31)
Loss on remeasurement of put option liabilities	(21)		(16)
Gains on remeasurement of contingent consideration liabilities	4		18
Realised gain on disposal of available-for-sale investment	1		1
Capital items	(39)	79	14
Impairment of goodwill	(16)		(38)
Profit (loss) on disposal of investments in associates and joint ventures		1	(7)
(Loss) profit on disposal of subsidiaries and businesses	(11)	86	81
Business acquisition costs	(12)	(8)	(22)
Other items	1	(99)	(141)
Net cost of meeting obligation under onerous contract		(29)	(64)
Change in economic assumptions on insurance funds	1		(7)
Charge for amending the conversion profile of the deferred ordinary shares		(70)	(70)
	63	(36)	(155)
7. Net finance costs			
Net interest paid	(580)	(420)	(926)
Fair value loss on interest-rate swap instruments	(18)		
	(598)	(420)	(926)
8. Goodwill and intangible assets			
Goodwill			
Cost	5 987	5 185	5 596
Accumulated impairments	(875)	(821)	(859)
	5 112	4 364	4 737
Carrying value at beginning of period	4 737	3 926	3 926
Net acquisition of subsidiaries and businesses	429	171	579
Impairment charge	(16)		(38)
Currency adjustment	(38)	267	270
Carrying value at end of period	5 112	4 364	4 737
Intangible assets	2 285	1 363	2 029
Goodwill and intangible assets	7 397	5 727	6 766
9. Cash and cash equivalents			
Cash resources	2 620	1 693	3 103
Short-term loans and overdrafts (Included in interest-bearing borrowings)	(3 780)	(2 460)	(2 205)
	(1 160)	(767)	898

10. Fair value of financial instruments

Fair values of financial assets and liabilities carried at amortised cost

The following table sets out instances where the carrying amount of financial liabilities, as recognised on the statement of financial position, differ from their fair values.

	Carrying value Rm	Fair value* Rm
31 December 2014		
Listed non-redeemable, non-participating preference shares	441	341

* Level 1 of the fair value hierarchy.

The fair values of the remainder of the Group's financial assets and financial liabilities at 31 December 2014 approximate their carrying values.

Fair value hierarchy

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

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

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.

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

The following table presents the valuation categories used in determining the fair values of financial instruments carried at fair value:

	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
31 December 2014				
Financial assets carried at fair value				
Fair valued through profit or loss				
Investments held for trading (Included in Investments and loans)*	2 552	2 114	438	
Fair valued through other comprehensive income				
Available-for-sale investments (Included in Investments and loans)	198	198		
Foreign exchange contracts (Included in Trade and other receivables)	35		35	
Financial liabilities carried at fair value				
Fair valued through profit or loss				
Put option liabilities (Included in Other financial liabilities)	1 491			1 491
Contingent consideration liabilities (Included in Other financial liabilities)	53		10	43
Swap instruments (Included in Other financial liabilities)	173		173	
Fair valued through other comprehensive income				
Foreign exchange contracts (Included in Trade and other payables)	15		15	
Swap instruments (Included in Other financial liabilities)	58		58	

* The net fair value gains on investments held for trading amounted to R25 million, of which gains amounting to R29 million were realised and losses amounting to R4 million were unrealised. The net fair value gains on investments are included in 'Net operating expenses' in profit or loss.

Investments classified as level 1 were valued by quoted market prices in active markets and consists of listed equity securities. Instruments classified as level 2 use valuation techniques by observable inputs which mainly comprise of short-term deposits and over the counter (OTC) derivatives instruments.

Transfers between hierarchy levels

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. There were no transfers between the fair value hierarchies during the period.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing carrying values of level 3 financial liabilities carried at fair value at 31 December 2014.

	Put option liabilities Rm	Contingent consideration liabilities Rm	Total Rm
Financial liabilities			
Carrying value at beginning of period	990	82	1 072
Initial recognition direct in equity	391		391
Arising on acquisition of business		17	17
Fair valued through profit or loss	21	(4)	17
Settlements		(52)	(52)
Currency adjustment	89		89
Carrying value at the end of the period	1 491	43	1 534

Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R1 534 million were estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key assumptions used in the valuations include the assumed probability of achieving profit targets and the discount rates applied. The assumed profitabilities were based on historical performances but adjusted for expected growth.

The following table shows how the fair value of the level 3 financial liabilities as at 31 December 2014 would change if the significant assumptions were to be replaced by a reasonable possible alternative.

Financial instruments	Valuation technique	Key assumption	Carrying value Rm	Increase in liabilities Rm	Decrease in liabilities Rm
Put option liabilities	Income approach	Earnings growth	1 491	15	(144)
Contingent consideration liabilities	Income approach	Assumed profits	43		(2)

	31 December 2014 Rm	31 December 2013 Rm	30 June 2014 Rm
11. Contingencies and commitments			
Capital commitments	1 656	1 239	2 285
Contingent liabilities	306	309	317

12. Disposals and acquisitions during the period

There were no material disposals during the period. For acquisitions during the period refer to business combinations.

13. Events after the reporting period

Dividend declaration

Shareholders are advised that a preference and an ordinary dividend have been declared by the Board of Imperial on 23 February 2015. For more details please refer to the dividend declaration.

Business combinations during the period

Subsidiaries and businesses acquired	Nature of business	Operating segment	Date acquired	Interest acquired (%)	Purchase consideration Rm
Pharmed Pharmaceutical (Pty) Limited	Wholesale supply and distribution of healthcare related products	Logistics Africa	July 2014	62,5	148
Imres BV	Wholesaler of pharmaceutical and medical supplies to mainly African and emerging markets	Logistics Africa	September 2014	75*	691
S&B Commercial plc	Mercedes Benz commercial franchise business	Vehicle Retail, Rental and After Market Parts	September 2014	100	167
Individually immaterial acquisitions					28
					1 034

* The Group subsequently decreased its interest in Imres BV to 70%.

Fair value of assets acquired and liabilities assumed at date of acquisition:	Pharmed Rm	Imres Rm	S&B Commercial Rm	Individually immaterial acquisitions Rm	Total Rm
Assets					
Intangible assets	1	308	36		345
Property, plant and equipment	53	8	53	4	118
Transport fleet	5				5
Deferred tax asset	1				1
Inventories	194	125	437	6	762
Trade and other receivables	322	208	129	18	677
Cash resources		12	63	4	79
	576	661	718	32	1 987
Liabilities					
Deferred tax liabilities		67	10		77
Interest-bearing borrowings	18	82	329	4	433
Other financial liabilities				1	1
Trade and other payables and provisions	317	85	270	19	691
Current tax liabilities	9	9			18
	344	243	609	24	1 220
Acquirees' carrying amount at acquisition	232	418	109	8	767
Non-controlling interests	(98)	(105)		(3)	(206)
Net assets acquired	134	313	109	5	561
Purchase consideration	148	691	167	28	1 034
Cash paid	148	691	167	11	1 017
Contingent consideration				17	17
Excess of purchase price over net assets acquired	14	378	58	23	473

The initial accounting for business combinations were incomplete and based on provisional figures.

Reasons for the acquisitions

The Group acquired a 62,5% shareholding in Pharmed Pharmaceuticals (Pty) Limited. This acquisition is in line with Group's strategy to integrate pharmaceutical wholesaling and distribution into its service offering. Pharmed specialises in the wholesale supply and distribution of healthcare related products, including ethical, generic, patent and homeopathic medicines; surgical, dental and veterinary products; and medical equipment.

The acquisition of 75% shareholding in Imres (5% of which was subsequently sold), is in line with the Group's strategy to expand its participation in the distribution of fast moving consumer goods and pharmaceutical products in Africa. It also complements Imperial's acquisitions of Imperial Health Sciences, Eco Health, Pharmed and the 49% equity interest in MDS Logistics. Imres adds sourcing and procurement capabilities to Imperial's service offering and it can leverage off Imperial's existing network and capabilities on the African continent.

The Group acquired a 100% shareholding in S&B Commercials, which is a Mercedes Benz commercial vehicle dealership with four main sites that covers North London, Essex and Hertfordshire and operates 5 dedicated customer workshops. The acquisition provided further diversification of our UK commercial vehicle franchise portfolio into the Mercedes brand which continues to grow its share in the UK market in both heavy and light commercial vehicles.

The other businesses were acquired to complement and expand our distribution of motor vehicles parts, pharmaceuticals and business solutions in South Africa and Africa.

Details of contingent consideration

The contingent consideration requires the Group to pay the vendors an additional total amount of R17 million over three years if the entities' net profit after tax exceeds certain profit targets.

Acquisition costs

Acquisition costs for business acquisitions concluded during the period amounted to R11 million and have been recognised as an expense in profit or loss in the "Other non-operating items" line.

Impact of the acquisition on the results of the Group

From the dates of acquisition the businesses acquired during the period contributed revenue of R1 407 million, operating profit of R86 million and after tax profit of R38 million. The after tax profit of R38 million includes the after tax impact of the funding cost of R11 million calculated on the cash consideration paid on acquisitions, the fair value loss on the remeasurement of the put option liability of R4 million and the amortisation of intangible assets arising out of the business combinations of R14 million.

Had all the acquisitions been consolidated from 1 July 2014, they would have contributed revenue of R1 766 million, operating profit of R119 million and after tax profit of R57 million. The Group's total revenue for the period would have increased to R56 593 million, operating profit would have increased to R2 905 million and after tax profit would have increased to R1 613 million. The after tax profit of R57 million includes the after tax impact of the funding cost of R14 million calculated on the cash consideration paid on acquisitions, the fair value loss on the remeasurement of the put option liability of R7 million and the amortisation of intangible assets arising out of the business combinations of R21 million.

Separate identifiable intangible assets

As at the acquisition date the fair value of the separate identifiable intangible assets was R344 million. This fair value, which is classified as level 3 in the fair value hierarchy, was determined using the Multi-period Excess Earnings Method (MEEM) valuation technique.

The significant unobservable valuation inputs were as follows:

	Imres BV	S&B Commercials
	%	%
- Discount rates	11,0	8,0
- Terminal growth rates	1,0	2,0

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

Other details

Trade and other receivables had gross contractual amounts of R727 million of which R50 million was doubtful. Non-controlling interests have been calculated based on their proportionate share in the acquiree's net assets. None of the resulting goodwill is deductible for tax purposes.

Segmental information

R million	Group		Logistics				Vehicles				Financial services				Head-Office and Eliminations	
			Logistics Africa		Logistics International		Vehicle Import, Distribution and Dealerships		Vehicle Retail, Rental and After Market Parts		Insurance		Motor-related Financial Services and Products			
			2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013		
Segment profit or loss																
Revenue	56 234	51 357	13 265	10 895	9 595	9 110	14 278	13 378	18 726	17 519	1 509	1 492	658	563	(1 797)	(1 600)
- South Africa	35 718	34 638	8 073	8 067			12 454	11 736	15 182	14 682	1 158	1 190	658	563	(1 807)	(1 600)
- Rest of Africa	5 794	3 374	5 184	2 820			192	187	67	64	351	302				1
- International	14 722	13 345	8	8	9 595	9 110	1 632	1 455	3 477	2 773					10	(1)
Operating profit	2 872	3 166	802	650	386	412	461	934	791	740	253	306	258	237	(79)	(113)
- South Africa	2 016	2 454	511	500			422	922	720	670	185	238	258	237	(80)	(113)
- Rest of Africa	383	240	294	154			2	1	19	17	68	68				
- International	473	472	(3)	(4)	386	412	37	11	52	53					1	
Depreciation, amortisation, impairments and recoupments	1 329	1 163	455	339	393	352	128	117	335	317	13	9	51	31	(46)	(2)
- South Africa	741	700	317	270			120	110	292	288	11	8	51	31	(50)	(7)
- Rest of Africa	149	79	138	69			1	1	7	7	2	1			1	1
- International	439	384			393	352	7	6	36	22					3	4
Net finance costs	598	420	202	160	92	86	260	152	145	134	6	8	(1)		(106)	(120)
- South Africa	423	286	142	131			249	142	132	125	6	8	(1)		(105)	(120)
- Rest of Africa	64	34	60	29			1	2	3	3						
- International	111	100			92	86	10	8	10	6					(1)	
Pre-tax profits*	2 183	2 533	633	490	215	204	192	780	650	604	246	302	269	253	(22)	(100)
- South Africa	1 555	2 094	369	386			162	775	603	550	178	234	269	253	(26)	(104)
- Rest of Africa	354	191	267	108			3	2	15	14	68	68			1	(1)
- International	274	248	(3)	(4)	215	204	27	3	32	40					3	5
Segment financial position																
Operating assets*	60 596	53 189	15 550	11 416	11 300	10 974	14 338	13 169	13 416	11 986	4 476	4 334	2 414	1 641	(898)	(331)
- South Africa	37 555	35 150	9 441	8 798			12 839	11 788	10 943	10 358	3 263	3 292	2 414	1 641	(1 345)	(727)
- Rest of Africa	7 578	3 908	6 108	2 617			169	174	88	75	1 213	1 042				
- International	15 463	14 131	1	1	11 300	10 974	1 330	1 207	2 385	1 553					447	396
Operating liabilities*	23 864	21 671	5 678	4 257	4 216	4 146	4 130	4 231	4 908	4 018	2 603	2 483	3 442	3 138	(1 113)	(602)
- South Africa	15 270	14 607	3 970	3 504			3 918	4 024	3 496	3 016	1 769	1 779	3 442	3 138	(1 325)	(854)
- Rest of Africa	2 600	1 550	1 705	753			45	75	16	18	834	704				
- International	5 994	5 514	3		4 216	4 146	167	132	1 396	984					212	252
Net working capital*	10 984	8 223	1 460	842	539	203	5 829	4 811	2 851	2 467	(945)	(899)	287	322	963	477
- South Africa	8 469	6 821	563	368			5 311	4 388	2 187	2 165	(735)	(767)	287	322	856	345
- Rest of Africa	750	371	899	476			53	27	7		(210)	(132)			1	
- International	1 765	1 031	(2)	(2)	539	203	465	396	657	302					106	132
Net debt*	15 550	12 046	5 340	3 421	4 383	4 154	5 484	4 049	3 378	3 325	(1 099)	(424)	(1 839)	(2 112)	(97)	(367)
- South Africa	8 688	7 341	2 752	2 688			4 930	3 540	2 899	3 117	(579)	(154)	(1 839)	(2 112)	525	262
- Rest of Africa	2 287	669	2 585	734			181	164	41	41	(520)	(270)				
- International	4 575	4 036	3	(1)	4 383	4 154	373	345	438	167					(622)	(629)
Net capital expenditure	2 225	2 214	441	454	614	643	273	471	766	746	56	27	636	72	(561)	(199)
- South Africa	1 357	1 240	277	354			270	282	707	707	55	27	636	72	(588)	(202)
- Rest of Africa	189	128	164	100			1		22	28	1				1	
- International	679	846			614	643	2	189	37	11					26	3

* Defined in the Glossary of terms.

R million	Group		Logistics				Vehicles				Financial services				Head-Office and Eliminations	
			Logistics Africa		Logistics International		Vehicle Import, Distribution and Dealerships		Vehicle Retail, Rental and After Market Parts		Insurance		Motor-related Financial Services and Products			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Additional segment information																
Analysis of revenue by type																
- Sale of goods	32 531	28 714	4 309	2 182			12 086	11 603	16 137	14 938					(1)	(9)
- Rendering of services	22 192	21 200	8 845	8 625	9 499	9 082	1 259	1 089	2 280	2 143	53	51	255	204	1	6
- Gross premiums	1 415	1 405									1 415	1 405				
- Other	96	38			91	28		1	2	7	2	2			1	
	56 234	51 357	13 154	10 807	9 590	9 110	13 345	12 693	18 419	17 088	1 470	1 458	255	204	1	(3)
Inter-group revenue			111	88	5		933	685	307	431	39	34	403	359	(1 798)	(1 597)
	56 234	51 357	13 265	10 895	9 595	9 110	14 278	13 378	18 726	17 519	1 509	1 492	658	563	(1 797)	(1 600)
Analysis of depreciation, amortisation, impairment and recoupments																
	1 329	1 163	455	339	393	352	128	117	335	317	13	9	51	31	(46)	(2)
- Depreciation and amortisation	1 122	1 089	362	342	294	279	128	118	322	310	13	16	51	31	(48)	(7)
- Recoupments and impairments	2	(73)	(9)	(48)	6	(20)		(1)	3	(2)		(7)			2	5
- Amortisation of intangible assets arising on business combinations	205	147	102	45	93	93			10	9						
Share of result of associates and joint ventures included in pre-tax profits	12	18	21	15	8	5	(3)	2	14	10	(2)	(3)	11	16	(37)	(27)
Fixed assets included in operating assets																
	19 052	17 966	5 178	4 921	4 543	4 180	4 030	3 742	4 944	4 813	150	141	1 044	354	(837)	(185)
- Property, plant and equipment	10 746	10 023	1 876	1 516	2 291	2 273	3 229	3 079	2 927	2 816	150	141	25	7	248	191
- Transport fleet	5 513	5 273	3 302	3 405	2 252	1 907									(41)	(39)
- Vehicles for hire	2 793	2 670					801	663	2 017	1 997			1 019	347	(1 044)	(337)

Corporate Information

Directors

TS Gcabashe# (Chairman), A Tugendhaft##, (Deputy Chairman), MJ Lamberti (Chief Executive), M Akoojee, OS Arbee, MP de Canha, T Dingaen#, P Langeni#, MJ Leeming#, P Michaux, MV Moosa##, RJA Sparks#, JJ Strydom, M Swanepoel, Y Waja#

Independent non-executive ## Non-executive

Company Secretary

RA Venter

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Share transfer secretaries

Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001

Sponsor

Merrill Lynch SA (Pty) Limited, 138 West Street, Sandown Sandton, 2196

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