LEADERS IN MOBILITY

IMPERIAL

INTEGRATED ANNUAL REPORT 2014

CONTENTS

This Integrated Annual Report was published on 30 September 2014.

REFERENCE ICONS IN OUR REPORT

FOR MORE INFORMATION
This icon refers readers to related information in the Integrated Annual Report.

www.imperial.co.za
refers readers to supplementary information on our website.

IMPERIAL STRIVES FOR LEADERSHIP IN OUR SELECTED AREAS OF MOBILITY

Imperial Holdings Limited is a JSE-listed, South African-based international group of companies active in three major areas of mobility:

> Consumer and industrial logistics
> Vehicle import, distribution, dealerships, retail, rental and aftermarket parts
> Vehicle-related financial services

Imperial employs around 52 000 people who generate 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.

KEY FACTS

A MARKET CAPITALISATION OF R42 BILLION, ASSETS UNDER MANAGEMENT OF R59 BILLION AND ANNUAL REVENUE OF
R104 BILLION
FOLLOWING ITS START AS A SINGLE MOTOR DEALERSHIP IN JOHANNESBURG IN 1948

THE LEADING THIRD-PARTY LOGISTICS PROVIDER IN SOUTHERN AFRICA

MANAGES OR OWNS OVER
5 700 VEHICLES
IN AFRICA

OPERATES FROM MORE THAN
1 200 LOCATIONS
SERVICING **29 COUNTRIES**

PROVIDES WAREHOUSING FACILITIES OF
1 040 000m²
IN AFRICA

CONSUMER-FOCUSED DISTRIBUTORSHIPS IN TEN AFRICAN COUNTRIES

MARKET-LEADING
POSITIONS IN PHARMACEUTICAL AND CONSUMER PRODUCT DISTRIBUTION IN AFRICA

BIGGEST FLEET OF OWNED AND SUB-CONTRACTED INLAND WATER VESSELS IN EUROPE

ACCESS TO OVER
600 VESSELS
IN EUROPE

A TOTAL OF **100 MILLION**
TONNES OF HANDLING VOLUMES PER YEAR IN EUROPE

A MAJOR
CONTRACT LOGISTICS SERVICE PROVIDER
FOR THE AUTOMOTIVE, STEEL AND MACHINERY INDUSTRIES IN EUROPE

THE LEADING CHEMICAL LOGISTICS SERVICE PROVIDER IN EUROPE

REPRESENTS VIRTUALLY EVERY MOTOR BRAND IN SOUTH AFRICA

EXCLUSIVE IMPORTER TO SOUTH AFRICA OF
12 VEHICLE BRANDS

OVER **294**
NEW VEHICLE DEALERSHIPS

OVER **181**
PRE-OWNED VEHICLE DEALERSHIPS

RESPONSIBLE FOR ONE IN THREE CAR RENTAL TRANSACTIONS IN SOUTH AFRICA

AN AVERAGE OF
18 000 VEHICLES
IN **CAR RENTAL FLEET**

LEADING AFTERMARKET VEHICLE PARTS DISTRIBUTOR

IN SOUTH AFRICA,
20 OWNED PARTS STORES AND
458 FRANCHISED STORES AND WORKSHOPS

IN THE REST OF AFRICA,
64 FRANCHISED PARTS STORES

OVER
2,3 MILLION POLICIES UNDER MANAGEMENT IN FINANCIAL SERVICES

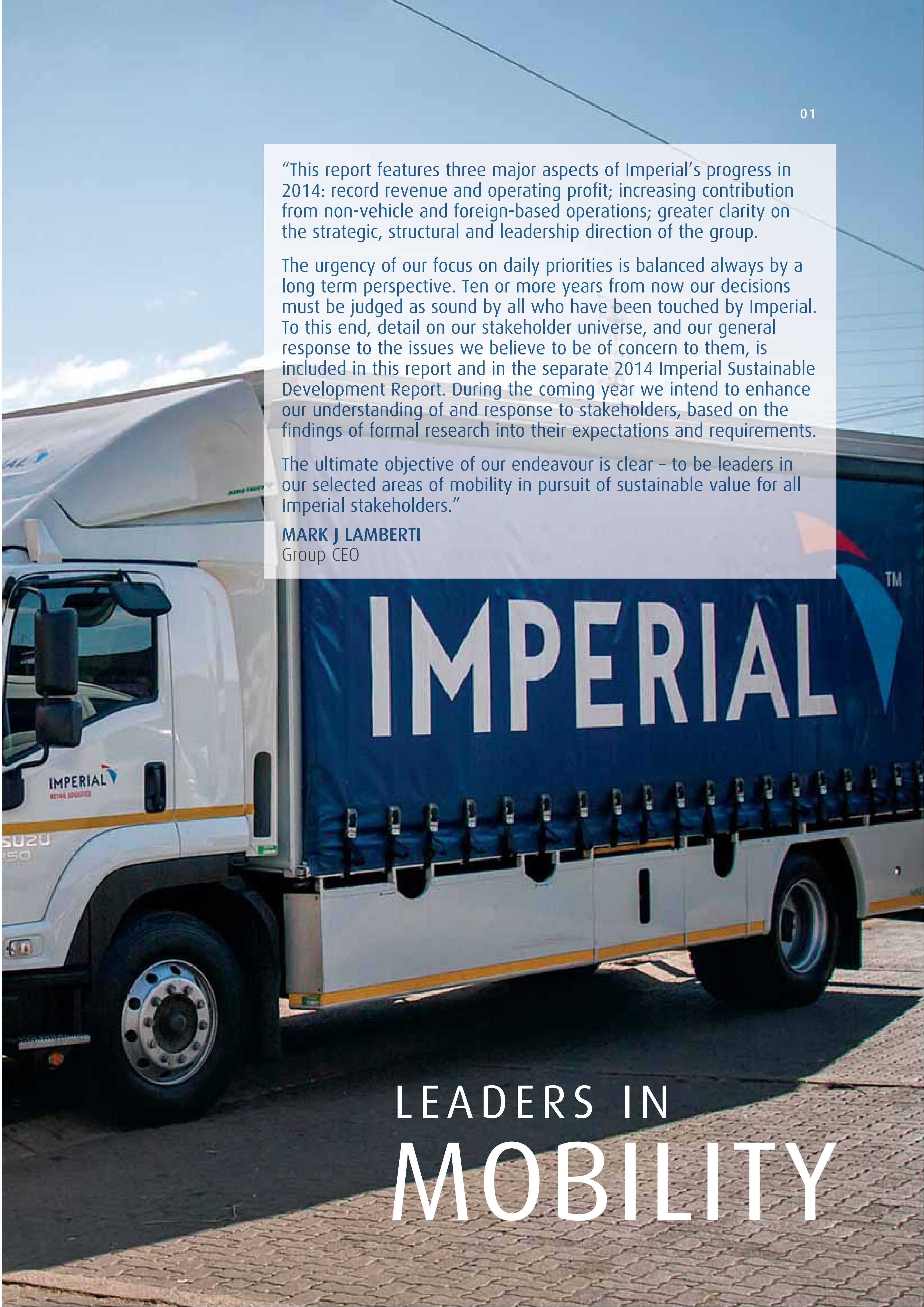
INSURANCE SERVICES OVER
1 300 DEALER OUTLETS
THROUGHOUT SOUTHERN AFRICA

"This report features three major aspects of Imperial's progress in 2014: record revenue and operating profit; increasing contribution from non-vehicle and foreign-based operations; greater clarity on the strategic, structural and leadership direction of the group.

The urgency of our focus on daily priorities is balanced always by a long term perspective. Ten or more years from now our decisions must be judged as sound by all who have been touched by Imperial. To this end, detail on our stakeholder universe, and our general response to the issues we believe to be of concern to them, is included in this report and in the separate 2014 Imperial Sustainable Development Report. During the coming year we intend to enhance our understanding of and response to stakeholders, based on the findings of formal research into their expectations and requirements.

The ultimate objective of our endeavour is clear – to be leaders in our selected areas of mobility in pursuit of sustainable value for all Imperial stakeholders."

MARK J LAMBERTI
Group CEO



LEADERS IN MOBILITY

REVENUE
12%
R103 567 MILLION

OPERATING PROFIT
2%
R6 185 MILLION

DILUTED CORE EPS[1]
1 790 CENTS PER SHARE

DILUTED HEPS
7%
1 606 CENTS PER SHARE

FULL-YEAR DIVIDEND
820 CENTS PER SHARE

1. *Diluted core earnings exclude once-off and non-operational items.*

ABOUT THIS REPORT

We are pleased to present Imperial's Integrated Annual Report for the 12 months to 30 June 2014.

This report seeks to explain the group's strategic focus areas and future direction, and provide greater clarity on its business model and approach. It is our fourth Integrated Annual Report and the first report under the leadership of the new CEO Mark Lamberti.

The report was compiled in a challenging business environment, which focused us as a management team on what is material in this context. As outlined on pages 12 to 14, we concentrate only on the relevant areas for stakeholders and for the group. We defined materiality based on input from stakeholder engagement at a group and divisional level, as well as senior management and board discussions. The group's main stakeholders are outlined on pages 12 to 14.

How the group operates is outlined on pages 06 to 11.

Scope and boundary

Imperial is listed on the Johannesburg Stock Exchange (JSE) under share code IPL.

Imperial's businesses, situated in Africa, Europe, the United Kingdom, Australia, South America and the United States of America are included in this report, as outlined on pages 06 to 11 and 50 to 95.

The report includes summarised consolidated annual financial statements on pages 138 to 163, which were extracted from the audited consolidated annual financial statements.

> These summarised financial statements must be read in conjunction with the complete set of audited consolidated annual financial statements available at **www.imperial.co.za.**

The complete audited consolidated annual financial statements comply with International Financial Reporting Standards (IFRS), JSE Listings Requirements and the South African Companies Act, 2008 (the Act). The Integrated Reporting Framework published by the International Integrated Reporting Council in December 2013 was also considered, as well as the King III Report on Corporate Governance (King III) for South African reports. The group has documented its assessment of the 75 King III principles in a register, as well as a response table to the relevant GRI indicators at **www.imperial.co.za**.

The separate sustainable development report can also be found on the group's website. This report expands on the sustainable development issues relevant to the group from a broader stakeholder perspective, and aims to focus more this year on what is meaningful to the group and its stakeholders.

The report includes disclosures from the G4 Sustainability Reporting Guidelines. The group is moving towards full compliance with these newly-introduced guidelines in the short to medium term.

Approvals

The audit committee is responsible for the content of this report and recommended the report to the board for its approval.

Our independent auditor, Deloitte & Touche, issued an unmodified audit opinion on the consolidated annual financial statements and on the summarised consolidated annual financial statements for the year ended 30 June 2014, as set out on pages 138 to 163. The audit was conducted in accordance with International Standards on Auditing. The unmodified audit opinion on the group's consolidated annual financial statements is incorporated in the group's consolidated annual financial statements.

Any reference to future financial performance in the report has not been reviewed or reported on by the group's auditors. Non-financial data is not yet subject to external audit, although it is the objective of the group to move towards external assurance of this data within a three-year time horizon.


IMPERIAL

HOW THE GROUP CREATES VALUE


IMPERIAL
LOGISTICS
2650

LOGISTICS AFRICA

This division comprises logistics businesses within South Africa and the rest of Africa. In South Africa this entails the provision of logistics services across the entire supply chain to clients that span almost every industry. In the rest of Africa, the business goes beyond conventional supply chain management to offer route-to-market solutions in consumer goods and pharmaceuticals.

LOGISTICS INTERNATIONAL

This division comprises the European logistics businesses, which provide complete logistics solutions, including contract logistics, warehousing, inland waterway shipping and container port management, contract manufacturing in the chemical industry and related value-added services across European markets. The division is a leading logistics partner to the automobile, steel, aluminium, paper and chemical industries. During the year, inland waterway shipping commenced in South America.

VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS

This division imports and distributes exclusively a range of passenger and commercial vehicles, industrial equipment and motorcycles on behalf of original equipment manufacturers (OEMs) (Hyundai, Kia, Renault, etc). Vehicles are retailed through 126 owned dealerships in South Africa and through six dealerships in Australia. In the rest of Africa, the division is targeting the distribution of vehicles with a focus on right-hand drive markets which can be accessed from its South African base. The South African dealerships are distribution channels for the group's financial services, insurance, vehicle servicing and parts businesses.

VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS

This division's extensive network of franchised vehicle dealerships is the largest in South Africa. Dealerships are also distribution channels for the group's financial services, insurance, vehicle servicing and parts businesses. In the commercial sector, this division owns and operates standalone commercial dealerships in South Africa and the United Kingdom. It also manufactures and sells caravans, canopies and accessories, rents vehicles in Southern Africa, operates the largest pre-owned motor vehicle dealer network in South Africa, as well as panelshops that repair vehicles for the rental fleet, the consumer market and insurance companies. The aftermarket parts business is involved in the wholesaling and distribution of vehicle parts and accessories.

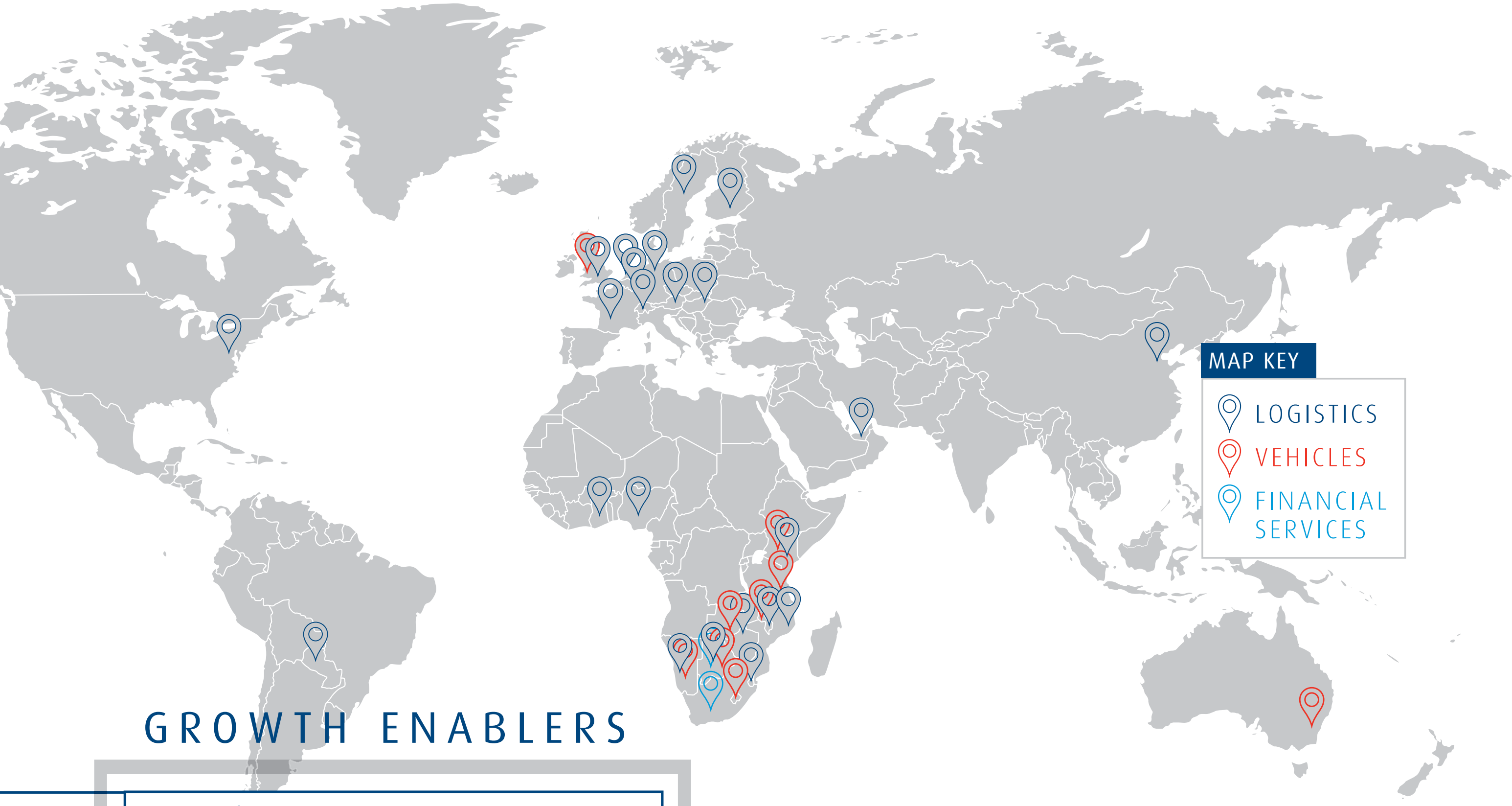
FINANCIAL SERVICES

Financial Services houses the group's insurance, financial and vehicle-related product interests.

Regent is a provider of motor-related, value-added insurance products for both passenger and commercial vehicles. Motor-related products are distributed through dealer and vehicle finance channels. Approximately one third of its business originates through Imperial dealerships, with the balance through independent dealerships, OEM partnerships and call centres. The business also supplies life insurance products to the emerging market which are distributed through independent brokers and increasingly through affinity schemes.

Liquid Capital comprises the creation and sale of service, maintenance and extended warranty products associated with the automotive market and shares profits from alliances on the sale of financial services.

Other businesses in this division are Ariva, which provides private vehicle leasing solutions and Imperial Fleet Management (IFM), an alliance with WesBank, which provides full maintenance leasing (FML) and other fleet management solutions to corporate, parastatal and small, medium and micro-enterprise clients.



GROWTH ENABLERS

Logistics Africa

- Gross domestic product (GDP), personal consumption expenditure (PCE) and manufacturing growth in South Africa
- Commerce and industry outsourcing logistics
- Demand for supply chain expertise and consulting
- Rising wealth and urbanisation in selected African countries
- Value proposition to multinational principals
- Footprint of distributorships in chosen markets

Logistics International

- Growth of German economy and international trade
- Increasing outsourcing of specialised contract logistics
- Elimination of excess capacity in shipping and container logistics

Vehicle Import, Distribution and Dealerships

- PCE growth in South Africa
- Relative stability of the South African Rand
- Appeal of exclusive import brands and features
- Growing and ageing motor vehicle parc
- Aftersales service, parts and product demand
- Availability of consumer credit

Vehicle Retail, Rental and Aftermarket Parts

- PCE growth in South Africa
- Infrastructure development
- Growing and ageing motor vehicle parc
- Dealership optimisation
- Availability of consumer credit

Financial Services

- Underwriting cycles
- Investment markets
- Product and service innovation

FOR MORE INFORMATION
Refer to the Divisional Reviews on pages 50 to 95.

LEADERS IN MOBILITY

Since its founding as a single car dealership in downtown Johannesburg in 1948, Imperial has consistently extended proven capabilities and resources into new products, markets and businesses.

An unrelenting drive for operational excellence and financial performance, the entrepreneurial courage to establish greenfields start-ups, and astute acquisitive activity has enabled Imperial to evolve into a multinational group occupying numerous market-leading positions in logistics, vehicles and related financial services, in 29 countries on five continents.

Through economic cycles, political transitions and social transformation the underlying theme of Imperial has been mobility.

Today we are leaders in mobility.

LOGISTICS AFRICA

In South Africa, we are differentiated by:

- Our commitment to improve our clients' competitiveness, which drives service innovation in our businesses, underpins our client relationships and enables us to attract and retain a portfolio of high-quality clients
- Operations of scale, specialised expertise, an extensive regional footprint and an ability to define innovative solutions to client-specific logistics challenges
- An end-to-end service offering, which provides tangible value-add through a fully-integrated supply chain

In the rest of Africa, we are differentiated by:

- A unique distribution approach based on the needs of emerging markets, supported by acquisitions and local partnerships, and benefiting from exclusive relationships with our principals. We play a key role in growing the brands we support by bringing products to market in a trading environment where logistics are challenging and sales and marketing channels are relatively underdeveloped. Although more formal routes to market are being established and infrastructure is improving in some areas, we anticipate that this model will remain relevant over the medium to long term

FREIGHT AND TRANSPORT

We offer customised transport solutions based on each client's needs and rank among the leading logistics providers in Southern Africa.

WAREHOUSING AND STORAGE

We offer a large network of world-class customisable warehousing, storage and handling solutions, and are specialists in consumer and healthcare products.

INTEGRATION SERVICES

We assist clients in improving and optimising their supply chains, using our understanding of multiple supply chain environments and advanced technology solutions.

DISTRIBUTION AND FULFILMENT

We design and manage integrated operating procedures to support the planning and execution of the distribution process, with parallel quality control to ensure order fulfilment.

DEMAND MANAGEMENT

We take our clients' products from manufacturing to point-of-sale by managing various points along the supply chain, from stock levels and demand planning to payments and merchandising.

LOGISTICS INTERNATIONAL

In this division we earn hard currency and are differentiated by:

- Our ability to service complex niche areas of logistics, in the chemicals and automotive sectors
- Our entrenched expertise in inland shipping in Europe, which gives us the ability to duplicate our offering in new markets
- Our leading position at critical chokepoints in German economic sectors (steel, chemicals, automotive, spare parts and paper)

INLAND SHIPPING

We are geographically ideally positioned in Germany to reach and connect to the rest of Europe, and have grown to become the leading inland shipping company in the region.

CONTRACT LOGISTICS

We are able to service our clients' requirements across all aspects of the logistics value chain, including providing sub-assembly services, mainly in the automotive sector.

CHEMICALS LOGISTICS

We are one of the leading logistics and contract manufacturers in the chemical and related industries in Europe, mainly in the agricultural sector.

PORTS/TERMINALS

We provide intermodal shipments of diverse goods and operate bulk and container terminals in the main industrial centres along Germany's inland waterways.

VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS

In this division, we are differentiated by:

- Our status as an exclusive importer and distributor of 12 vehicle brands, vehicle parts and industrial equipment and motorcycles
- The ability to capture revenue across the value chain. The division covers virtually all aspects of the vehicle value chain, from import and retail to aftersales servicing and parts
- A distribution platform that offers the ability to multi-franchise and to add additional brands to our product portfolio using the benefits of scale in our existing distribution network
- Ongoing investment in front-line sales capacity, including employees, call centres and information systems, which provides market intelligence that enables us to reach clients with the products they need at the right time
- Value-added and aftersales parts and services that provides annuity income
- Ownership of over 70% of our physical infrastructure, which provides cost advantages and enables us to leverage strategically important sites to strengthen our position in the value chain

IMPORT AND DISTRIBUTION
Exclusive importer and distributor of 12 vehicle brands, parts, industrial equipment and motorcycles.

DEALERSHIPS
The division has an installed base of 239 dealerships in South Africa, of which 126 are owned and 113 franchised, as well as six dealerships in Australia.

AFTERSALES PARTS AND SERVICE
Vehicles are maintained and repaired at our dealerships, with all aftersales parts purchased through our distribution network.

VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS

In this division, we are differentiated by:

- Being the largest automotive retailer in South Africa. Our operations include almost all major brands represented in South Africa and we benefit from scale and the inclusion of a broad spread of motor-related products and services in our portfolio
- Owning 85% of our facilities, many of which benefit from prime locations, through which we offer a mix of passenger and commercial vehicles
- Continually investing in our people, who are a critical point of differentiation in our business
- We run the largest private technical training network for trades in South Africa

PASSENGER VEHICLE RETAIL (NEW AND PRE-OWNED)
New vehicles are sold through our 86 dealerships, which are also a point of sale for financial services products. Pre-owned vehicles re-enter the value chain by being traded in and retailed through the group's pre-owned vehicle businesses.

COMMERCIAL VEHICLE RETAIL
We retail commercial vehicles and provide related financial services from 20 South African and 38 UK truck and van dealerships.

AFTERSALES PARTS, SERVICE AND REPAIR
Vehicles are maintained and repaired at our dealerships and in-house panel shops, with replacement parts purchased from within the group.

CAR RENTAL
Our car rental businesses purchase vehicles through the group's distribution channels and original equipment manufacturers in South Africa, and dispose of vehicles through the group's dedicated pre-owned outlets.

AFTERMARKET PARTS
This business imports and distributes parts through our network of franchised and wholly-owned stores, catering for older vehicles.

LEISURE
We manufacture and retail caravans, trailers, canopies and related products.

FINANCIAL SERVICES

In this division we are differentiated by:

- The scale and quality of the group's motor businesses, which provide points of distribution and market intelligence to the financial services businesses

INSURANCE
Insurance for passenger and commercial vehicles, extended warranties, credit insurance and commercial goods-in-transit cover, as well as life insurance, funeral policies and affinity products.

RELATED FINANCIAL SERVICES AND PRODUCTS
Vehicle service contracts, maintenance products, vehicle leasing to private individuals, fleet telematics and stolen vehicle recovery systems and roadside assistance.

FINANCE AND FULL MAINTENANCE LEASING
Vehicle finance is provided through alliances with banks, and full maintenance leasing and other fleet management solutions are provided to corporate, parastatal and SMME clients.

CREATING VALUE > STRATEGIC INTENT

GROUP

Skills and leadership development

> Invest to enhance productivity, retention and succession

LOGISTICS AFRICA

Investment in new facilities, new systems, expanded distribution footprint and infrastructure and acquisitions

- Increase efficiencies, expand participation and penetration across the entire supply chain in South African niches
- Drive growth through partnerships with selected principals seeking regional distributorship capabilities beyond South Africa
- Expand distribution networks by acquiring controlling positions in established distribution businesses beyond South Africa
- Deploy expertise in supply chain and systems to ensure their productivity and control

LOGISTICS INTERNATIONAL

Investment in facilities, fleet, market development and acquisitions

- Build on expertise and market positions in inland shipping and contract logistics to increase our share, and expand into adjacent segments and viable geographies
- Grow inland shipping participation in the underserved South American region

VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS

High cash generation through exclusive vehicle imports and deep penetration of vehicle value chain

- Increase the penetration of exclusive imported vehicle brands through marketing and the optimisation of the dealership portfolio
- Expand viable distributorships, including existing brands in new regions
- Pursue aftersales revenue and profit opportunities consistent with the growth of the installed base of exclusive brands

VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS

High cash generation through entrenched relationships with principals and service excellence

- Collaborate with passenger and commercial vehicle original equipment manufacturers to optimise market share and profitability in South Africa and selected viable international markets
- Increase sales of pre-owned vehicles through quality, distribution and marketing
- Enhance rental brand equity in selected segments through systems-based service excellence
- Expand range and distribution of aftermarket parts

FINANCIAL SERVICES

High cash generation through innovation and client retention in existing and new distribution channels

- Strengthen relationships with finance partners and dealer network
- Invest in technology and specialist skills for innovation and efficiency
- Enhance financial services and product penetration of group dealerships
- Expand insurance presence in selected Southern African countries

FUND LOGISTICS GROWTH STRATEGY

Cash flow generated by businesses operating in the motor value chain, which include the financial services businesses, is used to grow the logistics operations in niche sectors of the international logistics market and the fast-growing economies in Africa.

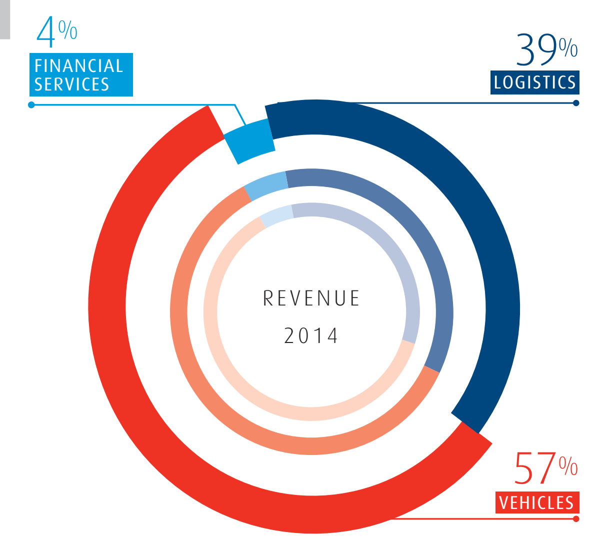
CHALLENGING CYCLICALITY THROUGH DIVERSIFICATION

The group's strategy to create value across the entire motor value chain is defensive, given its exposure to a cyclical market, particularly new vehicle sales. Penetrating the value chain creates annuity income streams from sectors that are either less cyclical or at different points in their cycles, such as financial services where products continue to create annuity income even when vehicle sales are slow.

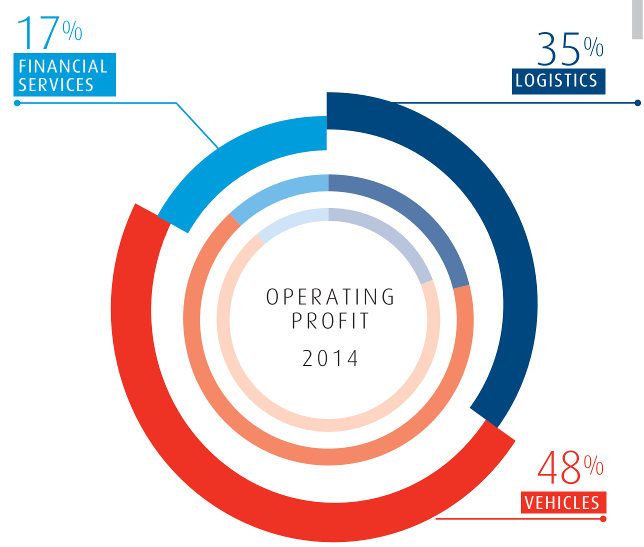
THE BROAD STRATEGIC DIRECTION

of Imperial is unchanged. We will invest the cash flows generated by two distinctly different South African vehicle businesses in other sectors of mobility, both locally and internationally. Building on the entrepreneurship, expertise and market positions which flowed from our earliest days as a motor dealership, we will strive to expand our activities in carefully selected segments of the logistics, vehicle and vehicle-related financial services markets.

GROWTH TREND IN SEGMENTAL SPREAD

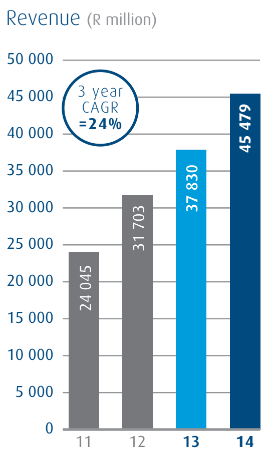


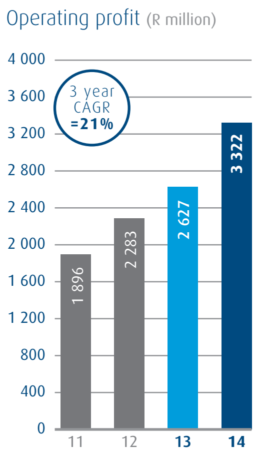
2014	39%	57%	4%
2013	35%	60%	5%
2012	34%	61%	5%



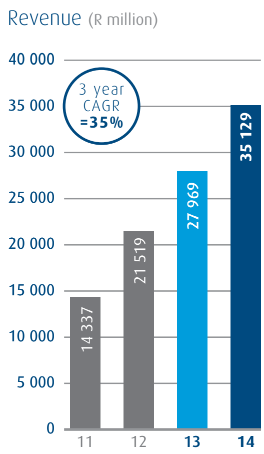
2014	35%	48%	17%
2013	27%	58%	15%
2012	27%	60%	13%

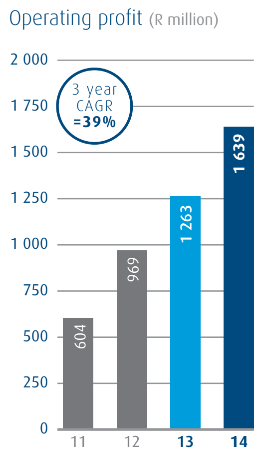
GROWTH TREND IN NON-VEHICLE BUSINESS





GROWTH TREND IN FOREIGN BUSINESSES





CAGR: compound annual growth rate

OUR STAKEHOLDER UNIVERSE

is defined as entities or individuals that can be affected by the organisation's activities, products and/or services, as well as those whose actions can be expected to affect the ability of the group to successfully implement its strategies and achieve its objectives.

As outlined in the CEO's introduction on page 1, our engagement with stakeholders takes place in the context of both short and long term strategic considerations.

Stakeholders in the group include investors, potential investors, providers of finance, employees, clients, contractors, suppliers, franchisees, franchisors, motor manufacturers, media, communities, civil society, regulators and government.

We are committed to transparent communication and the development of consultative relationships with all stakeholder groups. Our divisions are well equipped to communicate with stakeholders in so far as it affects them directly.

The table contains a summary of our key stakeholders, how we engage with them and the material issues relating to each group.

The Integrated Annual Report and the Imperial Sustainable Development Report at **www.imperial.co.za** aim to address the key material issues.

Who is included in this group	How we engage them	Their material issues
CLIENTS		
> Purchasers of goods and services supplied by the group, including individuals, companies, government and non-governmental organisations (NGOs)	> Individual engagement > Written communication > Regular meetings and long term communications plans > Service questionnaires and surveys > Contracts and service level agreements > Traditional and social media > Call centres > Advertising campaigns	> Client service > Protection of client rights > Protection of client health and safety > Safeguarding client privacy
EMPLOYEES		
> Employees	> Day-to-day management > Development and training programmes > Health, safety and employment equity committees > Operational forums > Wage negotiations through bargaining councils > Regular roadshows and presentations > In-house magazines > Ukhamba Trust	> Payment of salaries and benefits > Training and career development > Labour rights > Skills development > Employment equity > Occupational health and safety > Human rights

Who is included in this group	How we engage them	Their material issues
SUPPLIERS		
> Motor and industrial equipment manufacturers > Goods and service suppliers > Contractors	> Dealer forums > Individual engagement > Contracts > Franchise agreements > Ongoing engagement to communicate the group's requirements and needs > Distribution agreements	> Settlement security > Volume growth > Preferential procurement > Client service
BUSINESS PARTNERS		
> Shareholders in group businesses > BBBEE partners > Financial and other joint venture partners	> Business meetings > Board meetings and committees > Regular reporting > Long term individual relationships	> Return on investment > BBBEE and transformation
INVESTMENT COMMUNITY		
> Shareholders > Financial investors > Providers of finance > Investment analysts	> Integrated Annual Report > Annual and interim results presentations > Local and international investor roadshows and one-on-one engagements > Conferences > General meetings > Media and regulatory releases > Analyst reports	> Past and expected financial performance > Delivering sustainable return on invested capital through the cycles > Exposure to cyclicality in new vehicle sales > Depth around management and succession > Vulnerability to Rand weakness
GOVERNMENT AND REGULATORS		
> National and local government > Johannesburg Securities Exchange (JSE) > Regulatory bodies > South African Revenue Services > South African Reserve Bank	> Regular liaison with various government departments at a group and company level and through industry bodies > Statutory reporting and regulatory releases > Input on new legislation > Regulatory submissions	> Taxation > Compliance with all laws and regulations > Corporate citizenship

CREATING **VALUE** > STAKEHOLDER ENGAGEMENT – CONTINUED

Who is included in this group	How we engage them	Their material issues
MEDIA		
> Print media > Electronic media > Local publications and broadcast platforms	> Individual engagements > Media conferences > Media releases > Communication agencies > Social media > Electronic communication > Branding programmes > Individual relationships	> Issues of public interest, including corporate governance and environmental and social performance > Financial performance
CIVIL SOCIETY AND COMMUNITIES		
> People affected by our various businesses, both positively and negatively	> Individual engagements > Media publications > I-Pledge campaign > Ukhamba Trust and the Imperial and Ukhamba Community Development Trust > Engagement with and participation in civil society programmes, including school, training initiatives and clinics > Socio-economic development projects > Employee volunteerism	> Employment opportunities > Education > Environmental impact > Social investment > BBBEE and transformation > Human rights

The material issues of the group's stakeholders have been assessed and included in the consideration of the group's risk process. The key group risks are outlined on page 102, together with the strategies implemented to address these issues.


45000

CREATING **VALUE** > GROUP LEADERSHIP

NON-EXECUTIVE DIRECTORS

Thulani Sikhulu Gcabashe (56)*

BA (Botswana), MURP (Ball State Univ, USA), PED, IMD Lausanne, CD(SA)

Thulani is the retired CEO of Eskom, the executive chairperson of BuiltAfrica Holdings and the chairperson of MTN Zakhele. He currently serves as a director of Standard Bank Group and The Standard Bank of South Africa. Thulani was appointed to the board in January 2008 and as chairperson in April 2008.

Hubert Rene Brody (50)

BAcc (Hons), CA(SA)

Hubert served as the CEO of Imperial from July 2007 until February 2014. He joined the group in April 2000 as CFO of Imperial Bank and served as CEO of the Motor division and member of the executive committee. He is also a non-executive director of Comair, Mix Telematics and Woolworths. He was appointed to the board of Imperial in August 2006 and retired as an executive of the group at the end of April 2014.

Phumzile Langeni (39)*

BCom (Acc), BCom (Hons)

Phumzile is the executive chairperson of Afropulse Group, a woman-led investment, investor relations and corporate advisory house. She is currently the chairperson of Astrapak Holdings and the Mineworkers' Investment Company. She also serves as an independent non-executive director of Massmart Holdings, Metrofile and Primedia. She is a Trustee of the KZN Growth Fund. She was appointed to the board in June 2004.

Michael John Leeming (70)*

BCom, MCom, FCMA, FIBSA, AMP

Mike is a former executive director of Nedcor. He has served as chairperson of the Banking Council of South Africa and as president of the Institute of Bankers. He is currently a non-executive director of the Altron Group and Woolworths. Mike was appointed to the board in November 2002.

** Independent*

Mohammed Valli Moosa (57)

BSc

Valli is a non-executive director of Sanlam Group Holdings and Sappi and a non-executive chairperson of Anglo Platinum and Sun International. He is an executive director of Lereko. Previously, he was president of the International Union for the Conservation of Nature and the chairperson of Eskom. He also served as a cabinet minister in the national government of South Africa from 1994 to 2004. He is also the chairperson of WWF (SA). Valli was appointed to the board in June 2005.

Roderick John Alwyn Sparks (55)*

BCom (Hons), CA(SA), MBA

Roddy is a former managing director of Old Mutual South Africa and Old Mutual Life Assurance Company (SA), and the former chairperson of Old Mutual Unit Trusts, Old Mutual Specialised Finance and Old Mutual Asset Managers (SA). He is a non-executive director of Truworths International and Trencor and serves on the board of advisors of the UCT Graduate School of Business. Roddy was appointed to the board in August 2006.

Thembisa Dingaan (41)*

BProc, LLB (Natal), LLM (Harvard), HDip Tax (Wits)

Thembisa is the past chairperson of Ukhamba Holdings, an empowerment shareholder in Imperial. She is currently a director of Absa Bank, the Development Bank of Southern Africa, Mustek, Adapt It, Skweyiya Investment Holdings and Sumitomo Rubber South Africa. She was appointed to the board in November 2009.

FOR MORE INFORMATION
Refer to pages 106 to 111 for board committee memberships.

CREATING **VALUE** > GROUP LEADERSHIP – CONTINUED

NON-EXECUTIVE DIRECTORS – CONTINUED

Younaid Waja (62)*

BCom, BCompt (Hons), CA(SA), HDip Tax Law

Younaid is a practicing tax and business consultant. He is a non-executive director and a sub-committee member of Dipula Income Fund, Pareto, subsidiaries of the Gauteng Growth and Development Agency: Supplier Park Development Company and Automotive Industry Development Centre. His immediate past directorships include the PIC, Telkom, Real Africa Holdings and Blue IQ. His former memberships include vice-president of ABASA, chairperson of the PAAB – now the IRBA, a member of the Income Tax Special Court and treasurer of the Black Business Council. He was appointed to the board in June 2004.

** Independent*

Recht Louis (Tak) Hiemstra (58)

BCompt (Hons), CA(SA)

Tak served as director of strategic development of Imperial until his retirement as executive director in 2012. He was responsible for strategy and enterprise and business development. He is the chairperson of DAWN and a non-executive director of AECI. He joined the group in 1992 and was appointed to the board in August 1995.

Schalk Engelbrecht (68)*

BSc, MBL, AMP Insead

Schalk is the retired CEO of AECI, where he is currently the chairperson. He was appointed as CEO of AECI in 2003 and was appointed chairperson in May 2012. Schalk was also the managing director of Chemical Services (Chemserve) before joining the AECI board. He was appointed to the board in June 2008.

Ashley (Oshy) Tugendhaft (66)

BA, LLB

Oshy is the senior partner of Tugendhaft Wapnick Banchetti & Partners, a leading Johannesburg niche law firm. He is also a non-executive director of Pinnacle Technology Holdings. He was appointed to the board in April 1998 and as deputy chairperson in March 2008.

** Independent*

EXECUTIVE DIRECTORS

Mohammed Akoojee (35)

BCom Acc (Hons), CA(SA), CFA

Mohammed is the executive director responsible for mergers, acquisitions, strategy and investor relations for the group. He joined the group in 2009, having previously worked within the corporate finance and investment banking team at Investec. Prior to joining Investec, Mohammed worked for Nedbank Securities as an investment analyst. He is also a director of DAWN , Ukhamba Holdings, and various subsidiary and divisional boards. He was appointed to the executive committee in January 2011 and to the board in November 2013.

Osman Suluman Arbee (55)

BAcc, CA (SA), HDip Tax

Osman is the group CFO.

Osman has been with Imperial since September 2004. During this period, he has been the CEO of the then Car Rental and Tourism Division, and the chairperson of the Aftermarket Parts and the Automotive Retail divisions.

In addition, Osman is a non-executive director of DAWN.

Prior to joining the group, Osman was a senior partner at Deloitte and spent 23 years with Deloitte in various roles, which included being a board and exco member.

Osman is a member of Imperial's various subsidiary and divisional boards, a trustee of the Imperial Pension and Provident Fund and the Ukhamba Trust which manages the interests of the black employees of the group.

He was appointed to the board in July 2007 and as CFO on 1 July 2013.

Mark James Lamberti (64)

BCom MBA(Wits), PPL(Harvard), CD(SA)

Mark was appointed CEO on 1 March 2014.

From 2008 until 2014 Mark was the CEO and a major shareholder of Transaction Capital. He served as its non-executive chairperson until March 2014 when he resigned to devote his attention fully to Imperial.

In April 2014, he also resigned as non-executive chairperson of the board of Massmart Holdings, a position he assumed in 2007 after serving for almost 19 years as founder, architect, CEO and major shareholder.

Since his early 30s Mark has served as an executive and non-executive on the boards of various public companies, including Wooltru, Primedia, Datatec, Telkom and Altron.

Mark currently serves as an executive committee member and director of Business Leadership South Africa and is a trustee and executive committee member of the National Education Collaboration Trust, which is a government, business, labour and civil society initiative to support the National Development Plan and the Education Sector Plan.

CREATING **VALUE** > GROUP LEADERSHIP – CONTINUED

EXECUTIVE DIRECTORS

Johann Jurie Strydom (40)

BBus Sc, FIA, CFA, MBA (MIT)

Jurie is the CEO of the Regent Insurance group of companies which houses the insurance operations of Imperial. Jurie joined the group in 2007 as chief actuary of Regent Life and was appointed to the Regent Life board in the same year. In 2008 he was instrumental in the merger of the operations of Regent Life and Regent Insurance, forming the Regent group as it is today.

Jurie has held senior leadership roles in the South African financial services industry since 2001 when he qualified as an actuary. During that time he managed broker distribution for Sanlam Life before becoming managing director of Alexander Forbes Life. He is a Sloan Fellow from the Massachusetts Institute of Technology (2011).

He was appointed to the executive committee in February 2012 and to the board in November 2013.

Philip Bernard Michaux (54)

Philip is the CEO of the Vehicle Retail, Rental and Aftermarket Parts division. He started his career in the motor industry in 1981 with Saficon Holdings and has held various management positions within the industry over the years. He spent the first 23 years within the Mercedes-Benz franchise. Imperial acquired Saficon in 1995, which resulted in him joining the group. He was the managing director of Cargo Motors until 2006 at which time he was promoted to CEO of the Automotive Retail division. In 2013 his portfolio was expanded to include the Car Rental division. This portfolio has been further expanded to include Aftermarket Parts. He was appointed to the executive committee in October 2011 and was appointed to the board in May 2014.

Manuel Pereira de Canha (64)

Manny is the CEO of Associated Motor Holdings, responsible for the distribution, industrial retail and allied services businesses. Manny has extensive experience in the motor and import industries. He was part of the founding team of Imperial and worked for Imperial in various positions from 1969 to 1985. From 1986 he was a director of Automotive Holdings Ltd in Western Australia. He re-joined Imperial in 1995 and was appointed to the board in November 2002.

Marius Swanepoel (53)

BCom Acc (Hons)

Marius is the CEO of Imperial Logistics Africa.

He joined the group in 1994 when Imperial acquired Highway Carriers, where he was financial director since October 1990. Marius was appointed as financial director of Imperial Transport Holdings in 1997 and CEO of Imperial Logistics Transport & Warehousing in 2001. In October 2005, he was appointed CEO of Imperial Logistics Africa. In May 2007 he joined the Imperial executive committee and was appointed to the board in November 2009.

Marius started his career with SARS in Cape Town after completing his articles at auditing firm Brink, Roos & Du Toit.

Under is his leadership, Imperial Logistics Africa has been recognised for numerous achievements, including National Business Awards, various Logistics Achiever Awards in 2013 and the Supply Chain Educator Award for 2014.

Gerhard Wessel Riemann (68)

Gerhard is the CEO of Logistics International and is responsible for logistics operations outside Africa. He joined the group in January 2000 with the acquisition of the logistics interests from Thyssen Krupp where he was a member of the executive board of the trading arm, responsible for worldwide logistics and its bulk ocean fleet, the largest in Germany. He has extensive international experience and operated in all major countries around the globe. Gerhard built up 20 years' logistics experience in Lehnkering and Neska before joining Thyssen Krupp.

Gerhard is a member of a number of industry bodies.

He was appointed to the board in January 2000.

EXECUTIVE COMMITTEE

The group executive committee comprises all executive directors and the group commercial executive.

Berenice Joy Francis (38)*

BCompt (Hons), CIA

Berenice is the group's commercial executive. Her responsibilities include risk, talent management and group marketing. She joined the group in 2008 and was appointed to the executive committee in June 2009. She is a member of the audit committee of the National Treasury and chairs its risk committee. She is a past vice president of the Institute of Internal Auditors (IIASA) and the Institute of Risk Management SA (IRMSA) and currently chairs the Education and Technical committee of IRMSA. Prior to joining the group, she was the chief risk officer for the State IT Agency.


HERKULES II
HERKULES II

PERFORMANCE DURING THE YEAR

REVENUE
↑ 12%
R103 567 MILLION

OPERATING PROFIT
↑ 2%
R6 185 MILLION

DILUTED CORE EPS[1]
→
1 790 CENTS PER SHARE

DILUTED HEPS
↓ 7%
1 606 CENTS PER SHARE

1. Diluted core earnings exclude once-off and non-operational items.

REVENUE EXCEEDED **R100 BILLION** FOR THE FIRST TIME

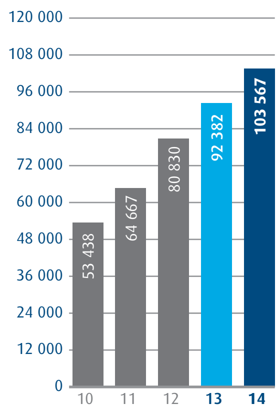
RECORD OPERATING PROFIT ACHIEVED

FOREIGN OPERATIONS NOW **27%** OF OPERATING PROFIT

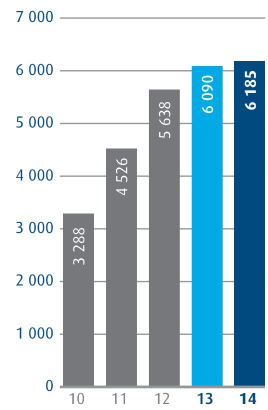
NON-VEHICLE OPERATIONS NOW **54%** OF OPERATING PROFIT

R2,1 BILLION RETURNED TO SHAREHOLDERS

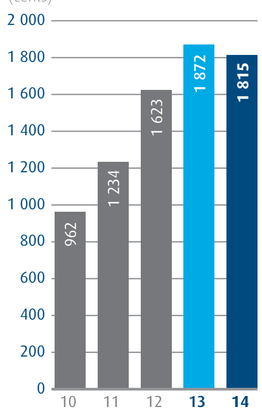
Revenue (R million)



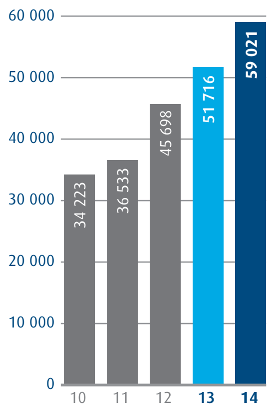
Operating profit (R million)



Basic core earnings per share (cents)



Total assets (R million)



DILUTED EPS
1%
1 666 CENTS
PER SHARE

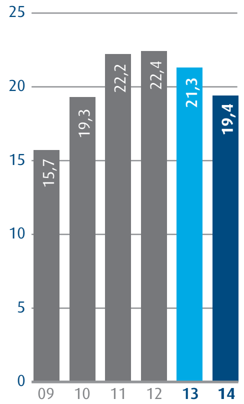
BASIC CORE EPS
3%
1 815 CENTS
PER SHARE

BASIC HEPS
10%
1 625 CENTS
PER SHARE

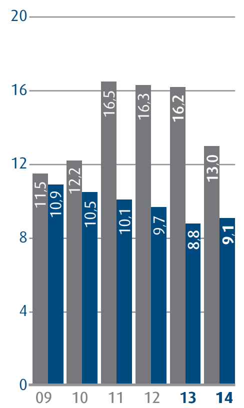
BASIC EPS
2%
1 687 CENTS
PER SHARE

FULL-YEAR DIVIDEND
820 CPS
FINAL
420 CPS

ROE (%)



ROIC vs WACC (%)



DIVISIONAL REVENUE

- 21% Logistics Africa
- 18% Logistics International
- 25% Vehicle Import, Distribution and Dealerships
- 32% Vehicle Retail, Rental and Aftermarket Parts
- 4% Financial Services

- 19% Logistics Africa
- 16% Logistics International
- 27% Vehicle Import, Distribution and Dealerships
- 33% Vehicle Retail, Rental and Aftermarket Parts
- 5% Financial Services

DIVISIONAL OPERATING PROFIT

- 20% Logistics Africa
- 15% Logistics International
- 24% Vehicle Import, Distribution and Dealerships
- 24% Vehicle Retail, Rental and Aftermarket Parts
- 17% Financial Services

- 15% Logistics Africa
- 12% Logistics International
- 36% Vehicle Import, Distribution and Dealerships
- 22% Vehicle Retail, Rental and Aftermarket Parts
- 15% Financial Services

SHARPENED STRATEGIC AND ORGANISATIONAL **GROUP FOCUS**

TRAINING SPEND IN 2014 WAS JUST OVER **R170 MILLION** OR **R3 300** PER EMPLOYEE

FUEL USAGE DECLINED BY **4%** TO **259 025 kL**

CARBON EMISSIONS DECLINED BY **8%***

* *Includes Scope 1 and 2 emissions*
Scope 1: Direct emissions
Scope 2: Indirect emissions relating to purchased electricity

WEAK RAND STIFLED DIRECT IMPORT DIVISION'S PROFITABILITY

PROVEN RESILIENCE OF BUSINESS MODEL

Imperial has performed satisfactorily in a difficult operating environment, demonstrating the resilience of our business model and vindicating the strategic decision to increase the sector and geographic diversity of our income streams.

OVERVIEW

During the course of the year there was increasing evidence to support a softening of economic growth expectations worldwide. In South Africa the effects of slowing or more tentative global growth were exacerbated by domestic developments. We are therefore particularly pleased that Imperial has delivered revenues exceeding R100 billion for the first time, record operating profit, and record revenue and operating profits from four of the group's five divisions.

Our ability to grow the business into the rest of Africa, and in particular to achieve such rapid growth in the African logistics business, is testament to the soundness of the strategic vision the business has been able to conceive and put into practice.

Demographics, stability and investment have fuelled the emergence of a middle-class consumer base in many African countries, creating opportunities for relatively higher growth. Our decision to target the consumer and healthcare sectors, and to do so through aggressive organic and acquisitive growth, has established a robust foundation of market access, sector penetration and local skills. We remain conscious however of the strategic, operating, regulatory and financial risks in these foreign markets, with the board continually and proactively monitoring these risks.

The diversification of our revenue streams was not confined to logistics in Africa and we invested in all divisions to decrease the group's dependence on South African new vehicle sales where we occupy strong market positions. The 2014 results perpetuate the growth trends of non-vehicle and foreign revenue contributions, which rose to 43% and 34% respectively.

ENVIRONMENT

Three uncontrollable factors had a direct effect on Imperial's financial performance in the 2014 financial year.

1 The most telling was the weakening of the Rand since the start of 2013 and its lagged impact on the performance of our vehicle import and distribution activities. Without the export benefits that ameliorate the effect of currency movement for original equipment manufacturers that manufacture locally, we as direct importers are negatively impacted by rapid and extreme weakening of the Rand, over a long period. The fact that we earn hard currency through our international operations in Europe and in the rest of Africa has somewhat mitigated this impact, as has our focus in recent years on developing income streams from aftermarket service, parts, and financial services and products.

2 The second economic impact was the softening of the South African economy and lower than anticipated growth rates in Europe. This resulted in muted volumes and demand in our local and international logistics businesses and a reduction in passenger vehicle sales, as the South African consumer came under increasing pressure.

3 The third was the direct and indirect effects of industrial action. A number of our businesses were temporarily closed by strike action, while the platinum and metal workers' strikes destabilised the consumption of goods and services generally, which affected our supply lines and our clients. The indirect effects are being felt in the prevailing weakness of the economy, the downgrading of South Africa's credit rating and a depreciating currency.

INVESTING IN A MORE COMPETITIVE SOUTH AFRICAN ECONOMY

We need to evaluate carefully what it will take to create a more competitive South African economy. Although South Africa has a mature institutional framework, there are some clear issues which hinder its competitiveness and attractiveness as a business destination. These include the lack of flexibility in our labour markets, the lack of secure and affordable energy and the limited skills in many areas, including in the technical disciplines.

While the main concern of the leadership of organised labour should be the improvement of the living conditions of manual workers relative to the rest of society, this needs to be addressed in a different manner than demanding large real wage increases through protracted, oftentimes violent strike action.

The mistrust between employer and employee has been fuelled by the growing discrepancy in living standards and by centralised bargaining, which has sadly supplanted the day-to-day responsiveness of management to worker concerns. Wage increases alone cannot address this situation sustainably and a new approach by all is necessary to create a more productive labour market conducive to investment.

Allied to this, the current inflexibility of our labour markets is a hindrance to addressing the pressing issue of youth unemployment and the imperative to provide opportunities for first-time work seekers to obtain skills and experience. Statistics released by government during June confirmed that the African population aged between 15 and 35 has effectively de-skilled since 1994.

SOUTH AFRICAN BUSINESS

The leadership of Imperial is committed to playing its part to improve the fragile relationship between business and government. We acknowledge our obligation as business leaders to work with government in new and different ways to address issues of common concern and to build trust through collaboration. South Africa's long term growth prospects, economic stability and attractiveness as an investment destination are dependent to a large degree on how successfully government and business together are able to do this.

We regard the National Development Plan (NDP) as a sound framework by which we can bring to bear the considerable talent and resources from all sectors of our society to create more effective partnerships, based on honest communication and clear intent. To this end, the board and senior executives of Imperial will devote time and resources to support any initiative which translates the NDP's broad objectives of growth and employment into concrete programmes.
We will ensure that our membership of over 70 industry and professional bodies positions us to provide constructive input to the national agenda.

STRATEGY

The broad strategic direction of Imperial is unchanged. We will invest the cash flows generated by two distinctly different South African vehicle businesses in other sectors of mobility, both locally and internationally. Building on the entrepreneurship, expertise and market positions which flowed from our earliest days as a motor dealership, we will strive to expand our activities in carefully selected segments of the logistics, vehicle and vehicle-related financial services markets.

We will continue to allocate capital and resources sensibly to those organic and acquisitive growth opportunities that will enhance and be enhanced by the group's existing assets and capabilities. And we will extend our presence 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.

We believe, however, that a more challenging environment demands a sharper definition of our subsidiaries' competitive positioning and the value added by Imperial in its role as a parent.

With regard to the first, we will be reviewing carefully those sectors or businesses that fail, or lack the potential, to render a distinctive proposition to clients or the required return on capital and managerial effort. We will also devote energy and innovation to the elimination of complexity and its associated direct and indirect costs. At the same time we will remain alert to those unforeseen or unimagined external developments that might enhance growth and returns.

As a holding company we are mindful of our obligation to add value to subsidiaries in excess of the cost of doing so. In this regard our major areas of focus will be the development of the group, the allocation of capital, ensuring the strategic clarity of all subsidiaries and the development of executive calibre and succession.

EXECUTIVE LEADERSHIP DEVELOPMENT

We are proud of our employees and have recruited, developed and retained highly-skilled individuals at all levels in the business. It is our intention to bring greater investment and attention to bear on the development of executive calibre and depth. Over the past year, we have invested R170 million in the education, training and skills development of our employees. Although this investment resulted in over 700 000 hours of training time – much of it for early entrants to the workplace – almost none of this was devoted to our most senior executives. In recent months we have therefore started to augment our development initiatives with an integrated approach to enhancing the capability of our senior executive leadership.

This will entail both the development and deployment as needed of our current leaders, and the attraction of new talent to support our growth trajectory, succession requirements and quest for an appropriate transformation mix. Our transformation efforts will not only be driven exclusively by compliance with existing or future codes, but also by the imperative to recruit and develop substantial business leaders who represent the demography of our marketplace. Accordingly, this process will be driven through line management by the CEO, in tandem with a remuneration model based on a collaborative, rather than a silo-based approach.

Likewise at board level, we will plan for the future needs of the business and ensure that we address talent management and succession in a manner that aligns the board's capabilities with the specific requirements of Imperial and the jurisdictions in which it operates.

THE UKHAMBA OVER THE COUNTER (OTC) SCHEME

In 2004 Imperial established a structure whereby 15 000 previously disadvantaged employees became beneficiaries of the Ukhamba Trust, which owns the shares of Ukhamba Holdings, which in turn was awarded a 10,1% stake in Imperial.

During the year, we introduced an OTC trading scheme for the Ukhamba shares. Operationally this has been a success, allowing Ukhamba beneficiaries to achieve some liquidity, but still remain invested in the company.

GOVERNANCE AND SUSTAINABILITY

The board is acutely aware of the change in risk profile which is a natural consequence of our growth and diversification strategy. It is incumbent on us as a board to ensure that we fully appreciate the business risks inherent in our strategy and that we are equipped with a full understanding of the means to mitigate this risk.

Our attention will address both the formal governance and compliance structures necessary for control and oversight, and equally the appropriateness of management, business structures and processes, without which governance practice is redundant. This holistic approach to governance is essential in a group as large and decentralised as Imperial and is entirely appropriate for its entrepreneurial culture.

This year we have again attempted to increase our awareness and reporting on matters of sustainability. While these issues are covered comprehensively in the separate Sustainable Development Report, available at **www.imperial.co.za**, the likely promulgation of a carbon taxation instrument in some form has added a new dimension to our responsibilities. We have introduced a framework for managing environmental issues across the group, but need to understand and be prepared for changes related to CO_2 emissions.

APPRECIATION AND SUCCESSION

I would like to extend my heartfelt thanks to Hubert Brody, who resigned as CEO earlier this year. Hubert leaves a lasting legacy to the group. His deft handling of the business through the global financial crisis was exemplary. Thanks to his leadership, the group was able to navigate through the crisis, emerging as a restructured and streamlined business and learning important lessons along the way. He will be remembered for the efficient capital management processes he implemented in the group, as well as for his warm and personal touch.

We are delighted to have appointed Mark Lamberti as his successor. I have thoroughly enjoyed my initial period working with him. Mark brings many years of business experience and with it the knowledge and capability to guide the company and to identify opportunities for the group in the next stage of its development. Mark is fully aware of the prevailing entrepreneurial culture of the business and is himself cast in this mindset. He is also well aware of the need to channel the group's entrepreneurial spirit within a very clear strategic direction and framework.

A key aspect of Mark's mandate is to develop the next generation of leaders and he relishes this challenge. He will be looking at innovative ways to develop leadership depth, not only among his own direct reports, but also in the level below.

The CEO of Imperial Logistics International, Gerhard Riemann, has served on the Imperial board since 2000. During that time his experience and leadership has been central to the development of our international logistics operations and his wisdom has enhanced the deliberations of the board. He will retire on 31 December 2014 to be succeeded by Carsten Taucke, currently the CEO of Imperial International Shipping. I thank Gerhard for his dedication and in particular for his leadership in engendering the loyalty and commitment of our international colleagues to Imperial.

During the year we also welcomed Jurie Strydom, Mohammed Akoojee and Philip Michaux to the board. Each of these gentlemen handles portfolios of increasing depth and breadth and we look forward to them enhancing the deliberations of the board.

LOOKING FORWARD

The performance of the past year has entrenched Imperial's position as a significant South African company with growing international interests.

Today we have the strategies, leadership, assets and governance to sustain the development of the group in the interests of all stakeholders.

For this I thank my fellow directors and the group's employees. One of the greatest assets of the group is the skill and motivation of Imperial people, and the energy with which they work on behalf of the group.

THULANI GCABASHE
CHAIRPERSON

CONSCIOUSLY LEADING THE LEADERS OF IMPERIAL

As the first outsider to lead Imperial, my lack of familiarity with the past is both an asset and a liability. Fresh perspectives and conclusions must constantly be tempered by an appreciation of the factors, decisions and context that shaped the status quo.

INTRODUCTION

In succeeding two leaders who played definitive but very different roles in the evolution of Imperial, I am determined to preserve and to build on the extraordinary entrepreneurial legacy of Bill Lynch, and the value-creating capital management policies established by Hubert Brody. Both of these are essential to the progress of Imperial in an environment increasingly different to that in which either of them operated.

My leadership role is therefore additive – identifying and marshalling those additional capabilities necessary to enhance the performance, progress and reputation of an extraordinary corporation in a challenging environment. This is a privilege afforded few and I am enthused by the prospect.

ENVIRONMENT

Without detracting from the progress of the last 20 years, it is an understatement to say that South African commerce and industry currently faces an unprecedented litany of external threats.

These include low and slowing economic growth; a volatile and steadily depreciating currency; high and rising unemployment; excessive consumer debt; violent social and labour unrest; an increasing regulatory burden; a scarcity of skills; high rates of crime and corruption; electricity shortages; and doubts around the government's willingness or ability to institute growth stimulating reforms. With these impediments to the progress of business and the flow of direct foreign investment, it is unsurprising that consumer and business confidence is at 10- and 15-year lows and ratings agencies have downgraded our sovereign debt.

This was the environment in which 66% and 74% respectively of Imperial's revenue and operating profit was generated during 2014.

The question at the heart of the most onerous choices facing South African business leaders over the next few years is whether our current experience is simply the nadir of a difficult cycle through which we must navigate carefully, or a structural socio-economic change that warrants a more fundamental review of our businesses.

The National Development Plan (NDP) represents the best chance of avoiding the latter. Imperial is committed firstly to aligning its strategies and plans in support of relevant NDP initiatives, and secondly to working directly with government and indirectly through business associations, in pursuit of the growth and development objectives of the NDP. Debates about whether or not growth will create jobs in the short term, cannot divert us from the primacy of growth as the foundation of long term progress for every citizen.

The non-South African operations of Imperial operate in varying environmental circumstances. In most sub-Saharan Africa countries improving gross domestic product, urbanisation and increasing consumption off a low base, are contributing to high predicted rates of growth relative to South Africa over the next five years. This potential is currently being dampened in Nigeria and Kenya by violent political activism and terrorism. Europe and the United Kingdom are recovering steadily, but at a lower rate than anticipated, while business-specific rather than environmental factors will for now determine the progress of our modest operations in South America, Australia and the United States.

> MARK LAMBERTI
CHIEF EXECUTIVE OFFICER

GROUP FINANCIAL HIGHLIGHTS

REVENUE GREW 12% TO
R104 BILLION

OPERATING PROFIT GREW 2% TO
R6,2 BILLION

CASH FLOW FROM OPERATIONS DECREASED 21% TO
R5,7 BILLION

GROUP FINANCIAL HIGHLIGHTS

Despite a tightening of economic conditions in the second half, there were three laudable features of Imperial's financial performance in 2014.

The first was revenue exceeding R100 billion for the first time, the second record operating profits, the third record revenue and operating profit from four of the group's five divisions.

Detail and commentary on Imperial's financial position and performance is contained in the Chief Financial Officer's report on page 36.

DIVISIONAL HIGHLIGHTS

The **Logistics Africa division** delivered pleasing growth in revenue on the prior year, which was depressed by the industry-wide strike among transport union workers. Acquisitions contributed to revenue growth by 23% to R22,1 billion and tight managerial controls further contributed to the 38% growth in operating profit to R1,3 billion.

The subdued 0,4% growth of the **Logistics International division's** revenue to €1,4 billion was a reflection of the slow recovery and low volumes in the German markets we serve. Some operating leverage produced 5% operating profit growth to €69 million. Currency translations resulted in 24% and 27% growth in revenue and operating profit respectively to R19,2 billion and R1,0 billion.

As described in detail on page 74 of this report, the single most significant determinant of Imperial's 2014 financial performance was the delayed impact on our **Vehicle Import, Distribution and Dealerships division** of the weakening Rand in 2013. As a South African importer, the 25 to 30% decrease in the value of the Rand against the relevant basket of currencies between January and December 2013 had a direct and dramatic impact on the cost of new vehicles ordered. However, existing inventories and forward cover on the currency delayed this impact on operating margins for approximately six to nine months. As new inventory flowed through to the point of sale, the required price increases sequentially depressed competitiveness, volumes, margins and profitability. These developments resulted in revenue growth of 6% to R27,1 billion and a 32% decline in operating profit to R1,5 billion.

This was not the case in the **Vehicle Retail, Rental and Aftermarket Parts division**, where the impact of the weaker currency on vehicle prices was offset to some extent by the export activities of most local original equipment manufacturers. Notwithstanding a decline in the South African new vehicle market and subdued growth in rentals, the division produced a solid 7% growth in revenue to R34 billion, with operating profit growing 16% to R1,6 billion as a result of improved margins on sale of pre-owned vehicles, sound management and excellent retail dealership performance.

Due to the exit from certain non-performing classes of business, the **Financial Services division** revenue fell 2% to R4,1 billion, while operating profit grew 14% to R1,1 billion.

Further detail on the operating performance of Imperial's divisions is contained in the segmental review on pages 162 to 163 and the divisional reports on pages 50 to 95.

STRATEGY

As the listed parent of various business units that compete in the marketplace for goods and services, Imperial Holdings must achieve two objectives. It must add value to its business units in excess of the tangible or intangible costs of doing so, and it must add value to shareholders by diversifying in a manner they could not.

The evolution of Imperial has proven this to be the case. The development of the group over decades has sought to enhance the scale, competitiveness and performance of existing businesses, while utilising established capabilities to found or acquire businesses in allied markets and lines of trade not easily accessed by the public markets.

The **development of the Imperial group** will always remain our primary strategic obligation as a parent: founding, acquiring, merging, integrating, driving the profitability, and disposing of, companies and assets to enhance and expand our leadership in

GROUP FINANCIAL HIGHLIGHTS

FULL-YEAR DIVIDEND UNCHANGED AT

820 CENTS PER SHARE

RETURN ON INVESTED CAPITAL DECLINED FROM 16,2% TO

13,0%

3,9% ABOVE WACC

WEALTH CREATED BEFORE DISBURSEMENT TO STAKEHOLDERS INCREASED FROM R21 BILLION TO

R23 BILLION

WORKING CAPITAL INCREASED 41% TO

R8,7 BILLION

mobility. Our expansion internationally will be dictated by our relative competitive advantage in a given market rather than a predisposition to specific geographies.

Imperial is not a conglomerate operating in disparate sectors or industries. The resources and capabilities that today enable Imperial subsidiaries to compete and mitigate risk can be traced back to the group's genesis as a motor dealer. Although our embedded entrepreneurial ethos will cause us always to be vigilant and opportunistic in considering new developments, we intend to tighten our focus on three major lines of mobility: consumer and industrial logistics; vehicle import, distribution, dealerships, retail, rental and aftermarket parts; and vehicle-related financial services.

To this end we intend to sharpen executive attention and increase returns on capital and effort by: disposing of underperforming, sub-scale or strategically misaligned assets; improving productivity and reducing costs by eliminating complexity in organisation structures, reporting lines, legal structures, minorities, boards and accounting; and facilitating value-creating intra-group transactions and collaboration.

Imperial's second strategic obligation as a parent will be to **raise, allocate and control capital for sustainable value accretion.** In this regard we aim to realise Imperial's strategic and financial objectives by funding the group's debt and equity requirements at competitive rates, allocating capital to those sectors and jurisdictions where maximum risk-adjusted returns are achieved and controlling working capital within planned limits.

With shareholder value creation ultimately determined by returns on capital, management throughout Imperial has become disciplined in pursuit of a targeted return on invested capital greater than the weighted average cost of capital. A general medium term return on invested capital in excess of the weighted average cost of capital plus 4% is used to measure the performance of existing businesses and to allocate capital for organic and acquisitive growth, with higher returns required in sectors and jurisdictions of higher risk.

Groups do not compete – only business units do. Imperial's third strategic obligation as a parent is therefore to **ensure the strategic clarity of its client-facing business units.** This entails imposing disciplines and processes that will assist each client-facing business to define precisely how it intends to compete and win in its chosen market over the medium to long term.

Finally, Imperial's fourth strategic obligation as a parent is to **develop executive capability.** While the human capital management of Imperial's around 52 000 employees is dealt with on a decentralised basis, the impact of executive capability on the progress of the group demands a broader intra-divisional perspective. Imperial is therefore in the process of implementing practices and processes to identify, select, develop, compensate and retain executive leaders throughout Imperial, whose performance and potential positions them among the top quartile in their fields of expertise. This talent pool will be viewed as a group resource to be deployed wherever required in the interests of Imperial's performance and sustainability.

The legitimacy of Imperial as a holding company and parent will be proven by its ability to create value through these four strategic initiatives over time, and more precisely by continuous verification that the value of any subsidiary would be less under different ownership or as an independent entity. Simply put, Imperial has no right to be invested in businesses or assets whose long term value is not enhanced by its ownership.

SOCIETAL RELEVANCE

As a supplier, employer, client, taxpayer and investment, Imperial ranks among South Africa's larger companies, with a direct or indirect impact on tens of thousands of lives. We are mindful that the effects of our commercial activities on broader society are potentially significant and as fiduciaries we strive at all times to exercise due care in our dealings with stakeholders.

We do so in an era when the legitimacy of business is at an all-time low and the creation of shareholder value is a necessary but insufficient condition for sustainability. In a world of growing inequality, unfettered short term capitalism is a proven nonsense that will be regulated into extinction. We therefore subscribe to the view that corporate sustainability is founded on accountability for decisions that impact people, planet and profits in the long term, and we report on "Triple Bottom Line" issues separately in the 2014 Sustainable Development Report.

We know that the foundation of our performance and progress is the provision of competitively priced products and services of high quality, conducted within all laws and regulations, and to high ethical standards. But there are additional responsibilities attached to a corporation of Imperial's size and reach. Among the most important of these is the demonstration of our societal relevance, not through redistribution as a charitable donor, but in the businesses we operate.

We are intrigued by the concept of shared value creation – creating concurrent economic and societal value by identifying viable new business activities that address societal needs: distributing essential foods to retailers and "last mile" traders throughout Africa; just in sequence logistics that reduce costs for the world's leading motor manufacturers; maintaining temperature controlled warehousing of life saving pharmaceuticals; providing entry-level motor vehicle buyers with affordable solutions; and assuring or insuring them against unforeseen mishaps.

PROSPECTS

There is no reason to expect a material change in the market conditions facing Imperial's businesses in the short term. The South African economy, heavily correlated with the activity of its major trading partners, will experience slow or no growth as low and middle income consumer markets buckle under unemployment and debt, and industrial markets experience lower demand exacerbated by protracted militant labour activity. The development of consumer markets in Africa will provide a higher growth rate off a low base with local political and socio-economic factors necessitating vigilance and country diversification. The United Kingdom will continue to experience a steady recovery, with that of Europe more tentative.

In this context Imperial's progress and performance in the current year will rely on three factors: the competitive dynamics of the markets in which we operate; our relative competitive position in those markets; and the manner in which we deploy our resources, capabilities and capital. These factors differ for each of our divisions.

Logistics Africa

The demand for logistics solutions is growing throughout Africa. In South Africa, industrial and consumer companies are outsourcing various elements of their supply chain activities to focus on their core business. To the north the emergence of a middle class in many countries requires the distribution of branded consumer and pharmaceutical products to final marketers and small traders. Imperial's infrastructure, network and expertise provides a strategic advantage and the development of integrated capabilities in transport, warehousing, demand-driven route to market fulfilment and consulting facilitates access to and relationships with clients across the entire supply chain. Over the last 18 months the competitiveness and cost efficiency of the division has been enhanced by a structural consolidation. Finally, this division has a demonstrable record of accretive acquisitive growth, 2014 acquisitions that will make a full-year contribution in 2015, and a promising pipeline of further acquisition opportunities.

We expect real growth of revenues from Logistics Africa with operating profit growing at a higher rate.

Logistics International

Inland shipping, terminal operations and contract logistics will experience growth in concert with the recovery of the European economy and German exports, both burdened currently by the Ukraine crisis. Our businesses operate in attractive niches where we hold leadership positions by virtue of the highly specialised technical expertise demanded by clients who are worldwide leaders in their industries. Our entry into South American inland shipping presents an opportunity to scale and expand our operations in that region. We will continue to follow our clients who are entering new markets and to seek meaningful acquisitions that will enhance our strategic defensibility and financial performance.

We expect real growth of revenues from Imperial International in Euros, with operating profit growing at a similar rate as a consequence of planned capital investment.

Vehicle Import, Distribution and Dealerships

We predict that 2015 new vehicle sales will decline slightly in response to higher new vehicle prices, inflation-induced lower disposable incomes, high consumer indebtedness, interest rate increases, a weak currency and the high base created by strong volume growth over the last four years. Substitution is expected to increase sales of pre-owned vehicles. In this context our Vehicle Import, Distribution and Dealerships division enjoys a defensible competitive position, founded on our exclusivity as an importer of various vehicle brands, deep involvement in the entire vehicle supply chain, ownership of most of the property in which we operate, and rising aftersales parts and service revenues resulting from a growing installed base of vehicles. Regrettably, as a direct importer this advantage and the division's profitability are undermined by rapid weakening of the Rand.

Absent a further deterioration of the Rand above levels at year-end and including the full-year effect of acquisitions, we therefore anticipate good revenue growth for the Vehicle Import, Distribution and Dealerships division in 2015. However, a modest growth of operating profit for the year will result from two distinctly different halves. In the first half to December 2014 we expect a continued decline of margins and operating profits as the delayed effect of prior currency weakening flows through, with a recovery in the second half to June 2015 as this normalises off a low base.

Vehicle Retail, Rental and Aftermarket Parts

The economic fundamentals, other than the currency impact described for Vehicle Import, Distribution and Dealerships, pertain equally to this division where we expect unit passenger vehicle sales to decline, commercial vehicle units in South Africa and the United Kingdom to increase moderately, rental to remain competitive and pre-owned unit sales to increase. In this environment, scale, property ownership and established relationships with 14 leading original equipment manufacturers whose export initiatives ameliorate currency movements, positions our Vehicle Retail, Rental and Aftermarket Parts division to outperform on a relative basis in the long term. We expect the new motor vehicle, rental and leisure vehicle markets to be more competitive with pre-owned unit sales and margins improving. Aftermarket Parts will perform in response to an expansion of its product range and geographic footprint. We therefore expect low single-digit revenue and operating profit growth for the year.

Financial Services

The growth of new revenues from financial products and services will be dampened by the current economic climate, while those specifically associated with the motor trade will mirror the performance of the industry. By virtue of its partnerships with leading vehicle credit providers, access to the group's distribution platform, a proven record of product and channel innovation and development, strong annuity revenue streams flowing from the installed base of business generated in the last few years, and capabilities in short term and life insurance, our Financial Services division is well equipped to compete in this environment. Growth of profitability is however highly dependent on claims, lapses and equity performance. If in line with 2014, we expect single-digit revenue and operating profit growth.

The near term outlook is daunting. We expect earnings in the first half of the 2015 financial year to decline on the prior period as the currency impact on the Vehicle Import, Distribution and Dealerships division flows through. In the absence of any softening of the Rand below year-end levels, this should right itself in the second half to produce earnings for the full year in line with 2014.

CONCLUSION

In many respects Imperial is entering a new era.

The economic, socio-political, regulatory, technological and competitive environment over the next decade will create new challenges and opportunities for Imperial. Concurrently, our size and market leadership in many markets will require a new approach to organic and acquisitive growth, while the dual imperatives of development beyond South Africa and our vehicle business will alter the capital and earnings characteristics of the group. Additional management will be required and the transition of a number of directors and senior executives will introduce new perspectives and alter Imperial's leadership agenda and style. These factors will shape Imperial's strategic obligations as a holding company and test its role as a parent.

Through these developments, we will ensure that the group's major divisions are strategically and operationally focused, optimally structured with financial and human capital, and governed and led in a manner that imbues confidence in stakeholders.

MARK J LAMBERTI
CHIEF EXECUTIVE OFFICER


KIA

FINANCIAL POSITION
GEARED FOR GROWTH

Imperial produced a satisfactory result for its 2014 financial year. The group's portfolio of businesses proved to be resilient amid challenging trading conditions. All divisions, except the Vehicle Import, Distribution and Dealerships division showed good growth compared to the prior year.

OVERVIEW AND TRADING ENVIRONMENT

Within the Logistics Africa division, trading conditions in the South African market were challenging. The manufacturing sectors of the South African economy struggled to gain momentum and many segments of the retail sector experienced little or no growth. As a result, volumes were subdued. Our positioning in the market and ability to win new contracts stood us in good stead.

The consumer market across many other African countries continued to grow with the emerging middle class, particularly in those sectors on which the African logistics businesses have chosen to focus, namely Fast Moving Consumer Goods (FMCG), pharmaceuticals and general merchandise products.

In Europe, we experienced challenging market conditions in a region where economic growth was subdued. Activity levels across our core markets, including shipping, steel and paper, were lackluster. Freight rates were also under pressure. However, we benefited from German exports into markets outside Europe and a weaker Rand exchange rate.

The new vehicle market faced difficult trading conditions during the year, with the market in South Africa down 2% for the 12 months to June 2014. Inflationary pressures as a result of a weakening currency, the high base and lack of economic and employment growth, all presented headwinds for the new vehicle market. Industrial action in South Africa during the first half of the financial year also impacted volumes. The pre-owned vehicle market improved during the year as a result of new vehicle price inflation. The medium and heavy commercial vehicle market performed well, showing growth of 9% year-on-year.

Competitive trading conditions persisted in the car rental market and the aftermarket parts industry was competitive but stable.

Insurance underwriting conditions in the short term industry improved in the second half due to more favourable weather conditions. The termination of certain loss-making books of business contributed positively, resulting in the underwriting margins improving when compared to the prior year. Equity markets

RESULTS OVERVIEW

Summarised profit and loss for the year ended 30 June	% change	2014 Rm	2013 Rm
Revenue	12	**103 567**	92 382
Operating profit	2	**6 185**	6 090
Profit before net financing costs	1	**5 807**	5 751
Net finance cost	24	**(926)**	(744)
Income from associates		**76**	86
Profit before tax	(3)	**4 957**	5 093
Income tax expense		**(1 330)**	(1 405)
Net profit for the year	(2)	**3 627**	3 688
Attributable to owners of Imperial		**3 272**	3 296
Attributable to non-controlling interest		**355**	392
Effective tax rate		**27,2%**	28,1%

KEY FINANCIAL INDICATORS

REVENUE 12% HIGHER AT
R104 BILLION

OPERATING PROFIT IMPROVED 2% TO
R6,2 BILLION

OPERATING MARGIN DOWN FROM
6,6% TO 6%

DILUTED CORE EPS FLAT AT
1 790 CENTS PER SHARE

RETURN ON EQUITY OF
19%

RETURN ON INVESTED CAPITAL OF
13,0%
3,9% ABOVE WACC

DILUTED HEPS DECLINED 7% TO
1 606 CENTS

> **OSMAN ARBEE**
CHIEF FINANCIAL OFFICER

were favourable and this resulted in higher investment returns.

The motor-related financial services and products division's operating profit grew despite being negatively impacted by more conservative impairment provisions in the vehicle financing alliances and the maintenance funds which were impacted by higher parts costs as a result of the weaker Rand exchange rate.

The group made good progress during the year in enhancing its portfolio of businesses by exiting sub-scale operations and adding areas of strategic growth that will maximise returns for shareholders.

Operating profit from foreign operations grew 30% to R1,639 million, and now comprises 26% of group operating profit, whilst foreign revenue of R35 billion increased from 30% to 34% of group revenue, up 26%. Operating profit derived from African operations outside of South Africa increased 32% to R523 million.

Revenue was in excess of R100 billion, a milestone achieved by the group for the first time, reaching R103,6 billion, up 12% from the prior year.

Operating profit increased 2% to R6,2 billion and lagged revenue growth, resulting in the group's operating margin reducing from 6,6% to 6,0%. This was mainly caused by the reduced margins achieved in the Vehicle Import, Distribution and Dealerships division, which achieved an operating margin of 5,6% against 8,7% in the prior year. The margin decline was caused by the weakening of the Rand and our inability to increase prices sufficiently to counter this. Volumes were also negatively impacted due to a softening of the new motor vehicle market that is more competitive. The margin improvement in Logistics Africa from 5,1% to 5,7% was attributable to an excellent operational performance and the effect of the transport workers' strike in South Africa in the prior year. The Logistics International margin increased from 4,8% to 5,0% in Euros despite weak volumes and investment. The Vehicle Retail, Rental and Aftermarket Parts division improved its margin from 4,2% to 4,6% as a result of improved margins on the sale of pre-owned vehicles and cost management initiatives. Financial Services performed well and improved its margin from 22,3% to 26,1% due to a much-improved underwriting performance and higher investment returns.

Net finance costs increased 24% to R926 million on higher debt levels. Despite the higher net finance costs, interest covered by operating profit remains healthy at 6.7 times (2013: 8.2 times).

Income from associates contributed R76 million (2013: R86 million). The decline compared to the prior year is mainly due to the negative performance of Ukhamba, which was impacted by an impairment of certain of its investments. Mix Telematics, in which Imperial holds a 25,6% interest, contributed R40 million, in line with the prior year and MDS Logistics, a Nigerian logistics business in which the group acquired a 49% shareholding in 2013, performed well and contributed R27 million for the year.

The group tax rate reduced marginally from 28,1 % to 27,2%.

Earnings attributable to minorities reduced from R392 million to R355 million. This was mainly due to lower profits from the Vehicle Import, Distribution and Dealerships division where the most significant minorities participate in the group's profits.

Diluted core EPS remained flat at 1 790 cps and diluted HEPS was down 7%. The decline of the diluted HEPS was mainly due to the R70 million once-off charge for amending the conversion profile of the deferred ordinary shares issued to Ukhamba, the increase in amortisation of intangible assets arising on business combinations and business acquisition costs of R89 million, as well as the provision for an onerous contract in our Logistics International division of R64 million.

In prior years, the deferred ordinary shares owned by Ukhamba Holdings were included in diluted earnings per share but excluded from the basic earnings per share computations. The conversion terms of the deferred ordinary shares are now unconditional and will convert equally over the next 11 years. These shares are therefore now included in the basic earnings per share computations, but not for the comparative period. As a result, diluted core earnings per share, and not basic core earnings per share, is comparable with the prior year.

RECONCILIATION FROM EARNINGS TO DILUTED CORE EARNINGS

	% change	2014 Rm	2013 Rm
Earnings attributable to owners of Imperial	(1)	**3 272**	3 296
Total adjustment for basic headline earnings		**(121)**	162
Impairments and recoupments of fixed and intangible assets		**(146)**	(14)
Exceptional items		**(36)**	178
Remeasurements included in share of results of associates and other		**17**	(23)
Tax effects and non-controlling interest share of remeasurements		**44**	21
Basic headline earnings	(9)	**3 151**	3 458
Saving of finance cost by associate on potential sale of Imperial shares		**60**	43
Diluted headline earnings	(8)	**3 211**	3 501
Total adjustments for diluted core earnings	188	**368**	128
Amortisation of intangibles arising from business combinations and business acquisition costs		**358**	269
Charge for amending the conversion profile of the deferred ordinary shares		**70**	
Remeasurement of put liability, contingent considerations and other		**5**	(63)
Net cost of meeting obligations under onerous contract		**64**	0
Tax effects and non-controlling interest share of remeasurements		**(129)**	(78)
Diluted core earnings	(1)	**3 579**	3 629

FINANCIAL POSITION OVERVIEW

Assets and liabilities	% change	2014 Rm	2013 Rm
Property, plant and equipment	13	**10 469**	9 257
Goodwill and intangible assets	30	**6 766**	5 206
Investment in associates and joint ventures		**1 418**	1 317
Transport fleet	15	**5 322**	4 626
Vehicles for hire		**2 303**	2 465
Investments and loans	(23)	**2 468**	3 218
Net working capital	41	**8 675**	6 158
Other assets		**1 516**	1 854
Net debt	31	**(11 441)**	(8 724)
Other liabilities		**(9 387)**	(7 841)
Total equity	3	**18 109**	17 536
Total assets	14	**59 021**	51 716
Total liabilities	20	**(40 912)**	(34 180)

Total assets increased 14% to R59 billion (2013: R52 billion) due to acquisitions, translation effects of a weaker Rand, organic growth and expansion of existing businesses.

Property, plant and equipment increased by R1,2 billion to R10,5 billion mainly due to the increased investment in the property portfolio where we invested a further R776 million during the year. The investment was in the following businesses: Logistics International, the Australian dealership and the South African vehicle businesses. The translation effects of a weaker Rand also contributed R359 million to the increase.

Goodwill and intangible assets rose to R6,8 billion from R5,2 billion as a result of the EcoHealth and Renault SA acquisitions, and the translation effects of a weaker Rand.

The transport fleet increased mainly as a result of the R749 million expansion of the shipping fleet in Logistics International and a net R510 million spent in the African transport fleet.

Investments and loans largely relate to the Regent investment portfolios, where exposure to equities and longer dated deposits were reduced. This resulted in the 23% decrease to R2,5 billion and the improved cash position at year end.

Net working capital increased 41% from the prior year due to acquisitions, translation effects of a weaker Rand and an increase in inventory in the vehicle businesses compared to the prior year. As a result, our average net working capital turn reduced to 14 times from 17 times in the prior year.

Net debt to equity (excluding preference shares) at 63% was higher than the prior year of 50%. This was mainly due to acquisitions, expansion of the existing businesses, increase in working capital and share buy-backs amounting to R502 million during the year. Translation of the foreign debt, due to a weaker Rand, also increased the debt levels at year end. The net debt level is within the target gearing range of 60% to 80%.

Total equity increased due to higher retained income and the weakening of the Rand, which resulted in gains on the foreign currency translation reserve of R521 million. This was offset by paying out dividends to Imperial shareholders of R1 618 million and by shares repurchased in the open market from Imperial shareholders of R502 million, totalling R2 120 million in cash returned to shareholders. In addition, the group paid out R322 million to non-controlling shareholders, the hedging reserve was reduced by R420 million and a direct charge to equity of R1 billion was made to deal with the initial value of a put option liability relating to the additional 32% that we will acquire from the non-controlling shareholders of EcoHealth.

The return on invested capital was 13%. This is 3,9% above the weighted average cost of capital (WACC) of 9,1%. The internal target is WACC +4%. As outlined earlier, the growth in the operating profit was impacted by the weakened Rand, at the same time our asset base has gone up as we invest for the future and on the back of increased working capital. In the short term, it is expected that the target margin will be under pressure.

The return on average equity of the group was 19% (2013: 21%).

CASH FLOW OVERVIEW

	% change	2014 Rm	2013 Rm
Cash generated by operations before movements in working capital	(3)	**8 568**	8 795
Movements in net working capital	79	**(2 879)**	(1 604)
Cash flows from operations before capital expenditure on rental assets	(21)	**5 689**	7 191
Capital expenditure on rental assets		**(527)**	(916)
Interest and tax paid		**(2 193)**	(2 138)
Cash flows from operating activities	(28)	**2 969**	4 137
New business acquisitions		**(297)**	(539)
Capital expenditure (excluding rental assets)	29	**(2 788)**	(2 161)
Equities, investment and loans		**969**	(1 092)
Dividends paid and share buybacks		**(2 442)**	(2 497)
Other		**(383)**	(98)
Increase in net debt		**(1 972)**	(2 250)
Free cash flow	(47)	**1 944**	3 658

Cash generated by operations before capital expenditure on rental assets was 21% lower than the prior year at R5,7 billion. This was mainly due to higher absorption of cash by working capital compared to the prior year.

The main drivers of this were outflows relating to the increase in inventories of R1,186 million, trade and other receivables of R925 million and the reduction of accounts payable of R768 million. After interest, tax payments and capital expenditure on rental assets, net cash flow from operating activities decreased to R3,0 billion, down R1,2 billion when compared to the prior year.

The main contributors to the net R297 million invested in new business acquisitions during the year were Renault SA and EcoHealth. The cash paid in respect of the net assets acquired for these two acquisitions amounted to R579 million, which was reduced by the cash resources acquired of R357 million. Of the EcoHealth purchase price of R813 million, R299 million was paid in July 2014.

Net replacement and expansion capital expenditure excluding rental assets was 29% higher than the prior year, mainly due to the increase in the property portfolio, the investment in the transport fleet in South America and South Africa, and the weaker Rand exchange rate.

Inflows from equities, investments and loans resulted from our insurance business decreasing its exposure to equity markets and long term deposits in favour of short term deposits.

FUNDING

	% change	**2014 Rm**	2013 Rm
Gross debt (excluding preference shares)	38	**14 544**	10 568
Cash	68	**3 103**	1 844
Net debt	31	**11 441**	8 724
Net debt to equity		**63%**	50%

Gross debt (excluding R441 million of preference shares) increased by R4 billion from June 2013, whilst net debt increased by R2,7 billion. The increase in net debt of R2,7 billion funded an increase in working capital of R2,5 billion, capital expenditure of R3,3 billion, acquisitions net of cash of R297 million and a R502 million share buy-back. Dividends of R1,9 billion and tax of R1,3 billion were paid.

The increase in gross debt of R4 billion was funded by R1,5 billion in corporate bonds, R1,5 billion in a seven-year committed bank facility and R1 billion from general banking facilities.

Funding from three corporate bonds was raised during the year. In October 2013, IPL8 (floating) was issued for R1,5 billion, which matures in October 2020 and during May 2014, IPL9 (floating) and IPL 10 (fixed) were issued, totalling R1,5 billion. Both are maturing in May 2021. IPL4, amounting to R1,5 billion, matured in March 2014 and was repaid.

The increase in corporate bonds, together with other long term committed facilities from banks, improved the group's liquidity profile by extending the period of funding. We have also improved the mix of fixed and floating interest rates so that the fixed rate funding is 56% of the total funding, providing better protection in a rising interest rate environment.

At 30 June 2014, unused direct borrowing bank facilities of R6,7 billion were available. There is also capacity under Imperial's Domestic Medium Term Note (DMTN) programme to issue a further R3,9 billion in bonds and R3,2 billion is available under the commercial paper programme.

The net debt to equity ratio at 63% provides the group with significant capacity for expansion and acquisitions.

In May 2014, the group registered a Domestic Treasury Management Company (DTMC) with the South African Reserve Bank in terms of new exchange control regulations. This enables the group to fund up to R2,0 billion annually from South Africa to support the growth of the African and offshore operations. Within this annual limit, the group will also be able to raise offshore funding in this entity guaranteed by the South African operations. This is a major addition to our treasury capabilities.

ORDINARY DIVIDENDS

A final ordinary dividend of 420 cents per share (2013: 440 cents per share) has been declared. This brings the full-year dividend to 820 cents per share in line with the prior year.

GOING FORWARD

Imperial's financial position remains strong despite significant organic and acquisitive growth, and share buy-backs in the recent past. As a result, the group is well positioned to take advantage of organic growth and acquisition opportunities as they arise.

OSMAN S ARBEE

CHIEF FINANCIAL OFFICER

www.imperial.co.za

Copies of the full annual financial statements are available on request at Imperial's registered office or at www.imperial.co.za.

FOR MORE INFORMATION

Further details on the financial position, results and cash flows are available on pages 138 to 163.

FIVE-YEAR REVIEW

	Definitions	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm
Extracts from statement of profit or loss						
Revenue		**103 567**	92 382	80 830	64 667	53 438
Operating profit		**6 185**	6 090	5 638	4 526	3 288
Net financing costs		**(926)**	(744)	(681)	(554)	(597)
Income from associates and joint ventures		**76**	86	46	34	174
Income tax expense		**(1 330)**	(1 405)	(1 382)	(1 272)	(911)
Tax rate (%)		**27,2**	28,1	29,3	30,7	31,0
Profits attributable to non-controlling interest		**(355)**	(392)	(408)	(346)	(241)
Headline earnings attributable to ordinary shareholders		**3 151**	3 458	3 007	2 608	1 841
Extracts from statement of cash flows						
Cash generated by operations (before capital expenditure on motor vehicles for hire, net financing costs and taxation paid)		**5 689**	7 191	7 440	6 077	4 376
Cash flow from investing activities (including capital expenditure on vehicles for hire)		**(2 643)**	(4 708)	(4 230)	(1 931)	(1 883)
Net debt (raised)/repaid		**(1 972)**	(2 250)	(625)	959	250
Free cash flow	1.	**1 944**	3 658	3 770	3 452	2 190
Extracts from statement of financial position						
Total assets		**59 021**	51 716	45 698	36 533	34 223
Operating assets	2.	**55 968**	48 443	41 575	32 815	29 506
Operating liabilities	3.	**22 802**	21 174	18 046	14 495	12 750
Net working capital	4.	**8 675**	6 158	4 606	3 245	2 882
Net interest-bearing debt	5.	**11 882**	9 165	6 642	4 418	5 075
Imperial owners' shareholders interest		**17 540**	16 241	14 666	11 974	11 140
Non-controlling interest		**1 569**	1 295	1 223	1 043	806
Contingent liabilities		**317**	294	46	61	201
Ratios						
Efficiency						
Revenue to average net operating assets (times)	6.	**3,4**	3,6	3,9	3,7	3,1
Revenue relating to sales of goods to average inventory (times)	7.	**4,6**	5,1	5,6	5,3	4,9
Revenue to average net working capital (times)		**14,0**	17,2	20,6	21,1	19,2
Profitability						
Operating profit to average net operating assets (%)	8.	**20,5**	24,0	26,9	25,8	19,2
Operating profit to average gross operating assets (%)		**11,8**	13,5	15,2	14,5	11,3
Operating margin (%)	9.	**6,0**	6,6	7,0	7,0	6,2
Return on average ordinary shareholders' interest (%)	10.	**19,4**	21,3	22,4	22,2	19,3
Return on invested capital (%)	11.	**13,0**	16,2	16,3	16,5	12,2
Weighted average cost of capital (%)	12.	**9,1**	8,8	9,7	10,1	10,5
Solvency						
Interest cover by operating profit (times)		**6,7**	8,2	8,3	8,2	5,5
Net debt to EBITDA (times) (including preference shares)		**1,4**	1,1	0,9	0,7	1,1
Total equity to total assets (%)		**30,7**	33,9	34,8	35,6	34,9
Net interest-bearing debt as a % of total equity		**65,6**	52,3	41,8	33,9	42,5
Liquidity						
Free cash flow to net profit for the year (times)		**0,54**	0,99	1,11	1,19	0,97
Free cash flow to headline earnings (times)	13.	**0,62**	1,06	1,25	1,32	1,19
Unutilised facilities (Rm)		**6 703**	5 880	6 045	8 000	6 358

	Definitions	2014	2013	2012	2011	2010
Investing in the future						
Cost of new acquisitions (Rm)		**911**	776	2 241	1 178	581
Expansion capital expenditure (Rm)		**1 763**	1 682	1 125	687	963
Net replacement capital expenditure (Rm)		**1 552**	1 395	1 467	841	830
Capital commitments (Rm)		**2 285**	935	1 112	1 007	882
Statistics						
Total new and used vehicles and motorcycles sold		**208 740**	206 462	198 131	168 661	149 247
Number of transport fleet vehicles (owned)		**5 676**	6 431	6 312	6 030	6 559
Number of vehicles for hire (car rental only)		**15 356**	17 602	16 599	17 026	18 015
Number of employees		**51 671**	51 007	47 699	40 898	35 968
Employee costs (Rm)		**14 576**	12 824	10 703	8 713	7 515
Wealth created per employee (Rm)		**444**	412	380	360	339
Total taxes and levies paid (Rm)	14.	**1 748**	1 438	1 572	1 543	1 054
Share performance						
Basic headline earnings per share (cents)		**1 625**	1 805	1 566	1 370	976
Basic core earnings per share (cents)		**1 815**	1 872	1 623	1 234	962
Dividend per share (cents)		**820**	820	680	480	350
Earnings yield (%)	15.	**8,1**	8,6	9,1	11,3	11,4
Price earnings ratio (times)	16.	**12,3**	11,6	11,0	8,9	8,8
Dividend yield (%)		**4,1**	3,9	4,0	4,0	4,1
Net asset value per share (cents)	17.	**9 037**	8 324	7 479	6 137	5 529
Market prices (cents)						
– Closing		**20 000**	20 968	17 200	12 125	8 580
– High		**22 290**	22 600	17 729	13 245	10 750
– Low		**16 080**	17 150	9 420	8 450	5 650
Total market capitalisation at closing prices (Rm)	18.	**41 563**	43 788	36 093	25 320	18 095
Value of shares traded (Rm)		**43 446**	51 766	30 099	26 937	22 964
Value traded as a percentage of average capitalisation (%)		**102**	130	98	124	151
Exchange rates used						
Rand to Euro						
– Average		**14,07**	11,43	10,38	9,49	10,59
– Closing		**14,51**	13,04	10,39	9,55	9,39
Rand to US Dollar						
– Average		**10,38**	8,84	7,75	7,06	7,60
– Closing		**10,62**	10,01	8,20	6,70	7,66
Rand to Botswana Pula						
– Average		**1,17**	1,09	1,05	1,07	1,14
– Closing		**1,21**	1,16	1,07	1,03	1,08
Rand to Australian Dollars						
– Average		**9,52**	9,06	7,99	6,80	6,71
– Closing		**9,96**	9,01	8,40	6,57	6,56

PERFORMANCE DURING THE YEAR > FIVE-YEAR REVIEW – CONTINUED

Definitions:

1. Free cash flow – calculated by adjusting the cash flow from operating activities to exclude the expansion capital expenditure on rental assets and deducting replacement capital expenditure on other assets.
2. Operating assets – all assets less loans receivable, taxation assets, cash and cash equivalents and assets classified as held for sale.
3. Operating liabilities – all liabilities less all interest-bearing borrowings, taxation liabilities and liabilities directly associated to assets classified as held for sale.
4. Net working capital – consists of inventories, trade and other receivables, provisions for liabilities and other charges and trade and other payables.
5. Net interest-bearing debt – include total interest-bearing borrowings plus non-redeemable preference shares less cash resources.
6. Revenue to average net operating assets (times) – calculated by dividing revenue with average net operating assets.
7. Revenue relating to sales of goods to average inventory (times) – revenue relating to sales of goods divided by average inventory.
8. Operating profit to average net operating assets (%) – operating profit per the income statement divided by average net operating assets.
9. Operating margin (%) – operating profit per the income statement divided by revenue.
10. Return on average ordinary shareholders' interest (%) – net profit attributable to owners of Imperial divided by average shareholders' interest (calculated by using the opening and closing balances) attributable to Imperial Holdings' shareholders.
11. Return on invested capital (%) – return divided by invested capital. Return is calculated using profit after taxation and share of non-controlling interest, increased by the after tax effects of net finance costs and exceptional items. Invested capital is a 12-month average of shareholders equity plus preference shares plus debt (interest-bearing borrowings long term and short term minus long term loans receivable) minus non-financial services cash and cash equivalents.
12. Weighted average cost of capital (%) – calculated by multiplying the cost of each capital component by its proportional weight and then summing, therefore: WACC = (after tax cost of debt % multiplied by average debt weighting) + (cost of equity multiplied by average equity weighting)
13. Free cash flow to headline earnings ratio – free cash flow divided by headline earnings.
14. Total taxes and levies paid – made up of SA normal taxation, secondary taxation on companies, foreign taxation, rates and taxes, skills development and unemployment insurance fund levies.
15. Earnings yield (%) – the headline earnings per share divided by the closing price of a share.
16. Price earnings ratio (times) – the closing price of a share divided by the headline earnings per share.
17. Net asset value per share – equity attributable to owners of Imperial divided by total ordinary and preferred ordinary shares in issue net of shares repurchased (the deferred ordinary shares only participate to the extent of their par value of 0,04 cents.)
18. Total market capitalisation at closing prices (Rm) – total ordinary shares in issue before treasury shares multiplied by the closing price per share.

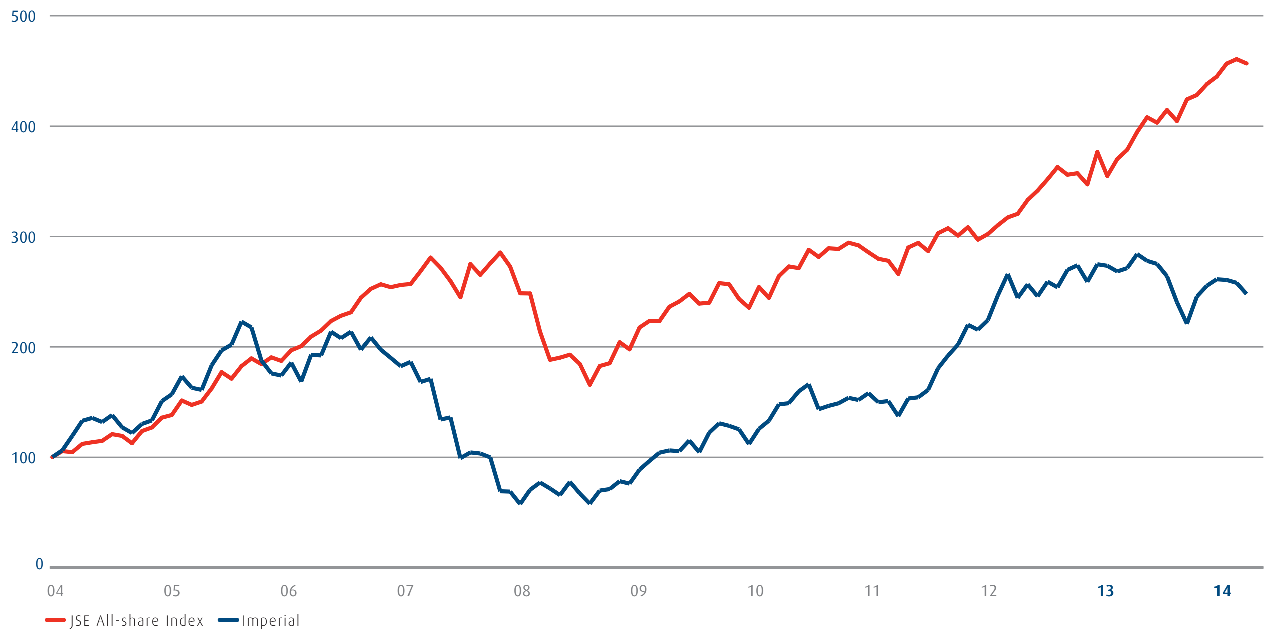
PERFORMANCE DURING THE YEAR > SHARE PERFORMANCE AND OWNERSHIP

Top ten shareholders	Share Class	Number of shares (000)	% of issued voting capital
Public Investment Corporation Limited	Ordinary	25 613	12,1
Ukhamba Holdings (Pty) Ltd	Ordinary	11 730	5,6
Ukhamba Holdings (Pty) Ltd	Deferred ordinary	9 776	4,6
Lazard Asset Management LLC Group	Ordinary	13 865	6,6
Lynch Family Holdings	Ordinary	8 542	4,0
Fidelity International Limited	Ordinary	9 235	4,4
JP Morgan Asset Management	Ordinary	7 507	3,6
Coronation Asset Management (Pty) Ltd	Ordinary	7 148	3,4
Trilogy Global Advisors LP	Ordinary	6 269	3,0
Lereko Mobility (Pty) Ltd	Ordinary	6 008	2,8
BlackRock Inc	Ordinary	4 826	2,3

Stock exchange performance	2014	2013
Number of shares in issue (million)	223	226
Number of shares traded (million)	225	262
Value of shares traded (Rand million)	43 446	51 766
Market price (cents per share)		
– Closing price	20 000	20 968
– High	22 290	22 600
– Low	16 080	17 150
Earnings yield %^	8,1	8,6
Price: earnings ratio^	12,3	11,6

^ *Calculated using headline earnings per share*

Ten-year share price perfomance – Imperial relative to the JSE All-share Index



Distribution of shareholders (listed ordinary shares)	Number of shareholders	Number of shares ('000)	% of ordinary shares listed
Public shareholders	6 776	162 879	78,4
Non-public shareholders			
– Shareholder holding more than 10%	1	25 613	12,3
– Shareholder entitled to appoint a director	–	–	0,0
– Directors, their associates and employees	31	11 460	5,5
– Treasury shares	1	7 864	3,8
	6 809	207 816	100,0

Spread of listed holdings	Number of shareholders	%	Number of shares ('000)	%
1 – 1 000	4 881	71,7	2 007	1,0
1 001 – 10 000	1 394	20,5	4 313	2,1
10 001 – 100 000	381	5,6	12 295	5,9
Over 100 000	153	2,2	189 201	91,0
	6 809	100,0	207 816	100,0

Shareholder type	Number of shares ('000)	% of voting shares
Financial institutions, pension and provident funds	81 100	38,4
Unit trusts	57 336	27,2
Individuals	26 095	12,4
Directors and employees	11 460	5,4
Corporate holdings	23 961	11,4
Listed ordinary shares (net of treasury shares)	199 952	94,8
Unlisted deferred ordinary shares	11 025	5,2
Total voting shares in issue net of treasury shares	210 977	100,0
Treasury shares	7 864	
Non-redeemable preference shares	4 540	
Total shares in issue	223 381	

Directors' interests in shares	2014		2013	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
Non-executive				
HR Brody	**36 682**		91 709	
RL Hiemstra	**10 406**		33 820	
MJ Leeming		**6 928**		4 928
RJA Sparks	**40 000**	**20 000***	40 000	
Y Waja	**3 000**		927	
	90 088	**26 928**	166 456	4 928
Executive				
MJ Lamberti	**450 000***			
M Akoojee	**25 692**			
OS Arbee	**56 477**		74 842	
MP de Canha	**1 686 289***		1 627 775	
M Swanepoel	**20 961**		26 160	
P Michaux	**38 058**		26 442	
JJ Strydom	**54 442**		43 776	
	2 331 919	**0**	1 798 995	0
Total	**2 422 007**	**26 928**	1 965 451	4 928

* *Indirect holding*

The data on these pages represents the key sustainability data collated for the Imperial group for 2014. For full details on sustainability information refer to the Sustainable Development Report at www.imperial.co.za.

The data reported includes many disclosures from the G4 Sustainability Reporting guidelines of the Global Reporting Initiative (GRI).

www.imperial.co.za
Refer to www.imperial.co.za for a GRI content index.

Value-added statement for the year ended 30 June 2014

	2014 Rm	%	2013 Rm	%
Revenue	**103 567**		92 383	
Paid to suppliers for materials and services	**80 621**		71 364	
Total wealth created	**22 946**		21 019	
Wealth distribution				
Salaries, wages and other benefits (note 1)	**14 576**	64	12 824	61
Providers of capital	**3 368**	15	3 518	17
– Net financing costs	**926**	4	744	4
– Dividends, share buybacks and cancellations	**2 120**	9	2 497	12
– Dividends to non-controlling interests	**322**	2	277	1
Government (note 2)	**1 748**	7	1 438	7
Reinvested in the group to maintain and develop operations	**3 254**	14	3 239	15
– Depreciation, amortisation and recoupments	**2 408**		2 316	
– Future expansion	**846**		923	
	22 946	100	21 019	100
Value-added ratios				
– Number of employees (continuing operations)	**51 671**		51 007	
– Revenue per employee ('000)	**2 004**		1 811	
– Wealth created per employee ('000)	**444**		412	
Notes				
1 Salaries, wages and other benefits				
Salaries, wages, overtime, commissions, bonuses, allowances	***13 316***		*11 739*	
Employer contributions	***1 260***		*1 085*	
	14 576		*12 824*	
2 Central and local governments				
South African normal taxation	***1 125***		*995*	
Withholding and secondary tax on companies	***11***		*9*	
Foreign tax	***349***		*196*	
Rates and taxes	***82***		*94*	
Skills development levy	***62***		*52*	
Unemployment Insurance Fund	***95***		*69*	
Carbon emissions tax	***24***		*23*	
	1 748		*1 438*	

Employment equity data relating to the South African workforce (for the 12 months to 30 June 2014)

	African	Coloured	Indian	White	Foreign Nationals	2014	2013
Permanent employees							
Top management	**7**	**4**	**14**	**132**	**2**	**159**	167
Senior management	**44**	**24**	**79**	**437**	**4**	**588**	576
Professional specialists/mid-management	**412**	**290**	**424**	**2 104**	**12**	**3 242**	3 282
Skilled junior management	**4 008**	**1 447**	**1 079**	**3 961**	**46**	**10 541**	10 643
Semi-skilled	**9 907**	**2 313**	**831**	**2 094**	**55**	**15 200**	16 611
Unskilled	**5 455**	**753**	**93**	**95**	**25**	**6 421**	6 154
Total permanent employees	**19 833**	**4 831**	**2 520**	**8 823**	**144**	**36 151**	37 433
Non-permanent employees	**1 957**	**354**	**184**	**118**	**2**	**2 615**	1 826
Total	**21 790**	**5 185**	**2 704**	**8 941**	**146**	**38 766**	39 259

Geographic breakdown of workforce	2014	2013
South Africa	**38 766**	39 259
Rest of world	**12 905**	11 748

People

	2014	2013
Number of employees	**51 671**	51 007
Training spend (R'000)	**170 296**	174 941
Training spend/employee (R)	**3 296**	3 430
Number of training hours*	**715 019**	1 046 989
Number of training hours/employee	**14**	21

* *In the 2013 integrated report, the training hours included the apprentices working hours as training and are now excluded. The 2013 numbers have been restated accordingly.*

Safety

	2014	2013
Kilometres travelled ('000)	**654 524**	697 353
Road accidents	**1 505**	1 252
Road injuries (company)	**111**	128
Road fatalities (company)	**7**	9
Accidents per million kilometres	**2,3**	1,8
Injuries per million kilometres	**0,17**	0,18
Fatalities per million kilometres	**0,011**	0,013

Social and developmental benefits

	2014	2013
Socio-economic development spend (R'000)	**18 143**	25 634

Fuel efficiency

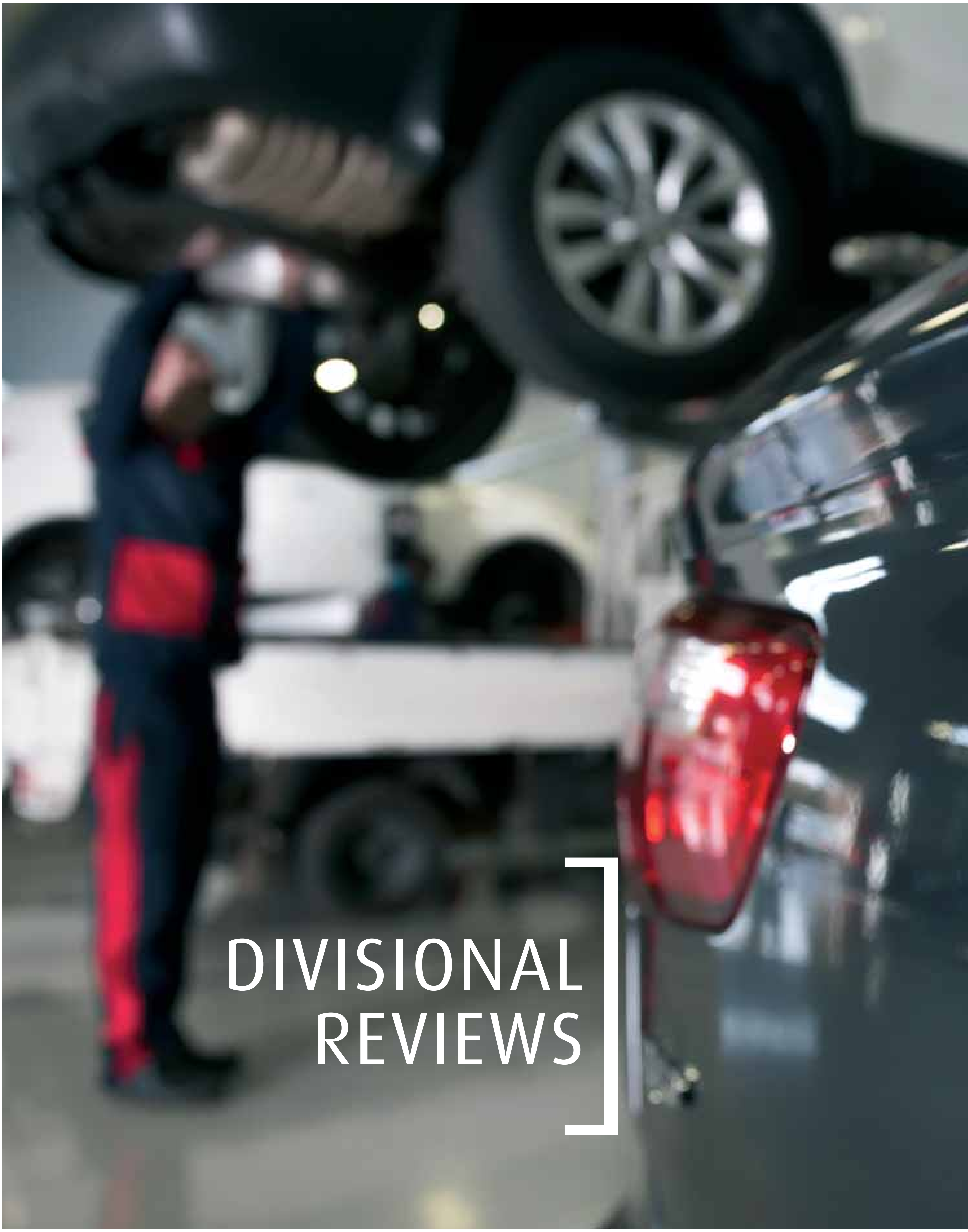
	2014	2013
Fuel usage (kL)	**259 026**	270 984
Scope 1 emissions (tCO_2)	**868 511**	976 384
Scope 2 emissions (tCO_2)	**216 537**	205 791
Total scope 1 and 2 emissions (tCO_2)	**1 085 048**	1 182 175

Environmental and business footprint

	2014	2013
Electricity purchased (MWh)	**224 669**	208 845
Water purchased from municipalities (kL)	**1 710 523**	1 739 684
Environmental incidents*	**104**	123

* *There were no environmental incidents carrying fines or other penalties.*

There were no significant breaches related to human rights, corruption or any anti-competitive behaviour that were brought to the attention of the social, ethics and sustainability committee or executive meetings.



DIVISIONAL REVIEWS

Imperial is managed through five operating divisions:

> Logistics Africa
> Logistics International (all non-African countries)
> Vehicle Import, Distribution and Dealerships
> Vehicle Retail, Rental and Aftermarket Parts
> Financial Services

These divisions are the basis on which the group allocates resources, measures performance and exercises control and governance.

LOGISTICS
AFRICA

LOGISTICS AFRICA

DIVISIONAL STRUCTURE

LOGISTICS AFRICA

Consumer products

Logistics services in the areas of consumer products, including warehousing, distribution, transport and route-to-market services.

As a result of the consolidation of specific expertise undertaken during the last year, this division now houses the newly-created businesses Imperial Managed Logistics, Imperial Cold Logistics, Imperial Retail Logistics and Imperial Retail Solutions.

Industrial

Logistics services for industrial products, including palletised products, bulk liquids and powders and mining commodities. Transport and warehousing services are offered as part of an end-to-end supply chain service.

Rest of Africa

With distribution capabilities in 12 African countries, an expanding warehousing and distribution footprint and cross-border transportation in 18 countries, the business provides route-to-market solutions for a client base in consumer and healthcare products.

RESOLVE

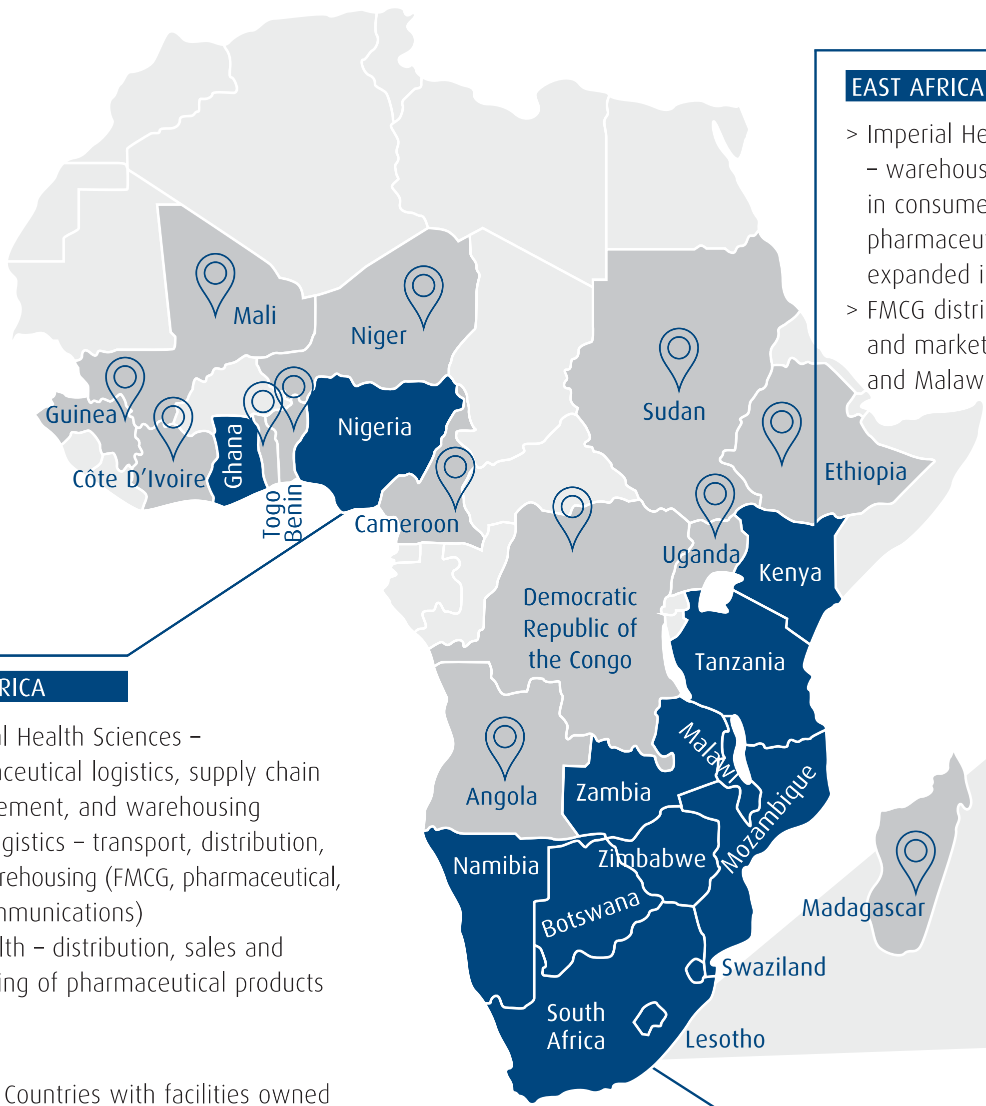
The consolidation of the company's professional services and consulting capabilities, which includes advisory services, technology, people enablement and process outsourcing.

Supported by shared services (finance, administration, IT, technical, sustainability, training and risk) and the consolidated business development function.

DIVISIONAL **REVIEW** > **LOGISTICS AFRICA**

WHERE WE OPERATE

In South Africa, our reach is countrywide. Our footprint in the rest of Africa is expanding, based on three regional hubs in the SADC region and East and West Africa.



EAST AFRICA

- Imperial Health Sciences – warehousing and distribution in consumer, health and pharmaceuticals (facilities being expanded in Nairobi)
- FMCG distribution – sales and marketing in Tanzania and Malawi

WEST AFRICA

- Imperial Health Sciences – pharmaceutical logistics, supply chain management, and warehousing
- MDS Logistics – transport, distribution, and warehousing (FMCG, pharmaceutical, telecommunications)
- EcoHealth – distribution, sales and marketing of pharmaceutical products

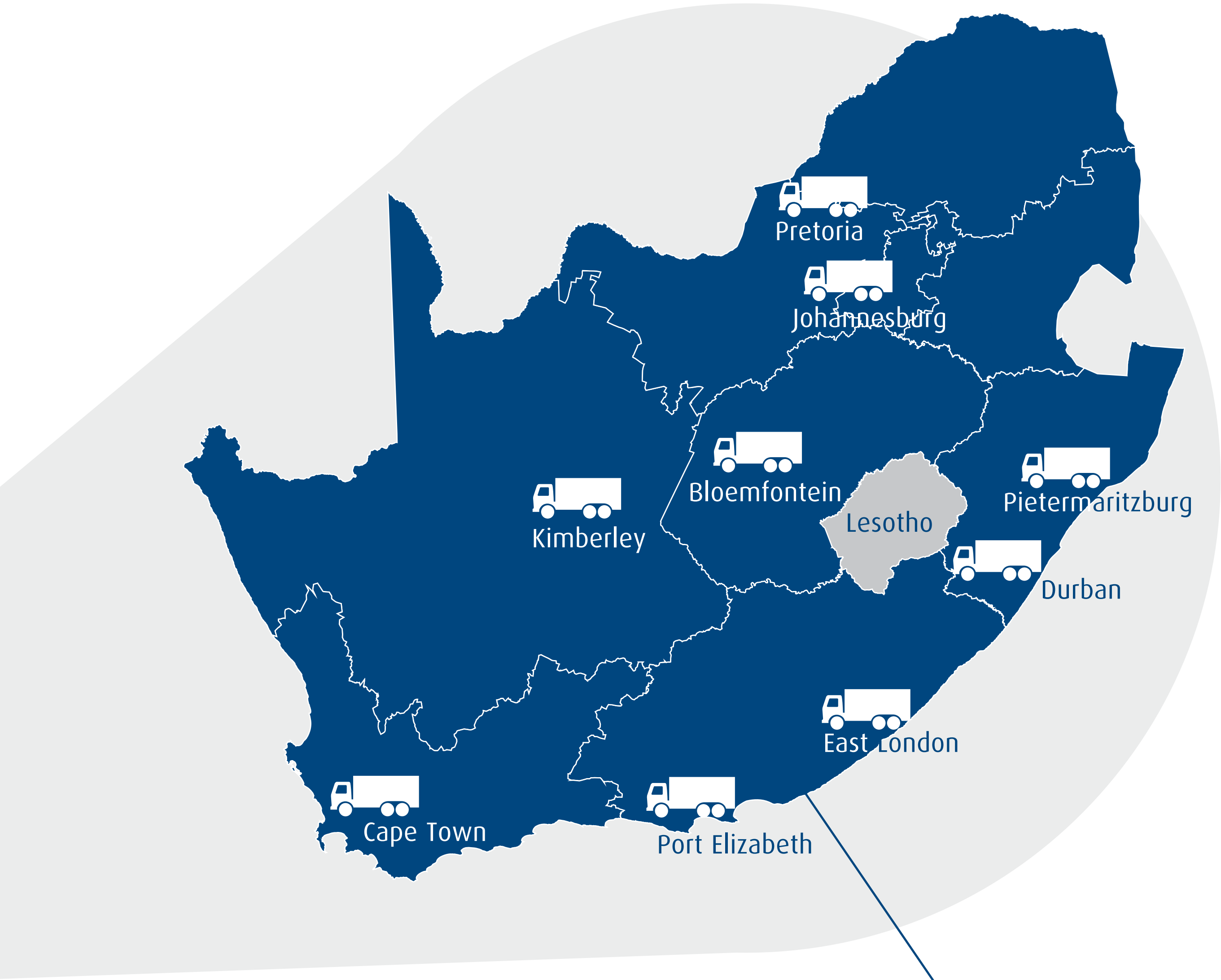
SOUTHERN AFRICA

- Fast-moving consumer goods distribution, sales and marketing
- Further expansion of facilities
- Transport operations – cross-border, load consolidation, warehouse management and cross-border documentation
- Key corridors across SADC region

● Countries with facilities owned by Imperial Logistics

Countries serviced by agents of Imperial Health Sciences

Imperial presence



SOUTH AFRICA

- Logistics services in the areas of consumer products including warehousing, distribution, transport and route-to-market services
- Logistics services for industrial products. Transport and warehousing services as part of an end-to-end supply chain service

MARKET OVERVIEW

South Africa

In South Africa, trading conditions in the logistics market remained challenging during the year, with the manufacturing sector struggling to gain momentum and much of the retail sector experiencing lacklustre volume growth.

A number of key trends shaped the South African market in 2014:

- The **growth in logistics outsourcing**, particularly in transport, storage, distribution and operations planning. Key drivers of this trend are the benefits of multi-party scaled operations, the specialisation and complexity associated with integrated supply-chain management and the increasing skills shortage within organisations
- Further **consolidation in the retail supply chain** and increased rationalisation of capacity among logistics service providers. In parallel, there has been convergence in supply chain and logistics execution, which relies on specialised expertise and capabilities to address appropriate underlying cost drivers
- Increased **engagement by businesses on their inbound supply chain** to unlock logistics opportunities from the factory-gate of suppliers and to reduce inventory holdings of inbound materials though integrated planning. Domestic and international suppliers, and their logistics service providers, need to adapt to this trend as their clients accept delivered product
- The development of **opportunities in inter-modal logistics**, where we have seen focused investment by Transnet Freight Rail

Rest of Africa

In the rest of Africa, demand for consumer goods continued to increase with the growth of an emerging middle class. Demand has been particularly strong in our focus sectors of branded consumer and healthcare products.

STRATEGY OVERVIEW

The division has grown to a position of regional and market leadership on the strength of its ability to understand and adapt to the markets in which it operates, and identify and supply the mix of services and capabilities which are relevant for each market. Our approach is to leverage existing expertise and build local knowledge through partnerships and acquisitions, thus establishing a robust platform for growing to scale in selected market sectors. Growth in our chosen markets has been rapid – both organic growth and growth through selective acquisitions.

South Africa

In South Africa our focus is on the development of scale across the entire supply chain by adding capability in different aspects of the logistics process and expansion into new industries, such as healthcare. In this sector, the move was supported by our acquisition of RTT Medical (now Imperial Health Sciences) in the 2013 financial year.

Rest of Africa

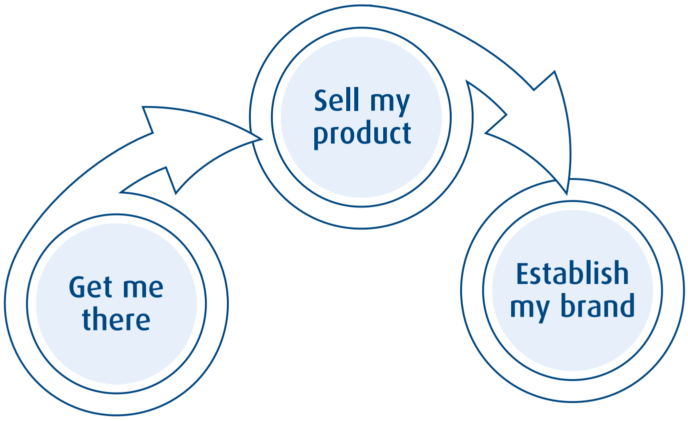
In the rest of Africa, we have leveraged our business model in an environment where our clients – primarily suppliers of branded consumer and healthcare products – require not only supply chain management but also route-to-market solutions.

Our unique proposition in these emerging consumer markets rests on three legs. We transport products, sell products and build brands. We have leveraged our existing capabilities in integrated supply chain management, which benefits from exclusive relationships with our principals and is supported by acquisitions and local partnerships, including the use of sub-contracted fleets.

In the rest of Africa we play a key role in growing the brands we support by bringing products to market in a trading environment where logistics are challenging and sales and marketing channels are relatively underdeveloped. Although more formal routes to market are being established and infrastructure is improving in some areas, we anticipate that our model will remain relevant over the medium to long term.

> "Our strategy was sparked by dialogue with leading multinationals aiming to benefit from the consumerisation of Africa. Through conversations at the highest level – with manufacturers and brand owners in the pharmaceutical, FMCG and general retail sectors – Imperial's 'Rest of Africa strategy' was conceived, with regional cluster thinking as one of its cornerstones."
> *MARIUS SWANEPOEL, CEO: Logistics Africa*

ACCESSING NEW MARKETS FOR OUR PRINCIPALS



GROWTH MODEL

- **Exclusive relationships** with our principals
- **Bring products to market** in a trading environment where logistics are challenging and sales and marketing channels are relatively underdeveloped
- Ability to take existing principals to **new markets** and add new products to existing **distribution network**

ACHIEVING MARKET-LEADING POSITIONS IN PHARMACEUTICAL AND CONSUMER PRODUCT DISTRIBUTION IN AFRICA

DIVISIONAL **REVIEW** > **LOGISTICS AFRICA** – CONTINUED

FINANCIAL AND OPERATING PERFORMANCE

Results overview

Despite subdued or declining volumes in most of the sectors served, the division performed well, delivering strong revenue growth and an improved operating margin. The benefits of the rationalisation completed in the second half of the prior financial year, recent acquisitions and new contract gains, contributed to the strong performance on 2013, which included the negative impact of the transport workers strike in South Africa.

The **Industrial Logistics** business, which services the manufacturing, mining, commodities, chemicals and construction industries, performed well in a competitive market where volumes were under pressure. The business benefited from restructuring initiatives and delivered profit growth through new business gains and operational efficiencies. KWS Carriers, acquired late in the prior financial year, contributed positively and is performing ahead of expectations. KWS is a managed logistics business focused on the movement of bulk commodities from source to the end users and ports, utilising mainly dedicated contracted vehicles.

The **Consumer Logistics** business had a good year, despite lacklustre volume growth in our manufacturing client base. Growth was attributable to market share gains, new contracts and the consolidation of the retail logistics and managed logistics operations.

Imperial Cold Logistics (The Cold Chain) experienced depressed divisional growth and margins in difficult trading conditions and was restructured accordingly.

The **Rest of Africa** business delivered strong revenue and operating profit growth during the year in sympathy with the emergence of middle class consumers of fast moving consumer goods, pharmaceuticals and general merchandise in those African countries where we have chosen to operate. New principals enhanced the performance of the distributorship business CIC, the Imperial Health Sciences business saw excellent volume growth performing ahead of expectations, and the minority interest in MDS contributed to earnings growth and continues to perform well. The newly-acquired EcoHealth, a distributor of pharmaceutical products in Nigeria and Ghana, is performing in line with expectations and made a positive contribution for four months of the year since its acquisition on 1 March 2014.

NET CAPITAL EXPENDITURE INCURRED TO REPLACE AND GROW FLEET AND FACILITIES **INCREASED 23%** TO

R887 MILLION

(**2013:** R724 million)

What were the major challenges during the year?

South Africa

The **lack of real growth** in the South African economy was a major concern for the logistics operations during the year. Manufacturing was subdued and there was low volume growth in the economy.

In this context, we focused on **innovation and cost control** to maintain margins and returns. Consolidation was undertaken to simplify the business structure and to group together business units with similar capabilities.

Although we remain concerned about the **potential impact of protracted industrial action** on our clients, the division was not impacted directly by labour stoppages during the current year.

Road safety and pedestrian safety in particular remain areas of concern for the business. Safety issues are covered in more detail in Imperial's Sustainable Development Report, available at **www.imperial.co.za.**

Rest of Africa

In the rest of Africa, **cross-border transport competition and efficiencies** are an increasing issue and this market segment is now highly competitive. In response, we rationalised non-performing operations and introduced managed logistics capability into this aspect of the supply chain.

Although our distributorships in the rest of Africa are exclusive, we face some **competition from parallel trade.** This is likely to remain a feature of these markets until they are established on a more formal footing.

In some of our markets, **legislation on taxes of tobacco products and liquor** has changed, with a commensurate effect on volumes and margin.

We are monitoring the **outbreak of Ebola** in West Africa post year end, and the political tension in some areas.

KEY DATA

R million	H1 2014	% change on H1 2013	H2 2014	% change on H2 2013	2014	2013	% change on 2013
Revenue	**10 895**	25,6	**11 195**	19,8	**22 090**	18 018	22,6
Operating profit	**650**	62,5	**620**	19,2	**1 270**	920	38,0
Margin (%)	**6,0**		**5,5**		**5,7**	5,1	
Return on invested capital (ROIC) (%)					**12,0**	10,6	
Weighted average cost of capital (WACC) (%)					**8,8**	8,5	
Weighted average invested capital					**6 836**	5 752	18,8%

REVENUE
(Rm)

2013
18 018

2014
22 090

23%

OPERATING PROFIT
(Rm)

2013
920

2014
1 270

38%

OPERATING MARGIN
(%)

2013
5,1

2014
5,7

NUMBER OF EMPLOYEES

23 198

2013: 22 703
CHANGE: 2%

WAREHOUSE SPACE

1 040 000 metres²

2013: 980 000m²
CHANGE: 6%

NUMBER OF TRANSPORT FLEET VEHICLES*

5 720

2013: 6 386
CHANGE: 10%
*owned and sub-contracted

KILOMETRES TRAVELLED BY TRANSPORT FLEET

464 million km

2013: 495 million
CHANGE: 6%

CO_2 EMISSIONS*

660 607 tonnes

2013: 698 008
CHANGE: 5%
*Includes scope 1 and scope 2 emissions

DIVISIONAL REVIEW > LOGISTICS AFRICA – CONTINUED

[What did we achieve during the year?]

The **South African operations** delivered a creditable performance, particularly in the transport and warehousing business, which achieved solid results in a challenging environment.

We undertook significant consolidation of the business in the prior financial year, enhancing our ability to offer tailored solutions to boost clients' competitiveness. As a result of the consolidation process, the group has simplified its business and honed in on core capabilities.

These changes resulted in a **simplified and consolidated organisation**, with the division's focus in the future on customising services for the benefit of each client, thereby driving their competitiveness.

We signed a **memorandum of understanding with Transnet Freight Rail** in South Africa, in terms of which both parties will collaborate on the joint development of multi-modal logistics services in support of Transnet's road-to-rail strategy.

Consumer product distributors **in the rest of Africa region** achieved significant growth during the year, with an expanded footprint and new contracts.

Technical skills and capabilities have been injected into MDS Logistics (Nigeria) and this business has seen an operational improvement as a result. A large workshop was developed in Lagos to create a centre focused on maintenance and improved operations management.

We entered the West African pharmaceutical distributor market through the **acquisition of EcoHealth**, concluded in March 2014, a leading distributor of pharmaceutical products in Nigeria, with operations in Ghana and Dubai. The company partners with leading pharmaceutical companies to distribute, sell and market their products and has long-standing contracts with multinational pharmaceutical manufacturers. The results for the financial year include EcoHealth for four months.

The transaction is in line with Imperial's growth ambitions and complements the Imperial Health Sciences business. It also adds scale and marketing capabilities to the service offering.

A new **10 000m^2 temperature-controlled facility** is being developed in Nairobi to support increasing demand for our services in the region.

During the year, **an alliance was formed with Beijing Axis**, a China-focused international advisory and procurement firm. The aim of the partnership is to develop a seamless distribution channel from China to Africa and vice versa.

Where do we still need to focus our attention?

In our South African operations, we continue to **enhance our specialist capabilities** whilst we consolidate activities to achieve market-leading scale and win new contracts. We are also continuing to drive integrated supply chain solutions, working closely with our clients to remove the underlying drivers of logistics inefficiency.

With the quality of the road surface and pedestrian access to freeways resulting in unfortunate incidents, we are increasingly focused on **road safety** and how we avoid and review accidents involving our own vehicles, sub-contractors, third parties and pedestrians, regardless of which party was responsible.

The vehicles owned and operated by the division travelled just under half a billion kilometres in 2014, on some of the most dangerous roads in the world. The World Health Organisation estimates the traffic death rate in South Africa to be 31,9 for every 100 000 population, one of the highest rates globally. While we remain committed to the elimination of all fatalities, the division's fatalities per million kilometres travelled stood at 0,015 in 2014, comparable to fatality rates in Malaysia, the Czech Republic and only marginally higher than in many Western European countries.

Although we have made good progress on **transformation**, the revised codes introduced will require new employment equity targets and more focused supplier and enterprise development. We will also continue to focus on leadership and skills development.

Outside South Africa our attention is focused on **introducing the appropriate Imperial employees to acquired** businesses to retain decentralised accountability, whilst leveraging Imperial's experience and scale.

FUTURE GROWTH PROSPECTS

In **South Africa** we expect trading conditions to remain challenging, driven by a sluggish economy and the impact of industrial strike action. The division underwent a strategic consolidation process, which positions it well to be more competitive and cost-effective in a tough market. Further benefits from this process will be realised in the 2015 financial year. The fundamentals of the logistics industry are good and given Imperial's infrastructure, network and expertise, it is ideally positioned to capitalise on these growth opportunities and gain more business in South Africa.

The division will continue to improve our clients' competitiveness through the delivery of superior logistics execution and expansion of our services across the value chain. We will add new capabilities through acquisition and innovation and enter new markets where opportunities are identified.

Prospects in the **rest of Africa** are good. We will continue to leverage our capabilities and experience in this region, entering into partnerships with specialist service providers with in-country experience and targeting acquisitions which enhance our ability to reduce the complexity and risk for consumer products and pharmaceutical brand owners in sub-Saharan Africa. Our integrated offering in transport, warehousing, distribution and demand-driven route-to-market fulfilment capabilities, provide the ideal platform to take advantage of growth opportunities in these markets.

LOGISTICS
INTERNATIONAL

LOGISTICS INTERNATIONAL

DIVISIONAL STRUCTURE

LOGISTICS INTERNATIONAL

Shipping

The leading inland shipping company in Europe.

Lehnkering

One of the leading chemical logistics and contract manufacturing companies in Europe.

Panopa

A leading industrial contract logistics provider which serves the automotive, machinery and steel industry, as well as FMCG markets.

Neska

Focuses on intermodal shipments of diverse goods and operates bulk and container terminals in the main industrial centres along Germany's inland waterways.

DIVISIONAL **REVIEW** > **LOGISTICS INTERNATIONAL**

WHERE WE OPERATE

Shipping

Using Germany as the home base, we are ideally positioned geographically to reach and connect to the rest of Europe using the logistics networks. In Europe, the operations extend to Western and Eastern Europe, Scandinavia and the United Kingdom. We are entering new markets in selected sectors on the back of existing client relationships and expertise such as Central and Eastern European countries along the lower part of the Danube River.

Americas

Imperial's entry into inland shipping in South America has been successful. We view South America as a growth market with excellent opportunities.

We have a chemical contract manufacturing facility in Texas, USA.

Lehnkering

Lehnkering operates mainly in Central Europe, Scandinavia and Texas in the United States of America. As part of the process of geographic diversification, Lehnkering is looking to follow its clients into markets where the chemical industry is growing in significance, such as Russia, South America, Africa and Asia.

Panopa

Panopa has a strong presence in the German market and we still see strong potential in this region. To broaden our business and make it less dependent on one market, we started an internationalisation process in 1999. Since then, we have undertaken contracts in various European countries, including Poland, the Czech Republic, Hungary, Switzerland, Portugal, France, the Netherlands, the United Kingdom and Scandinavia.

Neska

In Germany, we operate predominantly along the Rhine River, where our conventional and container terminals provide a wide range of diversified logistics solutions. We have a growing presence in the rail sector, where we transport bulk cargo and containers in an effort to shift cargo from roads onto barges and rail. We are also developing capabilities in the area of intermodal transportation of bulk material in Europe, building networks between the major seaports in Western Europe, our container terminals along the Rhine River and hubs in Italy, Poland, the Czech Republic and other areas of Europe.

MARKET OVERVIEW

In Europe, we experienced challenging market conditions in a region where economic growth remained subdued. Activity levels were still sluggish and freight rates remained under pressure.

In the sectors in which we operate in the European market, demand for our services is driven primarily by industrial and export growth. Economic growth in Europe was moderate and GDP growth in Germany was approximately 0,4% in 2013 compared to 0,7% in 2012. In the last five months of 2013, however, export growth in Germany moved into positive territory. Forecasts for 2014, including for export industries such as automobiles and chemicals, are positive.

In Germany, we participate in export-driven industries such as the steel, automotive and chemical sector. In the second half of calendar year 2013 and the first four months of calendar year 2014, relatively strong growth rates were achieved on a monthly basis compared to the previous year's figures. The expected growth rate in automobile production of 6% in 2014 is encouraging, as it is above GDP growth expectations.

The steel industry in Germany has been overshadowed by the difficult economic situation. Growth in steel production was stable in 2013 following a decline of 5,3% in 2012. Monthly data from October 2013 to April 2014 shows growth in the industry in comparison to the previous year, underlining the continuous recovery of the steel market. As investment demand is picking up and major steel processors are expecting production increases, the outlook is positive.

The chemical market in Germany was under pressure in 2013, but rebounded during the period between May 2013 and February 2014, before falling back marginally in March and April 2014. Growth in German chemical production was about 0,7% in the calendar year 2013, following on from a decline of 2,4% in the calendar year 2012.

STRATEGY OVERVIEW

In Europe, we provide complete logistics solutions, including contract logistics, warehousing, inland waterway shipping and contract manufacturing in the chemical industry, as well as related value-added services across European markets, predominantly in Germany. In Germany and the rest of Europe, we hold leading positions in inland shipping, terminal operations, bulk logistics, industrial contract logistics and in the chemical sector.

An example of the specialised nature of our logistics business is the service we offer in the automotive industry, where we provide sub-assembly services which feed into the main line of an auto manufacturer on a just-in-sequence basis. In the chemical sector, we provide synthesis, packaging, formulation and mixing of chemicals for multinational chemical producers.

In these areas we maintain the highest standards in safety and environmental issues and customise value-added services to ensure client loyalty and retention. Our large fleet and dedicated vehicles and vessels provide a platform for the development of innovative transportation services. We work with clients to identify business opportunities in their supply chain which are mutually beneficial.

These areas of core expertise, together with our extensive regional footprint in Europe and strong client relationships, create broad growth opportunities and the ability to expand into new markets.

Three key objectives of our growth strategy are geographic expansion in our core areas of expertise, growth in existing business and diversification by entering new sectors and markets. As the outlook for economic growth in Germany is positive, we also intend expanding our business to other European regions and growing organically in various niche markets in which we already have an established presence.

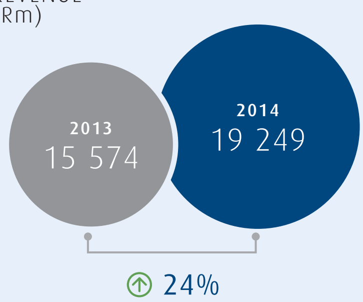
DIVISIONAL REVIEW > LOGISTICS INTERNATIONAL – CONTINUED

KEY DATA

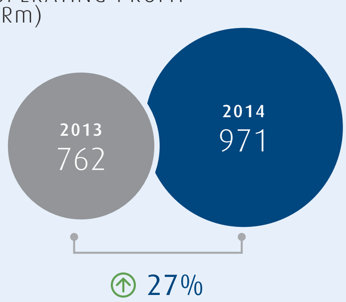
Euro million	H1 2014	% change on H1 2013	H2 2014	% change on H2 2013	2014	2013	% change on 2013
Revenue	**675**	0,9	**693**	(0,1)	**1 368**	1 363	0,4
Operating profit	**31**	6,9	**38**	2,7	**69**	66	4,5
Margin (%)	**4,6**		**5,5**		**5,0**	4,8	

R million	H1 2014	% change on H1 2013	H2 2014	% change on H2 2013	2014	2013	% change on 2013
Revenue	**9 110**	26,3	**10 139**	21,2	**19 249**	15 574	23,6
Operating profit	**412**	33,8	**559**	23,1	**971**	762	27,4
Margin (%)	**4,5**		**5,5**		**5,0**	4,9	
Return on invested capital (ROIC) (%)					**7,7**	8,9	
Weighted average cost of capital (WACC) (%)					**6,5**	7,6	
Weighted average invested capital					**6 475**	4 869	

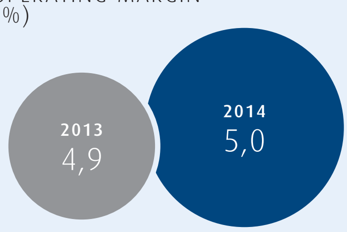
REVENUE (Rm)



OPERATING PROFIT (Rm)



OPERATING MARGIN (%)



NUMBER OF EMPLOYEES

8 074

2013: 7 730

CHANGE: ↑ 4%

NUMBER OF BARGES AND SHIPS*

618

2013: 529

CHANGE: ↑ 17%

*Owned and sub-contracted

KILOMETRES TRAVELLED BY TRANSPORT FLEET

44 million km

2013: 55 million

CHANGE: ↓ 20%

CO_2 EMISSIONS*

234 863 tonnes

2013: 294 016

CHANGE: ↓ 20%

*Includes scope 1 and scope 2 emissions

WAREHOUSE SPACE

2 298 425 metres²

2013: 2 203 979

CHANGE: ↑ 4%

FINANCIAL AND OPERATING PERFORMANCE

Results overview

The fragile recovery of the European economy depressed activity levels in Germany, where our major operations are located. This was offset to some extent by the growth of German exports to markets outside of Europe, resulting in a satisfactory performance from the division. A weaker Rand exchange rate assisted the division's growth in Rands.

German inland shipping volumes declined, excess capacity and low barriers to entry also stifled freight rates. The **Shipping** business performed satisfactorily through optimisation of the fleet, an increase in vessel productivity, the reduction of fuel consumption and increased efficiencies.

Building on our expertise and experience in inland waterway shipping, the division redeployed vessels from our European operations and invested approximately R300 million to service a Paraguayan-based long term contract, transporting iron ore from Brazil to Argentina along the Rio Parana river. We view this contract, which commenced in February 2014 and is performing to expectation, as a low-risk entry into a sector and region with excellent growth prospects.

Lehnkering, which conducts our land-based chemical logistics activities, including warehousing, road transport and contract chemical manufacturing services, performed well, particularly in the second half when seasonal agricultural demand increases.

Panopa, which provides parts distribution and in-plant contract logistics services to automotive, machinery and steel manufacturers, performed satisfactorily. New contract gains and good growth in the spare parts logistics business contributed positively, although margins were depressed by the start-up costs of new facilities.

Neska, the terminal operator, had a difficult year. Activity levels at terminals, especially in paper and steel, were volatile. The container business performed better in the second half after some lost business was replaced, but the container terminal in Krefeld still remains underutilised and unprofitable.

NET CAPITAL EXPENDITURE OF

R1,1 BILLION

(**2013**: R400 million)

WAS INCURRED, WHICH IS SIGNIFICANTLY HIGHER THAN THE PRIOR YEAR.

This was due to the investment in a number of inland and coastal shipping projects, new warehousing projects in Lehnkering and Panopa, and a contract in South America. The significantly weaker Rand exchange rate also contributed to the increase.

What were the major challenges during the year?

During the year under review, we focused on delivering against three priorities:

1 **Streamlining to contain costs.** As part of our proactive approach to reducing costs, we restructured the business. This had become an important issue given the growth of the business through acquisitions over the past few years, and particularly in light of the acquisition of Lehnkering, which saw the inclusion of 2 500 new employees. Shared services were created in functions such as finance, human resources and marketing. The benefits of this restructuring are already being felt throughout the business, as well as the resultant cost savings.

2 **Expanding into new markets**. Our entry into Paraguay was executed well, which paves the way for further expansion in South America. Although we have placed orders for additional barges to service this business, we have so far been able to service it with assets from our European base which allowed us to further streamline our European operations and increase asset utilisation and reduce concentration risk in our existing business.

3 **Maintaining existing contracts in a competitive market and securing new business**. During the year, we secured a broad range of new contracts, and are in the process of expanding our activities in the automotive and chemical industry with long term contracts with existing clients.

We are exploring growth opportunities in other markets. Inland water infrastructure exists in other markets and clients benefit from inland water shipping, as it is a highly efficient way of transporting cargo. As goods do not have to be transferred from one form of transport to another, the risk of damage to goods and any potential safety and environmental impact is significantly reduced.

In **Panopa**, ongoing tender activity supported organic growth and increased penetration in our main accounts. We are continuously working on the extension of our services to other industries to reduce reliance on current market segments.

The division has pursued a strategy of internationalisation to reduce regional exposure and has launched new businesses in China and the United States to benefit from strong momentum in those regions.

As the market for steel and paper products was volatile, **Neska** is increasingly focusing on value-added services such as quality control, steel-saws and other dedicated services. We will increasingly offer an extended service chain, and will focus on specialised services such as high-quality liquids or packaging paper, on the back of falling demand for printing paper.

What did we achieve during the year?

In terms of capital expenditure, we have a good combination of 'asset-light' businesses like freight forwarding and capital intensive business units like shipping."

***GERHARD RIEMANN,** CEO: Logistics International*

During 2014, we undertook growth projects such as the expansion of our coaster fleet, the modernisation of our gas tanker fleet and the construction of a new warehouse for hazardous materials for Lehnkering. We also entered the South American inland shipping market during the year.

We won a broad range of new contracts during the year and plan to expand our activities in the automotive and chemical industry, on the basis of long term supply contracts which can support the additional investment required. An example includes the gain of a long term contract to transport iron ore from Brazil to Argentina along the River Rio Parana.

In the shipping business, where we ensure that our inland water vessels fulfil the highest standards in safety and environmental issues, we again won the prestigious green award for one of our gas tankers. As well as entering the South American inland shipping market, the shipping division was able to extend an existing large-scale contract with one of its major steel clients for another seven years.

The Lehnkering Group strengthened its leading market position by winning new business based on long term contracts. Lehnkering's Road Logistics business developed its specialised transportation business further during the year, for example in Sweden, where it started transporting liquid petroleum gas. Its subsidiary, Schirm, commissioned a new formulation plant in December 2013 at the existing manufacturing facility.

Panopa established a warehouse for a key client in Shanghai and an office in New York to enter the American market with its shop construction logistics activity. We successfully expanded business in France for an automotive supplier. We also expanded operations for a major German automobile manufacturer by investing in technical facilities at its logistics warehouse in Hungary. Tenders were won for new business in Germany, France, Sweden, the United Kingdom and the Netherlands.

Where do we still need to focus our attention?

We will continue to focus on achieving further geographic expansion and diversifying into new markets, capitalising on our core expertise and experience in current key markets.

FUTURE GROWTH PROSPECTS

This division remains well positioned in attractive niches in the German logistics industry and should benefit from the expected growth in German manufacturing and export sectors.

Growth in this division will follow a diversification strategy by targeting opportunities in new regions and new sectors, where we can leverage our core capabilities and expertise. This strategy will be supported by a follow-the-client approach and by acquisitive activity where opportunities present themselves.

Geographic expansion into South America remains a key priority, and we intend to expand further in the region.

"We are targeting growth to achieve more predictability. We do not want to be defined by the cycles of an industry or the economy. We want to step out of that – be more independent and diversified."

***GERHARD RIEMANN,** CEO: Logistics International*

VEHICLE

IMPORT, DISTRIBUTION AND DEALERSHIPS

VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS

DIVISIONAL STRUCTURE

Vehicle import, distribution and dealerships

Exclusive importer, distributor and retailer of passenger and light commercial vehicles into the South African market. For the 12 passenger vehicle brands for which we have exclusivity, we capture virtually the entire value chain from the point of import to the point of sale, including the parts and servicing of these vehicles. We also retail these vehicle brands through 126 owned and 113 franchised dealerships.

Countries of operation in the rest of Africa include Namibia, Botswana, Zambia, Tanzania, Kenya and Malawi.

In May 2014, we established a small assembly plant for medium-sized commercial Hyundai vehicles in Benoni, Gauteng.

Industrial distribution

Industrial equipment (forklifts, access and cleaning equipment) is imported, rented and distributed through the Goscor Group.

Bobcat distributes and rents compact vehicles such as loaders and excavators to the construction, mining and agriculture sectors.

The Segway business imports and distributes electric personal transporters.

E-Z-GO distributes golf carts.

Datadot manufactures and distributes vehicle and asset identification equipment and operates principally in South Africa.

Australian dealerships

In Australia, we retail Ford, Mitsubishi and Renault through six dealerships in the Sydney area. In May 2014, we opened our first Renault/Ford multi-franchise dealership in the region.

BRANDS DISTRIBUTED IN SOUTH AFRICA ARE EXCLUSIVE AND INCLUDE:
Hyundai, Kia, Renault, Mitsubishi, Tata, Chery, Foton, FAW, Lotus, Daihatsu, Bentley, Lamborghini, Kawasaki, Aprilla, Triumph.
In EAST AFRICA we recently secured the distribution rights for Nissan.

DIVISIONAL REVIEW > VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS

WHERE WE OPERATE

South Africa is the anchor market for this division. The South African market accounted for R23 611 million (87%) of revenue, R3 099 million (11%) of the division's revenue originated in Australia and R390 million in the rest of Africa region.

MARKET OVERVIEW

South Africa

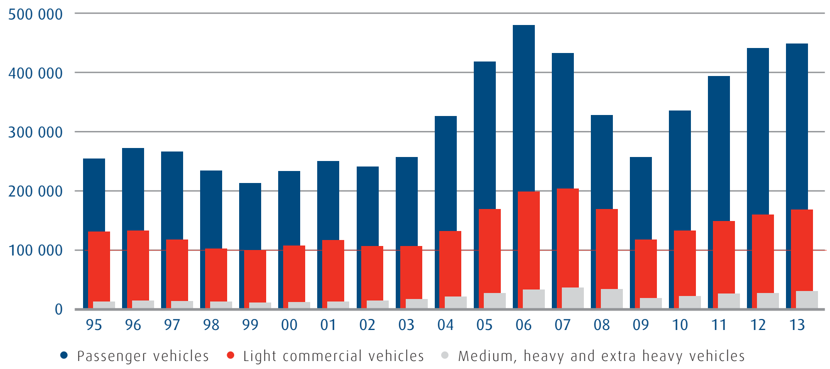
In 2014 we experienced tough trading conditions in the new motor vehicle market in South Africa, with the market down 2% for the 12 months to June 2014. The combined impact of reduced disposable income, interest rate increases, new vehicle price increases caused by a weaker currency and a high base created by strong volume growth over the last four years affected growth.

Industrial distribution in South Africa also remained a tough market, with forklift sales under pressure and unit sales for the market down 25% year-on-year.

Australia

The Australian new motor vehicle market contracted marginally over the past 12 months, with only the sport utility vehicle (SUV) segment, in which Ford is well represented, showing growth. The recent exit from manufacturing by Ford in Australia has prompted a change in the mix from rental to retail which impacted negatively on volumes. However, we anticipate improved margins as a result of this shift.

New vehicle sales in South Africa (1995 – 2013)



Source: NAAMSA data

STRATEGY OVERVIEW

The division benefits from its exclusivity as an importer and distributor, as well as its extensive dealer footprint that is largely owned by Imperial. Together with our financial services businesses this enables us to capture margin at virtually all points in the motor value chain.

We believe this is a robust model and aim to grow and diversify our brand portfolio further by concluding additional distribution agreements with manufacturers. This will be done either though existing brands in new regions or new brands in existing regions (as with low-cost brands introduced into South Africa from India and China with the emerging consumer in mind and a distribution contract recently concluded with Nissan for East Africa).

This division imports its products in Dollars, Pounds, Euros and Yen. The bulk of the purchases are in Dollars.

We aim to grow aftersales parts and services revenue, which is generated through the growing motor vehicle parc sold through our distribution network. In turn, this generates business in our financial services division, as we improve retention of clients and further develop our market for value-added motor-related products.

There is inherent cyclicality in these businesses, which rely on the new motor-vehicle market, and in the case of vehicle imports, can be impacted by rapid movements in the exchange rate. To offset this cyclicality, earnings from parts and services and financial services and products provide annuity revenue to underpin the vehicle distribution and dealerships business.

DIVISIONAL **REVIEW** > **VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS** – CONTINUED

FINANCIAL AND OPERATING PERFORMANCE

Results overview

The division faced difficult trading conditions and was under pressure during the year. A significant weakening in the currency, interest rate increases, a slowdown in vehicle sales and a more competitive market impacted volumes and margins.

Excluding the Australian operation, new vehicle registrations, as reported to the National Association of Automobile Manufacturers of South Africa (NAAMSA) by Associated Motor Holdings (AMH), Amalgamated Automobile Distributors (AAD), Tata, Mitsubishi and Renault, were 0,4% higher, compared to a market that declined 2%. Renault volumes were not included in the prior year, as it was an associate.

As a South African importer, the division's profits were severely depressed by the weakening of the Rand during 2013. The 25% to 30% decrease in the value of the Rand against the relevant basket of currencies between January and December 2013 had a direct and dramatic impact on the cost of new vehicles. However, existing inventories and forward cover on the currency delayed the impact on margins for approximately six to nine months. As new inventory flowed through to the point of sale, the required price increases sequentially depressed competitiveness, volumes, margins and profitability.

Higher new vehicle prices and affordability drove motorists to pre-owned vehicles, which experienced moderate growth. Consistent sales of our exclusive imports in recent years have increased the motor vehicle parc, establishing a higher base for the provision of aftersales parts and services by the dealerships. Revenue streams from aftersales parts and service improved, with the provision of services up 18% for the year.

Renault became a subsidiary of this division with effect from 1 December 2013 and performed in line with expectations.

Although second half performance improved in Australia, new motor vehicle sales declined 14% as we altered the sales mix from rental to retail sales. Pre-owned sales declined 12%.

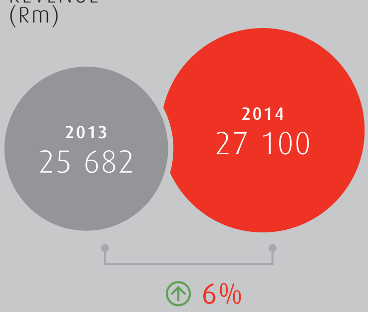
Net capital expenditure reduced 15% to R714 million (2013: R844 million) as a result of lower investment in properties compared to the prior year.

RESULTS OF OPERATIONS

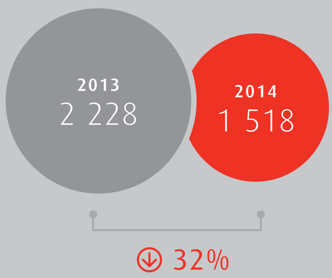
R million	H1 2014	% change on H1 2013	H2 2014	% change on H2 2013	2014	2013	% change on 2013
Revenue	**13 378**	2,7	**13 722**	8,4	**27 100**	25 682	5,5
Operating profit	**934**	(18,8)	**584**	(45,8)	**1 518**	2 228	(31,9)
Margin (%)	**7,0**		**4,3**		**5,6**	8,7	
Return on invested capital (ROIC) (%)					**11,5**	21,5	
Weighted average cost of capital (WACC) (%)					**9,1**	9,0	
Weighted average invested capital					**9 454**	7 461	

KEY DATA

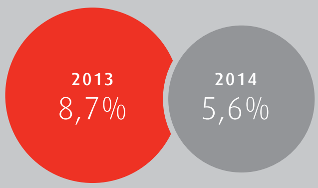
REVENUE
(Rm)



OPERATING PROFIT
(Rm)



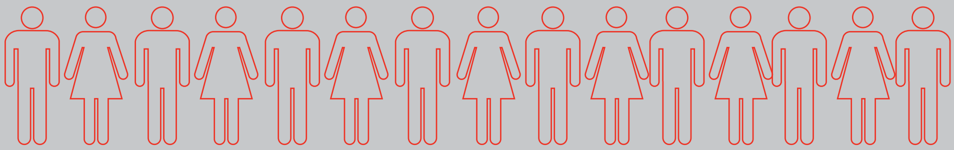
OPERATING MARGIN
(%)



NUMBER OF EMPLOYEES

7 462

2013: 7 148
CHANGE: 4%



NUMBER OF NEW VEHICLES SOLD (SA)

90 937

2013: 90 571
CHANGE: 0.4%

PRE-OWNED VEHICLES SOLD (SA)

38 754

2013: 37 161
CHANGE: 4%

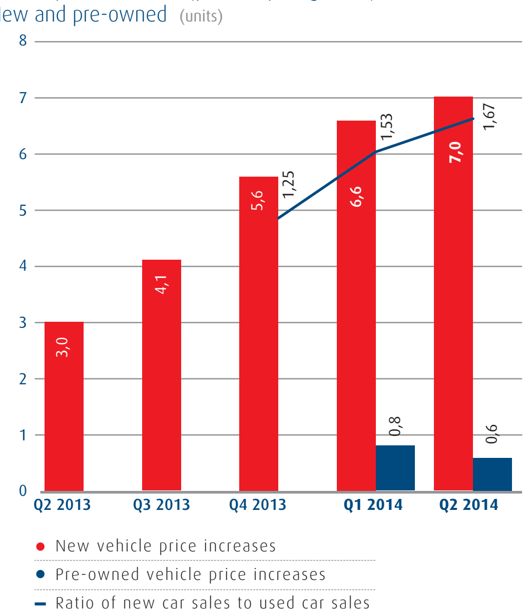
DIVISIONAL **REVIEW** > VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS – CONTINUED

[What were the major challenges during the year?]

The impact of **the rapid depreciation and sustained weakness of the Rand, in tandem with a slowing market for new vehicles**, was the major challenge for the vehicle distribution business in 2014. As an importer of vehicles, margins are under pressure in a weak Rand environment, as price increases cannot be passed through immediately. However, the fundamentals of this business are sound and we have developed and maintained excellent relationships with our principals. We also benefit from a growing motor vehicle parc, which contributes to the growth of parts and services and pre-owned vehicle sales. These sectors of the business tend to be more resilient in an environment where new vehicle sales are under pressure.

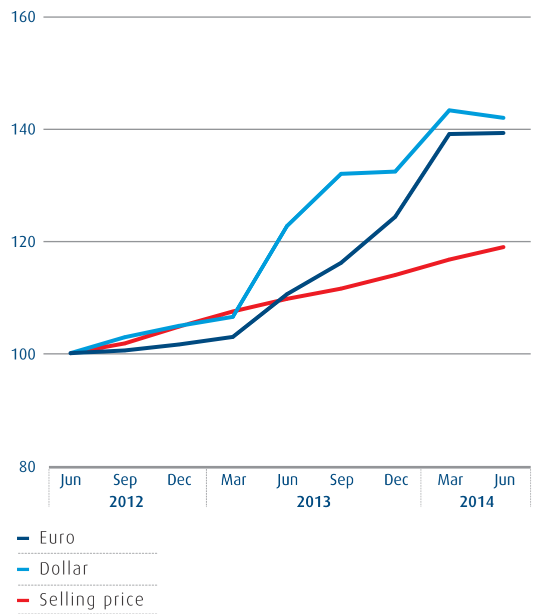
Like other businesses in this area, **we have experienced increased regulation, including for example the Protection of Personal Information Act (POPI)**. Although we support this development, it does add complexity to our business, particularly as we increase the extent to which we operate in the electronic space. We have invested in systems to ensure compliance with the Act.

Vehicle price increases (year-on-year growth)
New and pre-owned (units)



Source: Transunion

Exchange rate impact on imported brands (%)



[What did we achieve during the year?]

2014 was a challenging year for the industry. However, we took advantage of opportunities to:

> **Acquire a further 11% shareholding in Renault South Africa for R65 million**, in line with the strategy of adding more imported brands to our existing distribution network

> **Establish a small-scale assembly plant with support from Hyundai Korea** in South Africa. This was a clear demonstration of Hyundai's commitment to South Africa and to our partnership with them

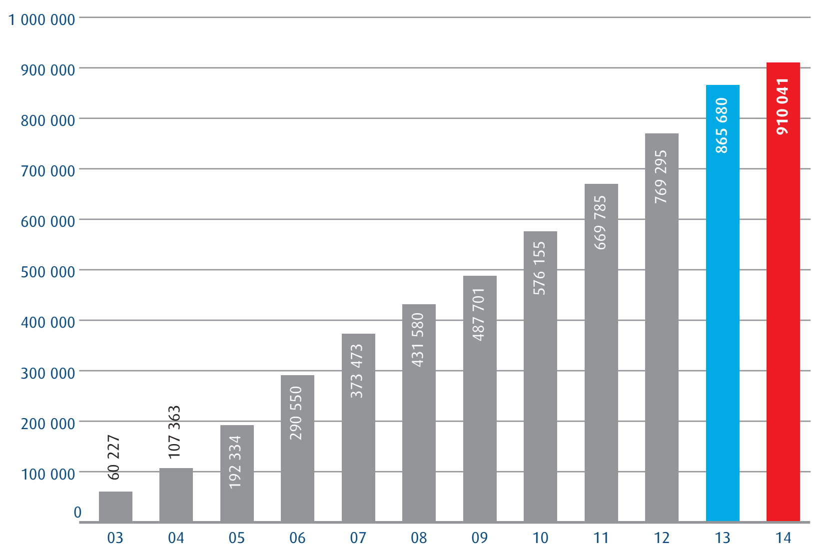
> **Strengthen our position in aftersales parts and services.** Our motor vehicle parc has doubled over the last five years (see graph below)

> **Increase our understanding and penetration of web-based motor vehicle sales**. Consumers currently search for vehicles online, but still tend to prefer to buy vehicles through a physical dealership. We are active in the online market and constantly rework our offer to develop web-based sales formats which are more closely tailored to consumers' needs

> **Refocus our Australian business to capture the most profitable section of the market.** The withdrawal of Ford manufacturing from Australia created an opportunity for us to refine the sales mix to ensure we derive maximum value from our dealerships in this competitive market

> **Successfully expand into the rest of Africa,** which includes the recent conclusion of a distribution contract with Nissan East Africa

Growing vehicle parc of Imperial's exclusive imported brands



[Where do we still need to focus our attention?]

Tougher conditions are expected in the new vehicle market, which will affect volumes and margins. We will continue to work with our principals to mitigate the impact of these conditions, where possible, reviewing purchasing practices and managing currency risk more effectively to ensure we remain competitive. We protect our margins with controlled pricing, better foreign exchange management and review our product mix continually to focus on the most successful products and brands. Revenue and operating profit are underpinned by a growing motor vehicle parc and increased penetration of aftersales parts and services.

As with other businesses in South Africa requiring skilled employees, we have a mobile workforce. We therefore continually focus on **measures to increase employee retention.** Training remains a key issue, with employees benefiting from our wide range of courses, including sales, product, parts and service training. In total, 223 artisans were trained during the year. Incentive programmes aimed at retaining skilled employees are continuously reviewed.

As demand in our main market South Africa is currently stable, the **onus is on our business to re-invent itself continually.** During leaner years for consumers, we need to find ways of making vehicles more affordable. In all markets, the focus is on making vehicle purchases easy for consumers, including by capitalising on private leasing.

"We have many partnerships and our business is a cake with many ingredients. We own the complete vehicle value chain – with the exception of vehicle transport. The same policy applies to our forklift and industrial business."

***MANNY DA CANHA,** CEO Vehicle Import, Distribution and Dealerships*

FUTURE GROWTH PROSPECTS

The biggest challenge in the new financial year will be to **pass on the dramatic currency-induced increases in the cost of imported new vehicles, while remaining competitive in a slowing market.**

We anticipate **trading conditions in the new motor vehicle market to remain tough.** Reduced disposable income, interest rate increases, a significantly weaker currency and the high base created by strong volume growth over the last four years all present headwinds affecting margins and growth.

While our inventory position has improved, we expect the market to be more competitive, as market conditions become more challenging. As an importer of vehicles, we expect **margins to remain under pressure** as the currency remains weak and price increases cannot be passed through immediately.

As a result of new vehicle price increases, the **pre-owned motor vehicle market should improve further and aftersales parts and service revenues will continue benefiting from the increase in the installed base of vehicles** in the brands we represent exclusively. Our aftersales parts and service business will continue to grow as our motor vehicle parc increases. However, the main opportunity for significant growth lies in adding brands to our current distribution platform and taking advantage of downstream opportunities like parts, servicing and financial services.

We believe that the **private motor vehicle leasing model** has potential for growth, and are working to refine and expand our offering to this market through a joint venture.

Over the longer term we are positioning ourselves to take advantage of the growth of **vehicle sales in the rest of Africa.**

Finally, our **investment in people, systems and technology** will create competitive advantage now and for the future as technology plays an increasingly important role in the automotive value chain.


KIA MOTORS

VEHICLE

RETAIL, RENTAL AND AFTERMARKET PARTS

VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS

In the start of a recent drive to eliminate complexity in the management and reporting of Imperial, the car rental and aftermarket parts businesses were combined with the automotive retail division. The combined division is now referred to as Vehicle Retail, Rental and Aftermarket parts. Prior years' comparatives have been restated accordingly.

DIVISIONAL STRUCTURE

Vehicle retail

PASSENGER DEALERSHIPS

We own and operate a network of 86 motor vehicle and motorcycle dealerships in South Africa, all of which are also distribution channels for financial services, products, insurance, vehicle servicing and parts.

COMMERCIAL DEALERSHIPS

In the commercial sector, we own and operate 20 dealerships in South Africa.

In the UK, commercial vehicles are sold through 38 franchised dealerships. These represent major brands and provide light, medium, heavy and extra-heavy vehicles, as well as related financial services, parts and servicing.

Car rental

CAR RENTAL

The car rental business operates under two brands, Europcar and Tempest. Tempest is focused on the price-sensitive market. Europcar, a premium brand, offers a full range of vehicles and operates throughout the SADC region. Europcar is the second largest car rental business operating in the region.

PRE-OWNED VEHICLES AND PANEL SHOPS

Rental cars are disposed of through Auto Pedigree, the largest pre-owned vehicle dealer network in South Africa, with 65 branches, as well as through Imperial Auto Auctions.

A chain of 18 panel shops approved by most OEMs maintains the car rental fleet and undertakes consumer repairs for insurance companies.

Aftermarket parts

The aftermarket parts business is mainly a distributor of general and hard (vehicle-specific) parts and accessories to the automotive industry through a network of approximately 522 owned and franchised stores.

Leisure

The business has six manufacturing operations (of which one is in Australia), eight depots and 36 retail outlets, as well as a number of approved agents). We manufacture and retail caravans, trailers, canopies, truck bodies and related products through Beekman Canopies and Jurgens.

THE FRANCHISED DEALERSHIPS IN SOUTH AFRICA REPRESENT A STABLE AND WELL-BALANCED PORTFOLIO OF LOCALLY-BASED OEMs, INCLUDING:

Audi, BMW, Chevrolet, Chrysler, Dodge, Fiat, Ford, Honda, Isuzu, Jaguar, Jeep, Land Rover, Lexus, Mazda, Mercedes-Benz, Mini, Mitsubishi, Nissan, Opel, Renault, Smart, Toyota, Volkswagen, Volvo and BMW and Honda motorcycles.

Our network of dealerships is one of the largest in South Africa.

THE COMMERCIAL SEGMENT BENEFITS FROM A GOOD DEALER FOOTPRINT AND A STRONG PORTFOLIO OF MAJOR BRANDS IN SOUTH AFRICA:

Freightliner, FUSO, Hino, Hyundai, Isuzu Trucks, Mercedes-Benz, Tata, UD Trucks and Western Star International, Nicholas and MAN (service and parts only).

IN THE UNITED KINGDOM:

DAF, Fiat, Ford, Hino, Isuzu Trucks, Mercedes-Benz, Nissan and Volkswagen. MAN and Renault Trucks (service and parts only).

THE FOLLOWING BRANDS ARE REPRESENTED IN THE LEISURE SECTOR:

Campworld, Beekman Canopies, Gypsey, Howling Moon, Jurgens, Jurgens Safari, Sprite, Safari Centre, WJ Motorhomes.

DIVISIONAL REVIEW > VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS

This division was restructured during the year to ensure continued focus and strategy, simplify the group structure and eliminate complexity. Going forward, it will include the aftermarket parts business and the car rental business, which were previously managed separately.

The vehicle retail business is relatively stable and benefits from a well-diversified portfolio of brands, albeit in a competitive retail market. The division is a franchisee of major brands, and in this sector strategic positioning is driven by a well-balanced portfolio of brands, prime dealer locations and the quality of front-line sales.

WHERE WE OPERATE

The largest geographic market is South Africa, which accounted for 84% of the division's revenue and 91% of operating profit in 2014. It undertakes some business in the rest of Africa through Beekman Namibia and Europcar, which has branches in Botswana, Namibia, Swaziland and Lesotho.

Since 2006, our operations have also included the United Kingdom where we retail commercial vehicles and provide parts, servicing and financial services to clients from 38 truck and van dealerships. We have 64 franchised aftermarket parts stores outside South Africa.

We are active in the Australian market to which we export kits and where caravans are manufactured, assembled and sold. The Australian caravan market is more than ten times larger than the South African market and represents a growth opportunity for this sector of the business.

MARKET OVERVIEW

As noted in the market overview for the Vehicle, Import Distribution and Dealership division, the new passenger vehicle market experienced difficult trading conditions. Partially offsetting these trends, pre-owned vehicle sales benefited from higher new vehicle prices. Aftersales parts and service revenues increased due to growth in the installed base of vehicles.

Commercial vehicle sales in South Africa reached a post-2008 record and showed growth of 9% year-on-year, but are still below the levels experienced between 2005 and 2008.

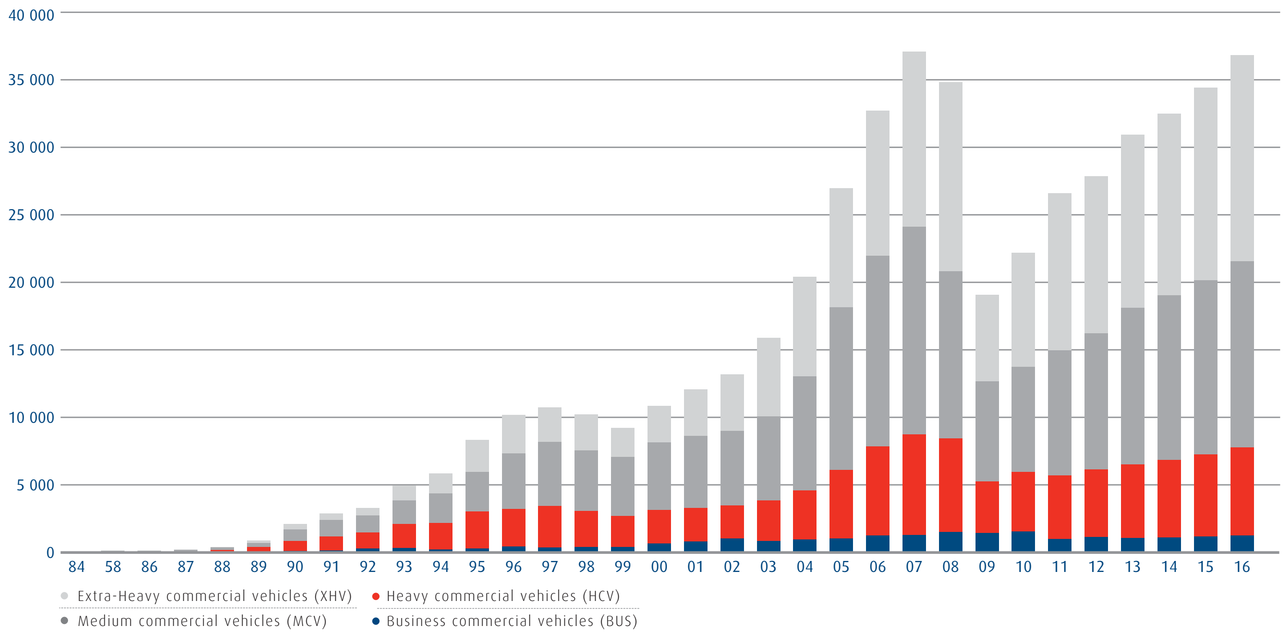
The **car rental** sector remains highly competitive. Over the last two years, growth in the car rental segment has slowed and, during 2014, the group experienced a drop in the length of the average rental due to a tighter economic environment.

The replacement and international sectors of the market, in which we are well represented, grew ahead of the corporate and government sectors, which contracted during the year. Corporate and government volumes are down since the peak achieved in 2012. International prices are marginally lower than levels achieved in 2010, despite a significant depreciation in the Rand.

We expect this industry to remain competitive in South Africa, with major industrial companies materially invested in car rental vehicles and infrastructure.

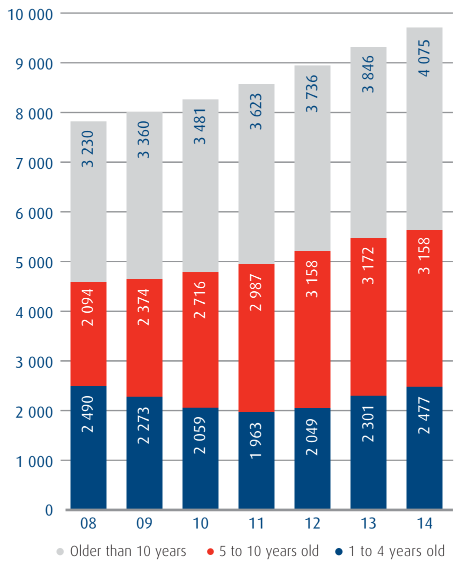
The **aftermarket parts** business focuses on the sale of aftermarket parts for vehicles which are between five and ten years old. In 2014, this represented 33% of the vehicles on the road in South Africa, up from 27% in 2008. The potential market for the business' products will lag the strong new vehicle growth which occurred from 2010 – 2013.

South African industry commercial vehicle sales



Source: Lightstone Auto Vehicle Parc Statistics 2014 (NAAMSA)

Total parc (self-propelled, excluding motorcycles)
('000)



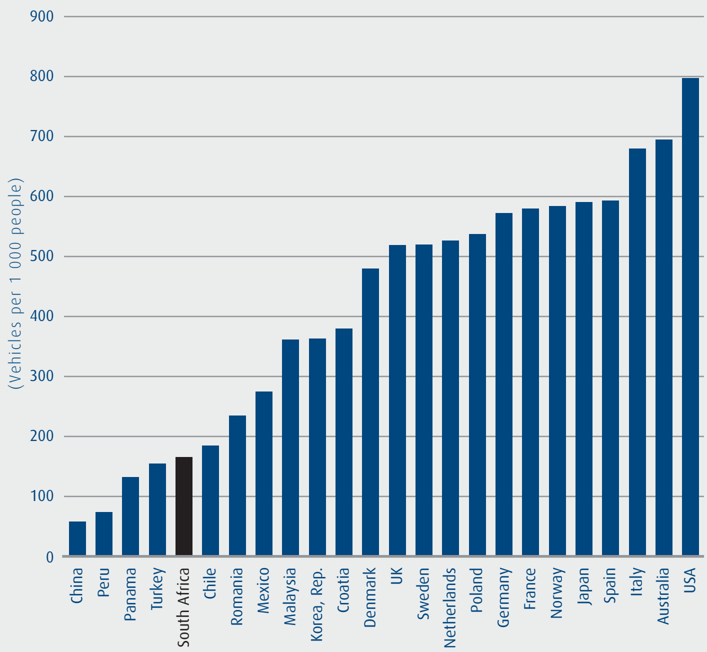
Data source: Econometrix Pty Ltd, 03 April 2013.
Ageing calculations done internally from source data

Longer term trends in the South African passenger vehicle market

In South Africa, the **passenger vehicle market is relatively stable** and growth in new motor vehicle sales is likely to continue to track economic and employment growth.

However, the **penetration of vehicle sales in South Africa is low**, approximately in line with other emerging markets. We therefore see significant upside to the market as the income of emerging consumers increases to the point of being able to afford a motor vehicle.

Vehicle penetration – South Africa versus other markets



Source: World Bank, UBS estimates

The **lack of public transport infrastructure** means that motor vehicles are likely to remain important to consumers.

Financing of both new and pre-owned vehicles in South Africa is a critical aspect of the purchase process. In our largest market of South Africa, company vehicles are the exception rather than the norm, as the workforce is highly mobile and likely to remain so. Individuals therefore tend to purchase their own vehicles, and will take out finance on an individual basis. A significant portion of new and pre-owned vehicles are financed.

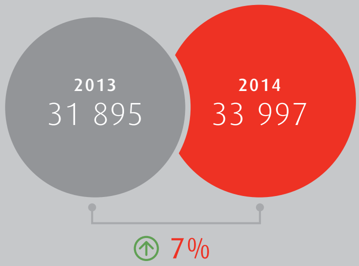
DIVISIONAL REVIEW > VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS – CONTINUED

RESULTS OF OPERATIONS

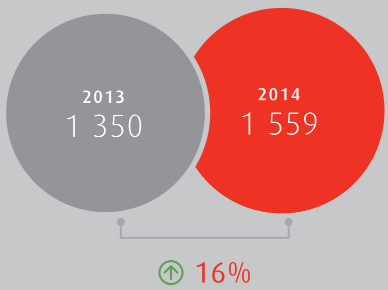
R million	H1 2014	% change on H1 2013	H2 2014	% change on H2 2013	2014	2013	% change on 2013
Revenue	17 519	11,8	16 478	1,5	33 997	31 895	6,6
Operating profit	740	14,2	819	16,7	1 559	1 350	15,5
Margin (%)	4,2		5,0		4,6	4,2	
Return on invested capital (ROIC) (%)					15,8	13,6	
Weighted average cost of capital (WACC) (%)					9,5	8,6	
Weighted average invested capital					7 506	7 197	

KEY DATA

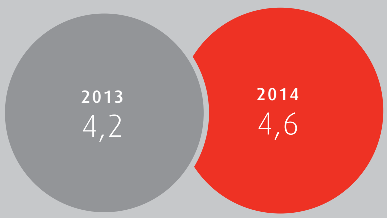
REVENUE (Rm)



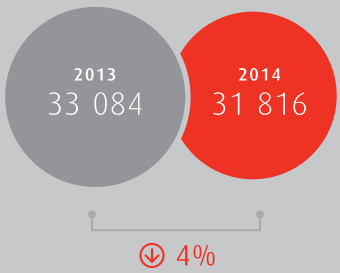
OPERATING PROFIT (Rm)



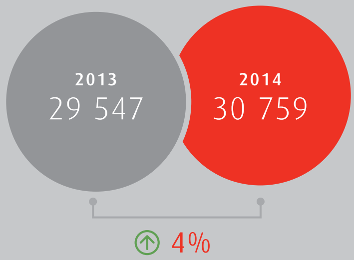
OPERATING MARGIN (%)



NUMBER OF NEW VEHICLES SOLD (SOUTH AFRICA)



NUMBER OF PRE-OWNED VEHICLES SOLD (SOUTH AFRICA)



CLOSING NUMBER OF RENTAL VEHICLES

2013: 17 602
CHANGE: ↓ 13%

NUMBER OF EMPLOYEES

11 761

2013: 12 188
CHANGE: ↓ 4%

STRATEGY OVERVIEW

The division's competitive advantages include its position as the largest automotive retailer in South Africa and its established relationships with 14 leading original equipment manufacturers (OEMs), whose export initiatives ameliorate currency movements.

Our retail operations represent almost all major vehicle brands in South Africa and we benefit from scale and the inclusion of a broad spread of motor-related products and services in our portfolio.

We own 85% of our facilities, many of which benefit from prime locations. Our products offer a mix of passenger and commercial vehicles, which provide diversification.

Our investments in people ensure that our sales interface is a point of differentiation. In terms of technical skills, we invest continually in artisanal skills. For example, we run the largest private technical training network for trades in South Africa.

FINANCIAL AND OPERATING PERFORMANCE

Results overview

The division had a pleasing year with good growth in both revenue and operating profit. In South Africa, passenger vehicle volumes were subdued, performing in line with the market, but affected somewhat by industrial action during the period.

Passenger vehicle revenue grew as a result of an improved sales mix and new vehicle price inflation. Commercial vehicle unit sales growth in South Africa was strong in line with the market's 9% year-on-year increase.

Operations in the United Kingdom performed well, with commercial new vehicle unit sales increasing 29% to 4 836 and pre-owned vehicles 14% up to 1 033 units. Orwell, acquired in the second half of 2013, made a full-year contribution and is performing in line with expectations. The translation effects of a weaker Rand exchange rate assisted the growth in Rands.

Aftersales parts and services showed good growth, despite the negative effects of the industrial strike action in South Africa in the first half, which suppressed parts supply and delivery. Revenue from services grew 17%, while price and volume increases contributed to improved parts revenue. The significant increase in new vehicle sales over the last few years has increased the potential for future aftersales parts and services revenue for the division.

The car rental business performed satisfactorily. The decision to target higher quality business resulted in revenue days declining 10% and revenue per day increasing 5%. Utilisation declined slightly and the average fleet size was reduced to enhance returns. International volumes improved as tourism was stimulated by targeted sales initiatives and the weaker currency.

Retail unit sales at Auto Pedigree were higher and the business improved its performance significantly on the prior year. The panel business was affected in the first half by strike action which depressed an otherwise solid performance for the year.

The aftermarket parts business performed satisfactorily in a competitive and mature market. Price increases as a result of the weakening in the Rand assisted revenue growth.

Net capital expenditure reduced by 39% to R614 million (2013: R1 012 million) due to the reduced car rental fleet and the sale of properties in the vehicle retail business.

[What were the major challenges during the year?]

PASSENGER VEHICLE DEALERSHIPS

A subdued new South African vehicle market dampened the business' otherwise good performance during the year. In response, we maintain a continual focus on cost control and review our dealership footprint constantly to ensure we remain competitive. Revenues are underpinned by a diversified portfolio of brands, and increased penetration of aftersales parts and services and a good mix of commercial and passenger vehicle sales.

Due to our scale in the market, we frequently **manage competitive brands with divergent requirements**. Our revised structure facilitates the process of ensuring that we have the right skills to manage a diverse brand and product portfolio.

We continue to experience a shortage of key skills, including artisan labour. We therefore maintain our investments in training and development, particularly in the training of apprentices, with approximately 800 apprentices trained at the Imperial Technical Training Centre in 2014.

COMMERCIAL DEALERSHIPS

The South African commercial market performed well and a key driver for this business is the potential for government infrastructure development in South Africa and the rest of Africa.

In the United Kingdom commercial market, the switch in the market to Euro 6 vehicles was a key driver for unit sales growth in the first half. A recovering economy also assisted volumes.

LEISURE AND RENTAL

Labour action at our manufacturing business in South Africa had a material impact on this business as production was effectively halted for a four-week period during the year. A multi-year agreement has now been put in place with the major unions on site.

The major strategic project undertaken during the year in the car rental business was the **replacement of the reservation and accounting system, called 'Project Evolve'**. The project's objective is to modernise the system and enhance functionality to improve fleet utilisation, cost savings, operational efficiencies and enable the business to exploit synergies on the basis of better business information. The system was launched in July 2014 in Tempest and will be rolled out in Europcar at the beginning of the 2015 calendar year.

"The shift into electronic media has changed the interface with the customer on the floor. The profile of our salesperson has therefore changed dramatically, as we need to keep ahead of this trend."

PHILIP MICHAUX: CEO, VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS

DIVIDED REVIEW > VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS – CONTINUED

What did we achieve during the year?

The division posted a **good set of results**, despite a challenging environment.

Our **restructuring was completed** to split passenger and commercial vehicle sales. These separate management teams allow for greater focus on each product sector and stronger benchmarking and managing of internal performance measures.

In car rental, systems benefits have been introduced in the de-fleeting process where it has been possible to significantly reduce the lead time for readying vehicles for sale, with a commensurate impact on costs and margins. We also changed our business mix by exiting low-margin sectors of the business.

Auto Pedigree benefited from new vehicle price inflation as first time buyers found good value from pre-owned vehicles.

The **turnaround initiatives in our panel shops** are starting to bear fruit and we are positioning this business for future growth.

Where do we still need to focus our attention?

PASSENGER VEHICLE DEALERSHIPS – SOUTH AFRICA

Given that the South African passenger vehicle market is not expected to grow during the coming year, our focus will remain on maximising the efficiencies in the business, particularly in the aftersales departments. Effective working capital management will remain critical to this business' continued achievement of acceptable returns on invested capital. Investments in new facilities will be based on their ability to enhance the returns of the business. We will also focus on pre-owned motor vehicle sales as this market should benefit from new vehicle price increases.

COMMERCIAL DEALERSHIPS

Although the recent strikes have been disruptive, the commercial vehicle market remains strong. This presents an ongoing opportunity for the premium brands which we represent and which have excellent products for this market.

LEISURE

The leisure business is exposed to the challenges facing the current South African labour market. With its manufacturing facilities, the business is vulnerable to industrial action in most sectors.

Management of the business embarked on active training and information sessions to ensure good labour relations practices are in place at sites.

AFTERMARKET PARTS AND RENTAL

A critical initiative in the forthcoming period is the **construction of the new Midas head office and distribution warehouse** in Longmeadow, Johannesburg. The new warehouse will represent a consolidation of operations from three existing distribution centres. A state-of-the-art warehouse management system will be installed following this move and will drive further efficiencies in securing parts availability and reducing working capital. We anticipate benefits flowing from this initiative from 2016.

In the **aftermarket parts business**, we will focus on expanding our distribution footprint and product range.

The **management of working capital** remains a key focus area, as does securing the availability of imported parts through partnerships with key suppliers.

In the car rental business, the **successful implementation of the IT system** remains a key management priority, as it represents a fundamental part of achieving efficiencies in our car rental business. In this competitive market we also remain focused on tight capital management and on improving returns from vehicle utilisation.

FUTURE GROWTH PROSPECTS

In the **passenger vehicle market** in South Africa, the business is stable and the market is relatively mature. Opportunities for growth are limited without a step change in vehicle sales volumes, which is likely to take place only on the back of economic and employment growth. The scale of our automotive retail business, as well as the advantage it enjoys from the ownership of prime dealer sites and an excellent brand portfolio, provides a degree of margin protection.

We see further **potential in the commercial vehicle market in South Africa**, both in adjustments to the business to derive further value from existing operations, as well as market growth.

The **UK business is starting to benefit from the market recovery** and we are looking at potential opportunities to expand through acquisitive growth.

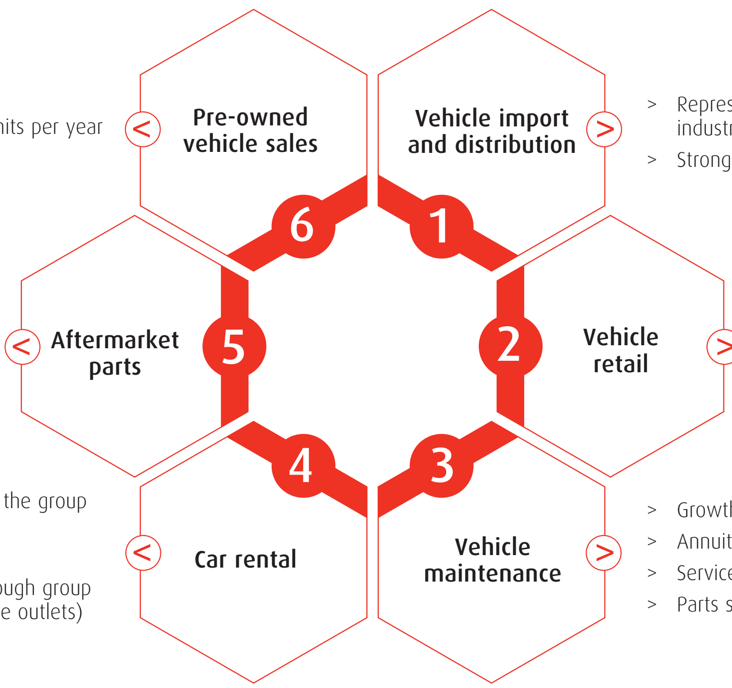
Revenue from the leisure sector is anticipated to be stronger going forward as results in South Africa were negatively impacted by labour action in the 2014 financial year. We hope to see growth in the export and assembly of caravans in the Australian market, which at approximately 20 000 units per year is more than ten times larger than the South African market.

The rest of Africa represents a potential opportunity for the **aftermarket parts sales** as the bulk of the vehicles in service currently are pre-owned vehicles. Our model is to take stakes in businesses in promising markets and supply product into these distribution channels. We also see some opportunities for growth in our direct parts sales, as well as opportunities for operational efficiencies as a result of consolidation of our distribution and warehousing facilities in Johannesburg.

In our **car rental business** we will remain focused on ensuring that we realise the planned benefits from Project Evolve, improve utilisation and grow the topline.

Our **panel shops** are now better positioned for growth and **Auto Pedigree** will benefit from an improvement in the pre-owned vehicle market.

REVENUE CAPTURED FROM VEHICLE BUSINESSES



1 Vehicle import and distribution
- Represents 18 exclusive automotive and industrial brands
- Strong aftersales and service capability

2 Vehicle retail
- Major local and imported brands
- Extensive dealer network (256 new vehicle dealerships)
- Sells one in five new vehicles in SA
- Commercial dealerships
- Point of sale for financial services

3 Vehicle maintenance
- Growth in motor vehicle parc
- Annuity income
- Service and maintenance at dealerships
- Parts sales

4 Car rental
- Purchases vehicles from the group and local OEMs
- Rental of vehicles
- Disposes of vehicles through group outlets (65 Auto Pedigree outlets)

5 Aftermarket parts
- Parts, oils and accessories for vehicles outside maintenance and warranty plans

6 Pre-owned vehicle sales
- 67 000 units per year

FINANCIAL SERVICES

Imperial's financial services businesses create value by providing a substantial and growing client base with specialised and cost-effective motor-related financial services and products, both through Imperial dealerships and independent channels. Independent channels include non-Imperial dealerships, banks, direct sales and niche intermediaries, such as specialised brokers. These account for approximately 60% of the total product sales by revenue.

The insurance business also supplies life insurance products in the emerging market which are distributed through independent brokers, tied agents and affinity schemes.

The value proposition to clients is centred on responsive engagement at all stages of the vehicle lifecycle, supporting specific client needs with products which provide innovative and cost-effective ways to improve the vehicle ownership experience. Continuous investment in technology and automation is yielding operational efficiencies and provides detailed client insight data.

WHERE WE OPERATE

Whilst the majority of the business' revenue originates in South Africa, there are also substantial operations in Lesotho and Botswana which provide significant annuity revenue and add diversity to the division's income streams. In 2014, 16% of the revenue originated from outside South Africa.

From a client-facing perspective, a range of brands are used to promote the division's products, as shown below. One of the key drivers for generating business in the division is our relationship with the client. Our substantial client base provides opportunities for growth and leverage to generate annuity earnings.

FINANCIAL SERVICES

INSURANCE

- Regent Short Term
- Regent Life
- SA Warranties
- White-labelled OEM brands

MOTOR-RELATED FINANCIAL SERVICES PRODUCTS

- Liquid Cover
- Liquid Vehicle Finance
- Ariva
- 360 Plus
- Renault, Kia, Hyundai, Mitsubishi and various other motor-related financial services brands
- Imperial Fleet Management

Other businesses within the division are MiX Telematics, an associate company specialising in vehicle fleet telematics and stolen vehicle recovery systems.

KEY PRODUCTS AND SERVICES

INSURANCE

- Comprehensive cover for passenger and commercial vehicles
- Vehicle warranties
- Credit insurance
- Minor damage products, including paint, tyre and rim cover
- Goods in transit cover for the commercial vehicle sector
- Life insurance products
- Travel insurance
- Funeral policies

MOTOR-RELATED FINANCIAL SERVICES AND PRODUCTS

- Service and maintenance contracts
- Vehicle finance (through alliances)
- Vehicle leasing to private individuals (joint venture)
- Roadside assistance
- Rental solutions for buyers of our imported vehicle brands
- This division also acts as an intermediary and service provider for insurance products, telematics products and client satisfaction surveys
- Full maintenance leasing (through alliances)

DIVISIONAL **REVIEW** > FINANCIAL SERVICES – CONTINUED

RESULTS OF OPERATIONS

R million	H1 2014	% change on H1 2013	H2 2014	% change on H2 2013	2014	2013	% change on 2013
Insurance							
Revenue	**1 492**	(10,1)	**1 482**	(9,0)	**2 974**	3 287	(9,5)
Operating profit	**306**	13,3	**298**	24,2	**604**	510	18,4
Adjusted investment income	**168**	11,3	**108**	8,0	**276**	251	10,0
Adjusted underwriting result	**138**	16,0	**190**	35,7	**328**	259	26,6
Margin (%)	**20,5**		**20,1**		**20,3**	15,5	
Underwriting margin (%)	**9,2**		**12,8**		**11,0**	7,9	
Motor-related financial services and products							
Revenue	**563**	11,3	**603**	35,5	**1 166**	951	22,6
Operating profit	**237**	7,2	**240**	12,1	**477**	435	9,7
Margin (%)*	**42,1**		**39,8**		**40,9**	45,7	
Total Financial Services							
Revenue	**2 055**	(5,1)	**2 085**	0,6	**4 140**	4 238	(2,3)
Operating profit	**543**	10,6	**538**	18,5	**1 081**	945	14,4
Operating margin (%)	**26,4**		**25,8**		**26,1**	22,3	
Return on embedded value – life assurance (%)					**27,6**	21,5	
Return on invested capital (ROIC) (%)					**32,0**	31,4	
Weighted average cost of capital (WACC) (%)					**10,5**	12,2	
Weighted average invested capital					**2 127**	2 469	

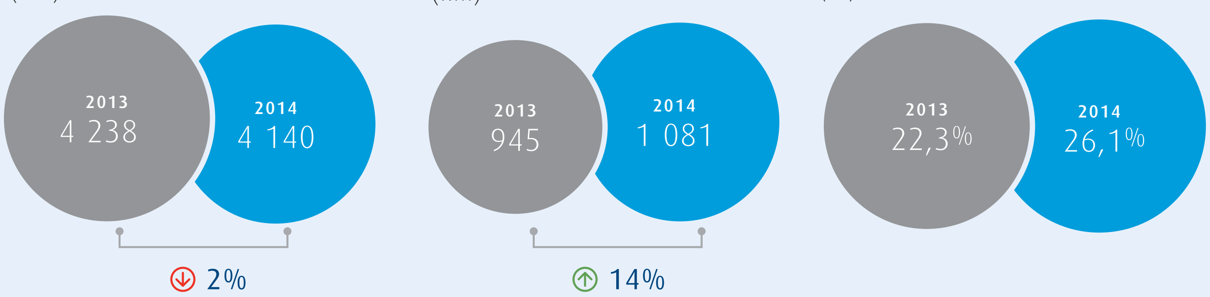
* *The operating margin for motor-related financial services benefits from investment income and profit share arrangements, including banking alliances, where we recognise profit, but for which there is no corresponding revenue.*

KEY DATA

REVENUE (Rm)

OPERATING PROFIT (Rm)

OPERATING MARGIN (%)



CAPITAL ADEQUACY RATIO – **SHORT TERM**

40,2%

2013: 46,2%

CAPITAL ADEQUACY RATIO – **LIFE**

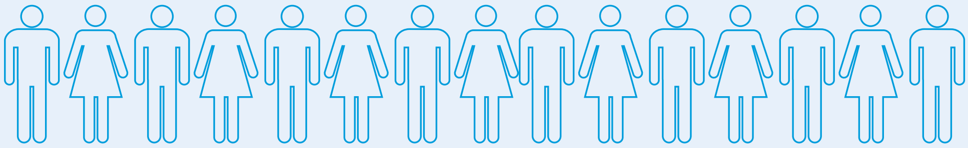
3,6 times

2013: 3,4 times

NUMBER OF EMPLOYEES

1 077

2013: 1 122
CHANGE: 4%



NUMBER OF POLICIES SOLD – SHORT TERM	NUMBER OF POLICIES SOLD – LIFE	NUMBER OF MAINTENANCE, WARRANTY AND SERVICES CONTRACTS SOLD	MAINTENANCE, WARRANTY AND SERVICES CONTRACTS BOOK (RM)
288 717	112 005	150 961	2 810
2013: 302 628	**2013:** 94 557	**2013:** 151 265	**2013:** 2 592
5%	18%		8%

MARKET OVERVIEW

Insurance underwriting conditions in the short term industry improved in the second half. The first half of the financial year was impacted by adverse weather conditions. The termination of certain loss-making books of business contributed positively, resulting in the underwriting margins improving when compared to the prior year. Equity markets were favourable and resulted in higher investment returns.

Credit availability and approval rates remained stable during the year. As a result, the advances book generated through alliances with banks grew encouragingly. We were however negatively impacted by more conservative impairment provisions in the vehicle financing alliances and the maintenance funds were impacted by higher parts costs as a result of the weaker Rand exchange rate.

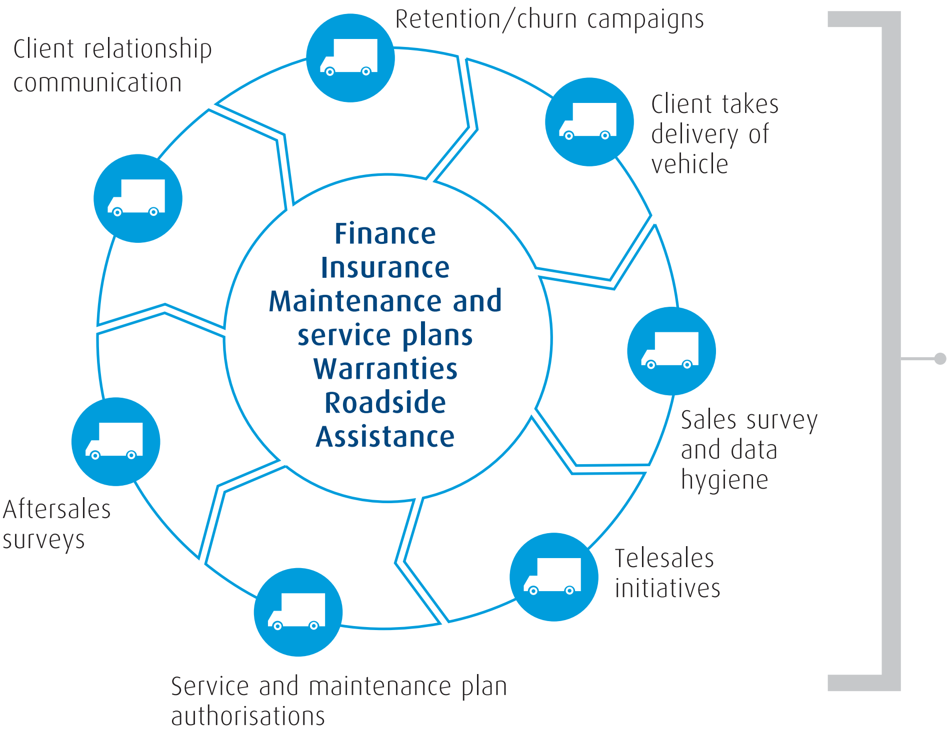
DIVISIONAL **REVIEW** > FINANCIAL SERVICES – CONTINUED

STRATEGY OVERVIEW

The core value proposition of the group is the integration of motor-related financial products and services into the vehicle value chain, complementing the offerings of the dealer, manufacturer and finance house. The start of the client lifecycle is the vehicle sale on the dealer floor.

However, an equally critical factor in the division's success is the growth and retention of its client base through the innovation of new products and through accessing new sales channels. This requires insights into the vehicle ownership behaviour of clients and the ability to apply these insights to generate sales through direct marketing initiatives. This effort is supported by a sophisticated approach to customer relationship management (CRM), including an extensive IT infrastructure and business intelligence tools.

BASIS FOR IMPERIAL'S LEADERSHIP IN MOTOR-RELATED FINANCIAL SERVICES



INSURANCE AND MOTOR-RELATED FINANCIAL PRODUCTS AND SERVICES

- > Extensive retail network provides scale and points of sale for the group's financial services business
- > Market intelligence and a basis from which to grow demand for existing products and services
- > Develop new products and services

Alignment with the Imperial group's vehicle businesses

The opportunities created through alignment with Imperial's vehicle businesses are significant:

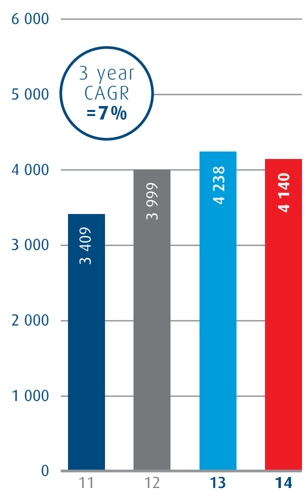
> The group's dealer network in new and pre-owned vehicles remains a key distribution channel for the sale of the group's financial services and products, providing both scale for the financial services business and market intelligence

> This allows us to improve client retention in the broader group, as we are able to provide tangible benefits which enhance clients' vehicle ownership experience

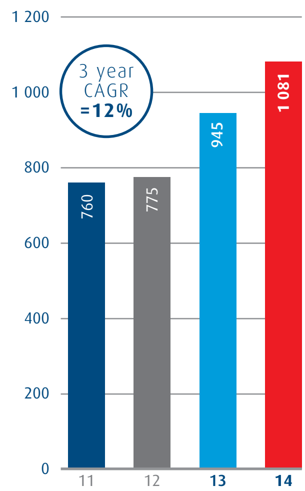
> Sales through Imperial group channels generate revenue in the network of Imperial group companies, such as vehicle servicing, repairs and parts

> Revenue streams from financial services contribution to the group have grown rapidly and provide valuable annuity earnings. In 2014, operating profit from financial services was 17% of the group's total operating income

Revenue (R million)



Operating profit (R million)



FINANCIAL AND OPERATING RESULTS

RESULTS OVERVIEW

The division delivered an excellent result, achieving operating profit growth of 14%.

Insurance underwriting conditions in the short term motor industry improved in the second half. This, together with Regent's decision to focus on its core markets and distribution channels, and to exit non-performing classes of business, increased underwriting performance by 27%, with underwriting margins improving from 8% to 11% despite the expected 10% reduction in revenue.

Buoyant equity markets led to higher investment returns. The division continues to manage its equity position prudently and reduced equity exposure in the second half to mitigate downside risk. Regent's other significant product lines in short term insurance performed well, with improved penetration in a slowing new vehicle market. Regent Life performed well, with underwriting profit up 19% for the year, largely as a result of the Individual Life funeral book where gross premium income grew by 22%. Regional business beyond South Africa continues to contribute meaningfully to the division.

Motor-related financial services and products grew operating profit by 10%, 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.

DIVISIONAL **REVIEW** > FINANCIAL SERVICES – CONTINUED

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 and 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, is performing in line with expectations in a market with high growth potential.

Net capital expenditure in this division mainly relates to vehicles for hire. In the current year, net R278 million was invested in the fleet, compared to net proceeds received of R237 million in the prior year. In the prior year, certain of these vehicles were leased through one of our banking alliances resulting in a cash inflow, whereas in the current year we acquired these vehicles by making use of our banking facilities.

WE HAVE ENTRENCHED OURSELVES AS **A LEADING PROVIDER OF MOTOR-RELATED INSURANCE PRODUCTS** ON THE BACK OF OUR STRONG DISTRIBUTION NETWORK, PARTNERSHIPS AND INNOVATIVE APPROACH TO PRODUCT DEVELOPMENT.

[What were the major challenges during the year?]

For the insurance business, **the motor vehicle cycle was challenging during the year**, with hail and adverse weather patterns impacting negatively on performance. We have continued to refine the mix of our business in the insurance sector, ensuring that we exit product lines which are not profitable and reducing exposure to other less attractive or more volatile segments. We are starting to see the benefits of this process filtering into the division's results.

In a deteriorating economy, the insurance industry tends to experience **higher lapse rates.** We have worked hard to maintain our lapse rates in line with previous years. We have focused on quality, achieving 22% growth in the life insurance business without pursuing contracts which were not sustainable. We measure the size of the client base, not just the growth of new policies, to ensure that we retain clients and focus energy on our value proposition to the end user.

This **industry is highly regulated** and in the period under review we invested time and resources in ensuring that our businesses are fully compliant with existing legislation and aligned with the evolving regulatory framework. Key regulatory developments include the Protection of Personal Information (POPI) Act and regulation relating to Solvency Assessment and Management (SAM) and Treating Customers Fairly (TCF).

[What did we achieve during the year?]

We have entrenched ourselves further as a **leading provider of motor-related insurance products** on the back of our strong distribution network, partnerships and innovative approach to product development.

We are also starting to see the **benefit of the streamlining of our business** and a rationalised product portfolio which is less subject to market volatility.

Lead generation and sales through our **direct marketing channel** grew significantly during the year, particularly as a result of investment in online marketing.

We have deepened our **capability in engaging with consumers on digital platforms**, including for example with the launch of a new mobile application which provides significant additional value to approximately one million clients using roadside assistance.

[Where do we still need to focus our attention?]

We will engage substantially on two areas in the forthcoming period.

1 The first is the need to further **integrate the financial services business within the Imperial vehicle value chain**, ensuring clients' vehicle needs are fully catered for throughout the lifecycle, and client retention is improved.
This requires us to ensure that the client experience of our products and services is consistently excellent throughout the vehicle lifecycle, enabling us to move beyond a purely transactional relationship with the client.

2 The second area of focus is the **need to maintain and improve cost efficiency in the face of increasing regulation in our industry**, which we will achieve through investment in IT and business processes.

FUTURE GROWTH PROSPECTS

The growth in the underlying books of business in financial services will be impacted by slower growth in the new vehicle market. However, financial performance will be underpinned by the strong annuity revenue streams that flow from the installed base of business it has generated in the last few years.

We will continue to identify growth opportunities in financial services by leveraging off our current distribution platform, improving retention, targeting new channels and innovating new products.

GOVERNANCE

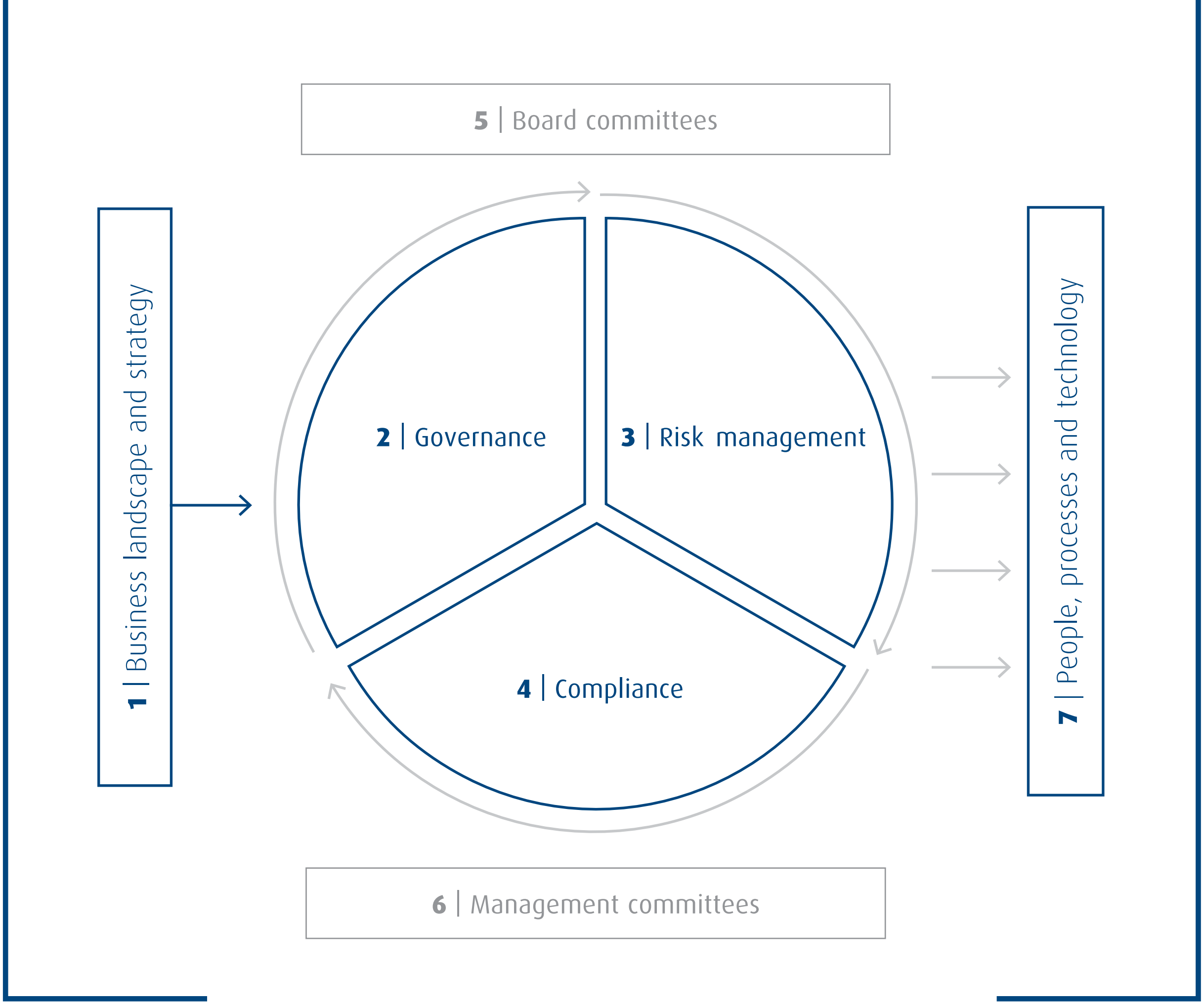
CORPORATE GOVERNANCE

GOVERNANCE > CORPORATE GOVERNANCE REPORT

INTRODUCTION

The principles contained in the King Code of Governance (King III) are reflected in the group's corporate governance structures. These are reviewed from time to time to accommodate regulatory and organisational changes, as well as international developments in the field of corporate governance.

IMPERIAL'S INTEGRATED GOVERNANCE MODEL



- 1 | Business landscape and strategy
- 2 | Governance
- 3 | Risk management
- 4 | Compliance
- 5 | Board committees
- 6 | Management committees
- 7 | People, processes and technology

1 BUSINESS LANDSCAPE AND STRATEGY

Imperial businesses operate in diverse geographic, socio-economic, political, regulatory, technological, industry and market environments. As increasingly ubiquitous real time information accelerates the development of opportunities and threats, these environments must be closely monitored and addressed with strategies that ensure robust competitive positions.

Formal and informal environmental scanning is one of the everyday responsibilities of executives and the Imperial board is regularly and formally apprised of developments that could have a bearing on the performance and sustainability of the group.

Similarly, executive management responds tactically to everyday shifts in the environment and defines annually, for approval by the board, the strategic choices necessary to create value and sustain a long term competitive advantage.

Imperial's assessment of the general business landscape is contained in the Chairperson's, Chief Executive's and Chief Financial Officer's reports on pages 26 to 41, with more specific commentary on the environments facing the five divisions on pages 50 to 95.

FOR MORE INFORMATION

Imperial's strategic role as a holding company is clarified on pages 31 and 32 of the Chief Executive Officer's Report. The competitive strategies of the five divisions are defined on pages 50 to 95.

2 GOVERNANCE

Imperial subscribes to the principles of good governance as defined by King III and all relevant laws and regulations.

The foundation of Imperial's governance is the board, which comprises mainly independent non-executive directors, and its sub-committees which are constituted with the requisite expertise and experience.

Authority, responsibility and accountability is held and, as appropriate, formally delegated and devolved by the board to the CEO and in turn to his direct reports and sequentially throughout the organisation. The diversity of Imperial's operations necessitates differences in the nature, structure and processes of delegation other than on capital expenditure where authority levels are consistent with hierarchies across the group.

The leadership of Imperial is mindful that entrepreneurial creativity and responsiveness is a competitive necessity and every effort is made to integrate governance processes in the least bureaucratic manner possible.

www.imperial.co.za

In accordance with guidance issued by the JSE, the group applied the 75 key principles in chapter 2 of King III. The board is continually assessing its governance practices and procedures against King III and makes adjustments where necessary. A register of the group's application of King III can be found at www.imperial.co.za.

3 RISK MANAGEMENT

Risk management model

In line with its policy of aligning group corporate governance with international best practice to safeguard the interests of stakeholders, Imperial has implemented an enterprise risk model to identify and assess relevant risks facing the group at strategic, business and operational levels. The group's risk model is based on ISO 31000:2009 – Risk Management Principles and Guidelines.

Risk is, however, not viewed only from a negative perspective. The assessment process also identifies areas of opportunity, for example where effective risk management can be turned into a competitive advantage or where taking certain risks could result in reward for the group. Any risk taken is considered within the group's risk appetite and tolerance levels, which are updated annually.

The group consists of five divisions, each with different market, operating and financial characteristics. Risk management responsibility and accountability therefore remains largely with divisional management structures, reporting to the divisional finance and risk review committees, which are overseen by the board risk committee.

The group risk committee formalises, standardises and monitors this process by guiding management and assessing their effectiveness in implementing the approved risk management framework.

The board determines the level of acceptable risk and requires operations to manage and report accordingly. Material issues and circumstances that could affect the group's reputation and financial affairs constitute unacceptable risk.

A system of internal control has been implemented in all key operations and is tailored to suit the specific circumstances of each business. It provides reasonable, rather than absolute, assurance that the group's business objectives will be achieved within prescribed risk tolerance levels. The associated risk areas and control processes are monitored and reported on across the group. Internal audit aligns its procedures with the risks identified. Formal feedback is provided to both divisional finance and risk review committees, as well as to the quarterly risk committee meeting.

The group also maintains a comprehensive insurance programme to ensure that material financial consequences of risk incidences do not result in undue financial impact on group businesses.

In reviewing risk management reports and internal controls, the board has:

- Considered what the group's risks are and how they have been identified, evaluated and controlled
- Assessed the effectiveness of the related process of risk management and, particularly, reports of significant failings or weaknesses in the process
- Considered if the necessary action is being taken in time to rectify any significant failings or weaknesses
- Considered whether results from the review process indicate that more extensive monitoring is required

An independent review of the group's risk management alignment with King III was undertaken by our internal audit function, based on the previous assessment undertaken by PriceWaterhouseCoopers. This concluded that Imperial has applied the principles set out in King III.

Key group risks

Imperial has identified key risk categories that affect the group as a whole in addition to the business and industry-specific risks identified by divisions. The overall group risk categories and strategies taken to mitigate these risks include:

RISK	STRATEGIES IMPLEMENTED
South African currency weakness impact on direct imports of new vehicles	> Established hedging policy > Diversification of business models and territories to minimise the overall impact of currency risks
Acquisition and business integration	> Clearly-defined expansion areas > Strong group mandate relating to investments > Regular review of acquisition risks and criteria at executive level > Formal post-acquisition reviews
Labour disruptions	> Active participation in industrial labour councils > Agility and diversification of supply chain channels > Review of operational labour plans to ensure continuity of services > Diversification and spread of risk across industries and geographies
Succession	> A talent management programme focused on the group's top 100 senior leaders is in place. The programme involves building on our current leadership skills and ensuring strategic alignment with our future requirements
Credit extension and client affordability in the retail markets	> Market assessment of client affordability > Monitoring of bank appetite to extend credit > Alliance with more than one bank > Grow annuity revenue streams
Slow growth in the South African and European economy	> Focus on niche products and services in our current offerings > Agility in our operating model > Growth and acquisition strategies > Diversification across sectors and geographies
Talent management	> Identification of key current and future skills required and alignment with development programmes > Divisional and group training and upliftment programmes > Establishment of specialist training academies and skills development programmes > Coordinated transformation philosophy, policies and focused projects > Promotion and upliftment of internal candidates > Expansion of our current recruitment base
Third-party dependence and reliance	> Proactive relationship and contract satisfaction management with key suppliers and clients > Formalised and proactive management of service and product level expectations > Ongoing oversight and monitoring of contract renewals and negotiations
Reputation and brand perception	> Group-wide branding and marketing strategy for the Imperial brand > Ongoing review of compliance to group ethics and legal requirements
Regulatory and compliance	> Centralisation of selected specialist areas where compliance risk is high > Proactive monitoring, input and operational implementation plans and frameworks on emerging legislation > Increased resource allocation to legal and compliance units
Failure to achieve group and national emissions targets	> Group-wide sustainability strategy implemented > Proactive involvement with industry and governmental bodies > Non-financial reporting systems to ensure ongoing monitoring and reporting of key targets and initiatives
Valuation of assets	> Active management and investment in optimising inventory and fleet levels > Regular review and application of latest accounting and business principles > Enhanced governance oversight > Active review and monitoring of the realisable value of assets

Internal controls

THE BOARD:

Is accountable for the process of risk management and the system of internal control, which is regularly reviewed for effectiveness.

Is accountable for establishing appropriate risk and control policies and communicating these throughout the group.

Is satisfied that there is an ongoing process of identifying, evaluating and managing the significant risks faced by the group. This process is in place.

Is satisfied that there is an effective system of internal controls and that group-wide strategies are in place to mitigate the consequences and impact of significant risks faced by the group to an acceptable level.

Internal financial controls and financial reporting

The directors acknowledge that they are responsible for instituting internal control systems that provide reasonable assurance on safeguarding assets and preventing their unauthorised use or disposal, as well as maintenance of proper accounting records that give reasonable assurance on the reliability of financial information produced.

The group's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the annual financial statements and operational management information to ensure that assets are adequately safeguarded against material loss and that transactions are properly authorised and recorded. Internal controls also provide assurance that the group's resources are utilised efficiently and that the activities of the group comply with applicable laws and regulations.

Financial results are reported monthly to the executive committee and quarterly to the board. Each division prepares detailed monthly management accounts, budgets and a three-year plan that are approved by the board. Performance against budget is monitored and variances analysed. Profit and cash flow forecasts are reviewed, which include an analysis of material changes. A comprehensive system enables management to monitor trends and measure productive use of capital. Accounting policies are disseminated throughout the group and monitored to ensure compliance.

Internal audit

The internal audit department's responsibilities are defined in a written charter approved by the board.

Internal audit is an independent, objective assurance and consulting activity established to add value and improve the group's operations. It assists the group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of risk management, control and governance processes.

The internal audit activities of the group are coordinated by the group internal audit executive based at the corporate office. He reports administratively to the CFO, but directly to the chairperson of the audit committee. He has unrestricted access to the group CEO and audit committee chairperson. The group internal audit executive reports formally at all audit committee meetings during the year. The audit plan for the wider group uses a risk-based approach and is approved by the group audit committee. The group internal audit executive also attends and coordinates the activities of all quarterly divisional finance and risk review committees and attends all group risk committee meetings.

Based on the internal audit work performed in terms of the approved combined internal audit plan for the year, the scope of work, the results of evaluations and the overall audit opinion ratings for the audited areas, together with feedback on follow-up audits, internal audit concluded that nothing came to its attention to indicate that there was any material breakdown in the system of internal or financial control in the group during the year.

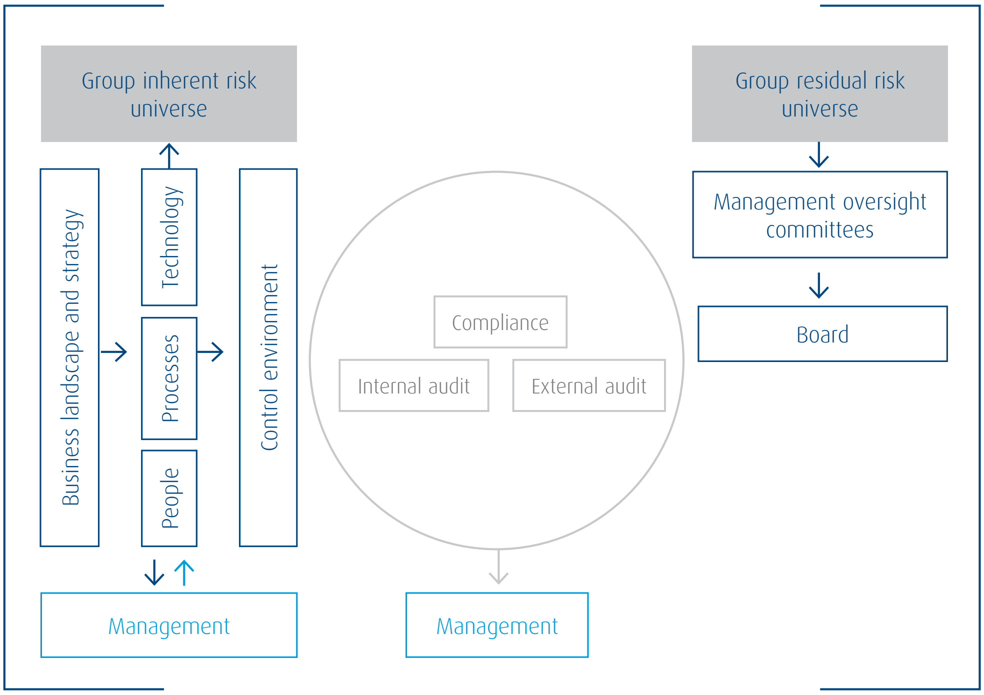
The risk management maturity self assessment conducted during the year at divisional and group level confirmed the sound implementation of risk management across the group, as well as the degree to which management had embraced risk management.

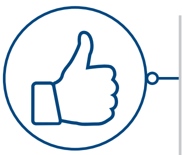
Combined assurance

The group's combined assurance model ensures:

> Completeness of the group-wide inherent risk profile
> Documentation of key mitigation factors and processes and alignment with our risk management model
> The right level of assessment of the control environment by assurance providers, both internal and external

The combined assurance model aligns with our integrated governance model, with key assurance provider roles overlapped.





4 COMPLIANCE

Legal compliance

As a multinational group, Imperial is subject to a wide range of legislation, which it monitors to ensure compliance, with approximately 200 pieces of legislation material to the group. The group has a legal compliance programme designed to increase awareness of, and enhance compliance with, applicable legislation.

Legal compliance is reported regularly to divisional boards and risk committees and quarterly to the group audit and risk committees.

Each division, depending on its risk profile and industry, employs legal and compliance officers. Divisions regularly conduct assessments to highlight the impact of legislation on their businesses and to ensure that operational controls have been implemented.

To maximise synergies and cooperation, the compliance and legal officers meet in a quarterly forum. Key objectives of the forum are to:

> Monitor and report on emerging and key legislative and compliance matters
> Formulate group plans to facilitate the implementation of new legislation
> Where applicable, coordinate group responses to draft legislation

Contract compliance

Divisions have dedicated legal functions to review contract terms and conditions and to monitor compliance with these on an ongoing basis. Existing contracts are monitored to ensure they are up to date and in line with legislative changes.

Conflicts of interest

The group has a formal conflicts of interest policy that guides directors to act in the best interest of the company, with due care and diligence in discharging their responsibilities as directors, to declare and avoid conflicts of interest with the company in accordance with the Companies Act, 2008, and to account to the company for any advantages gained in discharging their duties on behalf of the company.

Insider trading

No group director or employee with inside information about the group may deal, directly or indirectly, in Imperial's securities, which include allocations of and dealings in the group's share incentive schemes. Imperial's closed periods are from the 1st of January until results reporting date and the 1st of July until results reporting date. In addition, the group has adopted a policy requiring directors, executive committee members, the company secretary and directors of major subsidiaries to obtain permission from designated individuals before trading in the group's securities.

No infringements were reported during the year.

Whistle-blowing hotlines and tip-offs

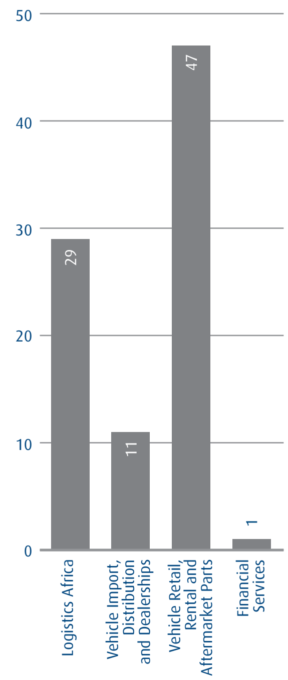
Whistle-blowing hotlines have been implemented in all the regions in which the group operates. This service, operated by independent service providers, enables all stakeholders to anonymously report concerns.

It is the responsibility of all employees and stakeholders to report known or suspected unethical or illegal conduct. Retaliation against whistle-blowers is not tolerated.

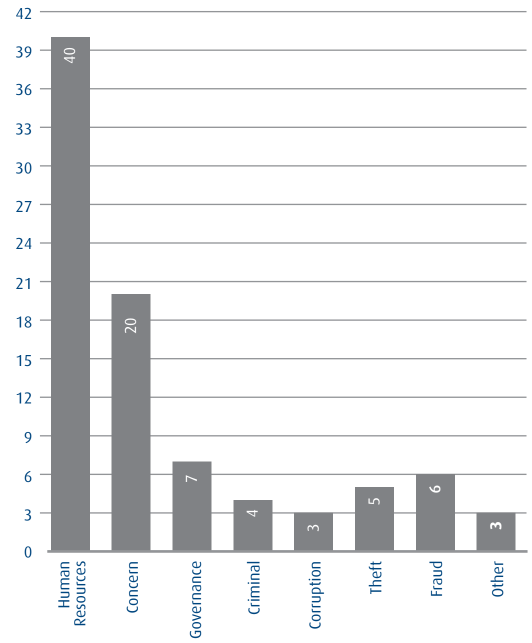
All reported matters are coordinated by internal audit. Tip-offs are also sent to the CEOs of the respective divisions and investigated accordingly. Detailed feedback is given at the respective financial review committees and group audit committee. Currently only one tip-off received in the last quarter of the year is still under investigation.

Tip-off statistics

Total number of tip-offs per division
July 2013 to June 2014



Tip-off categories



5 BOARD AND COMMITTEES

Board

The group has a unitary board comprising 11 non-executive directors and eight executive directors.

Board of directors

Non-executive directors	Executive directors
TS Gcabashe* (Chairperson)	MJ Lamberti (CEO)
HR Brody**	M Akoojee
T Dingaan*	OS Arbee (CFO)
RL Hiemstra	MP de Canha
S Engelbrecht*	PB Michaux
P Langeni*	GW Riemann (German)
MJ Leeming*	JJ Strydom
MV Moosa	M Swanepoel
RJA Sparks*	
A Tugendhaft (Deputy chairperson)	
Y Waja*	

* *Independent*
** *Non-executive director from 1 April 2014. Previously an executive director*

Directors are appointed on the basis of skill, experience and their expected level of contribution to, and impact on, the activities of the group. The board decides on the appointment of directors based on recommendations from the remuneration and nomination committee. New directors are provided with formal induction material to facilitate their understanding of the group.

The board of directors determines the direction of the group through establishing strategic objectives and key policies. Board meetings are held at least quarterly, with additional meetings called when necessary. The quorum for meetings is a majority of directors. In addition to directors, other senior executives are invited to attend meetings, as required, to ensure comprehensive reporting to the board.

The responsibilities of the board are clearly defined in a written charter. The board has also adopted, and regularly reviews, a written policy governing the authority delegated to group management and matters reserved for decision by the board.

The responsibilities of the board include issues of strategic direction, business plans and annual budgets, major acquisitions and disposals, changes to the board and other matters with a material effect on the group or required by legislation.

The board regularly performs assessments of its performance and of the performance of individual directors, including the chairperson. An assessment was conducted during the year.

Matters identified during the process requiring further attention are:

> Succession planning
> Exposure of non-executive directors to next-tier management
> More detailed strategy discussions
> Risk awareness

It was also agreed to perform a facilitated review in the next year led by an independent facilitator.

Seven of the non-executive directors, including the chairperson, are independent.

www.imperial.co.za
For more information on the board charter, refer to www.imperial.co.za.

At least one third of directors retire by rotation each year and may stand for re-election at the annual general meeting in accordance with the Memorandum of Incorporation (MOI). Directors who retire are selected in accordance with a rotational register and are those who have been in office the longest since their appointment or re-election.

Directors standing for re-election were appraised by the board and their re-election is recommended by the board. This year, Messrs S Engelbrecht, TS Gcabashe, RJA Sparks, A Tugendhaft and Ms P Langeni will retire by rotation and are standing for re-election at the AGM to be held on 4 November 2014. In addition, Messrs M Akoojee, MJ Lamberti, PB Michaux
and JJ Strydom who were appointed during the year are proposed for confirmation by shareholders at the AGM.

The table outlines attendance at board meetings during the year.

Board attendance

	Regular meetings	Annual strategy meeting
TS Gcabashe (Chairperson)	6/6	1/1
MJ Lamberti*	1/1	–
M Akoojee*	4/4	1/1
OS Arbee	6/6	1/1
SL Botha**	1/1	–
HR Brody	6/6	1/1
MP de Canha	6/6	1/1
T Dingaan	5/6	1/1
S Engelbrecht	6/6	1/1
RL Hiemstra	5/6	1/1
P Langeni	6/6	1/1
MJ Leeming	6/6	1/1
PB Michaux*	1/1	–
MV Moosa	5/6	1/1
GW Riemann	6/6	1/1
RJA Sparks	6/6	1/1
JJ Strydom*	4/4	1/1
M Swanepoel	6/6	1/1
A Tugendhaft	6/6	1/1
Y Waja	5/6	1/1

* *Appointed during the year*
** *Resigned during the year*

The chairperson

The chairperson's role is to set the ethical tone of the board and to ensure that the board remains efficient, focused and operates as a unit. The board has continued to operate under the guidance of Mr TS Gcabashe in this reporting period. Mr Gcabashe is an independent non-executive chairperson and his role is clearly defined and separated from that of the CEO through the provisions on the board charter. Mr Gcabashe provides overall leadership to the board without limiting the principle of collective responsibility for board decisions.

While the board may delegate authority to the CEO in terms of the board charter, the separation of responsibilities is designed to ensure that no single person or group can have unrestricted powers and that appropriate balances of power and authority exist on the board. Through membership of the remuneration and nomination committee, the chairperson is also responsible for the annual appraisal of the CEO's performance, as well as participating in the succession planning of executive directors.

Non-executive directors

The group's non-executive directors are individuals of high calibre and credibility who contribute to the board's deliberations and decisions. Their diverse backgrounds ensure a wide range of experience in commerce, finance, law, industry and engineering. They have the necessary skills and experience to bring judgement to bear, independent of management, on areas such as strategy, performance, business development, transformation, diversity, ethics and environmental management.

Non-executive directors are required to devote sufficient time to the affairs of the group. While no limitations are imposed by the board charter, or otherwise, on the number of other appointments directors may accept, approval from the chairperson must be obtained prior to acceptance of additional commitments which may affect the time directors can devote to the group.

Messrs P Langeni, MJ Leeming and Y Waja have served on the board for a period in excess of nine years. An internal evaluation of their independence, character and judgement was performed and the assessment confirmed them to have remained independent.

CVs of the board members are provided on pages 16 to 19.

The chief executive officer

The board defines the group's levels of authority, reserving specific powers for the board, while delegating others to management. The collective responsibility for the executive management of the company's operations vests with the chief executive officer, Mr MJ Lamberti, who reports to the board on the group's objectives and strategy. Mr Lamberti plays a critical role in the operations and success of the company. The CEO is accountable to the board and consistently strives to achieve the group's goals within the framework of delegated authority.

The company secretary

The company secretary is Mr RA Venter. He has a BCom, LLM and is an admitted attorney.

Directors have unlimited access to the services of the company secretary, who is responsible to the board for ensuring that proper corporate governance principles are adhered to.

In terms of JSE Listings Requirements, the board of directors must consider the competence, qualifications and experience of the company secretary on an annual basis. King III also recommends that the company secretary should maintain an arm's-length relationship with the board of directors and that the company secretary should ideally not be a director. After conducting a formal review which formed part of the annual board evaluation process, the board concluded that there were no direct or indirect relationships between the company secretary and any of the board members which could compromise an arm's-length relationship with the board of directors. The company secretary is not a director of the company.

The board confirmed that the company secretary is adequately qualified and experienced and has effectively performed and carried out his duties during the year.

Committees

The board has established a number of sub-committees, including statutory committees, all of which operate within defined terms of reference laid down by the board in writing. The performance of each committee is regularly assessed in accordance with their terms of reference. No instances of non-compliance were noted.

The table below outlines the board committees at the time of publication post the year-end. The rest of the Corporate Governance Report outlines the committee memberships and activities during the year to 30 June 2014.

Executive committee	Audit committee	Risk committee	Remuneration committee	Social, ethics and sustainability committee	Assets and liabilities committee
MJ Lamberti (Chairperson)	MJ Leeming (Chairperson)	Y Waja (Chairperson)	RJA Sparks (Chairperson)	MV Moosa (Chairperson)	HR Brody (Chairperson)
M Akoojee	T Dingaan	N Bell	TS Gcabashe	B Adam	M Akoojee
OS Arbee	P Langeni	OS Arbee	P Langeni	OS Arbee	OS Arbee
MP de Canha	RJA Sparks	S Engelbrecht	A Tugendhaft	MP de Canha	RL Hiemstra
BJ Francis	Y Waja	BJ Francis		BJ Francis	MJ Lamberti
PB Michaux		RL Hiemstra	**Nomination committee**	TS Gcabashe	MJ Leeming
JJ Strydom		MJ Lamberti	TS Gcabashe (Chairperson)	MJ Lamberti	R Mumford
M Swanepoel		MJ Leeming	P Langeni	N Bell	WF Reitsma
		A Osman	RJA Sparks	MR Sharfuddin	JJ Strydom
		G Rudman	A Tugendhaft	M Swanepoel	M Swanepoel
		A Tennick		A Tugendhaft	
				RA Venter	

Group internal audit executive	Group treasurer	Group legal advisor and company secretary	Group risk executive	Group head of sustainability
G Nzalo	WF Reitsma	RA Venter	BJ Francis	MR Sharfuddin
BCom, CA (SA), CIA	BTech Banking, MCom, FIBSA, FIFM	BCom, LLB, LLM	BCompt (Hons), CIA	BBA, IMP (Insead)

FOR MORE INFORMATION

Refer to pages 110 to 111 for information on the board committees.

Executive committee

The group's executive committee is responsible for:

- Devising group strategy for recommendation to the board of directors and implementing the strategies and policies approved by the board
- Managing the day-to-day business and affairs of the group

The members of this committee are appointed by the board. The committee consists of eight members and meets at least once a month.

The table below outlines attendance of executive committee meetings during the year.

Members	Number of meetings attended
MJ Lamberti* (Chairperson)	4/4
HR Brody**	7/8
M Akoojee	14/15
OS Arbee	15/15
MP de Canha	15/15
BJ Francis	14/15
PB Michaux	14/15
JJ Strydom	15/15
M Swanepoel	14/15

* *Appointed 1 March 2014*
** *Executive until 30 April 2014*

Audit committee

The group audit committee consists of non-executive directors, one of whom is appointed as chairperson. The membership of the committee will be tabled at the next annual general meeting for approval by shareholders. The committee meets at least four times per year.

Details of the workings of the committee and attendance of meetings are contained in the Audit Committee Report on pages 143 to 145 of the Integrated Annual Report.

Risk committee

The risk committee sets the group risk culture, framework and strategy and ensures that a robust risk management process is in place. Refer to page 102 of the Integrated Annual Report for more detail on the risk processes in the group.

The committee comprises both non-executive and executive members and is chaired by a non-executive director.

The committee had four meetings during the financial year.

The table outlines attendance of committee meetings during the year.

Members	Number of meetings attended
Y Waja (Chairperson)*	4/4
OS Arbee	2/4
HR Brody***	3/3
S Engelbrecht*	4/4
BJ Francis	3/4
P Hibbit	4/4
RL Hiemstra*	3/4
MJ Lamberti**	1/1
MJ Leeming*	4/4
PB Michaux	4/4
G Rudman	4/4
A Tennick	4/4

* *Non-executive*
** *Appointed 1 March 2014*
*** *Resigned 30 April 2014 as an executive director and appointed as a non-executive director*

Remuneration and nomination committee

Details of the workings of the committee and attendance of meetings are contained in the comprehensive Remuneration Report on pages 116 to 117 of the Integrated Annual Report and in the committee charter which can be found at **www.imperial.co.za**

Subsequent to the year end, a decision was taken to reconstitute the committee as a separate remuneration committee chaired by Mr RJA Sparks and a nominations committee chaired by the group chairperson, Mr TS Gcabashe. This aligns the committees with King III.

Social, ethics and sustainability committee

The role of the social, ethics and sustainability committee encompasses all aspects of sustainability.

The committee performs statutory duties, as set out in the Act for the group and on behalf of subsidiary companies. In addition to its statutory duties, it assists the company in discharging its social, ethics and sustainability responsibilities and implementing practices consistent with good corporate citizenship, with particular focus on the following:

- King III
- Imperial's sustainability commitments
- Broad-based black economic empowerment (BBBEE) requirements, as described in the Department of Trade and Industry's Combined Generic Scorecard (excluding ownership targets) and associated Codes of Good Practice
- Imperial's transformation commitments, as described in the group transformation strategy and division-specific BBBEE plans
- Environmental commitments, as described in Imperial's environmental policy framework
- Socio-economic development (SED) commitments, as described in Imperial's SED policy
- Imperial's code of ethics and corporate values

Transformation remains a key area of focus and the committee will continue to guide Imperial in its goal of increasingly reflecting the diversity of the country.

During the year, the committee discharged its statutory duties to monitor the company's activities relating to:

- Social and economic development, including the company's standing in terms of the goals and purposes of the ten principles set out in the United Nations Global Compact Principles, the OECD recommendations regarding corruption, the Employment Equity Act and the Broad-Based Black Economic Empowerment Act
- Good corporate citizenship, including the company's promotion of equality, prevention of unfair discrimination and reduction of corruption, its contribution to the development of the communities

in which its activities are predominantly conducted or within which its products or services are predominantly marketed and its sponsorship, donations and charitable giving

> The environment, health and public safety, including the impact of the company's activities and of its products or services
> Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws
> Labour and employment, including the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions, as well as the company's employment relationships and its contribution towards the educational development of its employees

The committee comprises non-executive directors who are not involved in the day-to-day business of the group, executive directors and other members of the management of the company. It is chaired by a non-executive director.

The table outlines attendance of committee meetings during the year.

Members	Number of meetings attended
MV Moosa (Chairperson)*	4/4
OS Arbee	4/4
HR Brody***	2/3
MP de Canha	3/4
BJ Francis	3/4
TS Gcabashe*	3/4
MJ Lamberti**	1/1
PB Michaux	4/4
MR Sharfuddin	4/4
JJ Strydom	3/4
M Swanepoel	3/4
A Tugendhaft*	4/4
RA Venter	4/4

* *Non-executive*
** *Appointed 1 March 2014 as an executive director*
*** *Resigned 30 April 2014 as an executive director and appointed as a non-executive director*

Assets and liabilities committee

The assets and liabilities committee (ALCO) is responsible for implementing best practice asset and liability risk management policies. Its primary objective is to manage the liquidity, interest rate and exchange rate risk of the group within an acceptable risk profile.

The table outlines attendance of committee meetings during the year.

Members	Number of meetings attended
HR Brody* (Chairperson)***	4/4
M Akoojee	3/4
OS Arbee	4/4
RL Hiemstra*	4/4
MJ Lamberti**	1/1
MJ Leeming*	4/4
R Mumford	4/4
W Reitsma	4/4
JJ Strydom	1/1
M Swanepoel	3/4

* *Non-executive*
** *Appointed 1 March 2014*
*** *Resigned 30 April 2014 as an executive director and appointed as a non-executive director*

6 MANAGEMENT COMMITTEES

The size and diversity of Imperial's operations has led to all sizable entities being managed through divisional boards and executive committees. While the Imperial board's delegation of authority is through the group CEO to his direct reports and in turn to theirs, the group executive committee and the subsidiary boards exercise structured oversight of assets and control of performance within the bounds of Imperial board-approved strategies and budgets, with executive committees controlling day-to-day operating performance.

7 PEOPLE, PROCESSES AND TECHNOLOGY

People

The successful implementation of Imperial's corporate governance initiatives is reliant on competent, ethical people at many levels of the organisation.

Industry, technical and subject matter expertise is necessary to translate general principles into everyday actions that ensure the protection of stakeholder interests. To this end Imperial employs and invests in the development of suitably qualified and experienced individuals to implement and sustain the requisite levels of governance throughout the group.

The start of a breakdown in governance is very often a relatively minor ethical infraction which occurs long before laws are broken or regulations transgressed. In recognising that successful governance relies on matters of character as much as structure and process, Imperial strives to establish and inculcate high ethical standards by means of Imperial's Code of Ethics.

Code of Ethics

Our core value is to act with uncompromising honesty and integrity. Our Code of Ethics provides guidance to all employees of Imperial and its subsidiaries on adhering to our core values, although we recognise that no single code can address every situation individuals are likely to encounter. This code is therefore not a substitute for employees' responsibility and accountability to exercise good judgement and obtain guidance on appropriate business conduct.

To assist employees, training and induction programmes include ethics content. In addition, a group-wide culture survey conducted in this year included questions to assess both the perception of the standard of ethics applied by the group and the standard of ethical conduct by employees.

Our Code guides employees to:

1. Respect others and avoid any form of discrimination.
2. Abide by the laws of the country in which we operate and comply with the Code of Conduct of all professional and industry bodies to which we belong.
3. Avoid any waste, damage and private use of company assets and resources (including time).
4. Neither give nor receive bribes.
5. At the earliest opportunity, disclose in writing to the appropriate management all gifts received from clients or suppliers beyond a token value.
6. Not divulge any confidential information to any party, or improperly use company and client information.
7. Market our products and services accurately and charge the agreed fee or a fair fee where no fee was agreed.
8. Not seek to advance personal interests at the expense of the company or our clients.
9. Not engage in any activity, directly or indirectly, which results or might result in a conflict of individual interests with the interests of the group.
10. Not participate, or involve the company in any way, in any scheme that would cause embarrassment to the company or harm its reputation.

Processes

Processes are critical to ensure that governance strategy is aligned with governance management and implementation in the group. To achieve this, processes are integrated at all levels. Processes encompass governance and risk oversight policies and procedures, reporting and measurement, as well as decision-making processes. Based on the decentralised nature of the group, it does not regulate operational processes in divisions, although minimum standards are set.

Technology

Most aspects of governance are reliant on underlying management information systems and Information Technology (IT). Conversely, the investments and risks of information systems require dedicated oversight and judgement.

Aligned to our decentralised management model, Imperial has therefore implemented an umbrella IT governance framework. The framework was developed and adopted by the divisions in respect of key components and requirements set out in current best practice benchmarks. Each operation is therefore measured against the group minimum standard.

The objective of our standardised IT governance framework is to ensure the following:

> Guidance to divisional and operational IT functions
> A standard measure of IT maturity within the group
> Application of King lll

The Imperial operational IT governance framework is built around five principles:

1 **Business alignment and enablement**	> IT strategy and responsibilities > Role and benefits of IT (internal and external) > Standards and core policies
2 **Operational performance**	> People capacity and development > Internal processes and measures
3 **Supplier performance management**	> Formalised service level agreements > Structured commercial agreements
4 **Business continuity/disaster recovery**	> Business impact analysis > Testing of back-up and recovery
5 **Compliance and security**	> Data privacy, security and access control > Internal control monitoring

Operational IT strategies implemented to address IT risks include:

Strategy	Actions
Identification of a key responsible person within each division – divisional chief information officer (CIO)	All divisions have appointed key responsible people
An annual self assessment questionnaire detailing the principles and guidelines of expected IT policies, processes and behaviours	Implemented
An independent audit performed by Imperial IT audit function of self-assessment questionnaires	Implemented
A quarterly CIO forum, chaired by the executive of risk management, with the objective of: > Sharing divisional information on best practice within the group > Updating and reviewing divisional IT strategies and projects > Highlighting common group IT risks and mitigations > Identifying cross-functional IT opportunities > Ongoing quality review and implementation with group standards > Monitoring of operational disaster recovery and business continuity plan implementation > Feedback and communication from/to group exco on relevant matters of concern	The forum operates across all divisions

REMUNERATION REPORT

INTRODUCTION

Imperial is sensitive to the worldwide outrage around executive compensation, where its relationship with performance is too often tenuous and coincidental, and the degree of inequality between the highest and lowest paid employees in many organisations is impossible to defend.

At the same time the biggest and most pressing threat facing South Africa today is the shortage of skills – we simply have too few competent managers, leaders, professionals and technicians to meet our national needs.

With regard to executive compensation, Imperial will therefore strive firstly to ensure that our governance and disclosure is transparent and secondly that we do not compromise unduly on performance criteria when exogenous factors stifle performance. We disclose detail on these issues for the first time in this report.

Throughout the group, we attempt to compensate individuals fairly for the job at hand, with due regard for their skills and performance.

At lower levels, although the compensation of most of our unionised employees is determined by industry bargaining councils or sectoral determinations, we are sensitive to worker needs and will not allow their rights and desires to bargain collectively to usurp or undermine our day-to-day working relationship with them – they would not be union members if they were not employees first.

KEY FOCUS AREAS

During the year, significant time was spent on the search for a new CEO and addressing general issues of succession.

The remuneration committee also conducted an extensive benchmarking of executive remuneration packages with the assistance of an external audit firm.

In addition, the committee considered and approved:

- The general composition of remuneration packages
- The criteria for bonus and incentive awards
- The amount of bonus and incentive awards in accordance with set criteria
- Executive and general long term incentive awards
- A unique compensation structure for the CEO

ROLE OF THE COMMITTEE

Imperial had a combined committee responsible for remuneration and nomination matters. Subsequent to the year-end, a decision was taken to fully align with the principles of King III by forming separate committees. A remuneration committee will be chaired by RJA Sparks and a nomination committee will be chaired by the group chairperson, TS Gcabashe.

This report outlines the mandate of the combined committee during the year.

The committee furnished the board with advice and guidance regarding:

- Accurate and transparent disclosure of directors' remuneration
- The composition of the board to enable it to execute its duties effectively
- The establishment and implementation of remuneration policies for non-executive directors, executive directors and other executives' remuneration to ensure that the company remunerates directors and executives fairly and responsibly
- Approval of the general composition of remuneration packages and the criteria for executive bonus and incentive awards
- Increases to non-executive directors' fees
- Changes to the group pension and provident funds and medical aid schemes
- The administration of share-based incentive schemes
- The development and implementation of formal succession plans for the board, CEO and senior management
- The establishment of a formal process for the appointment of directors and the identification of suitable members of the board
- Induction and ongoing training and development of directors

MEMBERSHIP OF THE COMMITTEE

The members of the remuneration and nomination committee during the year were RJA Sparks (chairperson), SL Botha, TS Gcabashe, P Langeni and A Tugendhaft. All are non-executive directors. Mrs SL Botha resigned from the board and as a member of the committee with effect from 5 September 2013.

The group chief executive officer (CEO) and chief financial officer (CFO) attend committee meetings and assist the committee in its deliberations, except when issues relating to their own remuneration and performance are discussed. No director is able to decide his or her own remuneration.

During the year, for the duration of the search for a new CEO, two additional members were nominated to the committee, MJ Leeming and MV Moosa. The board chairperson also temporarily assumed the role of chairperson of the committee in light of the recommendation in King III that the nomination committee should be chaired by the board chairperson. Mr Sparks resumed his duties as chairperson after the appointment of the new CEO was concluded.

The CEO search process required significant additional meetings and interviews. For this reason, a special search fee will be proposed for approval by shareholders in addition to the normal committee members' fee. The committee met nine times during the year.

Meeting attendance

Member	Regular meetings	CEO search meetings
RJA Sparks* (Chairperson)	4/4	5/5
TS Gcabashe*	4/4	5/5
SL Botha*#	1/1	
P Langeni*	4/4	5/5
A Tugendhaft	4/4	5/5
MJ Leeming*		5/5
MV Moosa		5/5

* *Independent*
\# *Resigned during the year*

REMUNERATION POLICY

Our remuneration policy was approved by shareholders at the annual general meeting (AGM) on 7 November 2013. The policy was not amended during the year and is again submitted to shareholders for approval by non-binding advisory vote at the AGM on 4 November 2014.

Determination of performance incentives

Imperial has a variety of formal and informal frameworks for performance management that are directly linked to either increases in total cost to company (TCTC) or annual short term incentive bonuses. Performance management and assessment sessions take place regularly throughout the group, and address company performance, personal achievement of key performance indicators (KPIs), as well as delivery on key strategic imperatives.

FOR MORE INFORMATION
Refer to page 121 and 127 to 135 for an indication of management's KPIs.

	2014	2013
Total number of employees	**51 671**	51 007
Total compensation paid to employees (Rm)	**14 576**	12 824
Total compensation as a % of profit before tax (%)	**294**	252
Cost as a % of net wealth created (%)	**64**	61
Total compensation as a % of revenue (%)	**14**	14

Remuneration breakdown

All employees

	Cost to company	Short term incentive bonuses	Long term incentives	Other benefits
Salaried employees	Salaried employees are employed in all divisions	The percentage of employees receiving a guaranteed 13th cheque differ by division	Only salaried employees at senior managerial level qualify for long term incentives	Pension fund, provident fund and medical aid
Hourly-paid employees	The majority of hourly-paid employees are employed by the Logistics Africa division	At industry level through collective bargaining and agreements between the industry and trade unions. However, the group pays over and above the minimum wage level		Pension fund, provident fund and medical aid Some hourly paid employees belong to bargaining council medical schemes and pension funds

Cost to company

All employees

Employee management is a material issue for the group as employees are major determinants of our success. Employee remuneration, particularly guaranteed pay, is a significant component of total operating costs for the group. The group's remuneration policy is designed to ensure attraction and retention of quality employees at all levels. We aim to structure competitive remuneration packages that are relevant in the context of the markets in which the group operates.

Divisions review their remuneration policies regularly to ensure relevance and packages are in line with the market.

Salaried employees

The total cost to company (TCTC) of employees is monitored and benchmarked on an ongoing basis.

Remuneration levels are set by taking into account industries from which skills are acquired or to which skills are likely to be lost, as well as the general market and the market in which each business operates.

Divisions manage the total cost to company for employees, which may vary according to the industry in which they operate. For example, monthly salaries in the vehicle and financial services sales businesses usually have a fixed and variable component depending on the achievement of monthly targets or the level of sales.

The structure of employee remuneration in unionised environments, such as in the Logistics Africa division, is driven by collective bargaining and sectoral determinations. The mix of fixed and variable pay is therefore designed to meet each business' operational needs and strategic objectives, based on targets that are stretching, verifiable and relevant.

General adjustments to guaranteed pay levels are effective from 1 July each year. However, in unionised environments, this is impacted by collective bargaining arrangements which may come into operation at other agreed times.

Annual increase parameters are set using guidance from group budgeting processes, market movements, individual performance, the performance of the division and/or company and other relevant factors.

Increases are dependent on divisional or departmental and personal performance.

Hourly-paid employees

Annual increases in remuneration and bonuses for hourly-paid employees are generally determined at industry level through collective bargaining and negotiations between the industry and trade unions.

The group aims to not only pay minimum wages, but to rather remunerate employees fairly and in line with sound business and remuneration principles. Management is involved in determining increases for deserving employees based on merit.

Where appropriate, employees of the group receive ongoing training and promotions, with the aligned rate increase for that particular trade or occupation. These promotions are discussed and authorised by both the supervisors and the managers who work directly with these employees.

Short term incentive bonuses

Salaried employees

Divisions pay short term bonuses which are aligned to industry best practice and in some cases include a guaranteed annual bonus equal to one month's salary. However, in the majority of cases bonuses are discretionary and depend on the performance of the individual and business in which they are employed.

Hourly-paid employees

In the case of hourly paid employees, bonuses are determined annually in line with the agreements signed with the various unions. Where appropriate, certain individuals are awarded additional bonuses in line with their individual performance. These bonuses are reviewed and approved by divisional management.

Long term incentives

Salaried employees

Only salaried employees at senior managerial level qualify for long term incentives. Divisions have various long term incentive arrangements in place for senior management in addition to the group share incentive schemes.

Other benefits

The group has a pension and provident fund for employees and a medical aid scheme. Pension fund membership is compulsory for all employees. Although all employees are eligible for membership of the group's medical scheme, membership is only compulsory for employees earning above a certain salary threshold. The medical scheme offers both regular and budget options, in line with the group's philosophy to provide as many employees as possible with access to healthcare.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Policy

Executives have the responsibility to lead others and to take significant decisions about the short and long term operation of the business, its assets, funders and employees. They require specific skills and experience and are held to a higher level of accountability.

The group's remuneration policy also aims to align the entrepreneurial ethos and long term interests of senior managers and executives with those of shareholders.

Imperial's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the group's strategy to optimise long term shareholder value. It is the intention that this policy should conform to best practice. It is structured around the following key principles:

Total rewards are set at levels that are responsible and competitive within the relevant market

Incentive-based rewards are earned through the achievement of demanding growth and return targets consistent with shareholder interests over the short, medium and long term

Incentive plans, performance measures and **targets** are structured to operate soundly throughout the business cycle

The design of **long term incentive schemes** is prudent and does not expose shareholders to unreasonable financial risk

Elements of executive remuneration

Executives' remuneration comprises the following key elements:

1. Base salary
2. Annual incentive bonus
3. Long term incentive and retention schemes, both share- and cash-based
4. Other benefits
Executives are entitled to a car allowance or a fully maintained car, pension or provident fund contributions, medical insurance, death and disability insurance

The remuneration committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration and between those aspects of the package linked to short term performance and those linked to longer term shareholder value creation.

The general philosophy adopted by the group is that the performance-based pay of executive directors and senior managers should form a significant portion of their expected total compensation. There should also be an appropriate balance between rewarding operational performance (through annual incentive bonuses) and rewarding long term sustainable performance (through long term and/or share-based incentives).

1 Base salary

Base salary is the total cost to company before short term incentives. The fixed remuneration of each executive is compared to roles in similar companies, which are comparable in terms of size, market sector, business complexity and international scope.

When determining annual base salaries, factors taken into account include inflation and salary trends, group performance, individual performance and changes in responsibilities.

2 Annual incentive bonus

All executives are eligible to receive a performance-related annual bonus. The bonus is non-contractual and not pensionable. The committee reviews bonuses annually and determines the level of each bonus based on performance criteria set at the start of the performance period. Bonuses are capped at 100% of the base salary of each executive.

The criteria differ depending on the position of each executive and the division in which they operate. Criteria include:

Group core EPS growth

Group return on invested capital (ROIC)

Weighted average cost of capital (WACC)

WACC is based on the group's actual mix of equity and debt for the year on which the bonus is based, calculated on a monthly average basis.

Divisional profit before interest and tax growth (PBIT)

For the insurance companies, a PBIT adjustment is made for the current year and the previous year to eliminate the impact of investment return fluctuations. Investment returns are amended to the approved long term investment return averages and are used by the respective boards.

Divisional ROIC versus WACC

For the insurance companies, return on insurance group equity value is calculated, by calculating the adjusted improvement in equity of the division (after amendment of investment returns to long term rates and amendment for dividends and capital calls) as a percentage of the average insurance group equity value.

Broad-based black economic empowerment and employment equity targets

Project-based and discretionary

Project-based and discretionary allows flexibility to nominate particular projects to be achieved and allows performance on non-tangible aspects during the year. The committee has further discretion to authorise special bonuses for projects successfully completed during the year, which are awarded in exceptional cases only.

This component allows the committee to make adjustments in circumstances which could not be foreseen at the start of the period or are not in the control of a particular executive, such as a general market downturn or the demise of a significant competitor, which could affect divisional performance downwards or upwards beyond the control of the executive in question. In some cases, the discretionary component might be zero.

FOR MORE INFORMATION
Refer to pages 127 to 135 for a breakdown of executive remuneration.

Annual short term incentive bonus (STI)

		STI as % of TCTC for on-target performance
	Executive directors	100%
	Senior management	60%
	First-line operational management	50%

The committee sets the minimum performance levels required for any annual incentive bonus to be paid. The on-target annual incentive bonus is payable on achieving agreed targets. Refer to page 121.

3 Long term incentive and retention schemes, both share- and cash-based

Participation in the schemes by executives is based on criteria, such as seniority, performance during the year and retention drivers.
Any senior employee with significant managerial or other responsibility, including any director holding salaried employment or office in the group, is eligible to participate in the long term incentive schemes. Non-executive directors may not be awarded rights in any of the incentive schemes.

The group has:

FOUR LONG TERM INCENTIVE PLANS

- THE SHARE APPRECIATION RIGHTS SCHEME (SAR) — SAR
- THE DEFERRED BONUS PLAN (DBP) — DBP
- THE CONDITIONAL SHARE PLAN (CSP) — CSP
- A CASH RETENTION PLAN — CRP

SAR

Share appreciation rights (SARs) scheme

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 the participant remaining employed with the group for the vesting period. The performance conditions and the performance period are determined by the board on an annual basis in respect of each new grant of rights.

The SARs vest after three years and lapse four years from vesting.

The current performance targets employed in the SARs are the achievement of specified targets set by the committee. These include:

	Percentage of SAR awards
Growth in core earnings per share (core EPS), relative to the growth in core EPS or headline earnings per share (HEPS) of a selected peer group of 20 JSE-listed companies	50%
Return on invested capital (ROIC) compared to weighted average cost of capital (WACC), over a three-year performance period	50%

The extent to which each performance condition has been met is determined on the vesting date as follows:

CORE EPS

If the core EPS of the company is below the lower quartile of the selected peer group	**0% of the SARs** will vest
If the core EPS of the company is equal to the lower quartile of the selected peer group	**30% of the SARs** will vest
If the core EPS of the company is equal to or above the upper quartile of the selected peer group	**100% of the SARs** will vest
Linear vesting occurs between 30% and 100%, depending on the company's performance relative to the peer group if the company falls in the second or third quartile.	

The minimum EPS and ROIC target thresholds are set at a level which takes into account performance of the group, but also the important objective of retention of key employees during times when business conditions are challenging.

ROIC

If the average ROIC for the company over the performance period is lower than the average WACC of the company over the performance period	**0% of the SARs** will vest
If the average ROIC over the performance period is equal to the average WACC over the performance period	**30% of the SARs** will vest
If the average ROIC over the performance period is equal to or above a pre-determined target percentage	**100% of the SARs** will vest
Linear vesting occurs between 30% and 100%, depending on the company's performance if ROIC is between WACC and the target percentage.	

The minimum EPS and ROIC target thresholds are set at a level which takes into account performance of the group, but also the important objective of retention of key employees during times when business conditions are challenging.

The targets and measures relating to each issue are detailed in a letter of grant. After vesting, the rights may be exercised by a participant within four years after vesting. Upon exercise by a participant, the difference between the exercise price and the grant price is paid by:

1. Delivering Imperial shares that will be purchased on the open market, or
2. As a fall-back provision only, by the issue of new shares, or
3. By settling the value in cash

DBP

Deferred bonus plan (DBP)

Qualifying senior employees are required to purchase Imperial shares (bonus shares) which are held in escrow by the company. On the condition that the participant remains in the employ of the group and retains the bonus shares over a three-year period, a matching award of Imperial shares is made on vesting. A participant remains the owner of the bonus shares for the duration of the three-year period and enjoys all shareholder rights in respect of the bonus shares. Although bonus shares can be sold by the participant at any stage, the matching award is forfeited in line with the level of sales of the bonus shares.

SAR and DPB

Allocations of SAR and DBP are made annually based on the following criteria:

- **Performance** of the participant
- The **job grading** of the participant
- **Key retention considerations** regarding participants

The quantum of allocations of SAR and DBP is calculated using a model developed by PriceWaterhouseCoopers and is determined on the expected value of an allocation expressed as a percentage of total cost to company (fixed remuneration). The percentage allocated is determined based on retention considerations and the job grading of the participant, which also determines whether a participant receives a SAR and DBP or only SAR or only DBP.

Benchmark awards for SAR and DBP:

	Expected values as % of total guaranteed package
Executive directors	100%
Senior management	44% – 54%
First-line operational management	14% – 28%

The long term share-based incentives is determined in the financial year of allocation using the Black Scholes methodology. This is based on a number of assumptions, which include the original award price, the expected rate of share price growth and the expected fulfilment of related performance conditions. The eventual gains from long term share-based incentives will vary from year to year depending on vesting and exercise patterns, as well as the impact on share price performance and external factors, such as market sentiment, interest rates, commodity prices and exchange rates.

CSP

Conditional share plan (CSP)

The CSP is utilised in exceptional circumstances only. Employees receive grants of conditional awards and the vesting is subject to performance conditions. The performance conditions for the CSP will be based on individual targets set by the board. If the performance conditions are satisfied, the conditional awards will vest. If the performance conditions are not met, the conditional awards will lapse.

No allocations were made in terms of this scheme during the financial year. The CEO received an allocation post year-end.

Limited CSP allocations to key executives are planned in the coming year. In particular, the new group CEO's sole compensation for the 12 months to June 2015 will be participation in the CSP. These will vest on 1 September 2017, subject to the achievement of profit growth, return on invested capital and qualitative objectives, as determined by the remuneration committee.

CRP

Cash retention plan (CRP)

Selected participants receive grants of CRP rights, which are conditional rights to receive a cash payment. Vesting of rights is subject to performance conditions being met. The performance conditions and performance period are determined by the board in respect of each new grant of rights. These are specifically tailored to drive divisional profitability and strategy.

The performance targets set for the CRP issued in 2011 and 2012 were the achievement of specified divisional and group targets relating to growth in profit before interest and tax (PBIT), relative to a performance period target and return on invested capital (ROIC) of the participant's division compared to its weighted average cost of capital of the particular business over a three-year performance period.

For each CRP grant:

50% of the awards are subject to the achievement of the PBIT performance condition

50% of the awards are subject to the achievement of the ROIC performance condition

The extent to which each performance condition has been met is determined on the vesting date. Linear vesting takes place between 0% and 100%. The targets and measures relating to each issue are detailed in a letter of grant and are independently verified prior to vesting.

CRP allocation	Vesting date
2011	September 2014
2012	September 2015

No allocations were made under the CRP this year.

4

Other benefits

Executive directors are entitled to a car allowance or a fully maintained car, pension or provident fund contributions, medical insurance and death and disability insurance. The provision of these benefits is considered to be market competitive for executive positions.

TERMINATION OF EMPLOYMENT

Resignation or dismissal

If a participant's employment terminates due to resignation or dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct (whether such cessation occurs as a result of notice given by the employee or otherwise or if he/she resigns to avoid dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct) before the vesting date, all share appreciation rights, conditional awards and all matching awards will lapse, unless the board determines otherwise.

Retirement

If any portion of a participant's share appreciation rights remains unexercised or a conditional award or matching award remains unvested and a participant retires, the participant will be entitled to the same rights and be subject to the same conditions under the SAR, CSP or the DBP as if he/she had continued to be a participant, unless the board determines otherwise.

Retrenchment, death, ill health, disability or other reasons for cessation of employment

If a participant ceases to be an employee due to retrenchment, death, ill health, disability or other reasons for cessation of employment other than resignation or dismissal or retirement, the board shall by written notice to the participant or the executor of the deceased estate permit a pro rata portion of the unvested share appreciation rights and/or unvested conditional award and/or matching awards to vest on the date of cessation of employment.

The pro rata portion of the share appreciation rights and conditional awards that vest will, unless the board determines otherwise, reflect the number of months served since the date of grant and the extent to which the performance conditions have been satisfied. In the case of matching awards, the allocation will be based on the number of bonus shares held and the DBP period at the time of cessation of employment, unless the board determines otherwise. The balance of the unvested share appreciation rights not permitted to be exercised or unvested conditional awards or matching awards that do not vest will lapse.

Total allocations

A total of 10 925 436 share appreciation rights remain unexercised in terms of the SAR scheme at an average price of R176,38 per share. A total of 305 495 DBP rights have been taken up and remain unvested and a further 308 230 have been allocated this year and remain unexercised.

Hedge

The group hedges its exposure to deliver shares in terms of share-based long term incentive schemes by taking out hedges or buying back shares to avoid dilution associated with the issue of shares. All SARs awards have been fully hedged through the purchase of call options.

RETIREMENT SCHEMES

Executives participate in contributory retirement schemes which include pension and provident funds established by the group. Executive retirement is governed by their retirement scheme rules, subject to the ability of the company to enter into fixed-term contracts to extend the services of any executive within certain prescribed limits.

SUCCESSION POLICY AND PLANS

The committee considers succession plans for executives and regularly reviews identified successors for key positions in the group. This process includes:

> The identification of key positions of current incumbents
> An assessment of how long the current incumbent is expected to remain in the position
> Identification of candidates vulnerable due to age, health or attractiveness to competitors
> Identification of potential short term successors, both internally and externally
> Identification of potential long term successors, both internally and externally
> Positioning and grooming of potential successors

In the closing months of the 2014 year, a start was made to the implementation of processes required for the measurement and development of the executive talent pool, comprising the 100 most senior executives and others of high potential.

EXTERNAL APPOINTMENTS

Executives are not permitted to hold external directorships or offices, other than those of a personal nature, without the approval of the board.

DIRECTORS' SERVICE CONTRACTS

Directors' contracts can all be terminated with between one and three months' notice, with the exception of that of GW Riemann who is employed on fixed-term contract that terminates on 31 December 2014. Any contract can be immediately terminated in the event of misconduct. Mr Riemann will be retiring at the end of the year, with his successor taking over in January 2015. Mr Riemann will work with his successor for three months to ensure a smooth handover.

Non-executive directors' appointments are made in terms of the company's memorandum of incorporation and are initially confirmed at the first annual general meeting of shareholders following their appointment, and thereafter by rotation.

EXECUTIVE REMUNERATION

MJ (Mark) Lamberti – Group CEO (from 1 March 2014)

2014 REMUNERATION

Basic salary	Retirement and medical contributions	Other benefits	Short term incentive bonus	**Total cash remuneration**	Gains on exercise of long term incentive awards	**Total taxable remu-neration realised**	Expected future value of long term incentive awards
Nil	Nil	Nil	Nil	**Nil**	Nil	**Nil**	10 329

Fixed compensation and benefits

MJ (Mark) Lamberti has elected not to be paid the fixed remuneration portion of his compensation or receive any other benefits as CEO of Imperial. His compensation will therefore comprise only the performance-related portion of compensation normally due to the CEO.

Mark's total and only compensation for the four months to June 2014 was participation in the Imperial Deferred Bonus Plan (DBP). This was one of the terms of his employment, which required him to commit 60 787 Imperial shares to be held in escrow until 15 September 2017, when he will receive a matching award of the same number of shares.

At Mark's suggestion, the company will make funds available on an annual basis, in line with the fixed remuneration that would otherwise have been payable to the CEO of Imperial, for the provision of university education from the second year onwards to the direct descendants of individuals who earn less than R600 000 per annum and have been employed by Imperial for more than five years.

Annual incentive bonus

In lieu of an annual bonus, Mark has requested that the following short term incentive performance criteria and weightings, as determined by the board, be used as a basis for the allocation of Conditional Share Plan (CSP) rights, the quantum of which will be 1.5 times the unpaid maximum short term incentive.

2014 MEASURE

	2014 Weighting
Group core EPS growth	30%
Group achievement of ROIC target over WACC	30%
Group BBBEE improvement	20%
Discretionary	20%

Long term incentive and retention payments

On 9 September 2014, Mark was awarded 67 064 shares as part of the CSP. These shares will vest on 15 September 2017 subject to the achievement of targeted core earnings per share growth; return on invested capital greater than the weighted average cost of capital; and specific qualitative objectives which have been determined by the board. The degree of achievement will be disclosed when the shares vest. If all performance objectives are fully met, the expected value of this award is R12 816 000.

Participation in this long term performance-based incentive scheme will be his only compensation for the 12 months to June 2015.

HR (Hubert) Brody – Group CEO to 28 February 2014*

2014 REMUNERATION

Basic salary	Retirement and medical contributions	Other benefits	Short term incentive bonus	**Total cash remuneration**	Gains on exercise of long term incentive awards	**Total taxable remuneration realised**	Expected future value of long term incentive awards
5 357	857	1 276	7 457	**14 947**	18 894	**33 841**	Nil

Fixed compensation and benefits

Based on remuneration benchmarking against peers, Hubert's fixed compensation and benefits increased 10% to R7 457 000 (2013: R6 730 000).

Annual incentive bonus

Hubert received a bonus equal to his annual salary in recognition of his service as CEO over seven years, totalling R7 457 000 (compared to R5 315 000 in 2013).

Long term incentive and retention payments

The gains on the exercise of the long term incentive award arose from SARs and DBPs issued in June 2010 and a pro rata vesting of DBPs on his resignation.

Hubert did not receive any long term incentive award during the year in light of his retirement as CEO.

** Although he resigned as CEO on 28 February 2014, he remained in the company's employ as an executive director until 30 April 2014.*

OS (Osman) Arbee – Group CFO
(with additional responsibility for the Aftermarket Parts business during 2014)

2014 REMUNERATION

Basic salary	Retirement and medical contributions	Other benefits	Short term incentive bonus	**Total cash remuneration**	Gains on exercise of long term incentive awards	**Total taxable remu-neration realised**	Expected future value of long term incentive awards
4 569	746	399	4 200	**9 914**	3 218	**13 132**	6 000

Fixed compensation and benefits

Pursuant to his appointment as CFO on 1 July 2013 and his additional line responsibility for the Aftermarket Parts business during 2014, Osman's fixed compensation and benefits increased 25% to R5 714 000 (2013: R4 585 000).

Annual incentive bonus

With reference to the criteria below, Osman received an incentive bonus of R4 200 000 compared to R4 200 000 in 2013.

2014 MEASURE

	2014 weighting
Group core EPS growth	25%
Group achievement of ROIC target over WACC	25%
Group BBBEE improvement	20%
Divisional PBIT growth	5%
Divisional achievement of ROIC target over WACC	5%
Discretionary	20%

Long term incentive and retention payments

The gains on the exercise of the long term incentive award arose from DBPs issued in June 2010.

On 30 June 2014, Osman was awarded and committed 30 965 shares as part of the DBP. These shares are to be held in escrow until 15 September 2017, when he will receive a matching award of the same number of shares. The expected value of this award is R6 000 000.

M (Mohammed) Akoojee – Director: Group Strategy, Mergers and Acquisitions and Investor Relations

2014 REMUNERATION

Basic salary	Retirement and medical contributions	Other benefits	Short term incentive bonus	**Total cash remuneration**	Gains on exercise of long term incentive awards	**Total taxable remu-neration realised**	Expected future value of long term incentive awards
2 412	400	120	2 310	**5 242**	3 357	**8 599**	3 600

Fixed compensation and benefits

Pursuant to his appointment as head of strategy, mergers, acquisitions and investor relations and his appointment as a director to the board in October 2013, Mohammed's fixed compensation and benefits increased by 15% to R2 932 000 (2013: R2 550 000).

Annual incentive bonus

With reference to the criteria below and the successful finalisation of the EcoHealth transaction, Mohammed received an incentive bonus of R2 310 000, compared to R2 300 000 in 2013.

2014 MEASURE

	2014 weighting
Group core EPS growth	30%
Group achievement of ROIC target over WACC	30%
Group BBBEE improvement	20%
Discretionary	20%

Long term incentive and retention payments

The gains on the exercise of the long term incentive award arose from SARs and DBPs issued in June 2010.

On 30 June 2014, Mohammed was awarded and committed 18 579 shares as part of the DBP. These shares are to be held in escrow until 15 September 2017, when he will receive a matching award of the same number of shares. The expected value of this award is R3 600 000.

M (Marius) Swanepoel – CEO: Logistics Africa

2014 REMUNERATION

Basic salary	Retirement and medical contributions	Other benefits	Short term incentive bonus	**Total cash remuneration**	Gains on exercise of long term incentive awards	**Total taxable remu-neration realised**	Expected future value of long term incentive awards
3 944	782	180	3 700	**8 606**	8 721	**17 327**	5 300

Fixed compensation and benefits

Marius' fixed compensation and benefits increased by 7% to R4 906 000 (2013: R4 585 000).

Annual incentive bonus

With reference to the criteria below and the successful implementation of the African expansion strategy, Marius received an incentive bonus of R3 700 000 compared to R3 500 000 in 2013.

2014 MEASURE

	2014 Weighting
Group core EPS growth	15%
Group achievement of ROIC target over WACC	15%
Divisional BBBEE improvement	20%
Divisional PBIT growth	15%
Divisional achievement of ROIC target over WACC	15%
Discretionary	20%

Long term incentive and retention payments

The gains on the exercise of the long term incentive award arose from SARs and DBPs issued in June 2010.

On 30 June 2014, Marius was awarded and committed 27 352 shares as part of the DBP. These shares are to be held in escrow until 15 September 2017, when he will receive a matching award of the same number of shares. The expected value of this award is R5 300 000.

GW (Gerhard) Riemann – CEO: Logistics International

GW (Gerhard) Riemann is based in Germany and paid in Euros.

2014 REMUNERATION

Basic salary	Retirement and medical contributions	Other benefits	Short term incentive bonus	**Total cash remuneration**	Gains on exercise of long term incentive awards	**Total taxable remu-neration realised**	Expected future value of long term incentive awards
6 756	1 689	1 980	13 511	**23 936**	nil	**23 936**	nil

Fixed compensation and benefits

Gerhard's fixed compensation and benefits increased by 23% to R10 425 000 (2013: R8 462 000) in Rand terms due to the deterioration in the Rand exchange rate. It did not increase in Euro terms.

Annual incentive bonus

With reference to the criteria below, Gerhard received an incentive bonus of R13 511 000 compared to R12 450 000 in 2013.

His incentive bonus is not limited to his total cost to company as he does not partcipate in the SAR and DBP incentive plans.

2014 MEASURE

	2014 weighting
Divisional EBIT	50%
Divisional ROE	50%

Long term incentive and retention payments

Gerhard does not participate in the group long term incentive and retention plans, which is reflected in his annual incentive bonus.

MP (Manny) de Canha – CEO: Vehicle Import, Distribution and Dealerships

2014 REMUNERATION

Basic salary	Retirement and medical contributions	Other benefits	Short term incentive bonus	**Total cash remuneration**	Gains on exercise of long term incentive awards	**Total taxable remu-neration realised**	Expected future value of long term incentive awards
4 473	611	159	3 400	**8 643**	11 384	**20 027**	5 500

Fixed compensation and benefits

Manny's fixed compensation and benefits increased by 5% to R5 243 000 (2013: R4 900 000).

Annual incentive bonus

With reference to the criteria below, Manny received an incentive bonus of R3 400 000 compared to R4 900 000 in 2013. This is a reflection of the performance of his division, which was significantly impacted by rapid movements in the Rand exchange rate.

2014 MEASURE

	2014 weighting
Group core EPS growth	15%
Group achievement of ROIC target over WACC	15%
Divisional BBBEE improvement	20%
Divisional PBIT growth	15%
Divisional achievement of ROIC target over WACC	15%
Discretionary	20%

Long term incentive and retention payments

The gains on the exercise of the long term incentive award arose from SARs and DBPs issued in June 2010.

On 30 June 2014, Manny was awarded and committed 28 384 shares in the DBP. These shares are to be held in escrow until 15 September 2017, when he will receive a matching award of the same number of shares. The expected value of this award is R5 500 000.

PB (Philip) Michaux – CEO: Vehicle Retail, Rental and Aftermarket Parts

2014 REMUNERATION

Basic salary	Retirement and medical contributions	Other benefits	Short term incentive bonus	**Total cash remuneration**	Gains on exercise of long term incentive awards	**Total taxable remu-neration realised**	Expected future value of long term incentive awards
3 130	530	276	2 800	**6 736**	6 158	**12 894**	4 700

Fixed compensation and benefits

Pursuant to the increase in his responsibilities to include the Car Rental division and his appointment as an executive director to the board in October 2013, Philip's fixed compensation and benefits increased 31% to R4 116 000 (2013: R3 151 000).

Annual incentive bonus

With reference to the criteria below, Philip received an incentive bonus of R2 800 000 compared to R3 015 000 in 2013.

2014 MEASURE

	2014 weighting
Group core EPS growth	15%
Group achievement of ROIC target over WACC	15%
Divisional BBBEE improvement	20%
Divisional PBIT growth	15%
Divisional achievement of ROIC target over WACC	15%
Discretionary	20%

Long term incentive and retention payments

The gains on the exercise of the long term incentive award arose from SARs and DBPs issued in June 2010.

On 30 June 2014, Philip was awarded and committed 24 256 shares in the DBP. These shares are to be held in escrow until 15 September 2017 when he will receive a matching award of the same number of shares. The expected value of this award is R4 700 000.

Jurie Strydom – CEO: Insurance

2014 REMUNERATION

Basic salary	Retirement and medical contributions	Other benefits	Short term incentive bonus	**Total cash remuneration**	Gains on exercise of long term incentive awards	**Total taxable remu-neration realised**	Expected future value of long term incentive awards
3 315	297	nil	2 650	**6 262**	3 884	**10 146**	4 100

Fixed compensation and benefits

Pursuant to his appointment as a director to the board in October 2013 and the improved sustainable performance in Insurance, Jurie's fixed compensation and benefits increased by 20% to R3 612 000 (2013: R3 010 000).

Annual incentive bonus

With reference to the criteria below, Jurie received an incentive bonus of R2 650 000 compared to R2 500 000 in 2013.

2014 MEASURE

	2014 weighting
Group core EPS growth	15%
Group achievement of ROIC target over WACC	15%
Divisional BBBEE improvement	20%
Divisional PBIT growth (normalised equity returns)	15%
Divisional achievement of return on embedded value over cost of equity	15%
Discretionary	20%

Long term incentive and retention payments

The gains on the exercise of the long term incentive award arose from SARs and DBPs issued in June 2010.

On 30 June 2014, Jurie was awarded and committed 21 159 shares in the DBP. These shares are to be held in escrow until 15 September 2017, when he will receive a matching award of the same number of shares. The expected value of this award is R4 100 000.

HIGHEST PAID EMPLOYEE REMUNERATION

King III recommends that the remuneration of the top three earners who are not directors should be disclosed. Remuneration during the year was as follows:

	Salary R'000	Bonus R'000	Other R'000	Total R'000
Employee 1	3 546	4 686		8 232
Employee 2	3 039	4 221	549	7 809
Employee 3	2 316	4 686	404	7 406

PRESCRIBED OFFICERS' REMUNERATION

The group had no prescribed officers as defined in terms of the Companies Act, 2008 for the financial year other than PB Michaux and JJ Strydom who were appointed as directors during the year and whose remuneration is disclosed as directors. Prescribed officers are persons, not being directors, who either alone or with others exercise executive control and management of the whole or a significant portion of the business of the company.

NON-EXECUTIVE DIRECTORS' FEES

Fees payable to non-executive directors are reviewed by the committee and recommended to the board. They in turn make recommendations to shareholders after consideration of the fees paid by comparable companies, responsibilities of the non-executive directors and considerations relating to the retention and attraction of high-calibre individuals. The group has decided to maintain a structure where directors' fees are not split between membership and attendance fees, as the group has not had significant instances of non-attendance of meetings.

Fees for 2014

The table below provides an analysis of the emoluments paid to non-executive directors for the year ended 30 June 2014.

	Directors' fees R'000	Subsidiary/ associate and sub-committee fees R'000	**2014 Total R'000**	2013 Total R'000
			Total	Total
Non-executive directors				
SL Botha (Resigned 5/9)	34	24	**58**	321
HR Brody (Note 1)	71	75	**146**	
ST Dingaan (Note 2)	212	527	**739**	637
S Engelbrecht	212	180	**392**	316
TS Gcabashe	954	180	**1 134**	800
RL Hiemstra	212	180	**392**	226
P Langeni	212	254	**466**	417
MJ Leeming	212	663	**875**	740
V Moosa	212	225	**437**	372
RJA Sparks	212	644	**856**	695
A Tugendhaft	583	180	**763**	535
Y Waja	212	716	**928**	820
Total	3 338	3 848	**7 186**	5 879

1. HR Brody served as an executive director until 30 April 2014 and his remuneration for that period is reflected on page 128.
2. Paid by Ukhamba Holdings in respect of its chairperson's fees.

Fees for 2015 and 2016

At the annual general meeting to be held on 4 November 2014, shareholders will be requested to approve the following increases in non-executive directors' remuneration by special resolution in terms of section 66(9) of the Companies Act, granting authority to pay fees for services as directors, which will be valid with effect from 1 July 2014 until 30 June 2016 as follows:

	Current fee	Fee from 1 July 2014 to 30 June 2015	Fee from 1 July 2015 to 30 June 2016
Chairperson*	**R742 000**	R787 000	R834 000
Deputy chairperson*	**R371 000**	R393 000	R417 000
Board member	**R212 000**	R225 000	R238 500
Assets and liabilities committee chairperson*	**R135 000**	R143 000	R152 000
Assets and liabilities committee member	**R90 000**	R95 500	R101 000
Audit committee chairperson*	**R280 000**	R297 000	R315 000
Audit committee member	**R140 000**	R148 500	R157 000
Risk committee chairperson*	**R135 000**	R143 000	R152 000
Risk committee member	**R90 000**	R95 500	R101 000
Remuneration and nomination committee chairperson*	**R135 000**	R143 000	R152 000
Remuneration and nomination committee member	**R90 000**	R95 500	R101 000
Social, ethics and sustainability committee chairperson*	**R135 000**	R143 000	R152 000
Social, ethics and sustainability committee member	**R90 000**	R95 500	R101 000

* *Paid in addition to a member's fee.*

Shareholders will also be requested to approve once-off fees payable to members and ad hoc members of the remuneration and nomination committee for additional work related to the search for a new CEO as follows:

Chairperson: R60 000
Member: R30 000

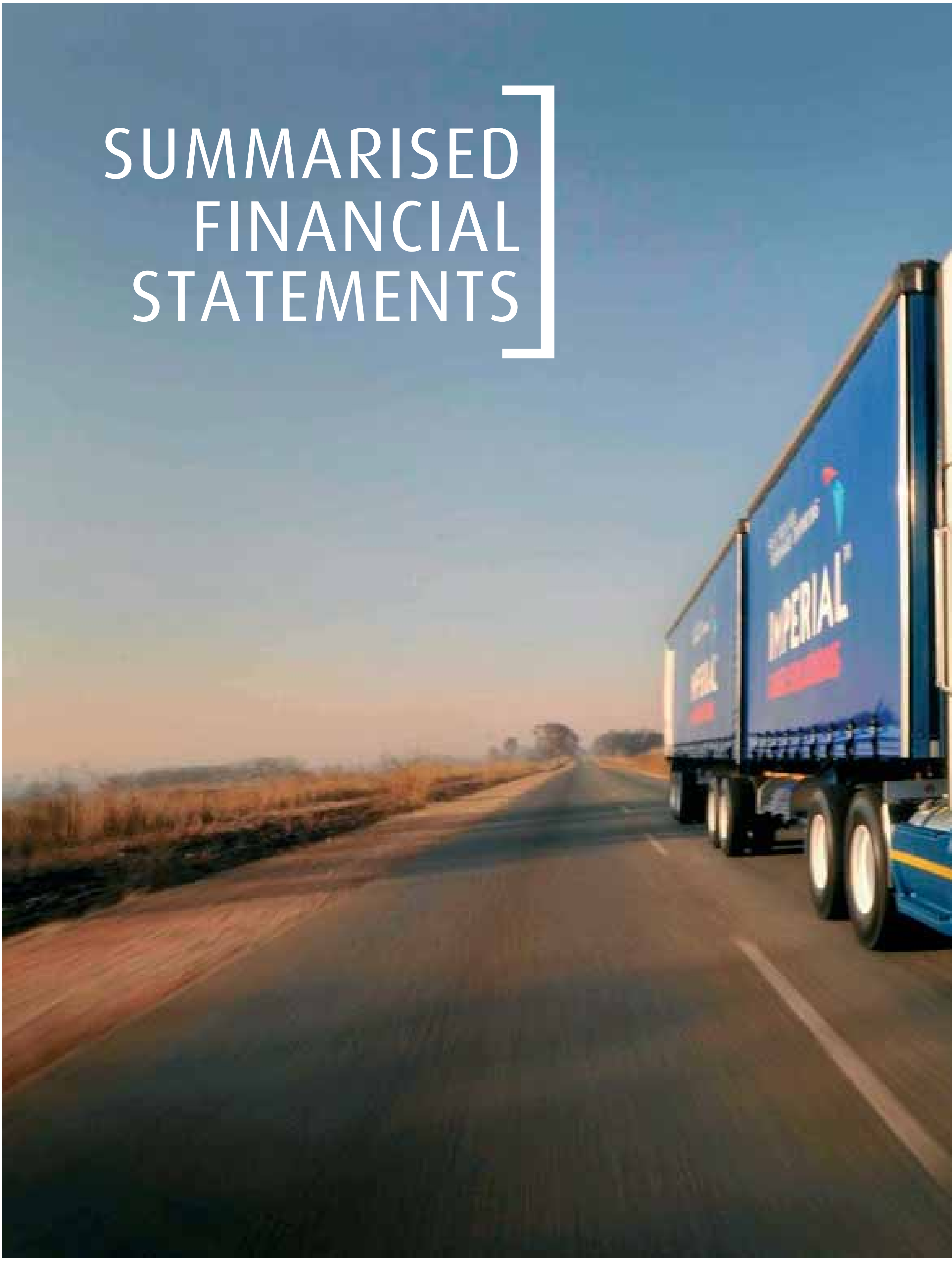
In arriving at the proposed fees, cognisance was taken of market trends and the additional responsibilities of non-executive directors in terms of increased legal and governance requirements.

Non-executive directors also receive fees for services on divisional boards and financial and risk review committees.

Executive directors receive no director or committee fees for their services as directors in addition to their normal remuneration as employees.

APPROVAL

This remuneration report has been approved by the board of directors of Imperial.



SUMMARISED FINANCIAL STATEMENTS


IMPERIAL
ZKY-254 GP

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In addition to these summarised consolidated annual financial statements, the full annual financial statements are available at **www.imperial.co.za.**

DIRECTORS' RESPONSIBILITY FOR GROUP FINANCIAL REPORTING
for the year ended 30 June 2014

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the consolidated financial statements and related information. The consolidated 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 group at 30 June 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 and comply with the Listings Requirements of the JSE Limited and the Companies Act of South Africa, 2008. The group's independent external auditors, Deloitte & Touche, have audited the consolidated annual financial statements and their unmodified report appears on page 142.

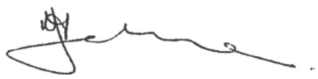
The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material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

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

The summarised consolidated annual financial statements, which have been prepared using information required by IAS 34 – *Interim Financial Reporting*, set out on pages 143 to 163 are an extract of the audited consolidated annual financial statements. The consolidated and separate annual financial statements are electronically available at **www.imperial.co.za**.

The group's independent external auditor, Deloitte & Touche, has confirmed that the summarised consolidated annual financial statements are derived from the consolidated annual financial statements and their unmodified report appears on page 142.

The summarised consolidated annual financial statements were approved by the board of directors on 26 August 2014 and are signed on their behalf by:



TS Gcabashe
Chairperson

MJ Lamberti
Chief executive officer

OS Arbee
Chief financial officer

PREPARER OF SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

These summarised consolidated annual financial statements have been prepared under the supervision of R Mumford CA(SA).

R Mumford
General Manager Group Finance

26 August 2014

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF IMPERIAL HOLDINGS LIMITED

The summarised consolidated annual financial statements of Imperial Holdings Limited, contained in the accompanying summarised report, which comprise the summarised consolidated statement of financial position as at 30 June 2014, the summarised consolidated statement of profit and loss, the summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated annual financial statements of Imperial Holdings Limited for the year ended 30 June 2014. We expressed an unmodified audit opinion on those consolidated annual financial statements in our report dated 26 August 2014. Our auditor's report on the audited consolidated annual financial statements contained an Other Matter paragraph titled "Other reports required by the Companies Act" (included below).

The summarised consolidated annual financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated annual financial statements, therefore, is not a substitute for reading the audited consolidated annual financial statements of Imperial Holdings Limited.

The Listings Requirements require summarised reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and, as a minimum, contains the singular information required by IAS 34 Interim Financial Reporting.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summarised consolidated annual financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

OPINION

In our opinion the summarised consolidated annual financial statements derived from the audited consolidated annual financial statements of Imperial Holdings Limited for the year ended 30 June 2014 are consistent, in all material respects, with those audited consolidated annual financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for summarised reports, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "Other reports required by the Companies Act" paragraph in our audit report dated 26 August 2014 states that as part of our audit of the consolidated annual financial statements for the year ended 30 June 2014, we have read the directors' report, audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated annual financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated annual financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated annual financial statements or our opinion thereon.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per AF Mackie
Partner
26 August 2014
Buildings 1 and 2, Deloitte Place
The Woodlands Office Park, Woodlands Drive
Sandton

National Executive: LL Bam, (Chief executive), AE Swiegers (Chief operating officer), GM Pinnock (Audit), DL Kennedy (Risk advisory), NB Kader (Tax), TP Pillay (Consulting), K Black (Clients & Industries), JK Mazzocco (Talent & Transformation), MJ Jarvis (Finance), M Jordan (Strategy), S Gwala (Managed Services), TJ Brown (Chairperson of the Board), MJ Comber (Deputy Chairperson of the Board)

A full list of partners and directors is available on request.

BBBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

REPORT OF THE AUDIT COMMITTEE
for the year ended 30 June 2014

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 III).

MEMBERS OF THE AUDIT COMMITTEE AND ATTENDANCE AT MEETINGS

The audit committee consists of the non-executive directors listed below and meets at least four times per annum in accordance with its charter. All members act independently as described in the Act. The members of the committee in respect of the year ended 30 June 2014 comprised Mr MJ Leeming (Chairperson), Mrs T Dingaan, Ms P Langeni, Mr RJA Sparks and Mr Y Waja (the committee), all of whom are independent non-executive directors of the company. Mrs T Dingaan was appointed in February 2014.

The same members are being recommended by the board for appointment for the financial year ending 30 June 2015, and their appointments are being submitted to shareholders for approval at the AGM on 4 November 2014. The abridged curriculum vitae of the members are included on pages 16 to 18 of the Integrated Annual Report.

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
MJ Leeming (Chairperson) (Member since 2002)	4/4
T Dingaan (Appointed during 2014)	2/2
P Langeni (Member since 2005)	4/4
RJA Sparks (Member since 2006)	3/4
Y Waja (Member since 2008)	4/4

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

ROLE OF THE AUDIT COMMITTEE

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

The committee:
> Assists the board in overseeing the quality and integrity of the group’s integrated reporting process, including the financial statements and sustainability reporting, and announcements in respect of the financial results
> Ensures that an effective control environment in the group is maintained
> Provides the chief financial officer, external auditors and the head of internal audit with unrestricted access to the committee and its chairperson 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 director being present
> Reviews and recommends to the board the interim financial results and annual financial statements
> Oversees the activities of, and ensures coordination between, the activities of the internal and external auditors
> Fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies
> Receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters
> Conducts annual reviews of the committee’s work and terms of reference
> Assesses the performance and effectiveness of the committee and its members on a regular basis

REPORT OF THE AUDIT COMMITTEE – continued
for the year ended 30 June 2014

EXECUTION OF FUNCTIONS DURING THE YEAR

The committee is satisfied that, for the 2014 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:

Financial statements

The committee among other matters:

> Confirmed the going concern as the basis of preparation of the interim and annual financial statements
> Reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate
> Examined and reviewed the interim and 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 and of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group was determined to be a going concern
> Considered accounting treatments, significant unusual transactions and accounting judgements
> Considered the appropriateness of the accounting policies adopted and changes thereto
> Reviewed the external auditor's audit report
> 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

External audit

The Committee among other matters:

> Nominated Deloitte & Touche and Mr AF Mackie as the external auditor and designated auditor respectively to shareholders for appointment for the financial year ending 30 June 2014, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor
> Approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor
> Reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures
> Obtained an annual confirmation from the auditor that its independence was not impaired
> Obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its subsidiaries
> 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
> 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 determined that there were none
> Nominated the external auditor and the independent auditor for each subsidiary company for re-appointment

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

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

Internal audit

The audit committee:

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

Based on the above, the committee formed the opinion that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

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

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.

Risk management and Information Technology (IT) governance

The committee:

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

Legal and regulatory requirements

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

- Reviewed legal matters that could have a material impact on the group
- Reviewed the adequacy and effectiveness of the group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities
- Monitored complaints received via the group's whistle-blowing service
- Considered reports provided by management, internal audit and the external auditor regarding compliance with legal and regulatory requirements

Expertise and experience of chief financial officer and the finance function

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

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

Subsidiary companies

The functions of the committee are also performed for each subsidiary company of Imperial Holdings Limited that has not appointed an audit committee, on the basis that the committee delegates the performance of such functions to sub-committees referred to as finance and risk review committees. Divisional finance and risk review committees have been constituted and these committees report significant issues to the group audit committee. Each divisional finance and risk review committee is chaired by an independent chairperson with no operational role in the group's divisions.

INTEGRATED REPORT

Following the review by the committee of the consolidated annual financial statements of Imperial Holdings Limited for the year ended 30 June 2014, the committee is of the view that in all material respects they comply with the relevant provisions of the Act, International Financial Reporting Standards and JSE Listing Requirements and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the Integrated Annual Report and the sustainability information reported therein.

Having achieved its objectives, the committee has recommended the annual financial statements and the Integrated Annual Report for the year ended 30 June 2014 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.

MJ Leeming
Chairperson

26 August 2014

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June

	Notes	Audited 2014 Rm	Restated Audited 2013* Rm	Audited 2012 Rm
ASSETS				
Goodwill and intangible assets	5	**6 766**	5 206	4 234
Investment in associates and joint ventures		**1 418**	1 317	889
Property, plant and equipment		**10 469**	9 257	8 080
Transport fleet		**5 322**	4 626	4 336
Vehicles for hire	7	**2 303**	2 465	2 321
Deferred tax assets		**1 101**	1 094	930
Investments and loans		**2 468**	3 218	2 433
Other financial assets		**267**	227	242
Inventories		**13 774**	11 492	9 218
Tax in advance		**148**	439	195
Trade and other receivables		**11 882**	10 437	9 275
Cash resources		**3 103**	1 844	3 545
Assets classified as held for sale			94	
Total assets		**59 021**	51 716	45 698
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium		**382**	382	22
Shares repurchased		**(220)**	(220)	(220)
Other reserves		**1 149**	1 023	503
Retained earnings		**16 229**	15 056	14 361
Attributable to owners of Imperial		**17 540**	16 241	14 666
Put arrangement over non-controlling interests**		**(1 000)**		
Non-controlling interests		**1 569**	1 295	1 223
Total equity		**18 109**	17 536	15 889
Liabilities				
Non-redeemable, non-participating preference shares		**441**	441	441
Retirement benefit obligations		**1 083**	1 014	590
Interest-bearing borrowings		**14 544**	10 568	9 747
Insurance, investment, maintenance and warranty contracts		**4 310**	3 970	3 222
Deferred tax liabilities		**1 355**	1 498	1 107
Other financial liabilities		**1 711**	419	348
Trade and other payables and provisions		**16 981**	15 771	13 886
Current tax liabilities		**487**	453	468
Liabilities directly associated with assets classified as held for sale			46	
Total liabilities		**40 912**	34 180	29 809
Total equity and liabilities		**59 021**	51 716	45 698

* *Amounts restated as a result of the application of amendments to IAS 19 – Employee Benefits. See note 3.*

** *Initial fair value of the put option liability relating to the additional 32% that Imperial may acquire from the non-controlling shareholders in EcoHealth.*

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 30 June

	% change	Audited 2014 Rm	Restated Audited 2013* Rm
Revenue	12	**103 567**	92 382
Net operating expenses		**(95 197)**	(84 222)
Profit from operations before depreciation and recoupments		**8 370**	8 160
Depreciation, amortisation, impairments and recoupments		**(2 185)**	(2 070)
Operating profit	2	**6 185**	6 090
Recoupments from sale of properties, net of impairments		**113**	8
Amortisation of intangible assets arising on business combinations		**(336)**	(254)
Net cost of meeting obligations under onerous contract		**(64)**	
Foreign exchange (losses) gains		**(3)**	103
Fair value losses on foreign exchange derivatives		**(28)**	(79)
Change in economic assumptions on insurance funds		**(7)**	
Charge for amending the conversion profile of the deferred ordinary shares		**(70)**	
Remeasurement of contingent considerations and put option liability		**2**	66
Realised gain on disposal of available-for-sale investment		**1**	10
Business acquisition costs		**(22)**	(15)
Exceptional items		**36**	(178)
Profit before net financing costs and share of result of associates and joint ventures	1	**5 807**	5 751
Net finance cost including fair value gains and losses	24	**(926)**	(744)
Share of result of associates and joint ventures		**76**	86
Profit before tax	(3)	**4 957**	5 093
Income tax expense		**(1 330)**	(1 405)
Net profit for the year	(2)	**3 627**	3 688
Net profit attributable to:			
Owners of Imperial		**3 272**	3 296
Non-controlling interests		**355**	392
		3 627	3 688
Earnings per share (cents)			
– Basic	(2)	**1 687**	1 720
– Diluted	1	**1 666**	1 651

* *Amounts restated as a result of the application of amendments to IAS 19 – Employee Benefits. See note 3.*

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June

	Audited 2014 Rm	Restated Audited 2013* Rm
Net profit for the year	**3 627**	3 688
Other comprehensive income	**177**	571
Items that may be reclassified subsequently to profit or loss	**133**	699
– Exchange gains arising on translation of foreign operations	**521**	711
– Share of associate and joint venture movement in foreign currency translation reserve	**12**	11
– Movement in valuation reserve	**45**	10
– Reclassification of gain on disposal of available-for-sale investments	**(1)**	(10)
– Movement in hedge accounting reserve	**(420)**	(21)
– Share of associates' and joint ventures movement in hedge accounting reserve	**(14)**	
– Income tax relating to items that may be reclassified	**(10)**	(2)
Items that will not be reclassified to profit or loss	**44**	(128)
– Remeasurement of retirement benefit obligations	**64**	(186)
– Income tax on remeasurement of retirement benefit obligations	**(20)**	58
Total comprehensive income for the year	**3 804**	4 259
Total comprehensive income attributable to:		
Owners of Imperial	**3 486**	3 837
Non-controlling interests	**318**	422
	3 804	4 259

* *Amounts restated as a result of the application of amendments to IAS 19 – Employee Benefits. See note 3.*

EARNINGS PER SHARE INFORMATION
for the year ended 30 June

	% change	Audited 2014 Rm	Restated Audited 2013* Rm
Headline earnings reconciliation			
Earnings – basic		**3 272**	3 296
Saving of finance costs by associate on potential sale of Imperial shares		**60**	43
Earnings – diluted		**3 332**	3 339
Profit on disposal of property, plant and equipment (IAS 16)		**(193)**	(38)
Profit on disposal of intangible assets (IAS 38)		**1**	(3)
Impairment of property, plant and equipment (IAS 36)		**39**	24
Impairment of intangible assets (IAS 36)		**7**	3
Exceptional items		**(36)**	178
Realised gain on disposal of available-for-sale investment (IAS 39)		**(1)**	(10)
Remeasurements included in share of result of associates and joint ventures		**18**	(13)
Tax effects of remeasurements		**42**	18
Non-controlling interests share of remeasurements		**2**	3
Headline earnings – diluted		**3 211**	3 501
Saving of finance costs by associate on potential sale of Imperial shares		**(60)**	(43)
Headline earnings – basic	(9)	**3 151**	3 458
Earnings per share (cents)			
– Basic	(2)	**1 687**	1 720
– Diluted	1	**1 666**	1 651
Headline earnings per share (cents)			
– Basic	(10)	**1 625**	1 805
– Diluted	(7)	**1 606**	1 731
Core earnings reconciliation			
Headline earnings – basic	(9)	**3 151**	3 458
Saving of finance costs by associate on potential sale of Imperial shares		**60**	43
Headline earnings – diluted	(8)	**3 211**	3 501
Amortisation of intangible assets arising on business combinations		**336**	254
Net cost of meeting obligations under onerous contract		**64**	
Business acquisition costs		**22**	15
Remeasurement of contingent considerations and put option liability		**(2)**	(66)
Change in economic assumptions on insurance funds		**7**	
Adjustments included in share of result of associates and joint ventures			3
Charge for amending the conversion profile of the deferred ordinary shares		**70**	
Tax effects of core earnings adjustments		**(119)**	(77)
Non-controlling interests share of core earnings adjustments		**(10)**	(1)
Core earnings – diluted		**3 579**	3 629
Saving of finance costs by associate on potential sale of Imperial shares		**(60)**	(43)
Core earning – basic	(2)	**3 519**	3 586
Core earnings per share (cents)			
– Basic	(3)	**1 815**	1 872
– Diluted		**1 790**	1 795

* *Amounts restated as a result of the application of amendments to IAS 19 – Employee Benefits. See note 3.*

Additional share information	% change	Audited 2014 Rm	Restated Audited 2013* Rm
Net asset value per share (cents)	9	**9 037**	8 324
Dividend per ordinary share (cents)		**820**	820
Number of ordinary shares in issue (million)			
– Total shares		**207,8**	208,8
– Net of shares repurchased		**194,1**	195,1
– Weighted average for basic		**193,9**	191,6
– Weighted average for diluted		**200,0**	202,2
Number of other shares (million)			
– Deferred ordinary shares to convert into ordinary shares		**9,1**	13,0

* *Amounts restated as a result of the application of amendments to IAS 19 – Employee Benefits. See note 3.*

Details of net finance cost and exceptional items	Audited 2014 Rm	Restated Audited 2013 Rm
Net finance cost		
Net interest paid	**(926)**	(744)
Foreign exchange loss on monetary items		(254)
Fair value gain on interest-rate swap instruments		254
	(926)	(744)
Exceptional items		
Impairment of goodwill (IAS 36)	**(38)**	(139)
Loss on disposal of investments in associates and joint ventures (IAS 28)	**(7)**	(7)
Profit (loss) on disposal of subsidiaries and businesses (IFRS 10)	**81**	(32)
	36	(178)

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June

	Note	Audited 2014 Rm	Audited 2013 Rm
Cash flows from operating activities			
Cash generated by operations before movements in net working capital		**8 568**	8 795
Movements in net working capital		**(2 879)**	(1 604)
Cash generated by operations before capital expenditure on rental assets		**5 689**	7 191
Expansion capital expenditure – rental assets		**(137)**	(332)
Net replacement capital expenditure – rental assets		**(390)**	(584)
– Expenditure		**(1 959)**	(2 330)
– Proceeds		**1 569**	1 746
Cash generated by operations		**5 162**	6 275
Net finance cost paid		**(926)**	(744)
Tax paid		**(1 267)**	(1 394)
Cash flows from operating activities		**2 969**	4 137
Cash flows from investing activities			
Net acquisitions and disposals of subsidiaries and businesses		**(297)**	(539)
Expansion capital expenditure – excluding rental assets		**(1 626)**	(1 350)
Net replacement capital expenditure – excluding rental assets		**(1 162)**	(811)
Net movement in associates and joint ventures		**(144)**	(321)
Net movement in investments, loans and other financial instruments		**1 113**	(771)
		(2 116)	(3 792)
Cash flows from financing activities*			
Hedge cost premium paid		**(108)**	(117)
Ordinary shares repurchased and cancelled		**(502)**	(742)
Dividends paid		**(1 940)**	(1 755)
Change in non-controlling interests		**(364)**	(9)
Capital raised from non-controlling interests		**89**	28
Repayment of corporate bond (2013: Eurobond)		**(1 500)**	(2 690)
Proceeds on the issue of corporate bonds		**3 000**	750
Net increase in other interest-bearing borrowings		**1 805**	672
		480	(3 863)
Net increase (decrease) in cash and cash equivalents		**1 333**	(3 518)
Effects of exchange rate changes on cash resources in a foreign currency		**45**	209
Cash and cash equivalents at beginning of year		**(480)**	2 829
Cash and cash equivalents at end of year	8	**898**	(480)

* *There has been no cash flow for the shares issued relating to the share scheme settlements in the prior year.*

SUMMARISED 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 2012 – Audited	22	(220)	503	14 361	14 666		1 223	15 889
Adjustment resulting from the adoption of IAS 19 – *Employee Benefits*				(40)	(40)		(2)	(42)
Total comprehensive income for the year			666	3 171	3 837		422	4 259
Net attributable profit for the year*				3 296	3 296		392	3 688
Other comprehensive income			666	(125)	541		30	571
Movement in statutory reserves			21	(21)				
Repurchase and cancellation of 4 003 074 ordinary shares from open market at an average price of R185,29 per share				(742)	(742)			(742)
1 861 850 ordinary shares issued in settlement of share incentive scheme obligations	360		(271)		89		(14)	75
Share-based equity cost charged to profit or loss			113		113		3	116
Share-based equity reserve transferred to retained earnings on vesting			196	(196)				
Share-based equity reserve hedge cost utilisation			(193)		(193)		2	(191)
Ordinary dividends paid				(1 478)	(1 478)			(1 478)
Realisation on disposal of subsidiaries			(1)	1				
Non-controlling interests disposed, net of acquisitions and shares issued							(64)	(64)
Net increase in non-controlling interests			(11)		(11)		2	(9)
Non-controlling interests' share of dividends							(277)	(277)
Balance at 30 June 2013 – Audited*	**382**	**(220)**	**1 023**	**15 056**	**16 241**		**1 295**	**17 536**
Total comprehensive income for the year			**170**	**3 316**	**3 486**		**318**	**3 804**
Net attributable profit for the year				**3 272**	**3 272**		**355**	**3 627**
Other comprehensive income			**170**	**44**	**214**		**(37)**	**177**
Movements in statutory reserves			**10**	**(10)**				
Share-based equity cost charged to profit or loss			**101**		**101**		**3**	**104**
Share-based equity reserve transferred to retained earnings on vesting			**(16)**	**16**				
Share-based equity reserve hedge cost utilisation			**(95)**		**(95)**		**(5)**	**(100)**
Charge for amending the conversion profile of the deferred ordinary shares			**70**		**70**			**70**
Ordinary dividends paid				**(1 618)**	**(1 618)**			**(1 618)**
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			**29**	**(29)**				
Non-controlling interests acquired, net of disposals and shares issued			**(9)**		**(9)**		**376**	**367**
Net decrease in non-controlling interests			**(225)**		**(225)**	**289**	**(96)**	**(32)**
Non-controlling interests' share of dividends							**(322)**	**(322)**
Balance at 30 June 2014 – Audited	**382**	**(220)**	**1 149**	**16 229**	**17 540**	**(1 000)**	**1 569**	**18 109**

* *Amounts restated as a result of the application of amendments to IAS 19 – Employee Benefits. See note 3.*
** *Initial fair value of the put option liability relating to the additional 32% that Imperial may acquire from the non-controlling shareholders in EcoHealth.*

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

1. BASIS OF PREPARATION

The summarised 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 30 June 2014 and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial 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 summarised 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 2013.

These summarised consolidated financial statements have been prepared under the supervision of R Mumford, CA(SA) and were approved by the board of directors on 26 August 2014.

2. ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the preparation of the summarised consolidated financial statements are in accordance with IFRS and are consistent with those of the annual financial statements for the year ended 30 June 2013 except where the group has adopted new or revised accounting standards, as per note 3 below.

3. CHANGES IN ACCOUNTING POLICIES

The group has adopted all the new, revised or amended accounting pronouncements as issued by the IASB which became effective to the group on 1 July 2013, including some of the more significant changes as listed below:

IFRS 10 Consolidated financial statements
The objective of IFRS 10 is to provide the framework on when an entity is controlled and must be consolidated.

IFRS 11 Joint arrangements
Where joint arrangements exists, the investor is required to assess whether the joint arrangement is a joint operation or a joint venture based on the legal structure of the investee and the investor's right to and obligation for the underlying assets and liabilities of the investee. IFRS 11 requires equity accounting for joint ventures and eliminates the proportionate consolidation option of accounting.

IFRS 12 Disclosure of interest in other entities
IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated entities. In general, the disclosure requirements in IFRS 12 are more extensive.

IFRS 13 Fair value measurement
IFRS 13 improves consistency and reduces complexity by providing a single definition of fair value and a source of fair value measurement and disclosure requirements for use across all accounting standards.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – CONTINUED
for the year ended 30 June 2014

3. CHANGES IN ACCOUNTING POLICIES continued

IAS 19 Employee benefits

The amendments to IAS 19 require all actuarial gains and losses to be recognised immediately in other comprehensive income so that the pension asset or liability reflects the full value of the plan deficit or surplus.

The new, revised or amended standards were adopted in accordance with their transitional provisions, with the adoption of IAS 19 resulting in the only restatement of the comparative amounts as follows:

	Audited				
		Movements during 2013			
R million	Effect on 1 July 2012	Remeasure-ment	Currency adjustment	Through profit or loss	Cumulative effect on June 2013
FINANCIAL POSITION					
Assets					
Increase in deferred tax assets	19	58	4	(1)	80
Total assets	19	58	4	(1)	80
Capital and reserves					
Decrease in other reserves			(9)		(9)
Decrease in retained earnings	(40)	(125)		2	(163)
Attributable to owners of Imperial	(40)	(125)	(9)	2	(172)
Decrease in non-controlling interest	(2)	(3)			(5)
Decrease in total equity	(42)	(128)	(9)	2	(177)
Liabilities					
Increase in retirement benefit obligations	61	186	13	(3)	257
Total liabilities – increase	61	186	13	(3)	257
Total equity and liabilities – increase	19	58	4	(1)	80
PROFIT OR LOSS					
Decrease in net operating expenses					3
Increase in income tax expense					(1)
Increase in net profit for the year					2
Earnings per share, headline earnings per share and core earnings per share					
Increase in basic (cents)					1
Increase in diluted (cents)					1
COMPREHENSIVE INCOME					
Increase in net profit for the year					2
Other comprehensive income					(137)
Items that may be reclassified subsequently to profit or loss					(9)
Decrease in exchange gains arising on translation of foreign entities					(9)
Items that will not be reclassified to profit or loss					(128)
Decrease in retained income from remeasurement of retirement benefit obligations					(186)
Increase in deferred tax assets relating to remeasurement of retirement benefit obligations					58
Decrease in total comprehensive income for the year					(135)
DECREASE IN TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of Imperial					(132)
Non-controlling interest					(3)
					(135)

Circular 3/2013 – Headline earnings

The group also adopted Circular 3/2013 – Headline Earnings, as issued by the South African Institute of Chartered Accountants (SAICA). The adoption of the new circular had no impact on the way the group calculates its headline earnings per share.

	Audited 2014 Rm	Audited 2013 Rm
4. FOREIGN EXCHANGE RATES		
The following major rates of exchange was used in the translation of the group's foreign operations:		
SA Rand : Euro		
– Closing	**14,51**	13,04
– Average	**14,07**	11,43
SA Rand : US Dollar		
– Closing	**10,62**	10,01
– Average	**10,38**	8,84
5. GOODWILL AND INTANGIBLE ASSETS		
Goodwill		
Cost	**5 596**	4 747
Accumulated impairments	**(859)**	(821)
	4 737	3 926
Net book value at beginning of year	**3 926**	3 238
Acquisition of subsidiaries and businesses	**579**	331
Impairment charge	**(38)**	(139)
Currency adjustment	**270**	496
Net book value at end of year	**4 737**	3 926
Intangible assets	**2 029**	1 280
Goodwill and intangible assets	**6 766**	5 206

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – CONTINUED
for the year ended 30 June 2014

6. 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 assets and financial liabilities, as recognised on the statement of financial position, differ from their fair values.

2014	Audited Carrying value Rm	Audited Fair value* Rm
Listed corporate bonds (included in interest-bearing borrowings)	5 837	5 830
Listed non-redeemable, non-participating preference shares	441	377

* *Level 1 of the fair value hierarchy.*

The fair values of the remainder of the group's financial assets and financial liabilities approximate their carrying values.

Fair value hierarchy

The group's financial instruments carried at fair value are classified in 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:

	Audited			
2014	**Total Rm**	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**
Financial assets carried at fair value				
Fair valued through profit or loss				
Investments held for trading (Included in Investments and loans)*	1 983	1 674	309	
Fair valued through other comprehensive income				
Available-for-sale investments (Included in Investments and loans)	209	209		
Foreign exchange contracts (Included in Trade and other receivables)	5		5	
Financial liabilities carried at fair value				
Fair valued through profit or loss				
Put option liability (Included in Other financial liabilities)	990			990
Contingent considerations (Included in Other financial liabilities)	92		10	82
Swap instruments (Included in Other financial liabilities)	199		199	
Foreign exchange contracts (Included in Trade and other payables)	47		47	

* *The fair value gains on investments held for trading amounted to R188 million, of which R151 million was realised. The fair value gains on investment is included in Net operating expenses in profit or loss.*

Investments classified as level 1 valued by quoted market prices in active markets consisted of listed equity securities. Instruments classified as level 2 use valuation techniques by observable inputs, which mainly 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 occurred. There were no transfers between Level 1 and Level 2 fair value measurements. A short term fixed deposit, which was previously classified as level 3, has been reclassified to level 2. This is considered a more appropriate classification.

Movements in level 3 financial instruments measured at fair value

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

Financial assets	Audited Unlisted investments Rm
Balance at beginning of year	129
Disposals	(51)
Currency adjustments	10
Transfers to level 2	(88)
Carrying value at the end of the year – 2014	

	Audited		
Financial liabilities	**Put option liability Rm**	**Contingent consideration Rm**	**Total Rm**
Balance at beginning of year		214	214
Initial recognition direct in equity	1 289		1 289
Reversed in equity on buy-out on non-controlling interest	(289)		(289)
Fair valued through profit or loss	16	(18)	(2)
Settlements		(39)	(39)
Currency adjustments	(26)	13	(13)
Transfers to level 2		(88)	(88)
Carrying value at the end of the year – 2014	**990**	**82**	**1 072**

Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R1 072 million were estimated by applying an income approach valuation method including a present value discount technique. The fair value measure is based on significant inputs that are not observable in the market. The key assumption used in the valuations was the assumed probability of achieving profits targets. The assumed profitability was based on historical performances but adjusted for expected growth.

The following table shows how the fair value of the level 3 financial liabilities as at 30 June 2014 would change if the key assumption were to be replaced by a reasonable possible alternative.

Financial instruments	Valuation technique	Main assumption	Carrying value Rm	Decrease in liability Rm
Put option liability	Income approach	Earnings growth	990	(117)
Contingent consideration liabilities	Income approach	Assumed profits	82	(2)

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS – CONTINUED
for the year ended 30 June 2014

	Audited 2014 Rm	Audited 2013 Rm
7. VEHICLES FOR HIRE by reporting segment		
Vehicle Import, Distribution and Dealerships	**679**	595
Vehicle Retail, Rental and Aftermarket Parts	**1 613**	1 725
Motor-related Financial Services and Products	**460**	305
Head office and eliminations	**(449)**	(160)
	2 303	2 465
8. CASH AND CASH EQUIVALENTS		
Cash resources	**3 103**	1 844
Cash resources included in assets classified as held for sale		4
Short term loans and overdrafts (Included in interest-bearing borrowings)	**(2 205)**	(2 328)
	898	(480)
9. CONTINGENCIES AND COMMITMENTS		
Capital commitments	**2 285**	935
Contingent liabilities	**317**	294

10. DISPOSALS AND ACQUISITIONS DURING THE YEAR

The group successfully completed its disposal of the Tourism division to Cullinan Holdings Limited (Cullinan) during the year. The purchase price was settled by the issue of 81 818 181 ordinary shares in Cullinan, representing a 10% shareholding.

For acquisitions during the year, refer to business combinations on page 160.

11. EVENTS AFTER THE REPORTING PERIOD

Business acquisition

The group acquired 62,5% interest in Pharmed Pharmaceuticals (Proprietary) Limited, a pharmaceutical wholesaler, for R148 million in July 2014.

Dividend declaration

Shareholders are advised that a preference share an ordinary share dividend has been declared by the board of Imperial Holdings on 26 August 2014. For more details, please refer to the dividend declaration on page 164.

12. OPERATING SEGMENTS

Imperial is active in three major areas of mobility: – Consumer and industrial logistics, vehicle importing, distribution, dealerships, retail, rental and aftermarket parts and vehicle-related financial services. The group is managed through five operating segments – Logistics Africa; Logistics International; Vehicle Import, Distribution and Retail; Vehicle Retail, Rental and Aftermarket Parts; Insurance and Motor-related Financial Services. These segments are the basis on which the executive committee allocates resources, measures performance and exercises control and governance.

Arising from the imperative to eliminate complexity and to reflect the new management structure, the Other Segment, which previously comprised Car Rental and Aftermarket Parts, has been combined with the Automotive Retail division. The combined segment is now referred to as Vehicle Retail, Rental and Aftermarket Parts. Prior year's comparatives have been restated accordingly.

The principal services and products provided by each of the segments are:

LOGISTICS

Logistics Africa

This segment comprises logistics businesses within South Africa and the rest of Africa. In South Africa this entails logistics services across the entire supply chain to clients that span almost every industry. In the rest of Africa, this has evolved beyond conventional supply chain management to include route-to-market solutions.

Logistics International

This segment comprises the European logistics businesses, which provide complete logistics solutions, including contract logistics, warehousing, inland waterway shipping, contract manufacturing in the chemical industry and related value-added services across European markets. The division is a leading logistics partner to the automobile, steel, aluminium, paper and chemical industries. During the year, inland waterway shipping commenced in South America.

VEHICLES

Vehicle Import, Distribution, Retail and Dealerships

This segment imports and distributes a range of passenger and commercial vehicles, industrial equipment and motorcycles. Vehicles are retailed through vehicle dealerships in South Africa and Australia. In the rest of Africa, the division is targeting the distribution of vehicles with a focus on right-hand drive markets which can be accessed from its South African base. The South African dealerships are distribution channels for the Group's financial services, insurance, vehicle servicing and parts businesses.

Vehicle Retail, Rental and Aftermarket Parts

This segment's extensive network of franchised vehicle dealerships is the largest in South Africa. Dealerships are also distribution channels for the group's financial services, insurance, vehicle servicing and parts businesses. In the commercial sector, this segment owns and operates standalone commercial dealerships in South Africa and the United Kingdom. It also manufactures and sells caravans, canopies and accessories, rents vehicles in Southern Africa, operates the largest pre-owned motor vehicle dealer network in South Africa, as well as panelshops that repair vehicles in the rental fleet, the consumer market and insurance companies. The aftermarket parts business is involved in the wholesaling and distribution of motor vehicle parts and accessories.

FINANCIAL SERVICES

Insurance

This segment is a provider of motor-related, value-added insurance products for both passenger and commercial vehicles. Motor-related products are distributed through dealer and vehicle finance channels. Approximately one third of its business originates through Imperial dealerships, with the balance through independent dealerships, original equipment manufacturers (OEM) partnerships and call centres. The division also supplies life insurance products in the emerging market, which are distributed through independent brokers and increasingly through affinity schemes.

Motor-related financial services and products

This segment comprises the creation and sale of service, maintenance and extended warranty products associated with the automotive market and profit shares from alliances on the sale of financial services and commission factoring operations. Other businesses accounted for in this segment are: Ariva, which provides long term vehicle rental solutions and Imperial Fleet Management (IFM), an alliance with WesBank, which provides full maintenance leasing (FML) and other fleet management solutions to corporate, parastatal and SMME clients.

BUSINESS COMBINATIONS

Subsidiaries and businesses acquired	Nature of business	Operational segment	Date acquired	Interest acquired (%)	Purchase consideration transferred Rm
Renault South Africa (Pty) Ltd*	Vehicle importer and distributor	Vehicle Import, Distribution and Dealerships	December 2013	60	65
EcoHealth Limited**	Distributor of pharmaceutical products in Nigeria	Logistics Africa	March 2014	53	813
Aggregate of immaterial acquisitions					33
					911

* *Previously accounted for as a 49% associate.*
** *The group increased its interest in EcoHealth to 68% in May 2014.*

Fair value of assets acquired and liabilities assumed at date of acquisition:	Renault South Africa (Pty) Ltd Rm	EcoHealth Limited Rm	Individually immaterial acquisitions Rm	Total Rm
Assets				
Intangible assets	223	714	12	949
Property, plant and equipment	2	37	23	62
Deferred tax asset	138			138
Inventories	570	362	25	957
Trade and other receivables	231	197	3	431
Cash resources	273	84	1	358
	1 437	1 394	64	2 895
Liabilities				
Deferred tax liabilities		131	3	134
Interest-bearing borrowings	452	100	28	580
Other financial liabilities		69		69
Trade and other payables and provisions	1 040	439	7	1 486
Current tax liabilities		15		15
	1 492	754	38	2 284
Acquirees' carrying amount at acquisition	(55)	640	26	611
Non-controlling interests	22	(301)		(279)
Net assets acquired	(33)	339	26	332
Purchase consideration transferred	65	813	33	911
Cash paid	65	514	33	612
Liabilities incurred†		299		299
Excess of purchase price over net assets acquired	98	474	7	579

† *Paid after the reporting period.*

Reasons for the acquisitions
The group acquired an additional 11% shareholding in Renault South Africa (Pty) Ltd for R65 million, thereby increasing its shareholding from 49% to 60%. The acquisition grants Imperial control over the activities of Renault in South Africa and further diversifies the group's distribution portfolio. The remeasurement of the previously held equity interest in Renault SA had no impact on profit or loss and other comprehensive income for the year.

The EcoHealth Limited acquisition is in line with the group's strategy to grow businesses into the rest of Africa, which is focused on the distribution of consumer goods and pharmaceutical products. The acquisition further complements the Imperial Health Sciences business and the 49% equity interest in MDS Logistics, both of which have expertise in warehousing and logistics solutions in the pharmaceutical industry. EcoHealth adds sales and marketing capabilities to Imperial's services offering and will enable Imperial to offer an end-to-end capability to our clients in Nigeria's fast-growing pharmaceutical sector.

The other businesses were acquired to complement and expand our distribution of motor vehicle parts in South Africa and the United Kingdom.

Acquisition costs
Acquisition costs for business acquisitions concluded during the year amounted to R17 million and have been recognised as an expense in profit or loss within the business acquisition costs line item.

Impact of acquisitions on the results of the group
From the dates of acquisitions, the businesses acquired during the year contributed revenue of R2 894 million, operating profit of R73 million and a net loss of R19 million. The net after tax loss of R19 million includes the after tax impact of the funding cost of R9 million calculated on the cash consideration paid on acquisition, the fair value loss on the remeasurement of the put option liability of R16 million and the amortisation of intangible assets arising from the business combinations of R27 million.

Had all the acquisitions been consolidated from 1 July 2013, they would have contributed additional revenue of R5 673 million, operating profit of R204 million and a net loss of R17 million. The group's total revenue would have increased to R106 346 million, operating profit increased to R6 316 million and net profit increased to R3 629 million. The net after tax loss of R17 million includes the after tax impact of the funding cost of R20 million calculated on the cash considerations paid on acquisitions, the amortisation of intangible assets arising from the business combinations of R77 million and the loss on the remeasurement of the put option liability of R40 million.

Separate identifiable intangible assets
As at the acquisition date, the fair value of the separate identifiable intangible assets was R949 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:

	EcoHealth Limited	Renault SA (Pty) Ltd
– Discount rates	17,5%	15,1%
– Terminal growth rates	7,3%	5,8%

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 R497 million, of which R66 million was doubtful. Non-controlling interests have been calculated based on their proportionate share in the acquiree's net assets. None of the goodwill is deductible for tax purposes.

Acquisition after the reporting period
The group acquired a 62,5% interest in Pharmed Pharmaceuticals (Pty) Ltd, a pharmaceutical wholesaler, for R148 million in July 2014. No disclosures for the acquisition date net asset fair values are provided, as the initial accounting for the business combination was incomplete at the time the financial statements were authorised for issue.

SEGMENTAL INFORMATION – AUDITED

	Group		Logistics Africa		Logistics International	
R million	**2014**	2013	**2014**	2013	**2014**	2013
Analysis of revenue						
– Sale of goods	**57 497**	52 544	**4 964**	3 770		
– Rendering of services	**43 194**	36 665	**17 005**	14 153	**19 152**	15 426
– Gross premiums	**2 802**	3 049				
– Other	**74**	124			**70**	121
	103 567	92 382	**21 969**	17 923	**19 222**	15 547
Inter-group			**121**	95	**27**	27
	103 567	92 382	**22 090**	18 018	**19 249**	15 574
Revenue	**103 567**	92 382	**22 090**	18 018	**19 249**	15 574
– South Africa	**68 438**	64 413	**15 755**	13 444		
– Rest of Africa	**7 476**	5 608	**6 319**	4 565		
– International	**27 653**	22 361	**16**	9	**19 249**	15 574
Operating profit	**6 185**	6 090	**1 270**	920	**971**	762
– South Africa	**4 546**	4 827	**939**	698		
– Rest of Africa	**523**	397	**334**	224		
– International	**1 116**	866	**(3)**	(2)	**971**	762
Net finance costs	**926**	744	**327**	275	**180**	179
– South Africa	**652**	476	**265**	236		
– Rest of Africa	**70**	58	**62**	39		
– International	**204**	210			**180**	179
Pre-tax profits[1]	**4 921**	5 271	**865**	658	**555**	427
– South Africa	**3 885**	4 457	**677**	489		
– Rest of Africa	**375**	329	**191**	171		
– International	**661**	485	**(3)**	(2)	**555**	427
Depreciation, amortisation, impairments and recoupments[2]	**2 408**	2 316	**773**	704	**765**	660
– South Africa	**1 395**	1 462	**604**	577		
– Rest of Africa	**187**	143	**169**	127		
– International	**826**	711			**765**	660
Operating assets[3]	**55 968**	48 443	**12 702**	10 623	**11 543**	9 690
– South Africa	**35 081**	32 180	**8 225**	8 177		
– Rest of Africa	**5 903**	3 726	**4 476**	2 445		
– International	**14 984**	12 537	**1**	1	**11 543**	9 690
Operating liabilities[4]	**22 802**	21 174	**4 649**	4 432	**4 512**	3 937
– South Africa	**14 636**	14 457	**3 307**	3 664		
– Rest of Africa	**2 212**	1 494	**1 342**	768		
– International	**5 954**	5 223			**4 512**	3 937
Net debt[5]	**11 882**	9 165	**3 778**	2 642	**4 062**	3 522
– South Africa	**6 771**	5 484	**2 344**	2 159		
– Rest of Africa	**1 166**	329	**1 433**	489		
– International	**3 945**	3 352	**1**	(6)	**4 062**	3 522
Net capital expenditure	**3 315**	3 077	**887**	724	**1 119**	400
– South Africa	**1 694**	2 494	**666**	635		
– Rest of Africa	**250**	126	**221**	89		
– International	**1 371**	457			**1 119**	400

1 *Pre-tax profit is calculated as profit before tax and exceptional items.*
2 *Includes depreciation, amortisation, impairment and recoupments, recoupments from sale of properties, net of impairments and amortisation of intangible assets arising on business combinations.*
3 *Operating assets – total assets less loans receivable, tax assets, and assets held for sale and in respect of non-financial services segments, cash resources.*

Vehicle Import, Distribution and Dealerships[6]		Vehicle Retail, Rental and Aftermarket Parts[7]		Insurance		Motor-related Financial Services and Products		Head office and elimination	
2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
23 475	22 465	**29 057**	26 292					**1**	17
2 215	1 879	**4 284**	4 655	**102**	125	**434**	418	**2**	9
				2 802	3 049				
3				**1**	3				
25 693	24 344	**33 341**	30 947	**2 905**	3 177	**434**	418	**3**	26
1 407	1 338	**656**	948	**69**	110	**732**	533	**(3 012)**	(3 051)
27 100	25 682	**33 997**	31 895	**2 974**	3 287	**1 166**	951	**(3 009)**	(3 025)
27 100	25 682	**33 997**	31 895	**2 974**	3 287	**1 166**	951	**(3 009)**	(3 025)
23 611	22 116	**28 616**	28 269	**2 316**	2 677	**1 166**	951	**(3 026)**	(3 044)
390	327	**109**	106	**658**	610				
3 099	3 239	**5 272**	3 520					**17**	19
1 518	2 228	**1 559**	1 350	**604**	510	**477**	435	**(214)**	(115)
1 475	2 189	**1 421**	1 270	**448**	352	**477**	435	**(214)**	(117)
6	1	**27**	14	**156**	158				
37	38	**111**	66						2
360	191	**272**	275	**16**	13		1	**(229)**	(190)
341	154	**255**	260	**16**	13		1	**(225)**	(188)
3	13	**5**	6						
16	24	**12**	9					**(4)**	(2)
1 165	2 060	**1 363**	1 117	**582**	496	**513**	473	**(122)**	40
1 135	2 053	**1 256**	1 060	**426**	338	**513**	473	**(122)**	44
6	(7)	**22**	7	**156**	158				
24	14	**85**	50						(4)
239	203	**561**	625	**17**	34	**63**	92	**(10)**	(2)
227	188	**504**	583	**14**	30	**63**	92	**(17)**	(8)
2	1	**13**	11	**3**	4				
10	14	**44**	31					**7**	6
14 351	11 918	**11 509**	10 884	**4 385**	4 288	**1 905**	1 421	**(427)**	(381)
12 809	10 620	**9 797**	9 443	**3 218**	3 241	**1 905**	1 421	**(873)**	(722)
198	186	**62**	48	**1 167**	1 047				
1 344	1 112	**1 650**	1 393					**446**	341
4 172	3 611	**4 287**	4 047	**2 572**	2 435	**3 141**	2 823	**(531)**	(111)
3 917	3 384	**3 224**	3 109	**1 790**	1 792	**3 141**	2 823	**(743)**	(315)
74	72	**14**	12	**782**	643				(1)
181	155	**1 049**	926					**212**	205
5 465	3 773	**2 242**	2 567	**(1 639)**	(523)	**(2 002)**	(2 056)	**(24)**	(760)
4 921	3 343	**2 052**	2 378	**(1 158)**	(141)	**(2 002)**	(2 056)	**614**	(199)
183	178	**31**	44	**(481)**	(382)				
361	252	**159**	145					**(638)**	(561)
714	844	**614**	1 012	**54**	25	**224**	(262)	**(297)**	334
508	814	**560**	950	**52**	23	**224**	(262)	**(316)**	334
1	21	**26**	14	**2**	2				
205	9	**28**	48					**19**	

4 Operating liabilities – total liabilities less interest-bearing borrowings, tax liabilities, put option liabilities, deferred payments and liabilities directly associated with assets classified as held for sale.

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

6 Prior year results includes NAC.

7 Prior year results includes Tourism.

NOTICE TO SHAREHOLDERS
DECLARATION OF ORDINARY AND PREFERENCE SHARE DIVIDENDS
for the year ended 30 June 2014

ORDINARY SHAREHOLDERS

Notice is hereby given that a gross final ordinary dividend of 420 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 income 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 165 776. 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 4,41053 cents per share. The net ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 357,66158 cents per share.

PREFERENCE SHAREHOLDERS

A further notice is hereby given that a gross final preference share dividend of 366.27740 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 income reserves.

The preference share 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 share dividend, to those shareholders who are not exempt from paying dividend tax is therefore 311,33579 cents per share.

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

	2014
Last day for preference shares and ordinary shares respectively to trade cum preference dividend and cum ordinary dividend	**Thursday, 18 September**
Preference and ordinary shares commence trading ex-preference dividend and ex-ordinary dividend respectively	**Friday, 19 September**
Record date	**Friday, 26 September**
Payment date	**Monday, 29 September**

The company's income tax number is 9825178719.

Share certificates may not be dematerialised/rematerialised between Friday, 19 September 2014 and Friday, 26 September 2014, both days inclusive.

On Monday, 29 September 2014, amounts due in respect of the preference share 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 29 September 2014 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, 29 September 2014.

On behalf of the board

RA Venter
Group company secretary

26 August 2014

NOTICE TO SHAREHOLDERS IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT, NO 71 OF 2008

In compliance with section 45(5) of the Companies Act, 2008, (The Companies Act) notice is hereby given to the shareholders of the company that the board of directors of the company has approved, in accordance with section 45(2) of the Companies Act, financial assistance to certain related and inter-related companies pursuant to the authority granted by shareholders at the annual general meeting held on 7 November 2013.

Imperial Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1946/021048/06)
ISIN: ZAE000067211
JSE share code: IPL
(Imperial or the Company)

Notice is hereby given that the annual general meeting of shareholders will be held on Tuesday, 4 November 2014 at 09:00 in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng, or any adjournment or postponement thereof, to transact the following business and resolutions with or without amendments approved at the meeting.

The minutes of the meeting held on 7 November 2013 will be available for inspection at the registered office of the company until 16:00 on Monday, 3 November 2014 and up to 30 minutes immediately preceding the meeting.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about what action you should take, consult your broker, Central Securities Depository Participant (CSDP), banker, financial adviser, accountant or other professional adviser immediately.

If you have disposed of all your shares in Imperial, please forward this document together with the enclosed form of proxy to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

This notice of annual general meeting is only available in English. Copies may be obtained from the registered office of the company and the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 11th Floor, 70 Marshall Street, Johannesburg, 2001.

REGISTERED AND CORPORATE OFFICE

Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng (PO Box 3013, Edenvale, 1610), South Africa.

INCLUDED IN THIS DOCUMENT ARE THE FOLLOWING:

> The notice of annual general meeting setting out the resolutions to be proposed at the meeting, together with explanatory notes. There are also guidance notes if you wish to attend the meeting or to vote by proxy

> A proxy form for completion, signature and submission to the share registrars by shareholders holding Imperial ordinary shares in certificated form or recorded in sub-registered electronic form in "own name"

Reference in this notice of annual general meeting to the term MOI, including references to a provision in the Company's MOI, in this notice of annual general meeting (including all of the relevant ordinary and special resolutions contained herein) is used throughout to refer to the company's memorandum of incorporation.

RECORD DATE

The record date for the purpose of determining which shareholders of the company are entitled to receive notice of the 25th annual general meeting is Friday, 19 September 2014.

The record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 24 October 2014.

Accordingly, only shareholders who are registered in the register of members of the company on 24 October 2014 will be entitled to attend, speak and vote at the annual general meeting. Therefore, the last day to trade to be eligible to participate and vote at the meeting is Friday, 17 October 2014.

ELECTRONIC PARTICIPATION IN THE ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of the company will be held on Tuesday, 4 November 2014 at 09:00 in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng. Shareholders or their proxies may participate in the meeting by way of a teleconference call, if they wish to do so:

> Must contact the company secretary (by email at the address rventer@ih.co.za) no later than 16:00 on Friday, 31 October 2014 to obtain a pin number and dial-in details for that conference call

> Will be required to provide reasonably satisfactory identification

> Will be billed separately by their own telephone service providers for their telephone call to participate in the meeting

1 ORDINARY RESOLUTION 1 – APPROVAL OF THE FINANCIAL STATEMENTS

"Resolved that the audited consolidated company annual financial statements of Imperial for the year ended 30 June 2014, including the directors' report, the audit committee report and the auditors' report, be adopted."

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

2 ORDINARY RESOLUTION 2 – APPOINTMENT OF THE AUDITORS

"Resolved that Deloitte & Touche be appointed as auditors of the company and Mr A Mackie as designated partner until the date of the next annual general meeting."

The audit committee has recommended the reappointment of Deloitte & Touche as auditors of the company with Mr A Mackie as designated partner.

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

3 ORDINARY RESOLUTION NUMBER 3 – APPOINTMENT OF THE MEMBERS OF THE AUDIT COMMITTEE

"Resolved that the reappointment of the following independent non-executive directors be elected as members of the company's audit committee by a separate vote in respect of each election:

3.1 Mr MJ Leeming
3.2 Mrs T Dingaan
3.3 Ms P Langeni
3.4 Mr RJA Sparks
3.5 Mr Y Waja"

A brief Curriculum Vitae of each of the directors offering themselves for election as members of the audit committee is contained on pages 16 to 18 of the Integrated Annual Report.

Percentage voting rights

The minimum percentage of voting rights that is required for each of resolutions 3.1 to 3.5 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

The board has reviewed the expertise, qualifications and relevant experience of the appointed audit committee members and recommends that each of these directors be re-elected.

4 ORDINARY RESOLUTION 4 – REAPPOINTMENT OF RETIRING DIRECTORS

"Resolved that the re-election of the following directors, who retire by rotation in terms of the MOI, but being eligible and offering themselves for re-election, be authorised and confirmed by a separate vote with respect to each re-election:

4.1 Mr S Engelbrecht
4.2 Ms P Langeni
4.3 Mr TS Gcabashe
4.4 Mr RJA Sparks
4.5 Mr A Tugendhaft"

A brief Curriculum Vitae of each of the directors offering themselves for re-election in terms of resolution 4 is contained on pages 16 to 18 of the Integrated Annual Report.

The performance and contribution of each of the above directors offering themselves for re-election has been reviewed by the board and the board recommends that each of these directors be re-elected.

Percentage voting rights

The minimum percentage of voting rights that is required for each of resolutions in 4 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

5 ORDINARY RESOLUTION 5 – CONFIRMATION OF DIRECTORS APPOINTED DURING THE YEAR

"Resolved that the appointment following directors, who were appointed during the year, be confirmed by a separate vote with respect to each director:

5.1 Mr M Akoojee
5.2 Mr MJ Lamberti
5.3 Mr PB Michaux
5.4 Mr JJ Strydom"

A brief Curriculum Vitae of each of the directors to be confirmed in terms of resolution 5 is contained on pages 19 to 21 of the Integrated Report.

Percentage voting rights

The minimum percentage of voting rights that is required for each of resolutions in 5 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

6 ORDINARY RESOLUTION 6 – CONFIRMATION OF THE GROUP'S REMUNERATION POLICY

"Resolved that, as a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2009, commonly referred to as King III, the group's remuneration policy as set out in the Remuneration Report on pages 116 to 137 of the Integrated Report be hereby confirmed."

7 SPECIAL RESOLUTION NUMBER 1 – DIRECTORS' FEES

"Resolved that in terms of section 66(9) of the Companies Act of 2008 (Act 71 of 2008), as amended (the "Companies Act"), the company be and is hereby authorised, by a separate vote in respect of each item, to remunerate its directors for their services as directors and/or pay any fees related thereto on the following basis and on any other basis as may be recommended by the remuneration committee and approved by the board of directors, 1 July 2014 to 30 June 2016, as follows:

	Special once-off CEO search fee payable to remuneration and nomination committee in 2014	Fee from 1 July 2014 to 30 June 2015	**Fee from 1 July 2015 to 30 June 2016**
Chairperson*		R787 000	**R834 000**
Deputy chairperson*		R393 000	**R417 000**
Board member		R225 000	**R238 500**
Assets and liabilities committee chairperson*		R143 000	**R152 000**
Assets and liabilities committee member		R95 500	**R101 000**
Audit committee chairperson*		R297 000	**R315 000**
Audit committee member		R148 500	**R157 000**
Risk committee chairperson*		R143 000	**R152 000**
Risk committee member		R95 500	**R101 000**
Remuneration and nomination committee chairperson*	R60 000	R143 000	**R152 000**
Remuneration and nomination committee member	R30 000	R95 500	**R101 000**
Social, ethics and sustainability committee chairperson*		R143 000	**R152 000**
Social, ethics and sustainability committee member		R95 500	**R101 000**

*Paid in addition to a members' fee.

Executive directors do not receive directors' fees.

Reason and effect

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by way of special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

In arriving at the proposed fees, cognisance was taken of market trends and the increased responsibilities of non-executive directors in terms of new legal, governance and JSE requirements. An extensive review of comparative fees paid to chairpeople and deputy chairpeople of peer companies revealed a substantial discrepancy between the fees paid by Imperial compared to peer companies. In order to remain competitive the board therefore decided to recommend that the chairperson's fee and deputy chairperson's fee be increased to the 50th percentile of the fees paid by peer companies. In determining the peer group used for this comparison, dual listed companies were excluded. Non-South African based directors were also excluded from the comparison. Similarly, in light of the increased responsibilities of committees and the growth in size and complexity of the group, it is proposed to increase committee fees at a rate higher than inflation.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next annual general meeting.

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on the resolution.

8 SPECIAL RESOLUTION NUMBER 2 – GENERAL AUTHORITY TO REPURCHASE COMPANY SHARES

"Resolved that the company, or a subsidiary of the company, be and is hereby authorised, by way of a general authority, to acquire ordinary shares of 4 cents each (ordinary shares) issued by the company (including the conclusion of derivative transactions which may result in the purchase of shares), in terms of the provisions of sections 46 and 48 of the Companies Act and in terms of the Listings Requirements of the JSE Limited (the JSE), (the Listings Requirements), it being recorded that the Listings Requirements currently require, *inter alia*, that the company may make a general repurchase of securities only if:

> Any such repurchase of ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited)
> Authorised by the company's MOI
> The general authority shall be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the date of this special resolution number 2
> When the company has cumulatively repurchased 3% of the number of ordinary shares in issue on the date of passing of special resolution number 2, and for each 3% thereof, in aggregate acquired thereafter, an announcement is published as soon as possible and not later than 08:30 on the second business day following the day on which the relevant threshold is reached or exceeded, and the announcement complies with the requirements of the Listings Requirements
> At any time, only one agent is appointed to effect any repurchase on the company's behalf
> The company or its subsidiary does not repurchase securities during a prohibited period unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period
> A resolution by the board of directors that it has authorised the repurchase, that the company and its subsidiaries have satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was done, there have been no material changes to the financial position of the group
> Any general repurchase by the company of its own ordinary shares shall not, in aggregate in any one financial year exceed 20% of the Company's issued ordinary shares as at the date of passing of this special resolution number 2
> In determining the price at which the ordinary shares are repurchased by the company or its subsidiary in terms of this general authority, the maximum price at which such shares may be repurchased will not be greater than 10% above the weighted average of the market value for such ordinary shares for the five business days immediately preceding the date of repurchase of such shares, (the price)

A general repurchase of the company's shares shall not be effected before the JSE has received written confirmation from the company's sponsor (the sponsor), in terms of paragraph 2.12 of the Listings Requirements, in respect of the directors' working capital statement. Furthermore, the company will consult the sponsor before:

> It repurchases more than 10% in terms of its general authority
> It executes a repurchase which will result in the accumulated Rand value of the repurchases from the date of the last authority being greater than 10% of the shareholders' equity at the date that the authority was obtained
> It repurchases securities and the financial position of the group has changed materially from the date when the sponsor first issued its written confirmation, in order for the sponsor to review the validity of its letter issued when the general authority was granted

The company will only transact in derivative transactions relating to the repurchase of securities if, with regard to the price of the derivative:

> The strike price of any put option written by the company less the value of the premium received by the company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than the Price
> The strike price of any call option purchased by the company may be greater than the price at the time of entering into the derivative agreement, but the company may not exercise the call option if it is more than 10% "out of the money"
> The price of the forward agreement may be greater than the price but limited to the fair value of a forward agreement calculated from a spot price not greater than the price

The directors of the company confirm that no repurchase will be implemented in terms of this authority unless, after each such repurchase:

> The company and the group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting
> The consolidated assets of the company and the group, fairly valued in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed its consolidated liabilities for a period of 12 months after the date of the notice of the annual general meeting
> The share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting
> The working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting

and the directors have passed a resolution authorising the repurchase, resolving that the company and its subsidiary/ies, as the case may be, have satisfied the solvency and liquidity test as defined in the Companies Act and since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group."

Pursuant to and in terms of paragraphs 11.23 and 11.26 of the Listings Requirements, the directors of the company hereby state that:

> The intention of the company and its subsidiaries is to utilise the general authority to repurchase, if at some future date the cash resources of the company are in excess of its requirements
> The method by which the company and any of its subsidiaries intend to repurchase its securities and the date on which such repurchase will take place, has not yet been determined

The Listings Requirements require the following disclosures with respect to general repurchases, some of which appear elsewhere in the Integrated Annual Report of which this notice forms part:

> Directors and management	pages 16 to 21
> Major shareholders	page 46
> Share capital of the company	page 150
> Directors' interest in securities	page 47

Litigation statement

In terms of section 11.26 of the Listings Requirements, the directors, whose names are given on pages 16 to 21 of the Integrated Annual Report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on pages 16 to 21 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the general repurchase resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned resolution contain all information required by law and the Listings Requirements.

No material changes to report

Other than the facts and developments reported on in the Integrated Annual Report, there are no material changes in the affairs or financial position of the company and its subsidiaries that have occurred subsequent to the 30 June 2014 year-end until the date of the notice of annual general meeting.

Reason and effect

The reason for and effect of special resolution 2 is to authorise the company and/or its subsidiaries by way of a general authority to acquire their own issued shares on such terms on the previous page, conditions and in such amounts, as determined from time to time by the directors of the company subject to the limitations set out on the previous page and in compliance with section 48 of the Companies Act.

Statement of board's intention

The board has considered the impact of a repurchase of up to 15% (fifteen percent) of the company's shares, being within the maximum permissible under a general authority in terms of the Listings Requirements. Should the opportunity arise and should the directors deem it in all respects to be advantageous to the company to repurchase such shares, it is deemed appropriate that the company or a subsidiary be authorised to repurchase the company's shares.

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on the resolution.

9 ORDINARY RESOLUTION 7 – AUTHORITY TO ISSUE ORDINARY SHARES

"Resolved that, in terms of the Listings Requirements, the MOI and the Companies Act, the authorised but unissued ordinary shares be and are hereby placed under the control of the directors by way of a general authority that shall remain valid until the next annual general meeting and the directors authorised to allot and issue those shares at their discretion, which authority shall include the authority to issue any option/convertible securities that are convertible into ordinary shares, provided that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% of the issued share capital at 30 June 2014."

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

10 ORDINARY RESOLUTION 8 – AUTHORITY TO ISSUE SHARES FOR CASH

"Resolved that the directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of the company's unissued shares placed under their control for cash, as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements, and subject to the proviso that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% of the issued share capital at 30 June 2014, provided that:

- The approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond 15 months from the date of this resolution
- A paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue
- The Company's securities which are the subject of the general issue of shares for cash, in the aggregate in any one financial year may not exceed 5% of the applicant's issued share capital (number of securities) of that class
- In determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE should be consulted for a ruling if the securities have not traded in such 30 business day period
- Any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties
- Any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue".

For listed entities wishing to issue shares for cash, it is necessary for the board not only to obtain the prior authority of the shareholders as may be required in terms of the MOI, but it is also necessary to obtain the prior authority of shareholders in accordance with the Listings Requirements. The reason for this resolution is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements.

Percentage voting rights

In terms of the Listings Requirements, the minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on the resolution.

11 ORDINARY RESOLUTION 9 – AUTHORITY TO ISSUE NON-REDEEMABLE PREFERENCE SHARES

"Resolved that, in terms of the Listings Requirements, the MOI and the Companies Act, the authorised but unissued non-redeemable cumulative, non-participating preference shares be and are hereby placed under the control of the directors and the directors are authorised to allot and issue those shares at their discretion, provided that no more than 5 000 000 (five million) non-redeemable preference shares in aggregate may be issued in terms of this authority."

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

12 SPECIAL RESOLUTION NUMBER 3 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 44

"Resolved that in terms of section 44 of the Companies Act, as a general approval, the board of the company may from time to time authorise the company to provide any direct or indirect financial assistance, as defined in section 44 of the Companies Act, to any person for such amounts and on such terms and conditions as the board of the company may determine for the purpose of or in connection with the subscription for securities to be issued by the company or any related and inter-related companies or for the purchase of securities of the company or related and inter-related companies, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

Reason

Imperial is from time to time, as an essential part of conducting its business, required to provide direct or indirect financial assistance in the form of loans, guarantees, the provision of security or otherwise as contemplated in section 44 of the Companies Act for the purpose of or in connection with the subscription for securities to be issued by the company or related and inter-related companies or for the purchase of securities of the company or related and inter-related companies. The financial assistance is generally provided in the form of guarantees to capital market investors who invest in bonds and other financial instruments issued by subsidiaries of the company.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to subscribe for such securities and Imperial seeks approval for the board of the company until the next annual general meeting to authorise the provision by the company of financial assistance to investors in securities to be issued by the company or related and inter-related companies as contemplated in section 44 of the Companies Act. The financial assistance will be provided as part of the day-to-day operations of the company in the normal course of its business and in accordance with its MOI and the provisions of the Companies Act.

Approval is not sought for loans to directors and no such financial assistance will be provided under this authority.

Effect

Special resolution 3 will grant the directors of the company the authority until the next annual general meeting to authorise the provision by the company of financial assistance as contemplated in section 44 of the Companies Act.

Compliance with section 44(3)(b)

The directors of Imperial will, in accordance with the companies Act, ensure that financial assistance is only provided if the requirements of that section are satisfied, inter alia, that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test set out in section 4(1) of the Companies Act.

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on the resolution.

13 SPECIAL RESOLUTION NUMBER 4 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 45

"Resolved that in terms of section 45 of the Companies Act, as a general approval, the board of the company may from time to time authorise the company to provide any direct or indirect financial assistance, as defined in section 45 of the Companies Act, to any related or inter-related company or corporation for such amounts and on such terms and conditions as the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

Reason

Imperial is a listed holding company with a large number of subsidiary companies, which together comprise the Imperial group of companies. Imperial is not an operating company and all operations in the Imperial group are conducted by subsidiary companies of Imperial.

Imperial is from time to time, as an essential part of conducting its business, required to provide financial assistance to its subsidiary and associate companies, including related and inter-related companies in the form of operational loan funding, credit guarantees and general financial assistance as contemplated in section 45 of the Companies Act.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution to provide financial assistance to subsidiaries and Imperial seeks approval for the board of the company until the next annual general meeting to authorise the provision by the company of financial assistance to any related or inter-related company as contemplated in section 45 of the Companies Act. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debts of its subsidiaries. The financial assistance will be provided as part of the day-to-day operations of the company in the normal course of its business and in accordance with its MOI and the provisions of the Companies Act.

Effect

Special resolution 4 will grant the directors of the company the authority until the next annual general meeting to authorise the provision by the company of financial assistance to any related or inter-related company as contemplated in section 45 of the Companies Act.

Compliance with section 45(3)(b)

The directors of Imperial will, in accordance with the Companies Act, ensure that financial assistance is only provided if the requirements of that section are satisfied, *inter alia*, that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test set out in section 4(1) of the Companies Act.

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on the resolution.

14 TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING OF SHAREHOLDERS

Voting and proxies

A shareholder, holding shares in a certificated form or holding dematerialised their shares with "own name" registration, is entitled to attend and vote at the general meeting or is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. For the convenience of registered certificated shareholders or shareholders who have dematerialised their shares with own name registration, a form of proxy is attached hereto. Duly completed forms of proxy must be lodged at the registered office of the company or at the transfer secretaries at the addresses on the Form of Proxy by no later than 09:00 on Monday, 3 November 2014.

Every person present and entitled to vote at the general meeting shall, on a show of hands, have one vote only, and on a poll, shall have one vote for every ordinary share held or represented.

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification.

Shareholders' rights regarding proxies in terms of section 58 of the Companies Act are as follows:

(1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to
  (a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder, or
  (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60

(2) A proxy appointment
  (a) must be in writing, dated and signed by the shareholder; and
  (b) remains valid for
    (i) one year after the date on which it was signed; or
    (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4) (c), or expires earlier as contemplated in subsection (8)(d).

(3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise
  (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
  (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
  (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

(4) Irrespective of the form of instrument used to appoint a proxy
  (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
  (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
  (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by
    (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
    (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

(5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of
  (a) the date stated in the revocation instrument, if any; or
  (b) the date on which the revocation instrument was delivered as required in subsection (4) (c) (ii).

(6) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy otherwise provides.

Shareholders who have dematerialised their shares and have not selected own name registration must advise their CSDP or broker of their voting instructions should they be unable to attend the general meeting but wish to be represented thereat. Dematerialised shareholders without own name registration should contact their CSDP or broker with regard to the cut-off time for their voting instructions. If, however, such members wish to attend the general meeting in person, then they will need to request their CSDP or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between the dematerialised shareholder and their CSDP or broker.

By order of the board

RA Venter
Company secretary

26 August 2014

FORM OF PROXY

Imperial Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1946/021048/06)
Share Code: IPL
ISIN: ZAE000067211
("Imperial" or the "Company")

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders' (other than with "own name" registration) should provide instructions to their appointed CSDP or broker in the form stipulated in the custody agreement entered into between the shareholder and their CSDP or broker.

An ordinary shareholder entitled to attend and vote at the annual general meeting to be held in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng on Tuesday, 4 November 2014 at 09:00 (the AGM), is entitled to appoint a proxy to attend, speak or vote thereat in his/her stead. A proxy need not be a shareholder of the company.

All forms of proxy must be lodged at the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 11th Floor, 70 Marshall Street, Johannesburg, 2001 (P.O. Box 61051, Marshalltown, 2107) to be received by no later than 09:00 on Monday, 3 November 2014.

I/We (Please print name in full) ______________________________

of (address) ______________________________

Telephone number ______________ Cellphone number ______________

E-mail address ______________________________

being an ordinary shareholder(s) of the company holding ______________ ordinary shares in the company do hereby appoint

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

3. the chairperson of the AGM

as my/our proxy to vote for me/our behalf at the AGM (and any adjournment thereof) for the purpose of considering and, if deemed fit, passing with or without modifications, the following resolution to be considered at the AGM.

				Number of Votes (one per share)		
				In favour of	**Against**	**Abstain**
1. Ordinary Resolution 1 – Financial Statements						
2. Ordinary Resolution 2 – Appointment of auditors						
3. Ordinary Resolution 3 – Appointment of audit committee						
Ordinary Resolution 3.1 – MJ Leeming						
Ordinary Resolution 3.2 – T Dingaan						
Ordinary Resolution 3.3 – P Langeni						
Ordinary Resolution 3.4 – RJA Sparks						
Ordinary Resolution 3.5 – Y Waja						
4. Ordinary Resolution 4 – Appointment of directors						
Ordinary Resolution 4.1 – Re-appointment S Engelbrecht						
Ordinary Resolution 4.2 – Re-appointment P Langeni						
Ordinary Resolution 4.3 – Re-appointment TS Gcabashe						
Ordinary Resolution 4.4 – Re-appointment RJA Sparks						
Ordinary Resolution 4.5 – Re-appointment A Tugendhaft						
5. Ordinary Resolution 5 – Confirmation of directors						
Ordinary Resolution 5.1 – Confirmation M Akoojee						
Ordinary Resolution 5.2 – Confirmation MJ Lamberti						
Ordinary Resolution 5.3 – Confirmation PB Michaux						
Ordinary Resolution 5.4 – Confirmation JJ Strydom						
6. Ordinary Resolution 6 – Confirmation of remuneration policy						
7. Special Resolution 1 – Directors' fees						
	Remuneration and nomination committee	**Fee from 1 July 2014 to 30 June 2015**	**Fee from 1 July 2015 to 30 June 2016**			
Chairperson		R787 000	R834 000			
Deputy chairperson		R393 000	R417 000			
Board member		R225 000	R238 500			
Assets and liabilities committee chairperson		R143 000	R152 000			
Assets and liabilities committee member		R95 500	R101 000			
Audit committee chairperson		R297 000	R315 000			
Audit committee member		R148 500	R157 000			
Risk committee chairperson		R143 000	R152 000			
Risk committee member		R95 500	R101 000			
Remuneration and nomination committee chairperson	R60 000	R143 000	R152 000			
Remuneration and nomination committee member	R30 000	R95 500	R101 000			
Social, ethics and sustainability committee chairperson		R143 000	R152 000			
Social, ethics and sustainability committee member		R95 500	R101 000			
8. Special Resolution 2 – General authority to repurchase company shares						
9. Ordinary Resolution 7 – Authority over unissued ordinary shares						
10. Ordinary Resolution 8 – Authority to issue shares for cash						
11. Ordinary Resolution 9 – Authority over unissued preference shares						
12. Special Resolution 3 – Authority to provide financial assistance – s44						
13. Special Resolution 4 – Authority to provide financial assistance – s45						

Insert an X in the appropriate block. If no indications are given, the proxy will vote as he/she deems fit. Each shareholder entitled to attend and vote at the meeting may appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in his/her stead.

Please read the notes on the reverse side hereof.

Signed at ______________ on ______________ 2014

Signature ______________________________

Assisted by (where applicable) ______________________________

NOTES TO THE FORM OF PROXY

1. A shareholder may insert the names of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.
2. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded with the Company's transfer secretaries.
3. Proxies must be lodged at or posted to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, 11th Floor, 70 Marshall Street, Johannesburg, 2001 (P.O. Box 61051, Marshalltown, 2107), to be received by no later than 09:00 on Monday, 3 November 2014.
4. The completion and lodging of this proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. The chairperson of the meeting may reject or accept a proxy which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which

CORPORATE INFORMATION

DIRECTORS

Non-executive

TS Gcabashe*, (Chairperson) BA (Botswana), MURP (Ball State Univ, USA), PED, IMD Lausanne
HR Brody, BAcc (Hons), CA(SA)
T Dingaan, BProc, LLB, LLM, HDip (Tax)
S Engelbrecht*, BSc, MBL, MDP (Insead)
RL Hiemstra, BCompt (Hons), CA(SA)
P Langeni*, BCom (Acc)
MJ Leeming*, BCom, MCom, FCMA, FIBSA, AMP (Harvard)
MV Moosa, BSc
RJA Sparks*, BCom (Hons), CA(SA), MBA
A Tugendhaft (Deputy chairperson), BA, LLB
Y Waja*, BCom, CA(SA)
** Independent*

EXECUTIVE

MJ Lamberti (Chief Executive), BCom, MBL (Wits), PPL (Harvard), CD (SA)
M Akoojee, BAcc (Hons), CA(SA), CFA
OS Arbee (Chief Financial Officer), BAcc, CA(SA), HDip(Tax)
MP de Canha
PB Michaux
GW Riemann (German)
JJ Strydom, BBus Sc, FIA, CFA, MBA
M Swanepoel, BCom Acc (Hons)

Executive Committee

MJ Lamberti (Chairperson), M Akoojee, OS Arbee, MP de Canha, BJ Francis, PB Michaux, JJ Strydom, M Swanepoel

Audit Committee

MJ Leeming (Chairperson), T Dingaan, P Langeni, RJA Sparks, Y Waja

Remuneration and Nomination Committee

RJA Sparks (Chairperson), TS Gcabashe, P Langeni, A Tugendhaft

Risk Committee

Y Waja (Chairperson), OS Arbee, N Bell, S Engelbrecht, BJ Francis, RL Hiemstra, MJ Lamberti, MJ Leeming, A Osman, G Rudman, A Tennick

Social, Ethics and Sustainability Committee

MV Moosa (Chairperson), B Adam, OS Arbee, MP de Canha, BJ Francis, TS Gcabashe, MJ Lamberti, R Levin, MR Sharfuddin, M Swanepoel, A Tugendhaft, RA Venter

Assets and Liabilities Committee

HR Brody (Chairperson), OS Arbee, RL Hiemstra, MJ Lamberti, MJ Leeming, R Mumford, WF Reitsma, JJ Strydom, M Swanepoel

Group Internal Audit Executive

G Nzalo, BCom, CA (SA), CIA

Group Treasurer

WF Reitsma, BTech Banking, MCom, FIBSA, CAIB, PBSA, FIFM

Group Legal Advisor and Company Secretary

RA Venter, BCom, LLB, LLM

Group head of Risk

BJ Francis, BCompt (Hons), CIA

Group Head of Sustainability

MR Sharfuddin, BBA, IMP (Insead)

Business address and registered office

Imperial Place
Jeppe Quondam
79 Boeing Road East
Bedfordview
2007

Postal address and contact numbers

PO Box 3013
Edenvale
1610

Telephone +27 (0) 11 372 6500
Facsimile +27 (0) 11 372 6550

Name and registration number

Imperial Holdings Limited
1946/021048/06

Share transfer secretaries

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107

Telephone +27 (0)11 370 5000
Facsimile +27 (0)11 370 5487

Website

www.imperial.co.za

Email

info@ih.co.za

JSE information

Ordinary share code: IPL
ISIN: ZAE000067211
Preference share code: IPLP
ISIN: ZAE000088076

Shareholders' diary

Final dividend payment:	29 September 2014
Annual general meeting:	4 November 2014
Interim results released:	24 February 2015
Interim dividend payment:	30 March 2015
Final results released:	26 August 2015
Final dividend payment:	28 September 2015

IMPERIAL PLACE
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