IMPERIAL™

LEADERS IN MOBILITY

IMPERIAL HOLDINGS LIMITED INTEGRATED ANNUAL REPORT 2018

Imperial Logistics at a glance

A significant mover of goods, with established infrastructure and networks in 38 countries on five continents, operated by approximately 30 000 employees.

Key investment highlights

- **Leading positions in regional markets provide platforms for sustainable growth:** market leader in South Africa, a leader in selected industries (consumer packaged goods (CPG) and healthcare) in the African Regions and in certain specialised capabilities in Europe.
- **Competitive differentiation centred on agility and customisation:** specialised capabilities across the value chain enable customised and integrated solutions, with service offerings and operating models tailored to client requirements and market maturity.
- **Trusted partner to multinational clients:** quality contract portfolio in high-growth and defensive industries, with partnerships demonstrating reach, capabilities, assets, innovation and legitimacy.
- **Asset right business model underpins financial profile:** more optimal asset mix and targeted returns on capital support prospects for sustainable revenue growth, enhanced profitability and cash generation.
- **Vision to unlock benefits of "One Imperial Logistics":** strategy focused on sustainable revenue growth, enhanced returns and improved competitiveness, with initiatives to drive substantial organic growth enabled by a differentiated approach to digitalisation and innovation, and enhanced financial flexibility supporting selective acquisitive growth.
- **Track record for consistent growth:** proven ability to acquire, develop and leverage specialist capabilities to establish growth platforms in emerging and advanced markets.
- **Strong and committed leadership:** highly experienced, long-serving management team and a strong independent board.

An integrated outsourced logistics service provider…

South Africa

- Leading end-to-end capabilities to provide outsourced services to extensive client base across verticals
- Integrated offerings evolving to enhance value

African Regions

- Leading distributor of pharmaceuticals and CPG in Southern, East and West Africa
- Managed solutions being expanded across the region

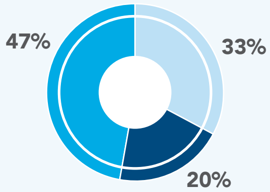
International

- Asset right transportation management (shipping/road)
- Leading capabilities in chemical and automotive verticals
- Specialised express distribution capabilities

…with a diversified presence across Africa and Europe…

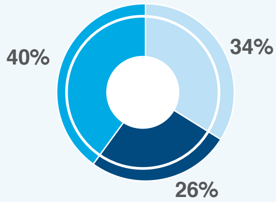
Revenue*

R51,4bn



Operating profit*

R2,8bn



* Excludes head office and eliminations. Revenue percentage splits based on external revenue, excluding businesses held for sale.

South Africa | African Regions | International

Total ROIC vs WACC

12,2% vs 8,5%

ROIC	WACC
13,7%	11,0%
17,5%	11,1%
9,6%	6,3%

Total Operating margin

5,6%

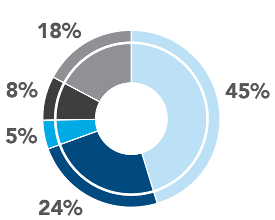
Net debt/equity ratio

50%

…offering specialised capabilities and customised solutions…

F2018 revenue split

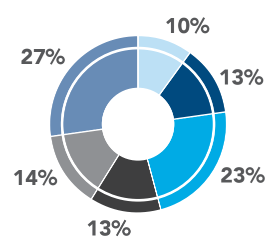
- Transportation management
- Warehousing and distribution management
- Value-add logistics solutions
- Supply chain management solutions
- Route-to-market solutions



…to multinational clients in attractive industries.

F2018 revenue split

- Automotive
- Chemicals and energy
- Consumer packaged goods
- Healthcare
- Mining and manufacturing
- Other markets



Motus at a glance

MOTUS
POWERING PROGRESS

Unrivalled scale and scope in South Africa and a growing international presence, representing the most respected global vehicle brands and employing more than 18 300 people.

Key investment highlights

- Diversified (non-manufacturing) service provider in the automotive sector with a leading position in South Africa and selected international presence in the United Kingdom (UK) and Australia.
- Unique fully integrated business model across the automotive value chain: Import and Distribution, Retail and Rental, Motor-Related Financial Services, and Aftermarket Parts supplier.
- Unrivalled scale in South Africa underpins a differentiated value proposition to original equipment manufacturers (OEMs), customers and business partners, providing multiple customer touch points that support resilience and customer loyalty through the entire vehicle ownership cycle.
- Access to annuity income streams, sustainable free cash flow generation with best-in-class earnings and return on invested capital exceeding weighted average cost of capital (WACC), providing a platform for an attractive dividend yield.
- Defined organic growth trajectory through portfolio optimisation, continuous operational enhancements and innovation, with a selected acquisition growth strategy outside South Africa leveraging best-in-class expertise.
- Highly experienced management team with deep industry knowledge of regional and global markets, and a proven track record with years of collective experience.

Diversified service provider in the automotive sector…

Vehicle Import and Distribution

- Exclusive RSA importer of Hyundai, Kia, Renault and Mitsubishi
- Over 80 000 vehicles imported annually
- Nissan distributorships in four African countries.

Vehicle Retail and Rental

- RSA:
  - Represents 23 OEMs through 356 vehicle dealerships including 104 pre-owned, 232 passenger dealerships and 20 commercial vehicle dealerships
  - 118 Europcar and Tempest car rental outlets in SA and 16 in Southern Africa
- UK 84 commercial and 28 passenger dealerships
- Australia 30 passenger dealerships.

Aftermarket Parts

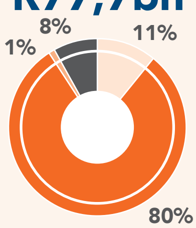
- Distributor, wholesaler and retailer of accessories and parts for older vehicles through:
  - 35 owned branches
  - 43 retailed owned stores
  - network of 720 franchised outlets comprising of both retail and specialist workshops.

Motor-Related Financial Services

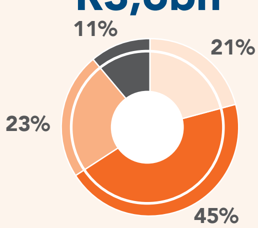
- Markets and administers service, maintenance and warranty plans, and other value-added products (over 730 000 clients)
- Develops and distributes innovative vehicle-related financial products and services through dealer and vehicle finance channels, online and a national call centre
- Provider of fleet management services
- Deploys an innovation hub.

…with a unique business model that unlocks all revenue and profit streams for every vehicle sold.

Revenue*
R77,7bn



Operating profit*
R3,6bn



Operating margin
4,6%

Net debt/equity ratio
50%

ROIC vs WACC
13,0% vs 10,4%

Vehicle Import and Distribution | Vehicle Retail and Rental | Motor-Related Financial Services | Aftermarket Parts

* Excludes head office and eliminations. Revenue percentage splits based on external revenue, excluding businesses held for sale.

The Imperial story

This year, Imperial Holdings concluded its extensive renewal, taking the final steps to separate its portfolio into two strong, independent businesses, Imperial Logistics and Motus Holdings; each a company of scale, each with a compelling value proposition and each with the opportunity to be a success story in its own right.

Founded in 1948 as a motor dealership in Johannesburg, and listed on the JSE in 1987, Imperial Holdings evolved into one of the country's largest diversified multinational groups. Through seminal political, social and economic shifts, it grew into a globally significant importer, distributor and dealer of motor vehicles and associated products and services, while expanding into adjacent businesses associated with the transport of goods.

Imperial's decentralised business model facilitated and encouraged the acquisition, development and growth of large and small businesses alike, balancing a strong entrepreneurial culture with disciplined financial control and sound governance.

Post 2008, a major portfolio restructuring was implemented with an emphasis on retaining and investing in businesses with the potential to generate higher yields on capital and defensive annuity income streams.

A landmark development in Imperial Holdings' growth trajectory was the acquisition of CIC Holdings in 2010, a consumer packaged goods distribution business active in the SADC region, which initiated and accelerated Imperial's expansion into the African Regions.

By 2014, as a multinational industrial services and retail group, Imperial Holdings employed more than 52 000 people and generated revenues in excess of R100 billion, across logistics, automotive and industrial, and financial services sectors. Late that year, to enhance strategic clarity, a fundamental transformation was initiated to unlock intrinsic value within the group. The substantial portfolio optimisation since 2014 saw as many as 55 businesses and 90 properties disposed of, and 17 strategically aligned high-quality assets acquired.

From 1 July 2016 and 1 January 2017, respectively, the group consolidated its logistics and automotive operating companies and assets within two large, multinational businesses, Imperial Logistics and Motus Holdings, each with its own board, chief executive officer and executive committee. Further entrenching their independence, the functions of the group head office were systematically devolved, and exemplary governance standards and structures replicated within each company. On 1 July 2017, the group's executive committee was disbanded, and its authority transferred to the two divisional boards.

After considering if the long-term prospects of each business would be enhanced by being separately listed, the group board approved the unbundling and separate listing of Motus Holdings, subject to shareholder and regulatory approval. The board established that this would enable both companies to operate in a more focused and efficient way, and to achieve their respective strategic ambitions, unlocking value for shareholders over the long term.

In the 70th year of the group's existence, it is noteworthy that the culmination of the far-reaching changes to the portfolios, strategies, structures and management of each of its subsidiaries has been reached, and that Imperial Logistics and Motus Holdings compare in every way to the governance, executive, operating, control and reporting standards of major public companies.

Imperial timeline
70 years of evolution

1948
Percy Abelkop founds Barney's Super Service Station

1958
40 employees

1965
Name changed to **Imperial**

1976
Started **Imperial Truck Hire**

1979
Launched **Imperial Car Rental**
16% market share within three years

1987
Listed on the JSE
Market cap of R35 million
EPS 38,7 cents

1992
Turnover doubled since 1988
EPS almost trebled since 1988

1996
Imperial becomes **an importer and distributor of vehicles** through Renault

1998
International expansion of Logistics into **Europe**

2004
Launched **Imperial Auto Parts (Aftermarket Parts); Ukhamba Holdings** acquired **10,1% stake in Imperial through a BEE transaction**

2005
International expansion of the **motor business into Australia**

2006
International expansion of vehicle retail into **United Kingdom through the acquisition of UK Commercials**

2008
Portfolio restructuring included the disposal of numerous non-core assets and the unbundling of Eqstra

2010
Expansion of **Logistics** into African Regions with **acquisition of CIC**

IMPERIAL
LEADERS IN MOBILITY

Imperial logistics

Logistics African businesses and International business **consolidated into one division – Imperial Logistics** (1 July 2016)

2016

2018

2014

Fundamental transformation of the group through strategic clarity (portfolio rationalisation), managerial focus (organisation structure) and shareholder insight (enhanced disclosure); **52 000 employees and revenues in excess of R100 billion**

2014

2018

Board approval to separate divisions into **two standalone entities through the proposed unbundling of Motus**

2014

MOTUS

2017

2018

All automotive businesses **consolidated into one division – Motus** (1 January 2017)

Imperial in action

As the custodian of strategy, capital, succession and governance, Imperial Holdings has sought to retain entrepreneurial creativity and capital management excellence within its two major businesses, and to clarify, simplify and focus their structures, strategies and value propositions for sustainable competitive advantage, growth and returns.

The final steps taken in the last financial year to ensure clearly positioned, self-sufficiently resourced, well governed independent businesses, and our expectations for the coming year, are set out below.

STRATEGIC CLARITY AND FINAL SEPARATION

- The optimisation of Imperial Logistics and Motus business and asset portfolios continued in the year.
  - R1,4 billion of strategically-aligned acquisitions were made, which grew their portfolios outside South Africa.
  - R3,8 billion of non-core, strategically misaligned, underperforming or low return on effort assets were sold.
- Internal restructuring to reduce complexity, duplication, costs and capital employed continued within each business.
- Obtaining regulatory and shareholder approvals for the unbundling and listing of Motus are in progress.

SELF-SUFFICIENT CAPITAL STRUCTURES

- Ensuring that the balance sheet of each division is self-sustaining, with an appropriate gearing level to enable each to fund its own growth and strategic aspirations while continuing to pay a stable dividend.
  - Imperial Logistics and Motus have achieved appropriate, self-sufficient capital structures, each with net debt:equity ratio of 50% at 30 June 2018.
- Negotiations with funders to secure appropriate debt facilities for each division.
  - The debt syndication process and refinancing of existing facilities are in process and on track.
  - Sufficient commitments including an underwriting for the off-shore facilities have been secured for Imperial Logistics and Motus to facilitate growth, provide flexibility and maintain strong liquidity at competitive pricing levels.
- The bonds were redeemed by utilising existing banking facilities at market value on 6 August 2018.
  - No new bonds will be issued as all debt requirements will be arranged in the banking market and as such, in the event of the unbundling, Imperial Logistics and Motus will not have formal credit ratings.

EXEMPLARY GOVERNANCE INSTILLED

- Two well-constituted, independent divisional boards largely established.
- Experienced, long-serving management teams with depth in both businesses.
- High standards of accountability, transparency and integrity in running the business, and reporting to shareholders and other stakeholders instilled in each subsidiary.
- King IV principles and practices, and appropriate enterprise risk management framework, embedded in both subsidiaries.

RATIONALE FOR UNBUNDLING

- No operational synergies exist between Imperial Logistics and Motus.
- Imperial Logistics and Motus operate independently in markets and geographies that are vastly different.
- Both businesses have different strategic focuses and priorities.
- With self-sustaining balance sheets achieved in each division, the group's balance sheet is no longer necessary.
- On 21 June 2018 the Imperial board resolved to proceed with the steps required to implement the unbundling of Motus, which will be underpinned by the following:
  - Strategic focus and independence
  - Improved operational efficiency mainly through the reduction in complexity and costs over time
  - Focused capital and funding structures which will provide respective management teams with direct access and accountability to the equity and debt capital markets, each with the appropriate capital structure to support their strategies on a long-term sustainable basis, and the ability to raise funding independently
  - Enhanced investor understanding and insight of each business and its sub-divisions
- The proposed unbundling will provide shareholders with the opportunity to participate directly in Imperial Logistics and/or Motus.

About this report

This printed report is a summary of the full integrated annual report of Imperial Holdings Limited (Imperial or the group) for the year ended 30 June 2018. The full integrated annual report is available online at www.imperial.co.za.

The integrated annual report for the year ended 30 June 2018 reflects an important strategic development for Imperial – the final stage in its transition from a holding company into two independent, self-sufficient businesses. The integrated annual report (both this printed summary and the full online version) therefore divide into three separate sections:

- The leadership of Imperial Holdings reviews the group's strategic progress over the last few years, culminating in the separation of its business portfolio, and assesses its financial performance in the year under review. An overview of governance and remuneration is also provided.
- Imperial Logistics and Motus each have a dedicated section, which sets the basis for their separate integrated reports going forward post the conclusion of the proposed unbundling; each with an introduction, chief executive officer's report, competitive position, business model, industry context, strategy, risks, material issues, operational review and governance overview.

While the Imperial Holdings section cannot be considered complete given the almost complete devolution of its authority, interests and skills to each business, each of the business sections provide a full assessment of their ability to create value over time for their respective stakeholders through their management of governance, risk, strategy, financial and operational performance and prospects, in relation to their material issues.

Accounting to our stakeholders

Our intention is to continually improve our reporting as a function of our accountability to our stakeholders. This year's integrated annual report, in combination with each of the business sections, is aimed at a broad stakeholder audience. Unlike previous years, no distinction is made between the information traditionally reported in the integrated annual report and the separate sustainability report. Instead, the separate sustainability report has been discontinued and additional reports that provide a deeper assessment of certain material issues are provided in the full integrated annual report online.

Due to the extent of the report resulting from this structure, it was decided to provide a more concise summary version of the report in print and to make the full version available online only. A content map is provided alongside to indicate clearly what is available in each case. Additional detailed information relating to the two businesses and the proposed unbundling and separate listing of Motus can be found in the Imperial Holdings circular and Motus Holdings pre-listing statement, available online at www.imperial.co.za.

Scope and boundary

The integrated annual report for the year ended 30 June 2018 covers the group's businesses, Imperial Logistics and Motus, over which it retains operational control. As indicated, these businesses are reported as single entities. The report focuses on the group's continuing operations, unless otherwise specified. Leased facilities are treated as group-owned for reporting purposes. Entities that are not operationally controlled, including assets that are owned but not operated by the group, are not included in the scope of the report. However, more broadly, the risks, opportunities and outcomes associated with stakeholders outside the financial reporting boundary are dealt with insofar as they materially affect the group's ability to create value over time.

Reporting framework and assurance

Our integrated reporting process is guided by the principles and requirements of the International Integrated Reporting Council's (IIRC) <IR> Framework, the King IV Report on Corporate Governance™* (King IV) and, as a listed entity on the JSE (under the share code IPL), we align to the JSE Listings Requirements and the South African Companies Act, 2008.

Financial information is extracted from the audited consolidated annual financial statements for the year ended 30 June 2018, which is available in full online and on which our external assurance providers, Deloitte & Touche, issued an unmodified audit opinion. Selected non-financial information included in this report has been assured by Deloitte & Touche and is included on page 133.

Materiality determination

The group's material issues are the priorities and concerns most important to the leadership of Imperial Holdings Limited and its stakeholders, which if effectively managed, will create sustainable value for its stakeholders. The last remaining material issue for Imperial Holdings is to achieve the successful unbundling of its two businesses and separate listing of Motus on the JSE. The material issues for Imperial Logistics and Motus were determined separately and the processes followed and the outputs in each case are set out in their sections on pages 62 and 102, respectively.

Approval

The board of Imperial Holdings Limited acknowledges its responsibility to ensure the integrity of the 2018 integrated annual report, which is its primary report to stakeholders. The audit committee, together with executive management, is responsible for the preparation and presentation of the report, and has reviewed and recommended it to the board for its approval. In the board's opinion, after applying its collective mind to the information provided, the report addresses all material issues and matters that may impact the group's ability to create value over time, and it provides a balanced and appropriate overview of performance.

On behalf of the board

Suresh Kana
Chairman

Mohammed Akoojee
Acting chief executive officer and chief financial officer

14 September 2018

Make contact

Feedback, questions or requests from stakeholders can be directed to: Esha Mansingh, group investor relations manager at **emansingh@ih.co.za**

Supplementary information available online:
- Full corporate governance report
- King IV application register
- Audited consolidated annual financial statements for the year ended 30 June 2018
- Circular and pre-listing statements relating to the unbundling of Motus

Supplementary information available online:
- Enhancing corporate citizenship credentials
- Defensible road safety practices
- Driving digitisation and innovation
- Employer of preference
- Environmental stewardship
- Improving our transformation credentials in South Africa
- Product responsibility and safety

Supplementary information available online:
- Sustainable development best practice
- Accelerating transformation in South Africa
- Defensible health and safety practices
- Differentiated customer experience
- Driving IT optimisation
- Employer of choice
- Ensuring regulatory compliance
- Environmental stewardship
- High-quality products and service

SHAREHOLDER INFORMATION

Stakeholders may access the group's interim and annual financial results announcements and presentations online at http://www.imperial.co.za/inv-annuals.php.

Imperial regions – operating context

IMPERIAL
LEADERS IN MOBILITY

South Africa
(55% revenue; 63% operating profit)

› Despite improved sentiment the economy contracted sharply in H2 F2018.
› Consumer affordability remains under pressure despite some monetary easing.
› Depressed volumes and competitive pressures in logistics.
› Highly competitive vehicle market.
  - NAAMSA national vehicle unit sales increased by 2%.

Rest of Africa
(9% revenue; 13% operating profit)

› Recovery in commodity prices, gradually improving domestic demand and some policy reforms improved economic prospects in most countries in sub-Saharan Africa.
› Imperial's performance in the Rest of Africa (predominantly logistics) was negatively impacted by:
  - political instability in Kenya;
  - recessionary conditions in Namibia;
  - increased competition and subdued demand from key aid and relief markets; and
  - the R/US$ exchange rate strengthening by 5% on average during the year.

Eurozone, UK and Australia
(36% revenue; 24% operating profit)

› Economic conditions in Europe were positive:
  - the continuing economic expansion in Europe has resulted in unemployment improving; and
  - certain sectors in which we operate remain under pressure, eg steel.
› Our German shipping operations were negatively impacted by low water levels on the River Rhine in H1 F2018; hot weather conditions since July 2018 has again resulted in low water levels.
› Palletways' performance was hindered by toughening economic conditions in the UK.
› Economic growth and the passenger vehicle market in the UK are being depressed by the uncertainties arising from Brexit and consumers switching from diesel vehicles to petrol vehicles.
› The Australian vehicle market recorded growth despite being fragmented and highly competitive, but margins on new vehicles remain under pressure.
› New European Union (EU) emissions regulation stipulating lower emission thresholds and process for approval, will lead to OEMs reducing vehicle production volumes in H1 F2019, and negatively impact sales of vehicles manufactured in Europe.


Motus
UK
Imperial Logistics
International
Europe
and UK
Imperial Logistics
International
China
India
Motus
Taiwan
Motus
Australia
Sweden
Finland
Germany
UK
Netherlands
Poland
Czech Republic
Austria
Hungary
Belgium
France
Bulgaria
Portugal
Spain
Italy
Luxembourg
Switzerland
China
Taiwan
Dubai
Ghana
Nigeria
Rwanda
Ethiopia
Uganda
India
Kenya
Malawi
Zambia
Tanzania
Mozambique
Madagascar
Botswana
Zimbabwe
Namibia
Swaziland
South Africa
Australia
Imperial Logistics
African Regions
Africa and
South Africa
Motus
South Africa
Imperial Logistics
South Africa

Group financial highlights

Record annual revenue

^ 11% to R128,7 billion

Operating profit

^ 6% to R6,4 billion

Earnings per share (EPS)

^ 38% to 1 681 cents per share

HEPS

^ 27% to 1 570 cents per share

Free cash (post-maintenance capital expenditure)

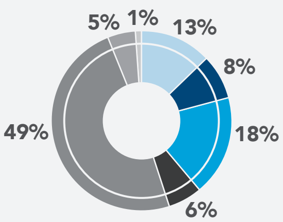
^ 17% to R5,0 billion
(2017: R4,3 billion)

Free cash conversion ratio of

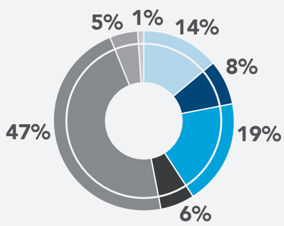
1,6 times in line with 2017

- Logistics – South Africa
- Logistics – African Regions
- Logistics – International
- Import and Distribution
- Retail and Rental
- Aftermarket Parts
- Motor-Related Financial Services

Divisional revenue
June 2018



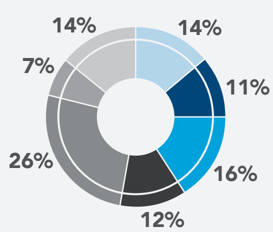
Divisional revenue
June 2017



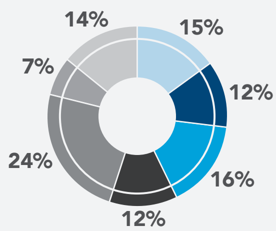
Based on external revenue excluding businesses held for sale.

- Logistics – South Africa
- Logistics – African Regions
- Logistics – International
- Import and Distribution
- Retail and Rental
- Aftermarket Parts
- Motor-Related Financial Services

Divisional operating profit
June 2018



Divisional operating profit
June 2017



Excludes businesses held for sale, head office, eliminations and Regent.

Net debt to equity ratio improved significantly to
50%
from 74% in June 2017 and 84% in December 2017

Return on equity (ROE)
15,0%
(2017: 12,7%)

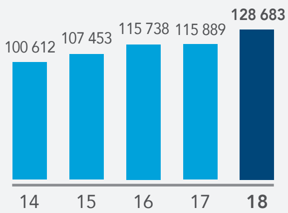
Return on invested capital (ROIC)
12,9%
(2017: 11,3%)

Weighted average cost of capital (WACC)
9,7%
(2017: 9,0%)

Full-year dividend
9% to 710 cents
per share; **45% of headline earnings per share (HEPS)**
(2017: 650 cents per share)

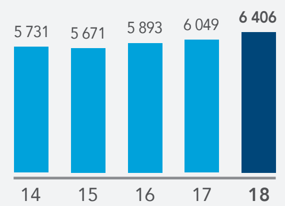
Note: ROE, ROIC and WACC are calculated on a rolling 12-month basis, excluding Regent. Total EPS and HEPS excluding Regent in the prior year.

Revenue
R million

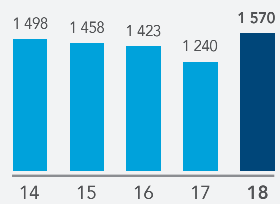


Excludes Regent.

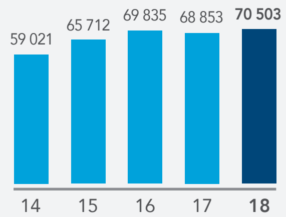
Operating profit
R million



Headline earnings per share
cents

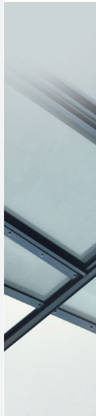


Total assets
R million



More information on non-financial performance can be found in the Imperial Logistics and Motus sections on pages 44 and 84 and in the supplementary information available online.

Chairman's letter to stakeholders



It is an honour to be the chairman of the board presiding over what is almost certainly to be the concluding chapter in the story of an extraordinary South African company, Imperial Holdings; a board whose duty it has been to weigh up the options in the best interests of all our stakeholders, and to make the decision to set Imperial Logistics and Motus on separate paths to growth, returns and sustainability, to unlock value for our shareholders.

Organisational context and separation

The Imperial story, an overview of which is illustrated in the introductory pages of this year's report, is one of extraordinary entrepreneurial, and in latter years, clear strategic growth: from a single motor dealership seven decades ago to one of South Africa's largest listed companies, with extensive international interests.

The strategic renewal of Imperial Holdings over the last few years has touched every part of the organisation. Directed at positioning the group for sustainable value creation, it has culminated in the separation of its strategically distinct mobility businesses into two self-sufficient divisions, Imperial Logistics and Motus. This made a realignment of the group's governance structure necessary and two strong subsidiary boards were established, which have since presided over the implementation of exemplary governance standards within each business.

On 21 June 2018, the board decided to proceed with the unbundling and separate listing of Motus, subject to shareholder and regulatory approval, which is detailed in recent announcements. Should the transaction proceed, the group will be renamed Imperial Logistics. As the final steps in the process of renewal, separate listings will give shareholders the opportunity to participate directly in either or both the businesses, each of which has a clear and compelling investment proposition (set out in their reports on page 43 and 87 respectively).

Key aspects of our reasoning for separate listings include the enhanced strategic flexibility and effectiveness each business will have in managing their opportunities and risks, particularly in response to the disruptive changes expected in their markets. With direct access and accountability to the equity and debt capital markets, each will be able to maintain the appropriate capital structure and funding mix to support the delivery of its strategy on a long-term sustainable basis, and investors will be able to more accurately assess the value of each business in comparison to relevant peers.

Market context and performance

As large multinational companies, engaged in the movement of goods, Imperial Logistics and Motus Holdings have a profound impact on the efficiency of industry supply chains and on affordable vehicle ownership, respectively; as such they are major contributors to real economic activity and quality of life in South Africa and in markets elsewhere in the world. Conversely, they are impacted by the global and domestic factors affecting real economic growth, including the socio-political drivers of sentiment and growth in diverse markets.

The board is cautiously optimistic about the advent of a political "new dawn" in South Africa and welcomes the new administration's efforts to attract investment and resolve inconsistent policy positions. The reality, however, is that the upturn in business and investor sentiment within and towards South Africa has yet to translate into better trading conditions for the group's businesses, as consumers are under heightened pressure, evidenced by the disappointing first and second quarter gross domestic product (GDP) results of the 2018 calendar year. This is despite upward revisions to the country's economic growth forecasts for 2018 and 2019.

Of specific concern in South Africa is the increasing public debt burden, and persistently high unemployment, which is again reaching record levels especially among the youth, together with deep socioeconomic inequality and the consequent threat of instability. Globally, the negative implications of protectionist trade policies – and resulting tensions between global superpowers – on a sustained improvement in global economic growth and currency volatility are also worrying. These factors threaten to take their toll on the markets in which the group's businesses operate, along with the translation of their Rand-denominated earnings.

In the last year, economic conditions and consumer demand in most of sub-Saharan Africa improved largely due to the recovery in commodity prices, and underpinned by policy reform, although certain markets experienced subdued growth and recession. In Europe, economic conditions were generally positive, although certain sectors remained under pressure. The uncertainty around the nature of the UK's exit from the EU next year continued to weigh on economic growth, whereas the Australian economy remained strong.

Suresh Kana

Chairman

Within this context, Imperial delivered the improvement in performance and returns expected, in line with market guidance. The divisional management teams were effective in readying the divisions for external separation, and the group executive equally so in the detailed planning required to ensure self-sustaining and efficient capital structures within each business, and a successful unbundling and listing process. Despite the intense focus this required, the group posted solid results, supported by acquisitions, increased vehicle sales and a good performance from Motus, alongside a satisfactory performance from Imperial Logistics in mixed trading conditions.

Governance context and leadership

Last year I voiced the board's concern about the deteriorating ethical climate, especially in South Africa. In this respect, we greet the new administration's decisive actions to root out corruption in the public and the private sectors alike with some relief. Along with rational and consistent policy positions and implementation, a credible stance on corruption is critical to attracting the local and foreign direct investment needed to support government's objectives for growth, job creation and poverty alleviation.

In all its markets the world over, the group's approach to ethics is to leave no room within its sphere of influence – in its operations or its supply chains – for corrupt and unethical conduct and its proliferation. It has been important for the board to ensure that the entrepreneurial high-performance culture, intrinsic to the group's DNA, is circumscribed by exemplary governance standards and social conscience. Similarly, that these characteristics that imbue the group's reputation have been transferred to each subsidiary, as a function of the ethical leadership and corporate citizenship ideals that underpin sustainability.

The devolution of leadership and governance from Imperial Holdings to the divisional boards has ensured that the governance and policy frameworks, and related oversight processes and internal controls, that give effect to these ideals have been embedded in both businesses. This has been both a consequence of Imperial's ownership, and replicated under the direction of the divisional boards, which included independent non-executive directors of the Imperial Holdings board. King IV, the principles and practices of which have been implemented at Imperial Holdings, has been the blueprint for the governance approach and the reconstitution of the board and committee structures within each division.

In the last year, the nominations committee identified the individual skillsets and range of experience required on each of the divisional boards, to provide strong and independent oversight and strategic counsel relevant to the growth strategies and diverse market contexts of each business. The process of identifying and appointing directors with the relevant professional and industry expertise is largely complete, with due cognisance of diversity taken in each case, specifically in relation to South African transformation requirements for race and gender. We are pleased to report that in our view, we have achieved the optimal board composition in line with the relevant market, industry and growth priorities of each business under the auspices of the Imperial Logistics and Motus boards, which can be found on pages 80 and 118 respectively.

High standards of accountability, transparency and integrity in running the business and reporting to shareholders and other stakeholders have become a matter of course over the separation, and the strategy of each business takes adequate account of the tenets of integrated thinking, with the six capitals model of value creation in evidence in their respective sections of this year's report.

The numerous executive management changes made to accommodate the new structure of the group, and the comprehensive succession planning it entailed, as well as the systematic devolution of executive authority from Imperial Holdings to its subsidiaries, have served the group well. This has been borne out by Mark Lamberti's resignation as chief executive officer (CEO) of Imperial Holdings earlier in the year, at which point Osman Arbee assumed the position in addition to his role as CEO of Motus, and more recently, Osman's extended medical leave. Neither of these unfortunate circumstances have affected the preparation for and eventuality of the separation, nor the ability of each subsidiary to achieve its strategic and financial objectives.

Management depth, both at group and divisional levels, continues to be underpinned by ongoing succession planning to ensure continuity, especially in ensuring management credibility among the investment community in the lead-up to separate listings. Mohammed Akoojee was appointed acting CEO of Imperial Holdings, in addition to his role as chief financial officer (CFO), until the conclusion of the unbundling. As announced, Mohammed has been appointed CEO designate of Imperial Logistics and will assume the position when Marius Swanepoel retires in June 2019. Marius will remain a director until 31 December 2019 to ensure a smooth handover process.

Ockert Janse van Rensburg has stepped into the role of acting CEO of Motus, in addition to being CFO of Motus, until Osman's expected return in January 2019.

Whereas the circumstances leading to Mark Lamberti's resignation have been ventilated in the media and the board has made its position clear on the matter, persistently damaging coverage following the High Court judgment requires further comment. The negative impression created in the public sphere does not take account of the priority given by the leadership of Imperial Holdings to accelerating executive development and transformation and aligning Imperial's employee and leadership profile with the economically active demographics of South Africa. Nor does it fairly reflect the progress made since 2014, the time at which the matter arose that became the subject of the legal action.

Transformation is not an easy or an overnight process. In the time since, at group level, initiatives have been undertaken to understand the barriers to inclusivity, implement a broad-based black economic empowerment (B-BBEE) scorecard for the group as a consolidated measure of progress, and employment equity targets have been linked to executive pay. Each division has made progress in diversifying its management structures, and has clearly signalled how critical transformation is in retaining its market leadership, competitive advantage and social relevance. In each case relevant plans to address all the dimensions of B-BBEE are in progress. The leadership of both businesses are deeply aware of the importance of setting the tone from the top in instilling a business culture that is inclusive and encourages diversity in all its forms, given the diverse stakeholders and markets they serve.

It bears repeating, explicitly, that the board is confident that due consideration has been given to the myriad aspects of ethical corporate citizenship in the process of separation, ensuring that there are no forms of anti-competitive behaviour and corruption. Further, the group ensures that it adheres to ethical people practices, including remuneration practices that respond to income inequality in specific markets, and diversity and inclusion that prioritises local hiring and skills development and training; all of which are underpinned by compliance with the laws, regulations, standards and codes across the jurisdictions in which its businesses operate.

In respect of sustainability management, each business continues to respond to the socioeconomic and environmental imperatives in their market contexts, according to the priorities attendant to the nature of their businesses, market positions and respective stakeholders. Each business has a social, ethics and sustainability committee, reporting into their respective boards, responsible for overseeing the management and reporting of social, environmental and ethical issues, in line with the related policies.

Board changes and appreciation

Mark Lamberti served Imperial with distinction from March 2014 until his resignation on 30 April 2018, whereupon Osman Arbee was appointed CEO from 1 May 2018. The board once again extends its appreciation to Mark for his excellent leadership of the group and of a strong executive team who implemented a complex portfolio, organisation and management restructuring.

After a long and distinguished career with the group, Manny de Canha retired as a non-executive director on 31 January 2018, and the board wishes him well in his retirement. Moses Kgosana and Younaid Waja resigned as independent non-executive directors on 8 September 2017 and 13 October 2017, respectively. We thank them both for their service.

The board has every confidence that the painstakingly detailed process of internal and external separation has ensured that Imperial Logistics and Motus Holdings are uniquely positioned, adequately resourced, and are led by entrepreneurial and experienced leadership teams with depth; and that each business is instilled with the ethos of exemplary governance and ethical leadership that was expected as part of Imperial Holdings.

For this remarkable achievement in such a short time, I congratulate my colleagues on the Imperial Holdings board and divisional boards, the executive teams across the group and the many advisers involved in this multi-faceted undertaking. To our shareholders who have largely without exception supported this historic development, we extend our thanks. In closing, we reiterate our conviction that the legacy of this great company will live on in the enduring success of Imperial Logistics and Motus Holdings.

Suresh Kana
Chairman

14 September 2018

Acting chief executive and chief financial officer's report

The substantial work of the last few years, to separate the Imperial Group into Imperial Logistics and Motus Holdings, is nearing completion. What the executive team set out to achieve through internal separation, portfolio rationalisation and organisational restructure, which in turn enabled a thorough assessment of the viability and potential for long-term value creation of an unbundling, is imminent.

In the last year, my time and attention as CFO and then also as acting CEO, and that of the executive and divisional management teams, have been focused primarily on creating two large self-sufficient businesses, while continuing to deliver on day-to-day operational objectives in challenging trading environments. It is a source of great pride for all of us with a longstanding association with Imperial Holdings, that Imperial Logistics and Motus have grown to be not only South African market leaders but also internationally significant in their respective industries.

The path to separation

The board's decision to proceed with the unbundling of Motus is the culmination of an ambitious transformation that began four years ago. As the custodian of strategy, capital management, operational excellence and governance, group leadership sought to re-establish a trajectory for sustainable performance and returns while retaining the entrepreneurial creativity and capital management excellence that had underpinned Imperial's past success. The transformation and development of Imperial was centred around strategic clarity, managerial focus and shareholder insight; the first achieved through portfolio rationalisation, the second through organisational restructuring and the third through enhanced disclosure.

At that time, the executive team conducted a thorough strategic evaluation of the group's vast portfolio of businesses and assets. This exposed those unrelated to the group's core capabilities and those that were underperforming, sub-scale or providing insufficient return on executive effort. These included operations as diverse as chemical manufacturing, port management, industrial equipment and life insurance, among others. The group's extensive property portfolio included warehouses and dealerships in non-strategic locations.

The evaluation also confirmed the businesses with the most promising competitive prospects – within the logistics and automotive value chains. What followed was a substantial portfolio overhaul to optimise Imperial's business focus and assets within these areas of mobility. Since 2014, as many as 55 businesses and 90 properties were sold that generated revenues of R14,4 billion, operating profit of R1,1 billion and released capital of R7,0 billion. R5,7 billion was invested in acquiring 17 strategically aligned high quality assets that generated revenue of R14,2 billion and operating profit of R1,0 billion in their first full year of operation, and which are expected to deliver sustainable organic growth and enhanced returns and cash flows in the future. The acquisitions included, among others, consolidating the group's ownership of the Vehicle Import and Distribution business, growing its logistics footprint in the Southern African Development Community (SADC), East and West Africa regions to a R10 billion business and adding to our capabilities and geographic footprint outside the African continent. These strategic outcomes are vital elements in the competitive positioning and growth prospects of both the vehicles and logistics businesses.

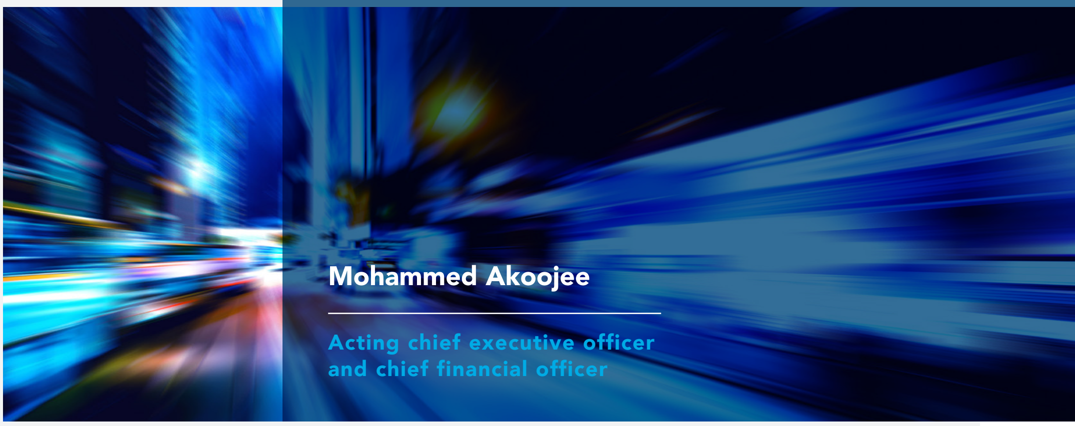
In the absence of any significant operational synergies between the two, the rapid establishment of Imperial Logistics and Motus as two large independent divisions, managed and reported on separately, was the logical next step. Thorough consideration of the cyclical and structural dynamics, specifically the disruptive change expected to redefine their core markets in the coming years, informed the simplification and focusing of their structures, strategies and value propositions. This has positioned them clearly and strongly for sustainable competitive advantage, growth and returns. The process of separation also enhanced shareholder insight through greater visibility and disclosure of the strategies, performance and prospects of each business and their respective operating divisions.

In each case, managerial focus was honed through internal restructuring for organisational simplicity, which involved the alignment of their asset portfolios according to complementary capabilities, and clear market, customer and product focus. The restructuring removed complexity, duplication and cost, and disciplined capital management was further entrenched with the governance structures and processes to ensure effective balance sheet and working capital management. Targeted return on invested capital continues to guide capital allocation and the assessment of organic growth plans, asset renewals and acquisitions.

The appropriate executive management changes made to accommodate the new structure and the succession of retiring executives entailed a transition to significantly younger leadership teams, which deepened a predisposition to change and innovation in each business. Furthermore, recognising that people and culture are the foundation for the delivery of customer value propositions, organisational effectiveness and reputational integrity, significant investment was made in human capital management and supporting systems. Similarly, a strategic focus on digitisation and innovation, with the right structures to oversee the investment and application of IT, was prioritised. In both businesses, this investment and implementation in these primary enablers of differentiation, efficiency and resilience, continues.

In the strategies of each business, there is ample evidence of stakeholder expectations being considered. Each has explicit plans to defend and strengthen its market positions, commercial relationships and licences to operate, by deepening industry legitimacy and social relevance in its markets. The latter includes investment in initiatives that respond to critical societal concerns, such as transformation and localisation, road safety and local development, and managing material environmental impacts according to the nature of their operations. Besides being an expectation of good governance, legitimacy and relevance are important features of commercial resilience, both in differentiating the value propositions offered to clients, principals, suppliers and business partners, and in mitigating operational, reputational and market risk.

The social development legacy of the group was also considered during separation, with the allocation of flagship corporate social investment projects to Imperial Logistics and Motus Holdings, respectively; over and above their ongoing focus on the social, economic and environmental programmes that respond to the most critical sustainable development issues in their sectors.



Mohammed Akoojee

Acting chief executive officer and chief financial officer

Strategic review

It was an eventful year, with considerable unforeseen challenges. Besides the priority of delivering an improved performance, it is testament to the collaborative and consultative process followed throughout the process to unbundling, that it continued without detraction or delay despite the executive management changes. Considerable time was spent engaging with shareholders and the investment community, and local and international debt providers, to provide strategic and operational updates, and to explain and understand their views on the rationale for the proposed unbundling; with no major pushback by most of our major local and international shareholders.

The optimisation of the business portfolios continued in the year with several key acquisitions and disposals. To grow their portfolios outside South Africa the following strategically aligned acquisitions were made:

- Imperial Logistics acquired 70% of Surgipharm Limited in Kenya for US$35 million (R485 million), which became effective on 1 July 2017. This has expanded its industry presence and relationships with pharmaceutical principals on the African continent and provides an excellent platform for further growth in other East African markets.
- Motus acquired Pentagon Motor Holdings, which operates 38 passenger and light commercial vehicle franchises from 21 prime retail dealerships in the UK, for £26 million (R479 million), effective 1 September 2017. Pentagon supports Motus' strategy to deploy capital and retail expertise to grow beyond South Africa, and complements its existing commercial vehicle business in the UK.
- Motus acquired 75% of Australian-based SWT Group Pty Ltd, which operates 16 dealerships, for AU$24,2 million (R261 million), effective 1 October 2017. This complements its existing dealership footprint in the growing Australian vehicles market.
- Motus acquired 60% of ARCO Motor Industry Co Limited, a distributor of motor vehicle engine parts based in Taiwan for R185 million. This is in line with its strategy to shorten the supply chain in sourcing products for its route-to-market network in Africa, which will eliminate costs and improve supply chain efficiency.

Disposals of non-core, strategically misaligned, underperforming or low return on effort assets included:

- The group's interest in and claims against Schirm GmbH, the contract manufacturing service business of Imperial Chemical Logistics GmbH, and related property transactions for a total cash price of €134 million (R2,0 billion). The transaction was concluded on 17 January 2018 and payment received on 30 January 2018.
- Non-strategic properties for proceeds of R1,7 billion; a further 17 properties with a carrying value of R234 million are held for sale.
- Transport Holdings in Botswana, which released capital of R200 million.
- Laabs GmbH, a €16 million revenue liquid food transporter specialising in liquid chocolate products and raw materials in Europe, for €2 million (R32 million) in October 2017.
- Interests in smaller entities in Imperial Logistics amounting to approximately R55 million.

With the portfolio optimisation largely complete, and the appropriate management, operational and governance structures to operate as separately listed entities in place, the final contingency in the separation of Imperial Logistics and Motus Holdings was to ensure self-sustaining balance sheets and efficient capital structures.

Proceeds from the sale of businesses and properties allowed us to significantly improve the group's net debt to equity ratio (including preference shares as debt) to 50% from 74% in June 2017 and 84% in December 2017. This was without any proceeds from the B-BBEE deal in Logistics South Africa, which is in progress, and on which the unbundling is not contingent. We are of the view that each division is now appropriately capitalised with appropriate headroom to pursue their respective growth strategies.

Proposed unbundling of Motus

In the event of the unbundling of Motus, Imperial Logistics and Motus will not need to have formal credit ratings, as their funding needs can be satisfied by the banking market with no requirement to access the bond market. The debt syndication process and refinancing of existing facilities are on track, with sufficient commitments secured including the underwriting of the off-shore facilities. This will enable Imperial Logistics and Motus to facilitate growth, provide flexibility and maintain strong liquidity with an immaterial impact on cost of funding.

Bonds were redeemed by utilising existing banking facilities at market value on 6 August 2018, and an offer to acquire the preference shares was approved by shareholders on 14 September 2018. The buyback will be implemented during October 2018. Notwithstanding that preference shareholders are not entitled to participate in the unbundling, we believe the buyback provides an efficient means for Imperial to simplify its capital structure and preference shareholders to dispose of the preference shares in an orderly and effective manner.

Acting chief executive and chief financial officer's report – continued

The appropriate legal structures for both entities have been finalised, with the transfer of the group's automotive interests to Motus Holdings Limited. Obtaining the requisite regulatory approvals, including the JSE, South African Reserve Bank and Takeover Review Panel, are in progress and are expected to be obtained by the end of October 2018.

The impact on existing share incentive schemes, pension and provident funds, and medical aids has been assessed and the most effective structures for both businesses are being implemented. The Ukhamba B-BBEE scheme will be replicated in Motus after unbundling to ensure that all shareholders in Ukhamba Holdings retain the same economic rights they have presently.

The allocation of key group functions continued over the year to ensure that in the event of the unbundling, each business will be equipped with the appropriate resources and skills to operate as listed entities. This included company secretarial, investor relations, treasury and taxation functions (some as shared services).

Financial review

Imperial produced solid results and recorded an improvement in all key financial metrics, despite difficult trading conditions in many of our key markets. Group revenue was up 11% to a record R128,7 billion and operating profit grew by 6% to R6,4 billion. **EPS** from continuing and discontinued operations **climbed 38% to 1 681 cents per share**, and HEPS from combined operations was up 27% to 1 570 cents per share.

Operating margin declined to 5,0% from 5,2%. The trend of buying down from luxury vehicle brands in favour of smaller lower-margin entry level vehicles in Motus, and its acquisition of the lower-margin Pentagon (UK) and SWT (Australia) businesses were the main reasons for the decline in operating margin.

Excluding businesses held for sale, total revenue and operating profit for the group increased by 13% and 7%, respectively, while revenue and operating profit excluding acquisitions and disposals increased by 5% and 2%, respectively.

Foreign revenue rose 21% to R59,0 billion (45% of group revenue) and foreign operating profit increased 6% to R2,4 billion (37% of group operating profit).

Net working capital was up 2% to R8,8 billion from R9,0 billion in June 2017. Imperial Logistics increased working capital by R1,5 billion, due to debtor and creditor levels normalising to more sustainable levels when compared to F2017, and due to the acquisitions, mainly Surgipharm, made during the year. Motus' working capital decreased by R1,7 billion mainly due to a reduction in inventory and improved supplier credit terms, with inventory levels expected to normalise in H1 F2019.

Disposals of non-strategic businesses and properties during the year generated proceeds of R4,2 billion. Net assets held for sale amounted to R234 million, comprising mainly non-strategic properties in Motus. As noted, the **group's net debt to equity ratio improved significantly to 50%**, resulting mainly from cash of R4,2 billion received from the disposal of non-strategic businesses and properties, and a 37% improvement in cash generated from operating activities of R5,7 billion.

Free cash flow rose 17% to R5,0 billion from R4,3 billion mainly due to a 37% increase in cash generated from operating activities of R5,7 billion (2017: R4,2 billion).

A final cash dividend of 387 cents per ordinary share (2017: 330 cents per share) has been declared, bringing the F2018 dividend to 710 cents per ordinary share (F2017: 650 cents per share). The dividend is in line with our targeted pay-out ratio of 45% of HEPS, subject to prevailing circumstances.

Operating context and regional performance

Trading conditions across the group's regional markets were mixed. Activities on the African continent produced 64% and 76%, respectively, of group revenues and operating profits during the year, with the remainder generated mainly in Europe and the UK.

South Africa

In South Africa, where R70,0 billion or 55% of group revenue and R4,0 billion or 63% of operating profit was generated, the environment remained difficult. Despite improved sentiment the economy contracted sharply in the second half of F2018. Although interest rates eased, little support for further monetary easing, climbing unemployment, low economic growth, higher taxes and static household income continued to weigh heavily on consumer spending.

Imperial Logistics, which generated 33% of its operating profit from its South African operations, felt the impact in lower volumes and competitive pressure, with contract renewals at lower margins. Depressed consumer spending, high fuel prices and social unrest also took a toll. However, the exiting of unviable contracts, restructuring non-performing operations and rationalising properties and assets, will support enhanced profitability going forward.

For Motus, with its local operations accounting for 86% of operating profit, low growth in national vehicle unit sales (up 2% as reported by NAAMSA) and severe pressure on the luxury brand segment due to constrained consumer affordability curbed its performance. However, Motus grew unit vehicle sales by 7%, demonstrating the resilience of its diversified positioning in smaller SUV and entry-level importer brands.

Rest of Africa

The recovery in commodity prices, gradually improving domestic demand and some policy reforms improved economic prospects in most countries in sub-Saharan Africa, where R12,0 billion or 9% of group revenue and R853 million or 13% of operating profit was generated in the year.

Predominantly relating to Imperial Logistics' operations in the African Regions, the improved conditions were offset by subdued growth, recessionary conditions and political instability in certain markets, and the R/US$ exchange rate strengthening by 5% on average during the year. The increasingly competitive and uncertain donor aid market resulted in lower than expected volumes and reduced margins.

Eurozone, UK and Australia

The group's international operations accounted for R46,9 billion or 36% of group revenue and R1,5 billion or 24% of operating profit in the year, mainly generated in Europe where economic conditions were positive, and unemployment has decreased to levels below those seen before the global financial crisis.

Certain sectors, specifically steel, remained under pressure. US tariffs on Chinese products are likely to divert trade flows, particularly of steel, from China to Europe which could place more pressure on prices. The tariffs could also impact exports for Imperial Logistics' automotive clients. Our German shipping operations were negatively impacted by low water levels on the River Rhine in H1 F2018. Hot weather conditions since July 2018 have again resulted in low water levels. Palletways' performance was hindered by toughening economic conditions in the UK, as the uncertainties arising from the economic implications of Brexit continued to depress economic growth. The new EU emissions regulation stipulating lower emission thresholds and process for approval will lead to OEMs reducing vehicle production volumes in H1 F2019.

For Motus, along with the switch from diesel to petrol vehicles, the economic uncertainty in the UK was felt in a soft passenger vehicle market. The latest forecasts indicate a decline of over 5% in passenger vehicles, and 6% in heavy commercial vehicles in calendar 2018. The Australian vehicle market recorded growth despite being fragmented and highly competitive, but margins on new vehicles remained under pressure.

Analysis of financial performance and results for the 12 months ended 30 June 2018

Group profit and loss (extracts)

	Total 2018	Continuing 2018	Discontinued 2018	Total 2017	Continuing 2017	Discontinued 2017	Total % change	Continuing % change
Revenue (Rm)	**128 683**	**51 303**	**77 380**	115 889*	49 635*	66 254	11	3
Operating profit (Rm)	**6 406**	**2 813**	**3 593**	6 049	2 739	3 310	6	3
Operating margin (%)	**5,0**			5,2				
Net finance costs (Rm)	**(1 386)**	**(649)**	**(737)**	(1 680)	(831)	(849)	(18)	(22)
Income from associates (Rm)	**90**	**56**	**34**	103	61	42	(13)	(8)
Forex losses (Rm)	**(93)**	**(50)**	**(43)**	(619)	(194)	(425)	(85)	(74)
Profit on sale of property (Rm)	**639**	**22**	**617**	212	181	31	201	(88)
Amortisation of intangibles (Rm)	**(432)**	**(417)**	**(15)**	(521)	(505)	(16)	(17)	(17)
Other non-operating items (Rm)	**(358)**	**(113)**	**(245)**	(357)	(257)	(100)		(56)
Profit before tax (Rm)	**4 866**	**1 662**	**3 204**	3 187	1 194	1 993	53	39
Tax (Rm)	**(1 458)**	**(566)**	**(892)**	(901)	(228)	(673)	62	148
Net profit after tax (Rm)	**3 408**	**1 096**	**2 312**	2 286	966	1 320	49	13
Net profit for the year – Regent (Rm)				279		279		
Attributable to non-controlling interests (Rm)	**(135)**	**(168)**	**33**	36	(164)	200	(>100)	2
Attributable to shareholders of Imperial (Rm)	**3 273**	**928**	**2 345**	2 601	802	1 799	26	16
Effective tax rate (%)	**30,5**			29,2				
Return on invested capital** (%)	**12,9**	**12,2**	**13,0**	11,3	11,5	11,8		
Weighted average cost of capital** (%)	**9,7**	**8,5**	**10,4**	9,0	7,1	10,1		

* Restated.

** WACC for each sub-division of the group is calculated by making appropriate country/regional risk adjustments for the cost of equity and pricing for the cost of debt depending on jurisdiction. The group WACC calculation is a weighted average of the respective sub-divisional WACCs. See definitions on page 22. ROIC is calculated based on taxed operating profit plus income from associates divided by the 12-month average invested capital (total equity and net interest-bearing borrowings).

Acting chief executive and chief financial officer's report – continued

IMPERIAL
LEADERS IN MOBILITY

Excluding disposals and acquisitions in both the current and prior period, revenue and operating profit for the group increased by 5% and 2%, respectively.

Total profit before tax increased by 53% or R1 679 million and was impacted by the following:

- The increase in group operating profit of R357 million;
- Net finance costs decreased by R294 million due to lower average debt levels;
- Foreign exchange losses decreased by R526 million to R93 million. Foreign exchange losses in Imperial Logistics (mainly in African Regions due to the strong Rand) were contained to R50 million against R194 million in the prior period. In Motus, losses of R43 million compared to a loss of R425 million, due to the unwinding of uneconomical and excessive cover in the prior year;
- Profit on sale of properties amounted to R639 million resulting in an increase of R427 million from the prior year. The sale of the property in Australia, which was the largest property sale during the year, contributed R616 million;
- Amortisation of intangibles arising from business combinations decreased by R89 million due to certain intangible assets being fully amortised in F2017, and the sale of Schirm;
- Other non-operating items was in line with the prior period at R358 million and comprise mainly the following:
  - A positive remeasurement of contingent liabilities of R31 million;
  - A positive remeasurement on the put option liability resulting in a gain of R42 million;
  - Business acquisition costs of R18 million;
  - Loss on sale of subsidiaries, mainly Schirm, of R149 million;
  - Impairment on the sale of Jurgens of R173 million; and
  - Goodwill impairments of R75 million.

R173 million relating to the sale of Jurgens is a once-off item that negatively impacted the HEPS performance in F2018. Excluding the impact of Jurgens, HEPS excluding Regent is up 33%.

The effective tax rate for the group at 30,5% is higher than 29,2% in 2017, mainly due to non-deductibility of losses on the sale of businesses in the current period.

Non-controlling interest increased compared to the comparative year due to improved results from Renault and Eco Health. Recent acquisitions of Surgipharm, Itumele Bus Lines and SWT also contributed to the increase. The prior year includes losses relating to the minorities arising in Renault and TATA.

Reconciliation from earnings to headline earnings

R million	June 2018	June 2017	% change
Net profit attributable to Imperial shareholders (earnings)	**3 273**	2 601	26
Profit on disposal of assets/investments	**(804)**	(320)	
Impairments of goodwill and other assets	**226**	219	
Loss on sale of subsidiaries and businesses	**147**	151	
Tax effects of headline earnings adjustments	**221**	66	
Other	**(6)**	(17)	
Headline earnings	**3 057**	2 700	13

The table reflects the total group operations including Motus, and Regent in F2017.

Earnings and headline earnings per share

Cents	June 2018	June 2017	% change
Total EPS	**1 681**	1 339	26
Continuing EPS (Logistics)	**477**	412	16
Motus EPS	**1 204**	809	49
EPS excluding Regent	**1 681**	1 221	38
Regent EPS		118	
Total HEPS	**1 570**	1 390	13
Continuing HEPS (Logistics)	**543**	379	43
Motus basic HEPS	**1 027**	861	19
HEPS excluding Regent	**1 570**	1 240	27
Regent HEPS		150	

The table reflects the total group operations.

Financial position (extracts)

R million	June 2018	June 2017	% change
Goodwill and intangible assets	9 805	9 529	3
Property, plant and equipment	9 829	10 371	(5)
Investment in associates and joint ventures	1 100	1 002	10
Transport fleet	5 358	5 560	(4)
Vehicles for hire	3 924	3 963	(1)
Investments and other financial assets	859	805	7
Net working capital	8 761	8 956	(2)
Deferred tax asset	405	394	3
Current tax liability	(219)	(7)	
Properties held for sale	234	979	
Net debt	(11 125)	(14 647)	(24)
Non-redeemable, non-participating preference shares	(441)	(441)	
Other liabilities	(5 365)	(6 203)	(16)
Total shareholders' equity	23 125	20 261	
Total assets	70 503	68 853	
Total liabilities	(47 378)	(48 592)	

Above table includes Motus and Logistics for F2017 and F2018.

The most significant factors impacting the financial position at 30 June 2018 were:
- The Rand weakening by 5% to the US$ and 7% to the Euro. This resulted in the overall balance sheet increasing with a net R538 million increase in the foreign currency translation reserve attributable to shareholders;
- The disposals of Schirm and Transport Holdings resulted in operating assets of R2 598 million and operating liabilities of R627 million being disposed of;
- Assets held for sale decreased by R745 million due to the disposal of properties; and
- The acquisitions of Surgipharm (R485 million), Pentagon (R479 million), SWT (R261 million) and ARCO (R185 million) during the year, and purchasing a further 19% in Eco Health (R581 million). The acquisitions added a further R157 million of on balance sheet net debt at acquisition.

Goodwill and intangible assets increased by 3% to R9,8 billion mainly due to the following:
- Acquisitions of R1,1 billion, mainly Pentagon (R189 million), SWT (R213 million) and Surgipharm (R341 million) to goodwill and in total, R243 million to intangible assets;
- The weakening of the Rand resulted in a R480 million increase;
- Disposals resulted in a R754 million decrease to goodwill and intangible assets; and
- Amortisation decreased intangible assets by R432 million.

Property, plant and equipment (PPE) decreased by 5% to R9,8 billion mainly affected by the following:
- PPE related to the disposal of Schirm GmbH and of Transport Holdings Botswana, both amounting to R1,0 billion;
- R413 million increase due to the purchase of Surgipharm, Pentagon and SWT;
- Currency adjustments resulted in an increase of R172 million; and
- Impairments of R115 million.

Transport fleet decreased by 4% or R202 million mainly due to the net disposal of assets through the disposal of Schirm and Transport Holdings Botswana amounting to R144 million, in addition, the value of disposals and depreciation are higher than the capital expenditure.

Vehicles for hire was in line with the prior year as less was invested in vehicles for hire by the Vehicle Import and Distribution sub-division.

Net working capital of R8,8 billion improved by 2% from R9,0 billion in June 2017. Logistics working capital increased by R1,5 billion as debtor and creditor levels normalised to more sustainable levels when compared to F2017. The acquisitions, mainly Surgipharm, also impacted working capital in F2018. Motus working capital decreased by R1,7 billion mainly due to a reduction in inventory and improved supplier credit terms. We expect inventory levels to normalise in H1 F2019.

Acting chief executive and chief financial officer's report – continued

Movement in equity for the 12 months to June 2018

R million	2018
Net profit attributable to Imperial shareholders	3 273
Net profit attributable to non-controlling interests	135
Increase in the foreign currency translation reserve	538
Increase in the hedge accounting reserve	184
Remeasurement of defined benefit obligations net of tax	(67)
Movement in share-based reserve net of transfers to retained earnings	17
Dividends paid	(1 285)
Non-controlling interests (buy out)	(102)
Non-controlling interest acquired, net of disposals and shares issued	350
Non-controlling share of dividends	(193)
Shares repurchased net of shares used to settle share-based equity schemes	14
Total change	**2 864**

Cash flow

R million	June 2018	June 2017	% change
Cash generated by operations before movements in working capital	8 721	8 388	4
Movements in net working capital (excludes currency movements and net acquisitions)	811	688	
Cash generated after working capital movements	**9 532**	9 076	
Interest paid	(1 386)	(1 670)	
Tax paid	(1 336)	(1 520)	
Cash generated by operations before capital expenditure on rental assets	**6 810**	5 886	16
Capital expenditure on rental assets	(1 079)	(1 709)	
Cash flows from operating activities	**5 731**	4 177	37
Net disposal (acquisitions) of subsidiaries and businesses	859	(1 687)	
Capital expenditure (non-rental assets)	240	(954)	
Net movement in associates, investment, loans and non-current financial instruments	(209)	326	
Cash flows from investing activities	**890**	(1 939)	
Dividends paid	(1 478)	(1 688)	
Hedging of share scheme	(362)	(10)	
Change in non-controlling interest	(684)	(252)	
Capital raised from non-controlling interest	223	149	
Repurchase of ordinary shares	(113)		
Net movement in cross-currency swaps	(152)		
Cash flows from financing activities	**(2 566)**	(1 801)	
Decrease in net debt (excludes currency movements and net acquisitions)	**4 055**	437	
Free cash flow	5 016	4 296	17
Free cash flow to headline earnings (times)	1,6	1,6	

Cash generated by operations after working capital movements, interest and tax payments was R6,8 billion (2017: R5,9 billion), up 16%.

Net working capital movements resulted in an inflow of R811 million, mainly due to a reduction in inventory and improved supplier credit terms in Motus. We expect inventory levels to normalise in H1 F2019.

Net capital expenditure reduced significantly to R839 million from R2,7 billion in 2017 mainly due to the benefit of property disposals of R1,7 billion. In addition, there was a reduction in capital expenditure in vehicles for hire in Motus. Capital expenditure in the prior year included the bulk of the contributions towards the chemical manufacturing plant and the additional convoys in South America.

The main contributors to the net inflow of R859 million relating to acquisitions and disposals were proceeds received on the disposal of Schirm (R2,0 billion), which was partially offset by the acquisitions of Pentagon (R479 million), Surgipharm (R382 million), SWT (R238 million) and ARCO (R65 million) during the year.

Dividends amounting to R1,5 billion were paid during the year.

Other significant cash flow items included share buybacks amounting to R113 million, buy out of minorities of R684 million (mainly Eco Health) and settlement of cross-currency swaps of R152 million. Capital raised from non-controlling interests of R223 million relates to Renault. The costs associated with the hedging of share schemes also increased to R362 million.

Liquidity
The group's liquidity position is strong with R13,9 billion of unutilised banking facilities, excluding asset-backed finance facilities. 80% of the group debt is long term in nature and 52% of the debt is at fixed rates. The group's blended cost of debt is c.4,8 % after tax.

In March 2018 Imperial's Baa3 global scale ratings outlook was changed to stable by Moody's after being placed under review for downgrade on 29 November 2017 in line with the sovereign rating. The group's international and national scale credit ratings by Moody's are Baa3 and Aa1.za.

Prospects*
We anticipate that both Imperial Logistics and Motus Holdings will deliver solid operating and financial results in the financial year ending 30 June 2019, subject to stable currencies in the economies in which they operate. With the appropriate capital structures, and minimal impact on funding and costs, each business will be able to fund its own growth and strategic aspirations while continuing to pay a stable dividend (approximately 45% of HEPS). We expect growth in revenues and operating profit from each business, as well as growth in HEPS, subject to any once-off costs relating to the proposed unbundling.

Closing and appreciation

Imperial Holdings is set to conclude its extensive renewal with the separate listings of its two subsidiaries; each a South African market leader with multinational reach, each uniquely positioned to grow in full view of the cyclical and structural realities of its markets, and each offering a compelling value proposition to its clients, employees and partners, and thereby its shareholders.

Imperial Logistics and Motus Holdings are set for organic growth, innovation and excellence. Honed strategic focus on their independent strategic initiatives, in view of the industry sectors and economic landscapes in which they operate, will enable management teams to identify and execute growth opportunities, with direct responsibility and accountability for performance. Improved operational efficiency mainly through the reduction in complexity and costs, through streamlined activities and operations, and in-depth asset focus is expected over time. Their financial profiles are robust, with good cash generation, self-sufficient balance sheets, comfortable gearing levels and the financial headroom to pursue their plans for organic and acquisitive growth.

The senior management teams at the helm of both businesses are strong, long-serving and highly experienced, with the depth of skill required to deliver on their organic and acquisitive growth plans, with proven client-centric, entrepreneurial flair and agility. Management in both businesses are cognisant that delivering on their stated strategic objectives, showing improving financial performance in line with guidance are the foundation for credibility and trust among shareholders and the investment community, and in achieving fair valuations versus their industry peers.

As we are approaching the possible end of an era and potentially the last financial reporting year for Imperial Holdings in its current structure, we extend gratitude to 48 339 colleagues throughout Imperial whose resilience in dealing with difficult external circumstances has been tested by the unprecedented rate of internal change. The multi-faceted restructuring of Imperial over the past four years was among the most complex and ambitious in South African business.

Particular thanks is extended to our previous leaders, management, colleagues and co-directors for their invaluable guidance and counsel during the 70-year history of one of South Africa's most extraordinary companies.

Finally, we thank our owners and funders for their continued support through the years.

Akoojee

Mohammed Akoojee
Acting chief executive officer and chief financial officer

14 September 2018

* At time of publication.

Five-year review

IMPERIAL
LEADERS IN MOBILITY

	Financial definitions	2018 Rm	2017* Rm	2016 Rm	2015 Rm	2014 Rm
Extracts from statement of profit or loss						
Revenue		**128 683**	118 567**	118 849	110 487	103 567
Operating profit		**6 406**	6 538	6 382	6 235	6 185
Net financing costs		**(1 386)**	(1 680)	(1 440)	(1 194)	(926)
Share of result of associates and joint ventures		**90**	103	138	32	76
Income tax expense		**(1 458)**	(1 060)	(1 221)	(1 213)	(1 330)
Tax rate (%)		**30,5**	30,1	28,6	26,6	27,2
Net profit/(loss) attributable to non-controlling interest		**135**	(36)	184	332	355
Headline earnings		**3 057**	2 700	2 994	3 135	3 151
Extracts from statement of cash flows						
Cash generated by operations (before capital expenditure on rental assets, net financing costs and tax paid)		**9 532**	9 076	8 143	9 058	5 973
Cash flow from investing activities (including capital expenditure on rental assets)		**(189)**	(3 648)	(3 199)	(6 482)	(2 927)
Net debt repaid/(raised)		**4 055**	437	(1 657)	(1 902)	(1 972)
Free cash flow	1	**5 016**	4 296	2 536	4 573	2 138
Extracts from statement of financial position						
Total assets		**70 503**	68 853	69 835	65 712	59 021
Operating assets	2	**63 234**	61 025	58 783	56 944	55 968
Operating liabilities	3	**28 451**	26 000	24 777	23 774	22 802
Net working capital	4	**8 761**	8 956	9 804	9 267	8 033
Net interest-bearing debt	5	**11 566**	15 088	15 279	13 482	11 882
Imperial owners' interest		**22 791**	20 742	20 173	18 868	17 540
Non-controlling interest		**900**	667	909	1 838	1 569
Contingent liabilities		**415**	649	770	405	317
Ratios						
Efficiency						
Revenue to average net operating assets (times)	6	**3,7**	3,4**	3,5	3,3	3,4
Revenue relating to sales of goods to average inventory (times)	7	**4,5**	4,0**	4,4	4,5	4,8
Revenue to average net working capital (times)		**14,5**	12,6**	12,5	12,8	15,1
Profitability						
Operating profit to average net operating assets (%)	8	**18,4**	18,9	19,0	18,8	20,5
Operating profit to average gross operating assets (%)		**10,3**	10,9	11,0	11,0	11,8
Operating margin (%)	9	**5,0**	5,5	5,4	5,6	6,0
Return on average shareholders' interest (%)	10	**15,0**	12,7	15,4	16,8	19,4
Return on invested capital (%)	11	**12,9**	12,4	12,8	13,1	14,7
Weighted average cost of capital (%)	12	**9,7**	9,0	9,5	9,0	9,4
Solvency						
Interest cover by operating profit (times)		**4,6**	3,9	4,4	5,2	6,7
Net interest-bearing debt to EBITDA (times)		**1,3**	1,7	1,7	1,5	1,4
Total equity to total assets (%)		**32,8**	29,4	28,4	29,3	30,7
Net interest-bearing debt as a percentage of total equity (%)		**50,0**	74,5	77,2	70,1	65,6
Liquidity						
Free cash flow to net profit for the year (times)		**1,47**	1,67	0,80	1,35	0,59
Free cash flow to headline earnings (times)	13	**1,64**	1,59	0,85	1,46	0,68
Unutilised facilities		**13 911**	12 450	10 046	9 372	6 703

* Includes Regent.
** 2017 revenue restated as R950 million inter-company revenue was incorrectly included in external revenue and as a consequence not eliminated from consolidated revenue.

See financial definitions on page 22.

	Financial definitions	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Investing in the future						
Cost of new acquisitions		**1 529**	1 796	352	1 076	911
Net capital expenditure		**839**	2 663	4 138	4 519	3 599
Capital commitments		**216**	1 448	1 309	2 289	2 285
Statistics						
Total new and used vehicles and motorcycles sold		**227 578**	198 257	209 432	211 412	208 740
Number of transport fleet vehicles (owned)		**8 101**	7 288	7 238	7 133	5 676
Number of vehicles for hire (car rental owned only)		**14 991**	13 750	13 903	14 917	15 356
Number of employees		**48 339**	49 364	51 256	51 361	51 671
Employee costs		**17 744**	16 623	16 528	15 647	14 576
Wealth created per employee		**550**	511	498	475	444
Total taxes and levies paid	14	**1 787**	1 510	1 661	1 496	1 748
Share performance						
Basic HEPS (cents)		**1 570**	1 390	1 552	1 624	1 625
Dividends per share (cents)		**710**	650	795	795	820
Earnings yield (%)	15	**8,0**	8,6	10,4	8,8	8,1
Price earnings ratio (times)	16	**12,5**	11,6	9,6	11,4	12,3
Net asset value per share (cents)	17	**11 464**	10 550	10 261	9 696	9 037
Market prices (cents)						
– Closing		**19 589**	16 100	14 948	18 550	20 000
– High		**28 400**	18 889	18 600	20 634	22 290
– Low		**15 926**	13 653	9 999	16 418	16 080
Total market capitalisation at closing prices	18	**39 564**	32 384	31 118	37 616	41 563
Value of shares traded		**45 495**	34 198	37 985	34 159	43 446
Value traded as a percentage of average capitalisation (%)		**126**	108	111	86	102
Exchange rates used						
Rand to Euro						
– average		**15,34**	14,81	16,10	13,73	14,07
– closing		**16,01**	14,92	16,31	13,55	14,51
Rand to US Dollar						
– average		**12,86**	13,58	14,51	11,44	10,38
– closing		**13,71**	13,06	14,70	12,15	10,62
Rand to British Pound						
– average		**17,31**	17,23	21,47	18,02	16,87
– closing		**18,10**	17,02	19,58	19,11	18,11
Rand to Nigerian Naira						
– average		**0,04**	0,04	0,05	0,06	0,06
– closing		**0,04**	0,04	0,07	0,06	0,06
Rand to Botswana Pula						
– average		**1,29**	1,29	1,34	1,20	1,17
– closing		**1,32**	1,26	1,35	1,23	1,21
Rand to Australian Dollar						
– average		**9,97**	10,24	10,56	9,54	9,52
– closing		**10,13**	10,04	10,95	9,40	9,96

See financial definitions on page 22.

Financial 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 – includes 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 by reducing the operating profit by a blended tax rate, which is an average of the actual tax rates applicable in the various jurisdictions in which we operate. Invested capital is a 12-month average of shareholders' equity plus non-controlling interests, plus preference shares plus net interest-bearing 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 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) plus (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 South African 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.

Value-added statement

for the year ended 30 June 2018

	2018 Rm	%	2017 Rm	%
Revenue	128 683		115 889*	
Paid to suppliers for materials and services	102 098		90 688*	
Total wealth created	26 585		25 201	
Wealth distribution				
Salaries, wages and other benefits (note 1)	17 744	67	16 623	66
Providers of capital	2 864	11	3 368	14
– Net financing costs	1 386	5	1 680	7
– Dividends	1 285	5	1 461	6
– Dividends to non-controlling interests	193	1	227	1
Government (note 2)	1 787	7	1 510	6
Reinvested in the group to maintain and develop operations	4 190	15	3 700	14
– Depreciation, amortisation, net of impairments and recoupments	2 228		2 838	
– Future expansion	1 962		862	
	26 585	100	25 201	100
Value-added ratios				
– Number of employees	48 339		49 364	
– Revenue per employee (R000)	2 662		2 367	
– Wealth created per employee (R000)	550		511	
Notes				
1. Salaries, wages and other benefits				
Salaries, wages, overtime, commissions, bonuses, allowances	16 205		15 216	
Employer contributions	1 539		1 407	
	17 744		16 623	
2. Central and local governments				
Income tax	1 513		1 200	
Withholding and secondary tax on companies	27		14	
Rates and taxes	41		107	
Skills development levy	91		81	
Unemployment Insurance Fund	85		80	
Carbon emissions tax	30		28	
	1 787		1 510	

* Restated.

Summary corporate governance report

Corporate governance is the exercise of ethical and effective leadership by the board to achieve the governance outcomes of ethical culture, good performance, effective control and legitimacy.

Imperial's approach to corporate governance is underpinned by its integrated governance model that extends beyond compliance. Good corporate governance supports business integrity, ethical behaviour and accountability for decisions that have economic, social and environmental impacts in the short and long term.

Imperial subscribes to and applies the principles of good governance contained in King IV and the board believes that the principles and recommended practices are integrated throughout the group to support the achievement of the King IV governance outcomes.

A register of the group's application of the principles of King IV is available online.

Operating context and strategy

Imperial's businesses operate in diverse geographies, industries and markets with different socioeconomic, political, regulatory and technological profiles. The complex interplay of opportunities and threats within these environments are closely monitored and addressed with strategies that ensure robust competitive positions.

Formal and informal scanning of the environment is an everyday executive responsibility, and the Imperial board is regularly appraised 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 operating context. The board annually approves the strategies necessary to remain competitive and create sustainable value for stakeholders over the long term.

Governance framework

Authority, responsibility and accountability for the group's ethics, performance and sustainability is held at board level, which the board formally delegates 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, except financial expenditure for which authority limits are consistent across the group.

The leaders of Imperial are mindful that entrepreneurial creativity and responsiveness is a competitive advantage and every effort is made to integrate governance processes in the least bureaucratic way possible.

Given the non-static nature of governance and the application of best governance practices, the board continually assesses the group's governance practices and procedures and makes adjustments where necessary.

Imperial Holdings board

Ultimate responsibility for governance rests with the Imperial board and its committees, which are constituted with the requisite expertise and experience. The group has a unitary board comprising seven non-executive directors, five of whom are independent, and three executive directors.

The responsibilities of the board are clearly defined in a written charter. The board charter outlines a clear balance of power and authority within the board to ensure that no single director has unfettered powers of decision making. 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 that have a material effect on the group or are required by legislation.

Strong governance, enterprise-wide risk management and compliance, underpinned by experienced, independent board of directors – 50% independent non-executive directors

The board's diverse backgrounds ensure a wide range of experience in commerce, finance, law, industry and engineering. The non-executive directors have the necessary skills and experience to make judgements, independent of management, on areas such as strategy, performance, business development, transformation, diversity, ethics and environmental management.

The board adopted a formal board diversity policy in 2017 and set a target to increase the female representation of the board. The board has two female non-executive directors, making up 18% of the board.

Summary corporate governance report – continued

NON-EXECUTIVE DIRECTORS

Suresh Parbhoo Kana
(63)

Chairman

PhD (Hons), BCom (Hons), MCom, CA(SA), CD(SA)

Suresh was appointed as a non-executive director to the board of Imperial on 1 September 2015 and as the independent non-executive chairman of the board on 3 November 2015. He is the independent non-executive chairman of Murray & Roberts Limited, lead independent director of JSE Limited and non-executive director of Quilter plc. Suresh chairs the audit committee of the United Nations World Food Programme based in Rome. He is the chairman of the King Committee on Governance and of the Financial Standards Reporting Council of South Africa. Suresh was the CEO and Senior Partner of PwC Africa until his retirement on 30 June 2015.

Ashley (Oshy) Tugendhaft
(70)

Deputy chairman

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 and chairman of Alviva Holdings Limited. He was appointed to the board in April 1998 and as deputy chairperson in March 2008.

Roderick John Alwyn Sparks
(59)

Lead independent director

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, the lead independent director of Trencor and chairs the board of advisers of the UCT College of Accounting. Roddy is the lead independent director and was appointed to the board in August 2006.

Thembisa Skweyiya
(45)

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

Thembisa is an admitted attorney to the New York State Bar, USA.

She is the past chairperson of Ukhamba Holdings, an empowerment shareholder in Imperial. She is currently a director of Rothschild South Africa (Proprietary) Limited, Famous Brands Limited, Skweyiya Investment Holdings and Sumitomo Rubber South Africa. She was appointed to the board in November 2009.

Peter Cooper
(62)

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

Peter is the immediate past CEO of RMB Holdings Limited (RMH) and Rand Merchant Investment Holdings Limited (RMI). His early career was in the financial services sector, first as a tax consultant and later specialising in corporate and structured finance with UAL Merchant Bank. He joined Rand Merchant Bank in 1992 as a structured finance specialist and transferred to RMB Holdings in 1997, where he was appointed to the board in 1999. He continues to serve as a non-executive director of RMH, RMI, OUTsurance and MMI. He was appointed to the board on 24 February 2015.

Graham Wayne Dempster
(63)

BCom, CTA, CA(SA), AMP (Harvard)

Graham was an executive director of Nedbank Group Limited and Nedbank Limited and retired in May 2014 with over 30 years' service in the Nedbank Group. He is a non-executive director of listed companies AECI, Sun International, Telkom and the chairman of Long4Life. He was appointed to the board on 24 February 2015 and is a member of the audit and investment committees.

Phumzile Langeni
(44)

BCom (Acc), BCom (Hons), MCom

A stockbroker by training, Phumzile is executive chairman of Afropulse Group Proprietary Limited, non-executive chairman of the Mineworkers Investment Company Proprietary Limited and Primedia Holdings. Phumzile also serves as an independent non-executive director on some companies listed on the JSE, among others Massmart Holdings Limited and Redefine Properties Limited.
Phumzile was appointed on 16 April 2018 by His Excellency Cyril Ramaphosa, the President of the Republic of South Africa, as one of four special investment envoys tasked with raising US$100 billion over a five-year period. Phumzile previously served as an economic adviser to the former Minister of Minerals and Energy, Ms BP Sonjica.
Phumzile was appointed to the board in June 2004.

Mohammed Valli Moosa
(61)

BSc (Mathematics)

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

Summary corporate governance report – continued

EXECUTIVE DIRECTORS

Mohammed Akoojee
(39)

Acting group chief executive officer and chief financial officer

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

Mohammed is the group acting CEO and CFO. He was appointed CFO on 1 March 2017. He joined the group in 2009, and previously served as CEO of the Logistics African Regions division and executive director responsible for mergers, acquisitions, strategy and investor relations for the group. On conclusion of the proposed unbundling, Mohammed will succeed Marius Swanepoel as CEO of Imperial, which will be renamed Imperial Logistics, with effect from 1 July 2019.

Prior to joining Imperial in 2009, Mohammed worked within the corporate finance and investment banking team at Investec Bank. Prior to joining Investec, Mohammed worked for Nedbank Securities as an equity analyst.

Marius Swanepoel
(57)

CEO: Imperial Logistics

BCom Acc (Hons)

Marius Swanepoel is the CEO of Imperial Logistics effective July 2016; after being CEO of Imperial Logistics Africa since October 2005. Marius Swanepoel will retire as CEO in June 2019 and will remain as director to December 2019. Marius Swanepoel joined the group in 1994 when Imperial acquired Highway Carriers, where he served as financial director. In May 2007, he joined the Imperial executive committee and was appointed to the Imperial board in November 2009. Marius began his career with the South African Revenue Service in Cape Town after completing his articles at auditing firm Brink, Roos & Du Toit.

Osman Suluman Arbee
(59)

CEO: Motus

BAcc, CA(SA), HDip Tax

Osman was appointed the CEO of Motus on 1 March 2017.

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

Osman is a member of various Imperial subsidiary and divisional boards, including the UK and Australia, chairman of the Imperial Medical Aid Fund and a trustee of the Imperial and Ukhamba Community Development Trust.

He was appointed to the board in July 2007 and served as CFO of Imperial Holdings from 1 July 2013 to 28 February 2017.

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 executive committee member.

Board succession and appointment

Directors are appointed based on their skills, experience and 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 nominations committee. New directors are formally inducted to facilitate their understanding of the group.

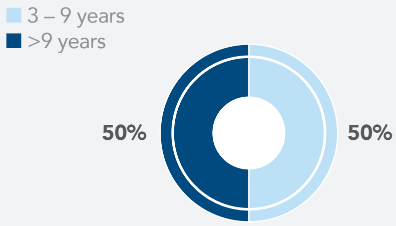
The role of the chairman is to set the ethical tone of the board and to ensure that the board remains efficient, focused and operates as a unit. The chairman is an independent non-executive chairman, whose role is clearly defined and separate from that of the CEO through the provisions of the board charter.

The chairman provides overall leadership to the board without limiting the principle of collective responsibility for board decisions.

The responsibility for the executive management of the group's operations vests with the CEO who reports to the board on the group's objectives and strategy. The CEO is accountable to the board and consistently strives to achieve the group's goals within the framework of delegated authority.

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.

Non-executive director tenure



Changes to the board in F2018

Messrs Raboijane (Moses) Kgosana and Younaid Waja resigned as independent non-executive directors of the Imperial board and from the various sub-committees and subsidiaries on which they served on 8 September 2017 and 13 October 2017, respectively. Mr MP de Canha retired from the board on 31 January 2018.

Mr MJ Lamberti resigned as group CEO and as a member of the board with effect from 30 April 2018. Mr OS Arbee was appointed as group CEO with effect from 1 May 2018, in addition to his position as CEO of Motus.

Mr Arbee is currently on medical leave and is expected to return to work in January 2019 to continue his role as CEO of Motus. Consequently, Mr M Akoojee was appointed acting group CEO in addition to his role as the CFO until the conclusion of the unbundling. Mr OJ Janse van Rensburg was appointed acting CEO of Motus in addition to his role as Motus CFO during Mr Arbee's absence.

Changes to the board post the proposed unbundling

Messrs SP Kana, MV Moosa and A Tugendhaft will retire at the upcoming annual general meeting (AGM).

The current deputy chairman, Mr A Tugendhaft has served on the board and various committees since 1998. During this time he provided invaluable advice and wisdom to the board and management which saw the group grow from its listing to its present day size. He will join the board of Motus on the unbundling.

Mr Moosa, served with distinction for the past 13 years, since his initial appointment as representative of Lereko Mobility in 2005.

The current chairman, Mr SP Kana, joined the board in 2015 and has indicated that his commitment to Imperial would end upon the culmination of the strategy of the group in unbundling. He provided guidance and important leadership in the period during which the business underwent significant restructuring and management changes.

The board thanks Messrs Kana and Moosa for their contribution to the company and wishes them well in their future endeavours.

Governance in action

During the year the board held eight meetings, including the annual strategy meeting. The key focus areas for F2018 included:

- Execution of the key strategies approved in previous years.
- Group restructuring.
- The proposed unbundling of Motus.
- Divisional performance against targets.
- CEO succession.
- Board performance and review.
- Reviewed the company secretary and confirmed his competence.

Summary corporate governance report – continued

Board committees and attendance

Board meeting attendance

	Board meetings			
	Meetings (including three special meetings)	Annual strategy meeting	Independent	Appointment
Total meetings	**7**	**1**		
Chairman and deputy chairman				
SP Kana (chairman)	7	1	Yes	September 2015, appointed chairman in November 2015
A Tugendhaft	7	1	No	April 1998
Lead independent director				
RJA Sparks	7	1	Yes	August 2006, appointed lead independent director in 2014
Non-executive directors				
P Cooper	7	1	Yes	February 2015
GW Dempster	7	1	Yes	February 2015
RM Kgosana[1]	2/2	1	Yes	September 2015
P Langeni	6	1	Yes	June 2004
MV Moosa	7	1	No	June 2005
T Skweyiya	7	1	Yes	November 2009
Y Waja[2]	2/2	1	Yes	June 2004
Executive directors				
MJ Lamberti[3]	5/5	1	No	March 2014
M Akoojee	7	1	No	March 2017
OS Arbee	7	1	No	July 2007
MP de Canha[4]	3/3	1	No	November 2002
M Swanepoel	7	1	No	November 2009

[1] Resigned from the board on 8 September 2017.
[2] Resigned from the board on 13 October 2017.
[3] Resigned from the board on 30 April 2018.
[4] Retired from the board on 31 January 2018.

Board committees

The board has established a number of sub-committees, including statutory committees, all of which operate within written terms of reference.

The performance of each committee is regularly assessed in accordance with their terms of reference. No instances of non-compliance were noted.

The following tables outline the board sub-committee responsibilities and memberships at the time of publication.

Audit committee

Responsibility					
Responsibility Assists the board in its responsibilities, covering the internal and external audit processes for the group, taking into account the significant risks, the adequacy and functioning of the group's internal controls and the integrity of financial reporting.	**Total meetings**		**4**		
	Chairman	RJA Sparks	4	**Invitees**	SP Kana
	Members	GW Dempster	4		A Tugendhaft
		T Skweyiya	4		M Akoojee
		P Langeni	4		OS Arbee
					G Nzalo
					R Mumford
					BJ Francis
					JG de Beer
					OJ Janse van Rensburg

Risk committee

Responsibility Sets the group risk culture, framework and strategy and ensures that robust risk management processes are in place.	**Total meetings**		**4**		
	Chairman	P Langeni	4	**Invitees**	JG de Beer
	Members	M Akoojee	4		OJ Janse van Rensburg
		OS Arbee	4		BJ Francis
		SP Kana	4		G Nzalo
					F Seedat

Remuneration committee

Responsibility Advises and guides the board on director remuneration, setting and implementing remuneration policy, approval of general composition of remuneration packages and criteria for executive bonus and incentive awards and administration of share-based incentive schemes.	**Total meetings**		**3**		
	Chairman	RJA Sparks	3	**Invitees**	OS Arbee
	Members	SP Kana	3		M Akoojee
		P Langeni	3		
		A Tugendhaft	3		

Nomination committee

Responsibility Provides advice and guidance on succession planning, director appointments and director induction and training.	**Total meetings** including one special meeting		**4**		
	Chairman	SP Kana	4	**Invitees**	OS Arbee
	Members	P Langeni	3		M Akoojee
		RJA Sparks	4		
		A Tugendhaft	4		

Summary corporate governance report – continued

Social, ethics and sustainability committee

Responsibility
Assists the group in discharging its social, ethics and sustainability responsibilities and implementing practices consistent with good corporate citizenship.

Total meetings		4	Invitees
Chairman	MV Moosa	4	OS Arbee
Members	T Skweyiya	4	BJ Francis
	SP Kana	4	R Levin
	A Tugendhaft	4	MR Sharfuddin
			M Swanepoel

Assets and liabilities committee

Responsibility
Responsible for implementing best practice asset and liability risk management policies. Its primary objective is to manage the liquidity, debt levels, interest rate and exchange rate risk of the group within an acceptable risk profile.

Total meetings		4	Invitees
Chairman	GW Dempster	4	R Mumford
Members	M Akoojee	4	WF Reitsma
	OS Arbee	4	
	RJA Sparks	4	
	M Swanepoel	4	

Investment committee

Responsibility
Responsible for reviewing significant transactions and matters of a strategic nature.

Total meetings		1	Invitees
Chairman	P Cooper	1	G Nakos
Members	M Akoojee	1	
	OS Arbee	1	
	GW Dempster	1	
	SP Kana	1	
	RJA Sparks	1	
	M Swanepoel	1	

Divisional boards

Responsibility
Exercise oversight of assets and control performance within the bounds of Imperial's board-approved strategies and budgets through two operating divisions, Imperial Logistics and Motus.

Members

More information on divisional board membership and governance can be found on page 80 and 118 of the Imperial Logistics and Motus reviews respectively.

Remuneration report

Introduction

Imperial is acutely aware of the importance of fair and transparent remuneration policies and practices at all levels of the organisation.

We strive to ensure that our governance and disclosure relating to executive remuneration is transparent and that we do not compromise unduly on performance criteria when external factors outside our control stifle or enhance performance.

Throughout the group, we attempt to compensate individuals fairly for a specific role, with due regard to their skills and performance. The compensation of most of our unionised employees is determined collectively or based on sector norms. We strive to maintain positive day-to-day working relationships with our unionised employees, and to balance their right to industrial action with the rights of the group to conduct its activities.

Remuneration policy and implementation

At the 2017 AGM, 93,7% of shareholders voted in favour of the group's remuneration policy and the implementation of the remuneration policy, slightly down on the 98% in the previous year. Although a non-binding advisory vote, the board continues to take into account the views expressed by shareholders in its deliberations and remains deeply committed to responsible conduct, sound governance and transparency regarding executive compensation.

In keeping with the recommended practices contained in King IV, the committee tables both the remuneration policy and the remuneration policy implementation of the group for approval by shareholders by separate non-binding advisory votes.

Key focus areas

The group undertakes regular benchmarking of the remuneration packages of the CEO as well as executive directors and senior staff members with the assistance of PricewaterhouseCoopers.

The committee also reviews and recommends board fees payable to non-executive directors.

The committee further considered and approved:
› The general composition of executive remuneration packages.
› The criteria for bonus and incentive awards.
› Executive bonuses and incentive awards in accordance with set criteria.
› Executive and general long-term incentive awards.
› The CEO's remuneration.

Committee chairman

The committee is chaired by RJA Sparks, who is the lead independent non-executive director.

Role of the committee

The committee advises and guides the board on:
› Accurate and transparent disclosure of directors' remuneration.
› The establishment and implementation of remuneration policies for non-executive directors, executive directors and other executives, 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.
› Material changes to the group pension and provident funds and medical aid schemes when appropriate.
› The administration of share-based incentive schemes.

Committee membership

At year-end, the members of the remuneration committee were RJA Sparks (chairman), SP Kana, P Langeni and A Tugendhaft. All are independent non-executive directors, with the exception of Mr Tugendhaft who is a non-executive director.

The group CEO and CFO attend committee meetings by invitation 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.

Meeting attendance

Member	Regular meetings
RJA Sparks* (chairman)	3/3
SP Kana*	3/3
P Langeni*	2/3
A Tugendhaft	3/3

* Independent non-executive director.

Remuneration policy

The group's remuneration policy and the remuneration policy implementation was approved by shareholders at the AGM on 31 October 2017. In keeping with the recommended practices contained in King IV, both the remuneration policy and the remuneration policy implementation of the group will be tabled for approval by shareholders by separate non-binding advisory votes at the AGM on 30 October 2018.

Should 25% or more of the voting rights exercised at the AGM be voted against the remuneration policy and/or the implementation the board will in good faith start:
› An engagement with dissenting shareholders to ascertain the reasons for the dissenting votes.
› Taking steps to address valid objections and concerns raised, which steps may include amending the remuneration policy or clarifying or adjusting remuneration governance and/or processes.

The board will also disclose:
› Which shareholders were engaged and the manner and form of engagement to ascertain the reasons for dissenting votes.
› The steps taken to address valid objections and concerns.

Determination of performance incentives

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

	2018	2017
Total number of employees	**48 339**	49 346
Total compensation paid to employees (Rm)	**17 744**	16 623
Total compensation as a % of revenue	**14**	14

Remuneration breakdown

The group's employees are key determinants of its success. Employee remuneration, particularly guaranteed pay, is a significant component of the group's total operating costs. The group's remuneration policy seeks to attract and retain quality employees at all levels. Remuneration is structured to be competitive and relevant in the sectors in which the group operates, and divisions review their remuneration policies regularly.

Salaried employees

Cost to company	Short-term incentives	Long-term incentives	Other benefits
• Total cost to company (TCTC) is monitored and benchmarked on an ongoing basis. • Remuneration levels take into account industries, sectors and geographies from which skills are acquired or to which skills are likely to be lost, the general market and the market in which each business operates. • TCTC and the mix of fixed and variable pay are designed to meet each business' industry, operational needs and strategic objectives, based on stretch targets that are verifiable and relevant. • The structure of remuneration for unionised employees is driven by collective bargaining and sectoral determinations. • General adjustments to guaranteed pay levels are effective from 1 July each year. In unionised environments, collective bargaining arrangements 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 above inflation depend on divisional or departmental and individual performance.	Divisions pay short-term bonuses aligned to industry best practice and in some cases include a guaranteed bonus equal to one month's salary. However, in the majority of cases bonuses depend on the performance of the individual and business in which they are employed.	Only salaried employees at senior management level qualify for long-term incentives.	Pension and provident fund, medical aid (includes both regular and budget options).

Employees paid by the hour

Cost to company	Short-term incentives	Long-term incentives	Other benefits
Annual increases in remuneration and bonuses generally determined at industry level through collective bargaining and negotiations between the industry and trade unions. The group aims to remunerate employees fairly and in line with sound business and remuneration principles, beyond minimum wage. Increases for deserving employees are determined based on merit. Where appropriate, employees receive ongoing training and promotions, with concomitant rate increases. These promotions are discussed and authorised by both supervisors and line management.	Bonuses are determined annually in line with agreements signed with 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.	No long-term incentives.	Pension and provident fund (compulsory), and medical aid (includes both regular and budget options. Some hourly paid employees belong to bargaining council medical schemes and pension funds).

Executive directors and prescribed officers

Policy
Executives are responsible for leading others and taking 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.

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. 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.

The remuneration policy is intended to 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 capped and 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 and implementation of long-term incentive schemes** are prudent and do not expose shareholders to unreasonable financial risk

Elements of executive remuneration

Executive remuneration comprises the following key elements:

1. Base salary.
2. Annual incentives
3. Share-based long-term incentive and retention schemes.
4. Other benefits may include vehicle benefits, 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 group's general philosophy for executive remuneration 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 based on 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 and divisional performance, individual performance and changes in responsibilities.

2. Annual incentive

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 beginning of the performance period.

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

Group return on invested capital (ROIC)	Group headline earnings per share (HEPS) growth	Divisional operating profit
The base target for ROIC is achievement of the WACC and the measurement pays on the gap between ROIC and WACC.	The measurement starts to pay out above a base target for HEPS growth.	The measurement starts to pay out above a base target for profit before interest and tax (PBIT) growth.

Employment equity achievement

Measurement of the executive committee members with group responsibility

This measurement is based on sub-measurements for the organisation as a whole and at divisional level:

- Management control.
- Employment equity.
- Skills development.
- Growth in black top, senior and middle management.

Talent management

This measurement is based on the implementation of a strategic talent management plan and the development of a three- to five-year succession plan for key staff members.

Project-based and discretionary

Project-based and discretionary bonuses allow flexibility to nominate particular projects and allow for performance on non-quantitative aspects during the year to be taken into consideration. The remuneration committee has further discretion to authorise special bonuses for projects successfully completed during the year, which are awarded in exceptional cases. 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 or group performance downwards or upwards beyond the control of the executive in question.

Annual short-term incentive bonus (STI)

	STI as % of TCTC for on-target performance (maximum) %
Executive directors	150
Senior management	50 to 100
Other senior staff	33

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. The committee awards additional performance incentives in exceptional circumstances.

3. Share-based long-term inventive and retention schemes

Executive participation in long-term incentive and retention schemes 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 long-term incentive schemes. Non-executive directors may not be awarded rights in any of the incentive schemes.

The group has three long-term incentive plans:

- Share appreciation rights (SARs) scheme.
- Deferred bonus plan (DBP).
- Conditional share plan (CSP).

Share appreciation rights

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

The SARs allocated since F2016 vest after three years and lapse two years after vesting and core EPS performance measure was changed to HEPS since F2017.

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 EPS or HEPS since F2017, relative to the growth in HEPS of a selected peer group of JSE-listed companies	**50**
ROIC compared to WACC, over a three-year period	**50**

An extensive review of the peer group of companies was conducted during the year with the assistance of PricewaterhouseCoopers. The extent to which each performance condition has been met is determined on the vesting date as follows:

HEPS or core EPS growth

0%
of SARs vest
If the core EPS or HEPS growth of the company is below the lower quartile of the selected peer group

30%
of SARs vest
If the core EPS or HEPS of the company is equal to the lower quartile of the selected peer group

100%
of SARs vest
If the core EPS or HEPS of the company is equal to or above the upper quartile of the selected peer group

Linear vesting occurs between 30% and 100%, depending on the company's performance relative to the peer group if HEPS or core EPS growth falls in the second or third quartile

ROIC

0%
of SARs vest
If the average ROIC for the company over the performance period is lower than the average WACC of the company over the performance period

30%
of SARs vest
If the average ROIC over the performance period is equal to the average WACC over the performance period

100%
of SARs vest
If the average ROIC over the performance period is equal to or above the predetermined target percentage

Linear vesting occurs between 30% and 100%, depending on the company's performance if ROIC is between WACC and the target percentage

In addition to performance of the group, the minimum core EPS/HEPS and ROIC target threshold level takes into account 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; this has been changed to two years from 1 July 2016. Upon exercise by a participant, the difference between the exercise price and the grant price is paid by:

› Delivering Imperial shares that will be purchased on the open market; or
› Delivering Imperial shares that will be purchased through call options (hedges); or
› As a fall-back provision only, by the issue of new shares; or
› Settling the value in cash.

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

Allocation of SARs and DBPs

Allocations under SARs and DBPs 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 SARs and DBPs is calculated using a model developed by PricewaterhouseCoopers and is determined on the expected value of an allocation expressed as a percentage of TCTC (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 both SARs and DBPs or only SARs or only DBPs.

Benchmark awards for SARs and DBPs:

	Expected values as % of total guaranteed package %
Executive directors	100
Senior management	50 to 70
Other senior staff	20 to 35

The value of long-term share-based incentives is determined in the financial year of allocation using the Binomial tree valuation 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.

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.

In light of the proposed unbundling of Motus, the board decided to award CSPs to certain members of management who are viewed as essential to the continued success of Logistics and Motus in future. The CSPs will be awarded upon unbundling and will be subject to stretch performance criteria disclosed in the individual remuneration disclosures. It is not intended to repeat such awards in future as the awards are considered exceptional but warranted in the circumstances to serve both as a retention tool and an incentive aligned to the interests of shareholders.

4. Other benefits

Executive directors are entitled to vehicle benefits, pension or provident fund contributions, medical insurance and death and disability insurance. Providing 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, 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 reasons other than resignation or dismissal, the board will by written notice to the participant or the executor of the deceased estate permit a pro rata portion of the unvested SARs and/or unvested conditional awards and/or matching awards to vest on the date of cessation of employment.

The pro rata portion of the SARs 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 SARs not permitted to be exercised or unvested conditional awards or matching awards that do not vest will lapse.

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. SARs awards are hedged through a combination of shares purchased and the purchase of call options, after allowing for attrition over the vesting period. DBPs and CSPs are hedged with shares held in treasury for that purpose.

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 current incumbents in key positions.
- 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 development of potential successors.
- Taking into consideration the transformation objectives of the group.

In line with its strategic objective of implementing leading-edge talent management processes, the group has embarked on a process to measure and develop the executive talent pool.

External appointments

Executives are not permitted to hold external directorships or offices without the approval of the board.

Directors' service contracts

Directors' contracts can all be terminated by giving them between one and six months' notice.

Directors' appointments are made in terms of the company's memorandum of incorporation and are initially confirmed at the first AGM of shareholders following their appointment, and thereafter by rotation.

Non-executive directors' fees

The remuneration committee reviews and recommends to the board fees payable to non-executive directors. The board in turn makes recommendations to shareholders after considering 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 efforts and contribution of non-executive directors goes well beyond their attendance at formal board or sub-committee meetings, and the group has not had significant instances of non-attendance of meetings.

Implementation of remuneration policy

Total share scheme allocations

A total of 15,245 123 SARs remain unexercised in terms of the SARs scheme at an average price of R159,18 per share. A total of 1 119 028 DBPs have been taken up and remain unvested. A total of 201 315 CSPs have been taken up and remain unvested.

Non-executive directors' fees

At the AGM to be held on 30 October 2018, 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 2019 until 30 June 2020. The proposed increase in fees is 6% for all boards and committees as follows:

	Fees from 1 July 2018 to 30 June 2019	Fees from 1 July 2019 to 30 June 2020
Chairman*	R993 000	R1 052 500
Deputy chairman and lead independent director*	R496 500	R526 000
Board member	R284 000	R301 000
Assets and liabilities committee chairman*	R181 000	R192 000
Assets and liabilities committee member	R120 500	R128 000
Audit and risk committee chairman*	R375 000	R397 500
Audit and risk committee member	R187 500	R198 000
Divisional board member	R168 500	R179 000
Divisional finance and risk committee member	R67 500	R71 500
Remuneration committee chairman*	R135 500	R143 500
Remuneration committee member	R90 000	R95 500
Nomination committee chairman*	R135 500	R143 500
Nomination committee member	R90 000	R95 500
Social, ethics and sustainability committee chairman*	R181 500	R192 000
Social, ethics and sustainability committee member	R120 500	R128 000

*Fee paid in addition to a member's fee.

In determining 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.

Executive directors receive no director or committee fees for their services as directors in addition to their normal remuneration as employees.

Non-executive fees for 2018

The table below provides an analysis of the emoluments paid to non-executive directors for the year ended 30 June 2018.

	Directors' fees R000	Subsidiary/ associate and sub-committee R000	2018 Total R000	2017 Total R000
Non-executive directors				
P Cooper	268	610	**878**	753
GW Dempster	268	912	**1 180**	818
SP Kana	1 205	509	**1 714**	1 523
RM Kgosana[1]	45	191	**236**	1 136
P Langeni	268	707	**975**	683
MV Moosa	268	284	**552**	521
T Skweyiya	268	366	**634**	526
RJA Sparks	737	1 098	**1 835**	1 639
A Tugendhaft	737	282	**1 019**	961
Y Waja[2]	69	221	**290**	950
Total	4 133	5 180	**9 313**	9 510

[1] Resigned on 7 September 2017.
[2] Resigned on 13 October 2017.

MP de Canha relinquished his executive duties on 30 June 2017 and retired from the board on 31 January 2018. His 2018 compensation relates to the role he played until his retirement in ensuring a smooth handover and continuity post his retirement.

	Salary R000	Bonus R000	Retirement and medical contributions R000	Other benefits R000	Directors' fees R000	Subsidiary/ associate and sub-committee fees R000	2018 Total R000	2017 Total R000	Gain long-term incentives R000	Total taxable remuneration R000
MP de Canha	3 012	2 100	191	93			**5 396**	7 750	9 894	**15 290**

Executive remuneration

The group remunerated its executive directors during the year as further explained below.

OS (Osman) Arbee – Group CEO from 1 May 2018 and CEO: Motus

2018 remuneration

Basic salary R000	Retirement and medical contributions R000	Other benefits R000	Short-term incentive bonus R000	Total cash remuneration R000	Gains on exercise of long-term incentive awards R000	2018 Total taxable remuneration realised R000	2017 Total taxable remuneration realised R000
8 872	451	360	12 065	**21 748**	8 520	**30 268**	20 155

Fixed compensation and benefits

Osman's fixed compensation and benefits increased by 30% to R9 683 000 (2017: R7 444 000) commensurate with his appointment as Motus CEO, effective 1 March 2017 and group CEO, effective 1 May 2018. The remuneration for this position was externally benchmarked against companies with a similar size, complexity and geographic spread.

Annual incentive bonus
Osman received an incentive bonus of R12 065 000 (2017: R8 200 000). Osman's incentive was based on performance measures applicable to CEO: Motus position for the first 10 months of the year and performance measures applicable to the position of group CEO for the remainder of the year in addition to his position as CEO: Motus.

2018 measure	2018 weighting %	Performance against target %
Group HEPS growth	20	100
Group achievement of ROIC target over WACC	20	100
Group growth in black senior and middle management, BEE scorecard, succession and talent management	20	100
Divisional Motus PBIT growth	35	48
Divisional Motus ROIC	35	80
Discretionary	20	20
Maximum as percentage of deemed fixed compensation	150	125

Long-term incentive and retention payments
Osman will be awarded Motus DBP in line with LTI award benchmarks for executive directors to the value of R10 600 000 upon implementation of the proposed unbundling of Motus. These shares are to be held in escrow and will vest on 15 September 2021.

In addition, Osman will also receive Motus CSP in an amount of R30 000 000 upon implementation of the proposed unbundling of Motus. The CSP will be subject to performance criteria relating to Motus and 40% will vest in November 2020 and 60% in November 2021.

CSP performance conditions:

Condition	Weighting %
ROIC over WACC	20
Operating profit growth	20
Succession planning	15
Discretionary	10
HEPS versus peer group	35

M (Mohammed) Akoojee – Group CFO

2018 remuneration

Basic salary R000	Retirement and medical contributions R000	Other benefits R000	Short-term incentive bonus R000	Total cash remuneration R000	Gains on exercise of long-term incentive awards R000	2018 Total taxable remuneration realised R000	2017 Total taxable remuneration realised R000
6 938	442	120	11 250	18 750	4 037	22 787	11 819

Fixed compensation and benefits
Mohammed's fixed compensation and benefits increased by 62% to R7 500 000 (2017: R4 633 000) in line with his new responsibilities as group CFO, effective 1 March 2017. The remuneration for this position was externally benchmarked against companies with a similar size, complexity and geographic spread.

Annual incentive bonus
Mohammed received an incentive bonus of R11 250 000 (2017: R6 650 000) based on performance measures applicable to the group CFO.

2018 measure	2018 weighting %	Performance against target %
Group HEPS growth	40	100
Group achievement of ROIC target over WACC	40	100
Group growth in black senior and middle management, BEE scorecard, succession and talent management	20	100
Discretionary	50	100
Maximum as percentage of deemed fixed compensation	150	150

Long-term incentive and retention payments
Mohammed will be awarded DBP in line with LTI award benchmarks for executive directors to the value of R9 250 000 upon implementation of the proposed unbundling of Motus. These shares are to be held in escrow and will vest on 15 September 2021.

In addition, Mohammed will also receive CSP in an amount of R30 000 000 upon implementation of the proposed unbundling of Motus. The CSP will be subject to performance criteria relating to Imperial Logistics and will vest over a three-year period commencing 15 September 2021, vesting 25% in 2021, 25% in 2022 and 50% in 2023.

CSP performance conditions:

Condition	Weighting %
ROIC over WACC	20
Operating profit growth	20
Succession planning	15
Discretionary	10
HEPS versus peer group	35

M (Marius) Swanepoel – CEO: Logistics

2018 remuneration

Basic Salary R000	Retirement and medical contributions R000	Other benefits R000	Short-term incentive bonus R000	Total cash remuneration R000	Gains on exercise of long-term incentive awards R000	2018 Total taxable remuneration realised R000	2017 Total taxable remuneration realised R000
8 678	442	180	10 700	20 000	7 204	27 204	17 916

Fixed compensation and benefits
Marius' fixed compensation and benefits increased by 15% to R9 300 000 (2017: R8 077 000) due to the significant increase in his responsibilities as CEO of the entire Logistics division effective 1 July 2017. The remuneration for this position was externally benchmarked against companies with a similar size, complexity and geographic spread.

Annual incentive bonus
With reference to the criteria below and the successful transition to CEO of the entire Logistics division, Marius received an incentive bonus of R10 700 000 (2017: R9 000 000).

2018 measure	2018 weighting %	Performance against target %
Group HEPS growth	20	100
Group achievement of ROIC target over WACC	20	100
Group growth in black senior and middle management, BEE scorecard, succession and talent management	20	100
Divisional Logistics PBIT growth	35	0
Divisional Logistics ROIC	35	100
Discretionary	20	100
Maximum as percentage of deemed fixed compensation	150	115

Long-term incentive and retention payments

Marius will be awarded DBP in line with LTI award benchmarks for executive directors to the value of R10 600 000 upon implementation of the proposed unbundling of Motus. These shares are to be held in escrow and will vest on 15 September 2019.

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

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

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

2018 fixed compensation and benefits

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

Annual incentive

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

2018 measure	2018 weighting %	Performance against target %
Group HEPS growth	40	100
Group achievement of ROIC target over WACC	40	100
Group growth in black senior and middle management, BEE scorecard, succession and talent management	20	100
Discretionary	50	100
Maximum as percentage of deemed fixed compensation	150	150

Vesting of 2014 CSP and DBP

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

Mark received 67 064 CSP to the value of R12 816 000 in 2014 in lieu of his variable remuneration for 2015 and 60 787 DBP to the value of R8 060 000 in terms of the group's LTI scheme. On 18 September 2017, due to partial fulfilment of the CSP vesting conditions, 63 318 CSP shares vested and all of the DBP shares vested. The market value on the date of vesting was R11 951 235 in respect of the CSP shares and R11 473 546 in respect of the DBP shares.

Future vesting of CSP and DBP

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

Prescribed officers' remuneration

The group had no prescribed officers for the financial year. 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.

Imperial Logistics

Imperial Logistics is an integrated outsourced logistics service provider with a diversified presence across Africa and Europe. We provide customised value-add logistics, supply chain management and route-to-market solutions to multinational clients in selected geographic markets and industries, to ensure their relevance and competitiveness.

Contents

IMPERIAL LOGISTICS

Our values define our organisational DNA – who we are and how we engage with one another – and provide a platform to engage our people to drive and enhance experiences that are relevant and valuable to our clients.

We are **decisive**

We are confident and competent, making tough decisions that deliver maximum value. We leverage our experience, insight and talent to the full, determined to shape and change our world.

We are **performance driven**

With an unwavering focus on excellence, innovation and agility, we set – and exceed – ambitious goals that drive competitive advantage.

We are **inclusive**

We believe in the power of partnership and work alongside one another inspiring and including in every instance. We harness the potential of diversity and celebrate equality.

Third party logistics industry in overview[1]

The logistics industry plays a pivotal role in the global economy, acting as a bridge between manufacturers and consumers, and directing the flow of goods and services. The industry evolves continuously to serve the dynamic needs of a globalising world, enabling it to remain resilient to short-term disruptions and maintain robust growth trends.

Third party logistics (3PL) provide high reliability at a low cost and this has had a positive impact on the global logistics industry growing as a market. As such, global logistics costs are projected to grow at a compound annual growth rate (CAGR) of 6,7% (2017 to 2022), fuelled by emerging markets including India (CAGR: 10,1%), China (CAGR: 10,6%) and Africa (CAGR: 7,5%). Global logistics costs are impacted by the quality of physical infrastructure, the sophistication of communication systems, the adoption of technology and the presence of bureaucratic hurdles. As a result, logistics costs as a percentage of gross domestic product (GDP) tend to be lower in advanced economies compared to emerging markets.

Key drivers for the projected robust growth include:

› Significant infrastructure investments and demographically driven economic development in emerging markets;
› Growing urbanisation;
› Increased consumption of fast-moving consumer goods;
› The emergence of new distribution channels (e-commerce); and
› Re-design of complex supply chains to reduce time-to-market.

Africa is one of the most rapidly growing regional economies in the world. While Africa's growth rate has slowed over the past few years (overall GDP growth from 2000 to 2010 was 5,4%, compared to 3,3% over 2010 to 2015); fundamentals remain strong with the International Monetary Fund projecting growth of 4,1% to 2023.

Key factors that will influence the pace of GDP growth in Africa include rapid urbanisation as the world's fastest urbanising region, a young and growing population with a workforce projected to be greater than China or India by 2034, and technology-driven change that has the potential to unlock new opportunities for consumers and businesses by enhancing growth and productivity. These factors will drive increasing and fast growth in consumer demand and business supply chains, in turn offering growth potential for large-scale industrial and service companies (including Imperial Logistics) across the continent.

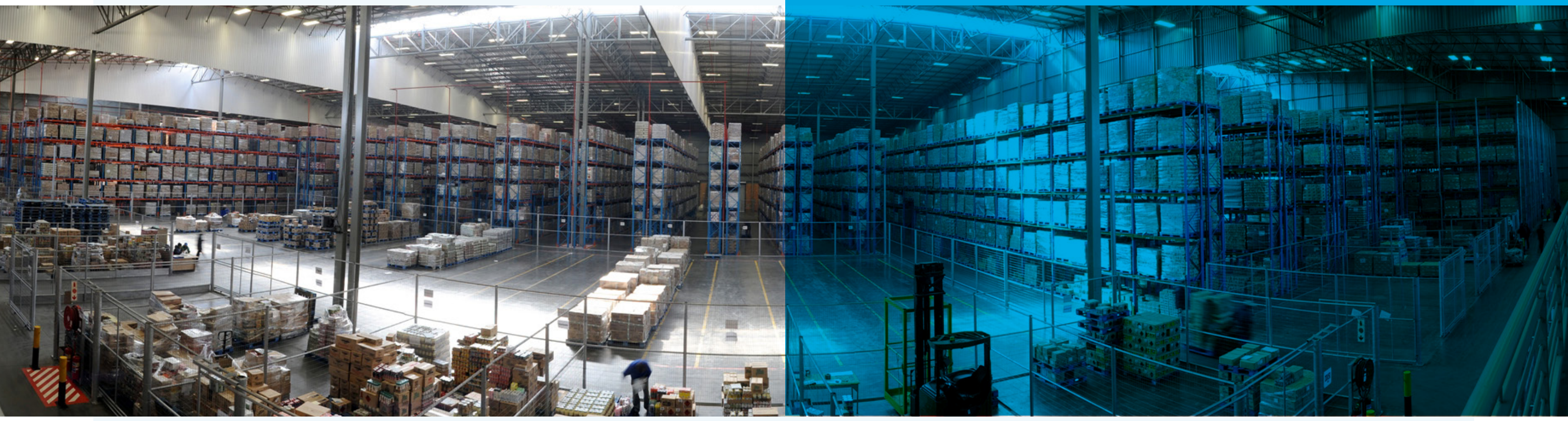
The Logistics Performance Index compiled by the World Bank provides a comprehensive measure of the efficiency of international supply chains on a global scale. South Africa ranked 20th out of 160 countries in 2016 and it is also only one of the two countries in the top 30 that are not classified as high-income countries. South Africa's logistics industry plays a pivotal role in the African region due to its role as a regional transportation hub and its superior freight network, compared to neighbouring countries, certain of which are landlocked and lack the requisite infrastructure.

European 3PL markets have a high potential for outsourced logistics services due to their current low penetration of around 25%. In addition, major European 3PLs, as well as Imperial Logistics, are uniquely positioned to pursue an active mergers and acquisitions strategy within emerging markets to tap into the growth story and build economies of scale.

[1] Based on Armstrong & Associates Report on 3PL market trends and analysis, June 2018 and McKinsey Global Institute: Lions on the Move II: Realizing the Potential of Africa's Economies.

Investment highlights and competitive position

Imperial logistics™



Regional market positions

South Africa	African Regions	International
Logistics revenue **33%**	Logistics revenue **20%**	Logistics revenue **47%**
Logistics operating profit **34%**	Logistics operating profit **26%**	Logistics operating profit **40%**

South Africa

- **Leading 3PL provider** with specialised end-to-end capabilities enabling value-add logistics and supply chain management solutions in consumer packaged goods (CPG), chemicals and energy, mining and manufacturing, automotive and healthcare industries.
- **Potential to grow its integrated solutions offerings** and extend its industry leadership as the 3PL market matures.

For Logistics South Africa growth priorities and financial performance, see the Operational review on pages 73 and 78, respectively.

African Regions

- **Provides unique route-to-market solutions** and is strongly positioned in Southern, East and West Africa in the defensive high-growth industries of healthcare (with leading market positions in Kenya and Nigeria) and CPG (with leading market positions in Namibia and Mozambique).
- **Managed Solutions operating model,** which leverages South African expertise, is highly relevant for the under-developed and fragmented markets in the region.

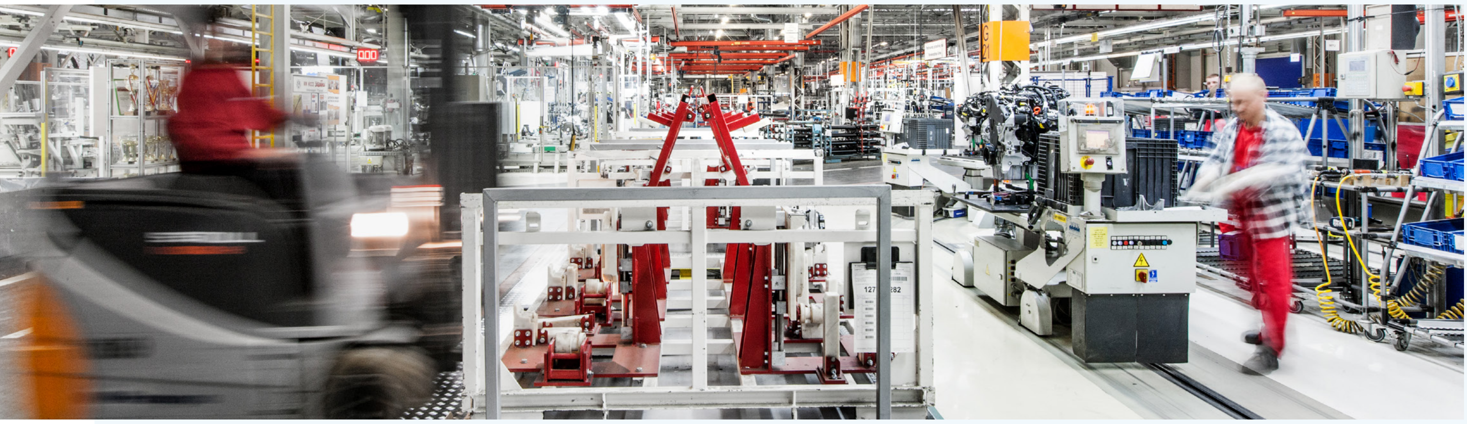
For Logistics African Regions growth priorities and financial performance, see the Operational review on pages 73 and 78, respectively.

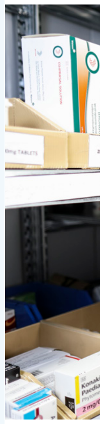
International

- **Provides an established international contract logistics platform** in Germany, with specialist capabilities in automotive (leading positions in Germany and Poland) and chemicals (leading positions in the Netherlands and Germany).
- **Market leader in express palletised distribution** services in the United Kingdom and Iberia.
- **Leading market share in inland waterway transportation.**
- Positioned for **international expansion.**

For Logistics International growth priorities and financial performance, see the Operational review on pages 75 and 79, respectively.

Investment highlights
and competitive position – continued





Key facts

A significant mover of products and people

South Africa

2,5 million
CPG deliveries annually to more than **50 000 points** in South Africa.

R60 billion
worth of product delivered to retail outlets.

3 billion litres
of fuel delivered.

1,6 million tons
of packaging moved.

African Regions

Provide point of care and retail deliveries to **>600** points in Kenya, **700** in Ghana and more than **52 000** across Nigeria.

More than **43 million patient packs** of medicine delivered across Africa every month – including **>6 million antiretrovirals.**

International

60 million tons
of goods moved by shipping business in a single year.

Western Europe's largest provider of express palletised distribution services, handling
10 million pallets a year.

Enabled **>4 000 store openings** for leading global retailers.

Supported by an established infrastructure and network

- South Africa's largest cold storage warehouse with **over 37 000 pallet locations.**
- Around **3,2 million square metres (m²) of storage** capacity.
- Operate **12 logistics control towers in five countries.**
- **600 inland vessels and barges.**
- **More than 20 automotive warehouses** in Europe deliver value-add logistics for the **annual production of over 2,3 million cars.**
- At **178 000 m²**, we operate the **largest automotive spare parts warehouse in the world.**
- Leader in the European chemical industry with **>60 tankers, 17 gas tanker vessels and 23 specialised warehouses.**

Competitive differentiation centred on agility and customisation

Our specialised capabilities across the logistics value chain allow us to deliver customised and integrated solutions to our clients, with service offerings and operating models tailored to their requirements and market maturity.

Ability to provide locally relevant, asset-right solutions per client requirements

- Ability to customise offerings by geography, channel or product segment.
- In-depth market knowledge, both in difficult but high-growth African markets, and advanced markets in Europe, underpins ability to apply relevant and effective operating models per region, customised to local market dynamics and available expertise.
- Ability to develop specialised capabilities and legitimacy (by complying with industry and national requirements and objectives) in highly competitive and demanding industries.
- Significant progress made in aligning dedicated specialised assets to service longstanding contracts with clients in less cyclical industries.

For more information, see Driving client-centricity on page 69.

Evolution of capabilities towards greater scope and integration of outsourced services

- Ability to execute value-add logistics activities on behalf of clients either as point solutions or integrated solutions, depending on their requirements, defends existing revenue streams.
- Focused on deepening partnerships with clients by optimising their supply chains, lowering their total logistics costs and strengthening their relevance and competitiveness, supporting contract retention and scope expansion, and countering commoditisation and price taking.
- Unique ability to provide access to end-consumers in challenging markets through route-to-market solutions provides significant growth opportunity.

For more information, see Developing our capabilities on page 71.

Proven ability to apply relevant and effective strategic approaches to market and industry expansion

- Opportunities to develop, transfer or strengthen specialised capabilities and integrated offerings in selected markets and industries.
- Deep understanding of client needs, longstanding relationships and proven legitimacy (in demanding industries) can be leveraged to grow in selected markets and industries.
- Development of proprietary market aggregation model to provide access to smaller markets in the African Regions, as part of route-to-market solutions.
- Success in greenfields development of Managed Solutions operating model in the African Regions (eg Nigeria).
- Track record in acquiring and integrating acquisitions to add specialised competencies or enter new markets (eg Surgipharm).

For more information, see Optimising our regional growth platforms on page 73.

Investment highlights
and competitive position – continued

Key investment highlights

Ranked in the top 25 3PL providers globally and 15th for land-based revenue, with a presence in 38 countries on five continents and approximately 30 000 employees, our investment highlights include:

- Leading positions in regional markets provide platforms for sustainable growth: market leader in South Africa, a leader in selected industries CPG and healthcare) in the African Regions and in certain specialised capabilities in Europe.
- Competitive differentiation centred on agility and customisation: specialised capabilities across the value chain enable customised and integrated solutions, with service offerings and operating models tailored to client requirements and market maturity.
- Trusted partner to multinational clients: quality contract portfolio in high-growth and defensive industries, with partnerships demonstrating reach, capabilities, assets, innovation and legitimacy.
- Asset right business model underpins financial profile: more optimal asset mix and targeted returns on capital support prospects for sustainable revenue growth, enhanced profitability and cash generation.
- Vision to unlock benefits of "One Imperial Logistics": strategy focused on sustainable revenue growth, enhanced returns and improved competitiveness, with initiatives to drive substantial organic growth enabled by a differentiated approach to digitalisation and innovation, and enhanced financial flexibility supporting selective acquisitive growth.
- Track record for consistent growth: proven ability to acquire, develop and leverage specialist capabilities to establish growth platforms in emerging and advanced markets.
- Strong and committed leadership: highly experienced, long-serving management team and a strong independent board.

One Imperial Logistics strategy

Imperial™ logistics

One Imperial Logistics

Imperial Logistics aspires to be an internationally acclaimed Tier One provider of outsourced value-add logistics, supply chain management and route-to-market solutions – customised to ensure relevance and competitiveness of our clients in the industries and geographies in which we participate.

Our aspirations

Grow sustainable revenue through focused organic growth in each region, complemented by strategic acquisitions (within defined parameters).

Achieve targeted returns through profitable partnerships with clients in selected industries, generating targeted risk-adjusted returns on invested capital.

Improve competitiveness by investing in people, processes, digitisation and innovation, and leveraging operational excellence across different businesses.

Our corporate strategies to turn our vision into a reality

1 Client-centricity

- Deliver truly client-centric solutions.
- Build credibility among global clients.
- Prove industry expertise in selected markets.

2 Asset rightness

- Maximise agility by reducing asset intensity.
- Partner for flexibility, capacity and efficient scale.
- Align asset investments with secured revenue.

3 Flawless execution

- Deliver superior service excellence that adds value.
- Boost client confidence to cultivate long-term loyalty.
- Foster collaborative interdependence with clients.

4 Local relevance

- Maximise value for clients across different markets.
- Understand unique complexities and requirements.
- Leverage local ownership and partnerships.

5 International Freight Management

- Offer fully integrated solutions from source to consumption.
- Develop this capability to capture additional revenue.
- Expand into select geographies and industries.

By delivering our regional strategic initiatives

South Africa

Retain and expand contracts with existing clients through customisation, innovation and service excellence.

Enhance B-BBEE credentials through a major black ownership transaction, accelerated employment equity, and enterprise and supplier development, to protect market leadership.

Exit unviable contracts and operations, consolidate property and rationalise assets in line with contract commitments.

African Regions

Leverage unique ability to provide brand owners with access to fragmented markets through integrated solutions, unrivalled scale and multi-regional distribution.

Expand managed solutions offerings by leveraging South African capabilities to secure sustainable competitive advantage in an underdeveloped 3PL market.

Apply proprietary market aggregation model to become the single strategic partner to multinational clients.

International

Leverage specialised capabilities to strengthen client relationships in specific market sectors, underpinned by a differentiated approach to digitalisation and innovation.

Seek opportunities to expand specialist capabilities into developing markets in Europe and Asia.

Strong focus on improved returns through business and contract rationalisation, capability alignment and reduced asset intensity.

Supported by our enabling initiatives

Drive growth in priority industries by combining capabilities, client relationships and competitive advantages.

Develop International Freight Management capability to extend integrated solutions offering and geographic reach.

Implement common framework for managing human capital aligned to international best practice.

Pragmatic approach to digitisation and innovation to support operational excellence and client-led innovation.

Imperial Logistics business model

Inputs

Financial capital

- Direct access to equity and debt capital markets will attract funding from equity and debt investors, whose investment decisions are influenced by analysts and rating agencies.
- Our ability to generate cash provides us with the liquidity to fund working capital, replacement capex and investment in growth, in balance with stated dividend pay-out guidance.

Human and intellectual capital

- Approximately 30 000 employees, whose level of engagement, relevant skills and diverse ideas, determine the efficacy of our client-focused solutions, operational excellence and continuous improvement, and their willingness to align with business plans and a high-performance, entrepreneurial and ethical culture.
- Ensuring that our people can work effectively with the standardised and customised systems and processes being implemented to support competitive differentiation, effectiveness and innovation.
- Our approach to digitisation and innovation aligns to our business strategy, and aims to build a global IT capability that serves our businesses and clients through an appropriate mix of standardised and customised system solutions.

Manufactured capital

- The fixed and moveable assets, either owned by Imperial Logistics or by our third-party sub-contractors, according to the optimal asset mix for client requirements, profitability and returns.
- National transport infrastructure and utilities required to operate, particularly roads in Africa and waterways in Europe.

Relationship capital

- The quality of our relationships with all stakeholders; specifically, our clients and their customers in the industries in which we operate, and the markets we give them access to, and to which our business partners (specifically sub-contractors) are critical in our ability to deliver to our clients' expectations.
- The quality of our relationships with regulators, governments and local communities in the 38 countries in which we operate, which determines our local relevance, and across all our operations our overall reputation, and protects our commercial and social licences to operate.

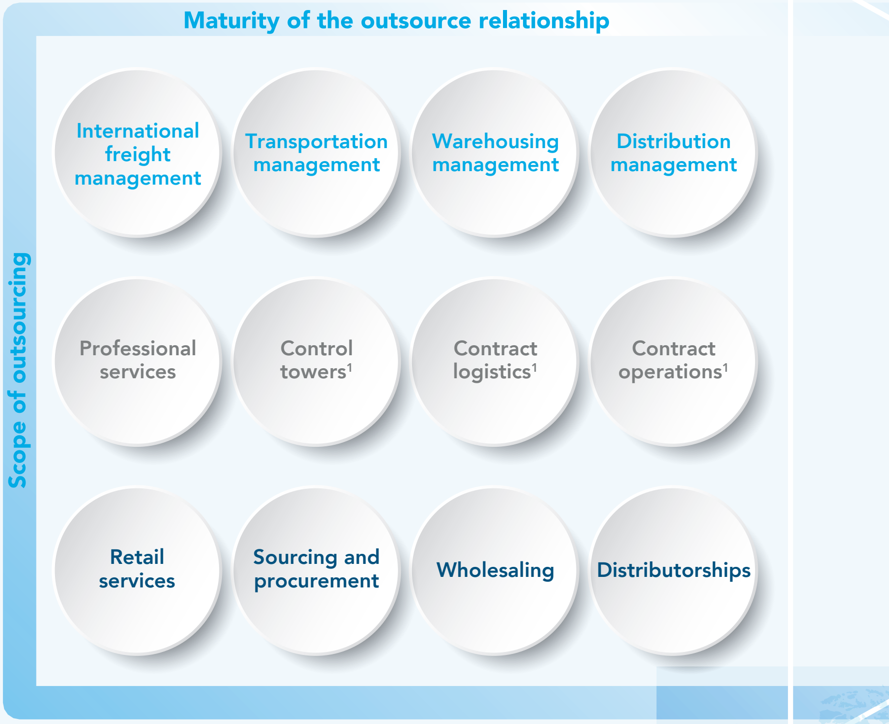
Natural capital

- The gatekeepers of our natural capital are our multinational clients who insist on proper environmental risk management in the supply of our services, as well as regulators, non-profit organisations and civil society.

Our ability to create sustainable value is underpinned by corporate strategies informed by the structural realities expected to shape our markets, and which explicitly link sustainable competitive advantage with client-centric customisation, local relevance and legitimacy in the markets, industries and regions in which we operate.

Business activities/outputs

In line with global and regional 3PL market trends, we aim to evolve our capabilities towards increased scope and maturity of outsourced solutions, over the course of our relationships with clients:



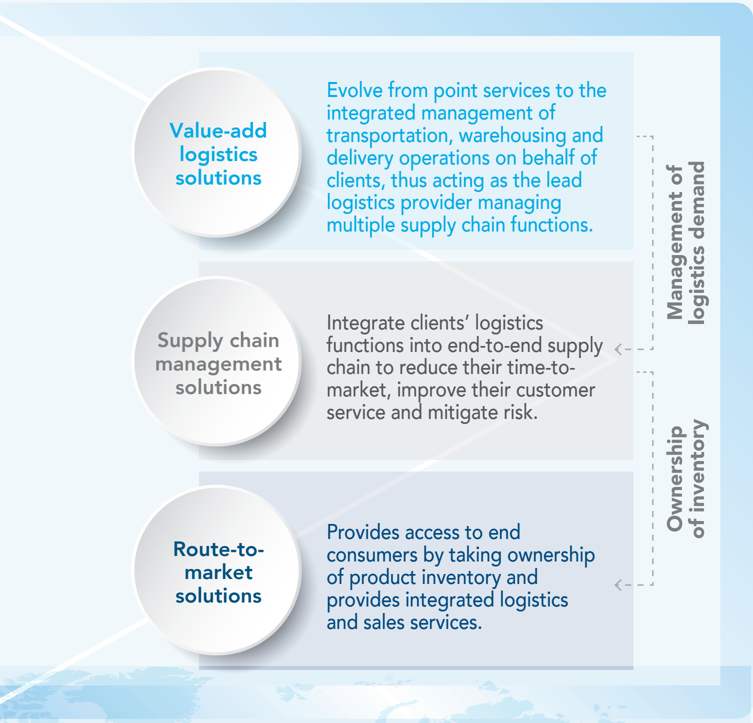
Environmental impact

- Greenhouse gas emissions associated with our transportation activities (Africa – 157 million litres of fuel used over 387 million kilometres travelled; International – 25 million litres of fuel used over 79 million kilometres) are the biggest contributors to our carbon footprint, and the most material environmental impact of our business activities.
- Businesses that operate in the chemical and food industry are high users of water required to meet stringent cleaning specifications and to refrigerate cold storage products.
- Waste management and guarding against environmental contamination are key priorities as we transport chemicals, liquids and gases; and dispose of large quantities of hazardous and non-hazardous lubricants (waste oil and grease) and hazardous waste materials (oil rags) from servicing vehicles, ships and equipment.

Ethical leadership, governance and corporate citizenship

- Ethical corporate citizenship, which involves many aspects including fair market practices, the elimination of all forms of anti-competitive behaviour and corruption, appropriate remuneration practices, diversity and inclusion as well as community development, is an expectation instilled by the ownership of Imperial Holdings.

The effective operation of our business supports efficient industry supply chains and the relevance and competitiveness of our clients, which in turn drives real economic activity and quality of life through the efficient movement of goods.



[1] Synchronisation management.

For more specific information on our outputs, refer to Key facts on page 48.

Outcomes (F2018)

Financial capital

- Revenue of R51,4 billion, 53% in Africa and 47% internationally.
- Operating profit of R2,9 billion at a margin of 5,6%.
- Debt/equity ratio of 50% (2017: 122%).
- Free cash flow conversion of 70% to 75% supported by free cash flow of R1,1 billion will support our guideline to distribute a dividend of 45% of headline earnings per share (HEPS).
- Optimal capital structure, including recapitalisation of African Regions business and self-sufficient, comfortably geared balance sheet, with headroom and flexibility to fund organic and acquisitive growth plans.
- Distributed R4,8 billion to providers of capital.

Human and intellectual capital

- The implementation of a common human capital management strategy, which included annual training spend of R166 million (2017: R135 million), and robust controls to ensure safe working conditions for our employees underpin our aspiration to be an employer of preference in our markets.
- Black representation in top management in South Africa – 63% (2017: 55%).
- Road fatalities per million kilometres in Africa down 44,4%. No fatalities in Europe.
- Created wealth per employee of R500 000.

Manufactured capital

- Investment in tangible assets reduced to 45% due to more optimal asset mix.
- Rationalisation of assets supporting long-term profitability included disposal of six non-strategic properties for R367 million.
- Reinvesting R2,6 billion for future expansion.

Relationship capital

- No material instances of non-compliance with laws and regulations.
- Average contract term of top 10 clients – around six years.
- Longstanding client relationships with top 10 clients – relationships span over 33 years on average.
- Introduced net promoter score survey with a good score to core question.
- Achieved a Level 2 broad-based black economic empowerment (B-BBEE) rating on the Road Freight sector codes and a Level 4 B-BBEE rating on the generic dti Codes.
- Sinawe Fund closed three enterprise development deals with high-growth SMMEs in the supply chain.
- Over 260 000 patients assisted with quality affordable primary healthcare through the Unjani Clinics network.
- Distributed R605 million to governments.

Natural capital

- Total scope 1 and 2 CO_2 emissions –
  - Africa down 4,2%;
  - International down 3,3%.
- Water consumption in Africa down 19,7%.

- A strong, diverse and independent board, with the expertise and experience relevant to strategy and the operating context within which we operate and strong governance and control principles that comply with King IV and support strategic delivery and our corporate reputation, have been achieved in the process of separation.

Imperial Logistics chief executive officer's report

Imperial Logistics introduction

Imperial Logistics' strong regional growth platforms and specialist logistics capabilities, which enable us to customise solutions for multinational clients within selected industries and geographic markets, position the business well to achieve its strategic aspirations of sustainable revenue growth, enhanced returns and improved competitiveness. Our detailed plans to achieve these aspirations in all our businesses will create sustainable long-term value for all our stakeholders.

In the past 12 months, key priorities for the executive management team have been to develop detailed plans to give effect to our strategy, in terms of which we have continued optimising our portfolio of regional businesses to drive organic growth and deepen their competitiveness. To improve returns, the rationalisation of contracts and assets, and where necessary operational restructuring, has been a focus. We are in the process of enhancing our B-BBEE ownership through a transaction which is expected to support the market leading position and competitiveness of our South African operations.

We worked closely with the leadership of Imperial Holdings to position Imperial Logistics as an independent, self-sufficient entity, with a clear and compelling investment proposition. Extensive engagement with funders and the investment community informed this development. We refined our reporting structures to make Imperial Logistics easier to understand and value, and implemented the appropriate management and board structures to support ethical and accountable leadership, in line with the governance standards of listed companies. Intense focus has been given to ensuring an optimal capital structure for Imperial Logistics, with a self-sustaining and appropriately geared balance sheet and suitably structured debt facilities. This will provide the financial headroom and flexibility to fund our organic and acquisitive growth plans, and to pay a stable dividend to shareholders in the years ahead, in line with the current guidance of 45% of HEPS.

One Imperial Logistics strategy

Since 1 July 2016, our Logistics Africa (incorporating South Africa and African Regions) and International businesses have been managed on an integrated basis, with standardised financial measures and a single brand identity. Since then, we have focused on developing a clear and consolidated corporate strategy, based on a thorough review of our operations, competitive environment and addressable markets for outsourced logistics services across our regional businesses.

A key outcome of the review was Imperial Logistics' potential to be a unique, diversified and internationally recognised 3PL services provider. Our inherent DNA, being the entrepreneurial approach and client focus of our constituent businesses, was highlighted as an important point of differentiation. This DNA has been retained in our business as we developed and consolidated our specialised capabilities and expanded the geographic reach of our regional growth platforms, largely through acquisition.

The review informed the formulation of an integrated corporate with the following focus areas:

- Positioning our businesses to provide specialised, integrated and customised services that add value to clients and lower their total logistics costs.
- Achieving an "asset right" business model, through an optimal asset mix in line with client requirements and specific market dynamics, to support targeted operating margins and risk-adjusted returns.
- Deliberately evolving the group's portfolio of regional logistics capabilities to become a multinational integrated solutions provider.
- Positioning our businesses for sustainable competitive advantage in selected industries chosen for their cyclical resilience and long-term growth prospects.

For an overview of the One Imperial Logistics strategy, see page 51.

To underpin the delivery of our strategy, standardised financial key performance indicators (KPIs) and reporting have been implemented to improve accountability for performance across all operations (for the financial performance review, consolidated and by region, see page 77). We continue to develop strategic KPIs related to our strategic aspirations, to support improved decision making and focused resource allocation, which will extend to further non-financial KPIs in time.

- To drive **sustainable growth**, and improve the quality of earnings, we are measuring real organic revenue and operating profit (margin) growth at business, contract, client, industry and capability levels.
- To **enhance returns**, we are measuring end-to-end contract profitability, to drive revenue and cost improvement, as a basis for capital allocation to businesses based on targeted returns.
- To **improve competitiveness**, we are implementing net promoter scores as a measure of client satisfaction, as well as contract retention and wins, and pipeline quality, to inform the necessary management actions.

Corporate strategies

We formulated five corporate strategies to achieve our strategic aspirations, outlined below in relation to the 3PL market context in each case.

CLIENT-CENTRICITY: deliver truly client-centric solutions that prove our industry expertise in selected markets and build credibility among global clients.

Client-centricity is critical to Imperial Logistics' vision to become a "Tier One" 3PL services provider, which pivots on differentiating ourselves against globally diversified competitors. In this respect, we have been careful to define our Tier One aspiration. Although geographic reach and price competitiveness are important elements of our value proposition to clients, we cannot compete head-on on

Marius Swanepoel

CEO: Imperial Logistics

scale or price alone against larger global peers. As such, our aspiration is not only about scale – it is about multinational clients recognising Imperial Logistics as a credible 3PL provider, intrinsically part of their businesses, able to customise and deliver complex solutions that make them more competitive and relevant in the industries and regional markets in which they operate or to which they seek access.

The extent and scope of logistics outsourcing in all our markets – whether it is the large and fragmented 3PL market in South Africa, the underdeveloped and highly fragmented 3PL market in the African Regions or the advanced and intensely competitive 3PL market in Europe – depends on adding tangible value beyond the cost of outsourced services provided. This counters the threat of clients insourcing their supply chains, or of being disintermediated by logistics operators providing specific services within a client's supply chain. Furthermore, service offerings that encompass the full scope of logistics planning, management and execution, which include managing other sub-contracted service providers and minimising commercial and sustainability-related risks in the client's supply chain, attract a price premium for integration benefits.

Our outsourced value-add logistics, supply chain management and route-to-market solutions, which are applied according to the maturity and individual dynamics of our regional markets, are underpinned by our leading market shares in South Africa, in certain industries in the African Regions, and in specific capabilities in Europe. In each case, we are able to offer integrated solutions that optimise supply chain efficiency and visibility, and provide access to growing markets, the latter specifically to the challenging markets in the African Regions. This preserves our clients' reliance on our services, and in general, the demand for outsourced services, which continues to grow in all our markets.

Our client-centric approach entails designing and delivering service offerings tailored by geography, channel or product segment based on a deep understanding of client needs, in-depth market knowledge, and proven legitimacy in demanding industries; which requires delivering to industry requirements and adapting to the technology and sustainability-related changes affecting these requirements. This is, in turn, supported by evolving our capabilities to the extent that we achieve increases in scope and integration of outsourced services over the course of the client relationship, thereby retaining contracts and supplying services that add more value and therefore more profitability over time.

FLAWLESS EXECUTION: deliver superior service excellence that consistently adds value to clients and builds their confidence, resulting in collaborative interdependence and long-term loyalty.

Service excellence is imperative to our ability to retain, extend and win contracts within our regional businesses, and to deepen our credibility among multinational clients. Conversely, given that we generally operate under a single brand, it limits any contagion risk to our reputation across our operating base. Service excellence requires consistent delivery and continuous improvement across capabilities and within regions, and includes managing the delivery of our sub-contracted business partners according to defined KPIs relevant to client requirements and industry specifications.

Our pursuit of service excellence and continuous improvement is contingent on optimising the management of people, partnerships and processes, supported by:

› Implementing a common framework for managing human capital aligned to international best practice, while allowing for flexible responses to regional priorities. This responds to broader workforce trends (such as the shift in skillsets required for increasing specialisation and customisation, and managing the expectations of a multi-lingual and multi-generational workforce), and to those with national and regional differences (the impact of automation on headcount versus national imperatives to create jobs across Africa; and full employment and an ageing workforce in Europe).
› A pragmatic approach to digitalisation and innovation, with our digital strategy focused on deepening competitive differentiation through customised client-focused innovation and systematic digitisation to support operational excellence; and understanding and applying appropriate digitalisation trends to compete effectively with technology-enabled entrants to the logistics industry and large global competitors with considerably bigger research and development (R&D) budgets.

Imperial Logistics chief executive officer's report – continued

The appropriate balance of standardised and fit-for-purpose systems and processes are being implemented to support the strategy, which will ultimately provide the systems backbone for improved operational process and solutions design. Ultimately, to ensure consistent service excellence, we are focused on instilling a values-based, inclusive and collaborative high-performance corporate culture.

LOCAL RELEVANCE: maximise value for clients across vastly different markets by understanding the unique complexities and requirements, and leveraging local ownership and partnerships.

Local relevance involves applying the relevant operating models for differing emerging and advanced market contexts, based on the relative maturity of their 3PL markets and the skills and expertise available. Our unique route-to-market solution in the African Regions, for example, takes cognisance of distinct emerging market characteristics, and includes a proprietary market aggregation model. The solution gives principals access to consumers in both large and smaller markets in the region, with the reach and uniqueness of this end-to-end offering making it difficult to replicate and protecting us from disintermediation from clients and competitors alike.

Local ownership is an important element of ensuring relevance. It includes retaining an appropriate proportion of local ownership of the businesses we acquire when adding specialised capabilities or expanding our presence in chosen markets and industries. This not only preserves the entrepreneurial flair and client focus of decentralised accountability, but also conforms to localisation requirements in specific markets. Our partnerships with specialist sub-contractors, which are both a critical link in our ability to service clients while also maintaining an optimal asset mix to protect returns, is another element of the local relevance that is key to our success.

Our relevance within specific markets extends to managing the impact of local dynamics on execution and reputation, which requires accordance with national laws, regulations, standards and codes. This limits clients' supply chain risk and enables us to meet the expectations of their customers and other stakeholders, further deepening their reliance on our services.

ASSET RIGHTNESS: improve asset mix to maximise agility, by partnering for greater flexibility, capacity and efficient scale and aligning asset investments and commitments with secured revenue.

Imperial Logistics' asset right strategy aims to achieve the optimal mix of asset-light and specialised asset solutions, to achieve targeted operating margins, risk-adjusted returns and client retention. In line with this strategy, reducing asset intensity has been a major driver of portfolio rationalisation in the last few years, which has supported improvements in our free cash flow conversion. While the diversification across our regional platforms shields us from the cyclical realities within certain industries, we continue to apply asset-light operating models to those that are more cyclical. Constant assessment of these industries with the option to exit where we cannot achieve the returns we seek, even with an asset-light model, is ongoing.

This strategy has also informed the development and expansion of our managed solutions operating model, which combines value-add logistics and supply chain management capabilities. We have made good progress in consolidating businesses across the regions with similar service offerings and converting asset intensive transport businesses competing in the commoditised transport market into an asset-light solution, thereby reducing invested capital and simplifying regional structures to limit duplication and reduce costs.

An example of the successful implementation of this operating model has been deploying Transportation Management, Warehousing Management and International Freight Management capabilities as managed solutions in West and East Africa. We continue to investigate opportunities to expand our managed solutions business into relevant emerging and developed markets.

INTERNATIONAL FREIGHT MANAGEMENT: offer fully integrated solutions from source to use by developing this capability, to capture revenue and expand into selected geographies.

International Freight Management amounts to over a quarter of the global 3PL market and is essential to providing integrated solutions as a Tier One 3PL provider. Besides the limited capability we have in South Africa, it is currently a gap in the portfolio. Developing scale in this capability will extend Imperial Logistics' end-to-end solution offering to existing and potential clients and improve its competitive position versus global 3PL service providers. This will be achieved organically and through selected strategic acquisitions of regional capability.

Medium-term priorities

As noted, a core intention of our strategy is to move from a portfolio of distinct regional businesses to leveraging the capabilities we have in each region to deliver integrated solutions to clients within selected industries, across our regional platforms and into new markets. The process of analysing these industry opportunities, according to our competitive advantages, specialist capabilities and regional footprints is underway.

The extent to which it is commercially viable to connect operations to deliver cross-regional integrated offerings is being carefully assessed to determine our growth priorities within certain industries, in terms of both organic and acquisitive growth potential and returns. Our strategy is not to develop global offerings within all the industries in which we have a regional foothold or strong competitive positions, as there are clear limits to the transfer of capabilities and operating models between our markets, with different emerging and advanced market characteristics.

As such, we will be specific in each case to ensure that we do not enter markets where the associated risks are too high and where we do not have the competitive advantage or on-the-ground experience to succeed. In each industry in which we believe we can grow, our geographic expansion will be carefully assessed in line with market realities and our ability to implement or acquire businesses that apply the most appropriate operating models in each case. Our assessment of market opportunities takes full cognisance of the disruption risk within specific industries, and our relevance and legitimacy, and the extent to which we are able to respond to the expected changes in market structure and local expectations in each case.

Although we continue to look for these points of leverage across all our businesses and regions, there are ample opportunities to grow as we optimise our regional growth platforms, with selective opportunities for capability development or geographic expansion either through organic or acquisitive means. For this reason, in the medium term, there is no need to restructure the business according to industry verticals, and to change the accountability for performance and risk diluting the entrepreneurial flair and client focus intrinsic to our DNA and hence our competitive differentiation.

Our immediate strategic priorities, therefore, are focused on realising the medium-term growth and earnings potential of our regional businesses. This is being done according to the unique dynamics and distinct differences in their markets relative to their 3PL maturity, macroeconomic prospects and the growth potential within specific industries in which we have strong positions.

We have clearly defined criteria for selective acquisitive growth. Where we identify opportunities to penetrate or protect existing markets through bolt-on acquisitions in existing geographies and selected industries, or to expand our regional portfolios and leverage existing capabilities by adding capabilities in new regions and selected industries, we will pursue them. Other considerations will be to ensure that acquired businesses can benefit from our strategic direction, our financial discipline and access to capital, and the transfer of best practices and capabilities. Ultimately, all acquisitive growth targets will need to achieve our targeted KPIs and to justify the return on executive effort required to integrate them and achieve the desired strategic, operational and financial synergies.

For more information on our regional priorities, see Optimising our regional growth platforms on page 73.

Closing and appreciation

Our strategic focus for the next five years will be on those markets and industries where the business case is compelling, based on our existing capabilities and industry positions, supplemented by selective acquisitions that conform to our criteria.

In South Africa, growth potential exists to leverage our end-to-end capabilities to grow our integrated solutions offering across major industries as the large and fragmented insourced logistics market matures. Our unrivalled reach and track record in delivering unique route-to-market and managed solutions in the challenging, but defensive and fast-growing healthcare and CPG industries in the African Regions, provide excellent opportunities for growth. In our International operations, the new management team is focused on strengthening commercial focus and business development to drive revenue growth and achieve targeted returns, underpinned by client-focused innovation, in the sectors in which we have strong competitive positions.

Careful prioritisation of these growth opportunities will ensure that we allocate our capital and executive effort to those with the highest potential to drive sustainable revenue growth, targeted returns and strengthen our competitiveness according to our strategic aspirations. Our medium-term expectations are:

- Organic revenue growth of double GDP growth plus inflation in the South African and International operations, and of low double-digits in the African Regions.
- Cash conversion of between 70% and 75%.
- Return on invested capital (ROIC) of weighted average cost of capital (WACC) plus 3% for total Logistics.
  - South Africa: ROIC of WACC plus 3%.
  - African Regions: ROIC of WACC plus 3%.
  - International: ROIC of WACC plus 2%.
- Dividend payout ratio of approximately 45% of HEPS.

Based on the strategic clarity and financial headroom and flexibility we have achieved, and which we will ensure that we maintain, we believe our strategic plans and financial expectations are achievable and should support convergence to the valuation multiples of our best-in-class peers in the medium term.

My thanks are due to the executive and regional management teams and our people the world over. Your focus and commitment have delivered the strategic positioning and improved performance, despite difficult markets and significant internal change, on which our future success as an independent company will be based.

Top risks and mitigation

Imperial Logistics has an embedded enterprise risk model, which replicates that of Imperial Holdings, to identify and assess existing and emerging risk and associated opportunities where effective risk management can be turned into a competitive advantage. Any risk taken is considered within the risk appetite and tolerance levels, which are updated on an annual basis and approved by the Imperial Logistics risk committee. Emerging risks are identified where the extent and nature of the risk or opportunity and its potential impact on the business are uncertain.

The aim of our enterprise risk management processes is to fully understand the various categories of risks and identify any related opportunities in our business, and understand how these risks affect our strategic, operational, reporting and compliance objectives by establishing the impact and likelihood of the identified risks, together with actions required to mitigate and control these risks and to leverage opportunities.

The Imperial Logistics risk management process considers both the internal and external environment. In identifying the top risks, shown below, management considered the potential effects on Imperial Logistics' business, financial condition or operational performance, from both a quantitative and qualitative perspective.

	Risk exposure	Context	Response
1	Slow or negative growth in areas of operation	As Imperial Logistics operates internationally, we are exposed to a variety of domestic and global economic and market conditions that may impact on business activity. The uneven level of global economic activity in recent years, the uncertainty in various global financial markets, the ongoing effect of commodity price volatility and low economic growth in certain markets has affected business activity in general and discretionary spending among consumers. Slow growth in markets, currency volatility and lower consumer demand together with rising inflation and higher borrowing costs increases the challenge of delivering revenue growth, placing pressure on margins and profitability due to the possibility of contract losses or renewals at lower volumes and margins. This requires other interventions, including restructuring operations, rationalising assets and containing costs, to maintain returns to shareholders. Weather conditions have the potential to result in low water levels, resulting in lower cargo capacities in the shipping business and higher costs.	› Service excellence and innovative client offerings to support sustainable margins. › Operating model agility through asset-light capabilities to adapt to market dynamics. › Regular management review of volumes and margins and identifying financial and operational synergies to extract efficiencies and manage costs. › Organic and acquisitive growth strategies focused on diversification. › Review of business development and sales capabilities to secure new contracts. › Offering substitute products and generics (in healthcare) to maintain market share in lower-cost products. › Focused sales initiatives to increase client base. › Capitalise on outsourcing trends during challenging times. › Maintain targeted levels of own fleet in the shipping business to secure flexibility in low water periods.
2	Client acquisition and retention	Imperial Logistics relies on ongoing commercial relationships with key clients and partners. The loss of a major client or partner or the inability to renew contracts on commercially similar terms could result in adverse financial consequences. Imperial Logistics has low concentration risk in its portfolio with no single client contributing more than 5% of revenue. Client retention is strong, with multiple contracts with top clients across different markets, driven by client-centric solution design and delivery, and supported by our pragmatic approach to digitisation and innovation.	› Ongoing oversight and monitoring of contract renewals and negotiations. › Signing long-term client contracts, where appropriate. › Increased contract management oversight and support for clients. › Monitoring industry trends to ensure innovative service offerings.

	Risk exposure	Context	Response
3	Regulatory and compliance	As a multinational organisation, Imperial Logistics is subject to a wide range of legal and regulatory requirements, which we monitor to ensure compliance. Any breach of compliance could result in fines or sanctions that affect its profitability and may have adverse reputational consequences. Monitoring the changes in legislative environments and interpretations of laws is of key importance and may have uncertain consequences for our business model and operations, particularly in our African operations which are affected by political and regulatory uncertainty. New European Union (EU) regulations on emissions stipulate lower emission thresholds, which currently cannot be met by original equipment manufacturers (OEM) and may result in lower production volumes during 2019. Changes in labour legislation in South Africa may impact the ability to hire employees on short-term contracts at affordable rates.	› Centralisation of selected specialist areas where compliance risk is high. › Proactive monitoring of operational implementation plans and frameworks for emerging legislation. › Ongoing review of compliance with anti-bribery and corruption policy and related and legal requirements, supported by relevant training. › In-country operations and their business partners are well acquainted with the political and regulatory landscape, allowing them to anticipate, manage and mitigate local risk to within risk appetite. › Manage the business impact of lower OEM volumes due to new EU emissions regulations in F2019. › Review of the impact of changes in labour legislation and apply necessary mitigating actions.
4	B-BBEE status of South African-based operations	The changes to the B-BBEE codes require accelerated transformation, specifically higher levels of black ownership in Imperial Logistics' South African business. Failure to achieve set targets and to conclude the B-BBEE ownership transaction in the South African operation may impact on competitiveness and sustainability through clients not renewing contracts and the exclusion from participation in new tenders.	› Active monitoring and oversight of B-BBEE scorecards. › Clear initiatives in place to meet employment equity targets and skills development. › Enter into B-BBEE partnerships to improve B-BBEE credentials. › Conclude the B-BBEE transaction that is being negotiated to bring equity to 51% black, including 30% women, ownership levels in the 2019 financial year.
5	Expansion, acquisition, business integration and localisation	With any expansion and acquisition strategy, there is a risk of entering markets that are not well understood and the group may need to rely on outside partners. After businesses are acquired, their integration into the group requires stringent and pragmatic processes to ensure value is not impaired. In addition, there is a risk of deploying capital in areas of low return and may require high effort to succeed.	› Clearly defined expansion areas have been identified. › Regular review of acquisition risks and criteria at executive level. › Clear acquisition guidelines defined and overseen by the group investment committee. › Formal authority limits are adhered to. › Formal post-acquisition review process. › Retaining existing management and sellers as minority interests post the acquisition, to allow for knowledge transfer over the next three to five years and enough time for succession planning. › Most acquisitions are in existing/parallel markets and/or capabilities.

Top risks and mitigation – continued

	Risk exposure	Context	Response
6	Reliance on capital and asset intensive operations	Returns may be affected when capital is ineffectively invested in fleet and inventory that is not being optimally utilised, increasing the risk of asset impairments and higher financing and operating costs. Furthermore, in low-growth conditions, operations are exposed to increasing costs in maintaining assets and the risk of these assets sitting idle.	› Active management and investment in optimising inventory and fleet levels. › Strategic focus on lowering capital intensity. › Enhanced governance oversight and active management review and monitoring of the realisable value of assets. › ROIC is a key performance indicator and metric.
7	Volatility of currencies particularly of exchange rates in the global foreign exchange market, local currency devaluation and the impact of potential interest rate volatility driven by global trade wars on emerging market currencies	The volatility of exchange rate fluctuations may impact on the competitiveness and profitability on the pricing of imported products through the inability to compete on price with local products. The general weakening of African currencies against the US Dollar may impact the availability of hard currency to pay the suppliers of imported products and the ability to source foreign currency and hedges at competitive rates.	› Active management of currency volatility through a hedging strategy (by using forward contracts, buying hard currency and/or entering options) supported by established policy and governance structures. › Foreign currency exposure is actively managed by treasury and management, including through restructuring payment terms and sourcing funding in-country. › Ability to re-price products to mitigate the impact of weakening currencies. › Negotiated, preferential pricing and support from principals to support margins.
8	Third party dependence and reliance	Imperial Logistics manages a complex network of suppliers, including sub-contractors that it relies on to deliver superior service to its clients. Imperial Logistics is dependent on essential consumable supplies, services and infrastructure, specifically fuel for vessels, electricity and transport networks. Any disruption to the availability of these could impact the production and distribution of products.	› Ongoing oversight and monitoring of contract renewals and negotiations. › Signing long-term supply contracts, where appropriate. › Increased contract management oversight and support for suppliers.
9	Rapid speed of disruptions due to innovation	The pace of change has accelerated and will inevitably require incumbents to embrace digital capabilities to be competitive. Sustained competitive advantage is increasingly achieved through innovation. Our highly differentiated strategic approach to innovation and our focus on developing customised solutions for our clients, is underpinned by an asset-right approach, service excellence and flawless execution (through process improvement and digitisation) and continuous improvement (through client-centric innovation). Our route-to-market service offering in the African Regions, which provides access to consumer markets that are hard to penetrate and includes marketing the brands of our principals, gives us access to extensive customer data that can be leveraged to tailor their product offerings. This deepens clients' reliance on our service and mitigates against the risk of disintermediation by the brand owners themselves.	› Keeping abreast of innovative changes by competitors, and developing the management mindset to "disrupt ourselves". › Developing and implementing customised solutions that drive competitiveness and relevance of clients and to reduce costs and increase profitability. › Expand online trading site and increase business-to-customer (B2C) capabilities in Palletways and capture e-commerce opportunities in healthcare in Africa through specialised micro-delivery capabilities. › Focused client-centric innovation supported by the rapid development, testing and implementation of supply chain solutions.

	Risk exposure	Context	Response
10	IT strategy and execution of architecture, systems and applications	The legacy of decentralised IT systems and infrastructure from Imperial Logistics growth through acquisition makes it critical to reduce systems complexity through consolidation, while ensuring that cybersecurity and innovation is addressed. IT strategies need to be flexible and effective in meeting the requirements of internal and external clients and delivering new IT solutions for competitive differentiation and operational effectiveness. Progress has been made to align the digital strategy to the corporate strategy, with an appropriate balance of standardised and fit-for-purpose systems and processes being implemented in key areas. This systematic digitisation of processes is supporting integration, reducing complexity and leveraging excellence across different businesses.	› Board oversight and monitoring of material IT projects. › Strategy alignment review done per division to ensure appropriate IT strategies. › Centralised IT departments that are reporting into a divisional chief information officer (CIO). › Divisional project management – within the CIO's office. › Cybersecurity minimum guidelines implemented. › Ongoing cyber risk assessments as part of the emerging risk landscape. › Ongoing management of disruption due to system implementation to improve IT architecture. › Flawless execution and support by enabling data-driven and data-backed decision making; and increasing automation. › Screen and embrace new and disruptive digital technologies to generate new business models and additional revenue.
11	Succession and talent management	The limited pool of qualified skills in African markets and the impact of an ageing skilled working population in Europe are challenges in accessing the talent needed to resource the growth strategies. Besides leadership skills, our businesses depend on specialised technical and client facing skills, which need to be developed and retained. The inability to attract and retain the necessary skills in a European employee market, may result in existing operational capacity not being fully utilised.	› Implementation of best people practices, supported by the appropriate systems, is in progress to become an employer of preference in all markets. › Identification of key current and future skills and aligning these to integrated talent management programmes. › Customised solutions through specialised workforce training and management initiatives. › Co-ordinated transformation policies and programmes focused on development and promotion of internal candidates, and recruitment of employment equity candidates. › Improve employee communication to provide guidance about business model and company strategy. › Improve the employee value proposition to compete effectively for skilled and talented employees.
12	Labour disruptions in South Africa	The possibility of labour disruptions in South Africa during wage negotiations may have an adverse effect on the domestic operations and those of our clients by disrupting or hampering distribution and warehouse activities and increasing costs.	› Active participation in transport industry labour councils. › Preparation for negotiations and monitoring of the negotiation process. › Review of operational labour plans to ensure continuity of services.

Material issues and priorities

Defining materiality

Imperial Logistics defines material issues as those factors most likely to influence the conclusions of all our stakeholders in assessing our ability to create value over time. In determining if an issue is material, its potential to impact strategy (opportunity and risk), performance (financial and non-financial), prospects (in the short, medium and longer term) and ultimately value creation is considered. Material issues are forward looking and incorporate factors within and beyond leadership's control.

Linking materiality to stakeholders and capital inputs

More specifically, material issues are the factors most likely to influence the decisions of a respective stakeholder in relation to the capital inputs they provide to Imperial Logistics.

The capitals and related stakeholders, are outlined as inputs to and outcomes of the Imperial Logistics business model on page 52.

Determining material issues

The following inputs informed the determination of the material issues for Imperial Logistics in 2018:

› Imperial Logistics' vision, strategy and values, and top risks.
› Facilitated brainstorm process, roundtable discussion and follow-up interviews to elicit the views and concerns of leadership and divisional management.
› Key issues raised by stakeholders, including clients, business and social partners, the investment community and the media, elicited from the relationship owners in each case.
› Extensive engagement with shareholders, debt providers, market experts and financiers involved in the unbundling process.

Material issues structure

The diagram below provides an overview of the material issues, grouped into three themes. The strategic context relating to each theme is provided in the CEO's report (on page 54), and the table that follows shows the leadership priorities for managing the material issues. The material issues, and associated priorities, provided the basis for preparing the Imperial Logistics section of the Imperial Holdings integrated annual report and supplementary sustainable development reports. Given that the direct feedback of stakeholders informed the material issues and they are deemed to represent all legitimate concerns, and the strategic plans to address them over time are explicit in the priorities and the disclosure provided elsewhere in the report. We have therefore not provided a separate stakeholder table with concerns and responses, to avoid duplication.

Our materiality is broken down as follows:

Differentiation

1. Deliver customised solutions that deepen clients' reliance on our services
2. Combine people, partnerships and processes to ensure consistently excellent execution
3. Ensure legitimacy in demanding markets to underpin competitive advantage

Optimisation

1. Drive performance and maintain capital management discipline
2. Achieve strategic maturity across Imperial Logistics

Credibility

1. Demonstrate governance best practice
2. Deepen leadership credibility
3. Become an investment of choice over time
4. Establish corporate citizenship credentials

Differentiation

Sub-issues	Priorities	Reference
1. Deliver customised solutions that deepen clients' reliance on our services		
Enhance end-to-end capabilities to enable complex integrated solutions design and delivery.	› Deliver value-add logistics activities either as point solutions or integrated solutions, depending on client requirements. › Develop or acquire specialised capabilities, and address gaps in growing regional markets and selected industries. › Develop or acquire international freight management capability to sufficient scale to extend end-to-end solution offering. › Deepen client partnerships by optimising supply chains and increasing total value created for clients, to expand the scope and drive the maturity of outsourced services offered. › Tailor solutions exactly to client requirements according to identified needs, including bespoke application of specialised process, workforce and infrastructure management systems.	71
Combine longstanding client relationships, specialised capabilities and geographical reach to strengthen competitive positions in selected industries.	› Enhance capabilities and develop strategic partnerships in selected industries to extend industry leadership in South Africa. › Leverage ability to provide access to end-consumers in challenging markets through unique route-to-market solutions in the African Regions, including growing the proprietary market aggregation model to provide access to smaller markets. › Continue to invest in dedicated specialised assets to service longstanding contracts in less cyclical industries in Europe. › Analyse growth potential of existing industries based on current capabilities, competitive advantages and legitimacy, and industry prospects, to select and prioritise industry focus. › Leverage competitive advantages to establish and extend leadership positions in higher-growth and defensive industries, within and across regions, in healthcare, automotive, consumer packaged goods, and chemicals and energy.	69
Leverage appropriate regional operating models to deepen competitive advantage.	› Apply relevant operating models per region, customised to local market dynamics and available expertise, underpinned by in-depth knowledge of fragmented and underdeveloped 3PL markets in the African Regions and advanced markets in Europe. › Continue to expand the Managed Solutions business, successfully developed in South Africa, within the African Regions and Europe.	73
Invest in client-focused R&D priorities.	› Drive innovation through hubs in Berlin and Cape Town set up for the rapid development, testing and implementation of supply chain solutions tailored to client needs. › Leverage partnerships with technology developers and clients to support operational excellence and innovation.	

Material issues and priorities – continued

Sub-issues	Priorities	Reference
2. Combine people, partnerships and processes to ensure consistently excellent execution		
Attract, retain and develop employees with the right skills at every level of the organisation.	› Continue to support customised solutions through specialised workforce training and management, and health, safety and environment (HSE) training and management. › Improve the employee value proposition to compete effectively for skilled and talented employees. › Embed integrated talent management and training and development processes to ensure the right skills now and for the future as the business evolves, in support of deepening its exposure to selected industries and enter new markets, and drive digitisation and innovation. › Retain and develop management teams of acquired businesses to preserve client-centric agility, entrepreneurial flair and local relevance. › Leverage core people data to improve skills development and resource allocation.	
Ensure business partners (and specifically sub-contractors) align to operational, transformation and ethical performance requirements.	› Ensure sub-contractor quality of service and performance through defined KPIs, managed and measured, and made available to suppliers through a supplier portal. › In road safety practices, hold transport partners accountable to the same safety standards as our own companies, with compliance ensured through regular audits undertaken by risk teams. › Hold workshops and one-on-one information sharing sessions with transport service providers to help them improve their B-BBEE ratings in South Africa.	
Drive systematic digitalisation to continually improve service excellence and process leadership.	› Apply pragmatic and cost-effective approach to continuous improvement and internal efficiencies. › Systematically digitise processes to reduce complexity and costs, improve strategic decision making and resource allocation, and increase visibility and transparency in the client supply chain. › Continue to implement strategic IT projects: • Logistics solution to support business growth, reduce administration and the development of scalable solutions for clients. • Transport management system to enable operations, provide visibility across fleets, and facilitate process optimisation. • Client relationship tool to improve management of client accounts. • Standardised system for real-time, accurate accounting functionality and improved interface with clients and suppliers. • People management system providing cutting-edge people and payroll functionality to deliver improved business analytics and reporting capabilities, to underpin talent management and succession planning.	75

Sub-issues	Priorities	Reference
3. Ensure legitimacy in demanding markets to underpin competitive advantage		
Meet and exceed requirements in selected industries to minimise clients' supply chain risk.	› Retain contracts with top clients and enhance credibility among multinational clients, supported by an ability to work effectively in different markets and regions. › Comply with international best practice requirements, in tandem with local laws, regulations, standards and codes to enhance legitimacy in highly competitive and demanding industries. › Ensure responsible product safety and other HSE requirements are maintained. › Maintain strong relationships with labour unions.	
Respond proactively to socioeconomic imperatives to maintain local relevance.	› Improve B-BBEE credentials by concluding black ownership transaction, enter into partnerships and accelerate employment equity and enterprise and supplier development to underpin competitiveness and extend market leadership in South Africa. › Ensure local relevance in view of national imperatives such as job creation through local hiring and partnerships. › Maintain constructive relationships with regulators and governments.	
Understand and address the risks and opportunities as the structure of markets change.	› Leverage current capabilities to move into new markets, for example, business-to-consumer capabilities (Palletways) and specialised micro delivery capabilities (in Africa) to capture e-commerce opportunities. › Understand the impact of technological advances and new business models on specific industries as processes are digitalised and the structure of markets change, and adapt accordingly. › Assess and mitigate the impact of climate change on capabilities and markets.	

Optimisation

Sub-issues	Priorities	Reference
1. Drive performance and maintain capital management discipline		
Rationalise assets and restructure non-performing operations to enhance returns.	› Exit unviable contracts, restructure non-performing operations and rationalise properties and assets, to enhance returns. › Consider sale or closure of businesses that cannot be rationalised in relation to demand cyclicality. › Reduce exposure to cyclical and declining industries in Europe.	72
Ensure optimal asset mix in line with client requirements and revenue commitments.	› Protect the asset-right business model by maintaining an optimal asset mix in line with client requirements, targeted operating margins and risk-adjusted returns. › Reduce asset exposure risk by aligning asset composition to earnings profile.	72
Maintain financial flexibility to fund organic and acquisitive growth plans.	› Maintain optimal gearing level, currently targeted at between 60% and 80%. › Maintain disciplined working capital management and focused cost control in day-to-day operations.	72
Apply strict strategic and returns criteria to assess acquisitions.	› Acquisitions will be assessed according to strategic potential and returns criteria: • To penetrate or protect existing markets and selected industries. • To expand the portfolio and leverage existing capabilities by adding capabilities in new regions and selected industries. • To achieve targeted ROIC of risk-adjusted WACC plus 3%. • To ensure that acquired businesses benefit from strategic direction, financial discipline, the transfer of best practices and capabilities, operational and financial synergies, and the implementation of "step-change" initiatives. • Return on effort and ability to integrate the acquired businesses.	72

Material issues and priorities – continued

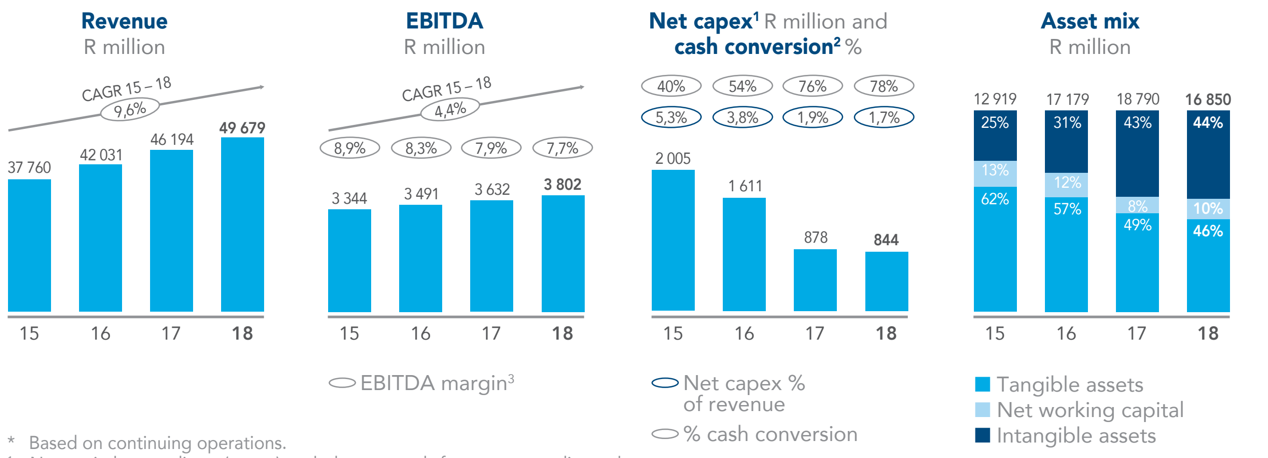
Sub-issues	Priorities	Reference
2. Achieve strategic maturity across Imperial Logistics		
Implement standardised KPIs to drive strategic execution within individual businesses.	› Prioritise client satisfaction and business development to drive increased competitiveness and sustainable revenue growth in all operations. › In addition to financial KPIs, systematically implement relevant and robust KPIs including: • Net promoter score. • Contract retention and gains. • Pipeline quality. › Align management scorecards and incentives to selected financial and strategic KPIs.	68 and 72
Simplify organisational structures to ensure client centricity.	› Define and reorganise structures to support commercial focus and client-centricity. › Facilitate collaboration to drive growth in priority industries by cross-selling across regions.	72
Embed best people management practices across the group to underpin a competitive employee value proposition.	› Become an employer of preference in all markets. › Implement the common framework for managing human capital aligned to international best practice, while allowing for flexible responses to regional imperatives: • Implement core human capital data systems that enable strategic decision making and resource allocation. • Implement fit-for-purpose systems within specific businesses to support flexible responses to different human capital priorities and risks. › Embed effective human capital practices for leadership development, employee engagement, talent management, performance management and succession planning at all levels of the organisation. › Improve the (digital and physical) working environment to enable people to perform at their best. › Implement structures to consistently collect, evaluate and develop innovative ideas by employees. › Monitor and respond appropriately to global and local workforce trends.	
Implement the global IT strategy across the group.	› Focus on achieving the digital objectives related to flawless execution, organisation and people, and innovation. › Enhance global IT capacity, supported by an IT quality framework, to deliver the appropriate mix of standardised and customised system solutions focused on: • Enabling data-driven decision making. • Driving process improvement and increasing automation by removing manual processes. • Implementing innovative structures for employee idea generation. • Assessing and embracing technology to develop new business models and revenue streams. › Create a culture where digitalisation enables people, clients and business partners to innovate and continuously improve to achieve competitiveness and differentiation.	
Set group standards (for ethics, social and environmental management) with procedural flexibility at operational level.	› Establish group-wide standards and oversight of local operating procedures.	72 and 80

Credibility

Sub-issues	Priorities	Reference
1. Demonstrate governance best practice		
Establish reputation for ethical, effective and independent leadership at board level.	› Demonstrate independence and ensure effectiveness of the board. › Continue to embed and enhance ethical practices and governance standards. › Ensure board composition and succession according to relevant skills and experience in relation to strategy, and diversity of race and gender.	
Maintain best governance practices (instilled as part of Imperial Holdings).	› Deepen application of King IV principles and recommendations. › Maintain and enhance robust control systems. › Embed effective reporting processes for board visibility.	80
2. Deepen leadership credibility		
Identify and continuously develop the leaders required to take the business forward.	› Manage succession effectively to retain intrinsic entrepreneurial flair (differentiation) and support the need for change (optimisation). › Implement succession plan for the board, CEO, direct reports and other levels of management for the immediate and longer term. › Develop appropriate succession plans for founder/owner managers in acquired businesses.	
Establish strong relationships with key stakeholders (internal and external).	› Maintain high standards of accountability, transparency and integrity in running the business and reporting to equity and debt investors, regulators and other key stakeholders. › Ensure responsiveness to the legitimate concerns of all stakeholders through accurate and transparent reporting.	80
Model and instil the required culture shift required within the organisation.	› Instil a mindset of delivery, particularly in view of the additional scrutiny from stakeholders and direct accountability to the market as a listed entity. › Encourage sensitivity to and drive diversity, according to local requirements. › Improve employee engagement through management communication and modelling the desired culture shift.	
3. Become an investment of choice over time		
Retain current investors both locally and internationally.	› Position Imperial Logistics as a credible investment with a compelling growth story, based on transparent, reliable, material and timeous disclosure. › Deliver sustainable revenue growth, enhanced returns and improved competitiveness, according to strategy and guidance.	80
Attract a new pool of investors supportive of long-term strategic direction.	› Consistently deliver on the investment proposition: • Sustainable revenue growth, enhanced profitability, cash flow and a stable dividend (in line with guidance of 45% of HEPS). › Sustain financial headroom and flexibility for acquisitive growth and a strong cash conversion rate. › Deliver targeted returns and maintain a defensible dividend policy.	
4. Establish corporate citizenship credentials		
Comply with laws and regulations across multiple jurisdictions, and demonstrate consistently ethical business conduct.	› Manage the complexity and cost impact of regulations and fiscal policy, › Monitor and engage with regulators on implementation of upcoming legislation. › Embed an ethical culture, supported by the anti-bribery and corruption policy and related training initiatives.	
Demonstrate defensible safety practices, socioeconomic value creation and environmental stewardship.	› Embed safety practices and mindset in the right areas (driver safety, product responsibility). › Support relevant socioeconomic development and environmental imperatives within each country of operation.	

Operational review

Performance highlights*



* Based on continuing operations.
[1] Net capital expenditure (capex) excludes proceeds from property disposals.
[2] Cash conversion calculated as (EBITDA-capex)/EBITDA.
[3] EBITDA margin decline in line with lower tangible owned asset intensity utilising third party assets and no depreciation associated with operating leases.

Profit and loss (extracts)

	% change	2018	2017	Medium-term outlook
Revenue (Rm) (Total)	3	**51 399**	49 715*	**SA and International: Double GDP growth + inflation** **African Regions: Low double digit growth**
Operating profit (Rm)	3	**2 853**	2 764	
Operating margin (%)		**5,6**	5,6	
Cash conversion (%)		**78**	76	**Target between 70% and 75%**
Return on invested capital (%)		**12,2**	11,5	**Target ROIC:** **Imperial Logistics (total): WACC + 3%** **South Africa: WACC + 3%** **African Regions: WACC + 3%** **International: WACC + 2%**
Weighted average cost of capital (%)		**8,5**	7,1	
Net debt/equity ratio (%)		**50**	122	**Target range 60% to 80%**

Note: ROIC and WACC are calculated on a rolling 12-month basis. The above table includes businesses held for sale and eliminations.
* Restated.

Operational highlights

Net promoter score (NPS) introduced as a measure of client loyalty, and highlighted areas for improvement.

Formulated detailed plans to optimise regional business portfolios and strengthen their competitive positions, through capability development or geographic expansion.

Continued to acquire strategically aligned and dispose of non-core underperforming businesses and to expand, optimise and rationalise capabilities.

Ongoing development of prioritised client-focused innovation projects and systematic digitisation of processes.

Satisfactory financial performance in difficult trading conditions supported by diversification across capabilities and regions.

Driving client-centricity

Our long-term relationships with our clients are based on service excellence and a partnership approach underpinned by our reach, capabilities, assets, innovation and legitimacy in selected industries. Client satisfaction, which enables us to retain, extend and win contracts is the primary driver of sustainable organic revenue growth. Our top clients by revenue for F2018 indicates the quality and relatively low concentration risk within our contract portfolio, and our ability to secure contract renewals.

- Only 25% of our revenue contribution is generated by our top 10 clients.
- Revenue contribution of our top 50 clients is approximately 50%.
- No client contributes >5% of revenue.
- Average length of contract is six years.
- Client relationships are on average a length of 33 years.

In F2018, we implemented NPS as a measure of client loyalty and our ability to differentiate ourselves through our client-centric approach. NPS is calculated by subtracting the percentage of clients who are detractors from those who are promoters and can range from -100 (all detractors) to +100 (all promoters).

A structured web-based survey was conducted with key clients focusing on one core question ("How likely are you to recommend Imperial Logistics to a colleague or business partner?") with seven supporting questions. A good score range was recorded for the core NPS question. Responses indicated that clients place a high value on our strong brand and partnership across multiple contact points, and the critical role we play in their relevance and competitiveness. The survey highlighted areas that require further investigation and focused effort to improve. The survey will be repeated annually and continually refined to improve the response rate and track the effectiveness of remedial action. The customised solutions that underpin our partnerships with clients, and the outcomes we seek to achieve to make them more relevant and competitive in their industries, are illustrated in the following examples, on the following page.

Operational review – continued

Client	Client 1	Client 2	Client 3	Client 4
Capabilities	Route-to-market solutions	Synchronisation management	Transportation management	Transportation management
Industry	Healthcare	Automotive	Chemicals and energy	CPG
Client challenge	› Inadequate patient access. › Low on-shelf availability. › Poor market data visibility. › Long order delivery lead times.	› Time critical processes. › Exacting quality and accuracy requirements. › Continuous cost pressure. › Complex procedures.	› Escalating spillages. › Increased contaminations. › Driver inexperience. › Lack of product and equipment knowledge.	› Change in production location. › 30% decrease in road transport, especially during peak season (February to May). › Required fleet size in peak season to remain the same, but less than half of this required off-season.
Our solution	› Agile, rapid response supply model to the real point of client engagement. › 300-strong sales force visiting 45 000 outlets bi-weekly. › Digital Sales Force Automation to monitor sales rep activity, customer level inventory and sales outcomes. › High speed, small volume delivery service.	› Best-in-class process accuracy. › Specialised employee training. › Integrated quality management systems. › Lean management and other operational excellence tools. › Fully automated system design. › Customised infrastructure. › Fail safe measures.	› Root cause analysis. › Extensive driver training. › Numerous HSE initiatives. › Appointment of HSE officers at every operation. › Compensation for safe load delivery. › Route risk assessments, including the identification of high risk zones.	› Utilise established network into Namibia to address seasonality. › Selling portion of client fleet to Imperial Logistics subsidiary, shifting to asset-light, to dilute effect of lower volumes.
The impact	› Highly differentiated level of availability and visibility at point of sale. › Increased sales volumes by >20% in six months. › Productivity of reps increased >30% in one year. › Basket size per customer doubled in one year.	› Picking productivity significantly increased to 50 parts per minute while picking accuracy improved, reducing the risk of incorrect supply to the assembly plant, translating into a 92% audit achievement. › Cost reduction. › Improved productivity levels. › Superior risk management.	› Significant reduction in spillages – 1,76 per thousand drops to 0,20. › Significant reduction in contaminations – 1,15 per thousand drops to 0,59. › World-class HSE in practice. › Process optimisation. › Improved driver efficiency.	› Client's peak season requirements met in full. › Seasonal volumes up by 74% over a 12 month cycle. › 97% service levels met consistently over a three-year period. › On-time and in-full measures consistently met.

Developing our capabilities

The ongoing development of our capabilities within our regional businesses aims to strengthen our ability to provide integrated and customised solutions to our clients, and are specifically focused on developing expertise and experience to enable integrated value-add logistics, supply chain management and route-to-market solutions in the industries we have prioritised for growth. As the maturity of the client relationship develops, so does our ability to move from point-to-point services to integrated solutions that add more value and are therefore more profitable over time. This highlights the strategic importance of retaining clients.

We continue to assess the potential for regional expansion and capabilities transfer to other regions; specifically, South African and African Regions capabilities will be leveraged to expand into new markets in Africa, and our specialised capabilities in specific market sectors in Europe will provide the platform for further international expansion. An analysis of the growth potential of the industries in which we participate based on our capabilities, competitive advantages and legitimacy, has informed our priorities for medium-term capability development, illustrated below.

Service offering and operating model tailored to client requirements and market maturity

Capabilities percentage of revenues	Regions	Industries: Consumer packaged goods 23%	Manufacturing and mining 14%	Chemicals and energy 13%	Healthcare 13%	Automotive 10%	Other industries 27%
Transportation management	South Africa	✓	✓	✓	↗	↗	✓
	African Regions	↗	↗	↗	↗	↗	↗
	Europe	–	✓	↗	•	↗	✓
	Other regions	–	✓	✓	•	•	–
Warehousing and distribution management	South Africa	✓	✓	✓	✓	✓	✓
	African Regions	**↗**	•	•	**↗**	↗	↗
	Europe	–	✓	**↗**	•	**↗**	✓
	Other regions	–	–	–	•	•	–
Value-add logistics solutions	South Africa	**↗**	↗	**↗**	**↗**	↗	↗
	African Regions	**↗**	•	•	•	↗	↗
	Europe	–	↗	**↗**	•	**↗**	✓
	Other regions	–	–	–	•	•	–
Supply chain management solutions	South Africa	**↗**	✓	**↗**	**↗**	↗	↗
	African Regions	↗	↗	↗	↗	↗	↗
	Europe	–	–	**↗**	•	**↗**	–
	Other regions	–	–	–	•	•	–
Route-to-market solutions	South Africa	**↗**	–	–	↗	–	–
	African Regions	**↗**	–	–	**↗**	–	–
	Europe	–	–	–	•	–	–
	Other regions	↗	–	–	•	–	–

✓ Existing capability ↗ Growth opportunity **↗** Growth priority • Expansion area – Not applicable

Operational review – continued

Notable recent expansion, optimisation and rationalisation of capabilities included:

Region	Acquisitions to expand capabilities	Initiatives to optimise capabilities	Initiatives to rationalise capabilities
South Africa	› Entered passenger transport in South Africa in F2017 to widen our service offering to existing clients.	› Ongoing rationalisation of the CPG business, to achieve defined KPIs. › Ongoing consolidation of ambient road transportation management capabilities.	› Closure/sale of express parcel distribution business, due to lack of scale and specialisation. › Sale of various smaller transport businesses where sufficient scale could not be achieved.
African Regions	› Expanded healthcare distributor footprint in East Africa by acquiring Surgipharm in F2018.	› Ongoing focus on growing the scale of the Zambian and Malawian CPG businesses to be sustainable.	› Completed the conversion of transport operations to Managed Solutions (asset-light) operating model to reduce asset exposure risk and avoid sub-par returns.
International	› Ongoing European expansion of express pallet distribution, through Palletways, to enhance asset-right organic growth and expand international capabilities and diversification.	› Ongoing rationalisation and integration of road transport operations. › Applying synchronisation in store fixtures to multiple industries, with a focus on growing International Freight Management, to arrest declining demand and profitability. › Ongoing evaluation and possible exit if planned interventions do not achieve the defined KPIs: • Industrial steel, due to declining demand. • International shipping, due to cyclical and seasonal demand.	

Acquisitions and disposals in F2018

Acquisition of strategically-aligned businesses:

› We acquired 70% of Surgipharm Limited in Kenya for US$35 million (R485 million) in July 2017. Surgipharm is strategically aligned to accelerate our industry presence and relationships with pharmaceutical principals on the African continent and provides an excellent platform for further growth in other East African markets.

Disposal of non-core, strategically misaligned, underperforming or low return on effort assets:

› Our interest in and claims against Schirm GmbH, our International contract manufacturing service, and related property transactions for a total cash price of €134 million (R2,0 billion) in January 2018;
› Six non-strategic properties for R367 million;
› Transport Holdings in Botswana, which released capital of R200 million;
› Laabs GmbH, a €16 million revenue liquid food transporter specialising in liquid chocolate products and raw materials in Europe, for €2 million (R32 million) in October 2017; and
› Interests in smaller entities amounting to approximately R55 million.

Optimising our regional growth platforms

We continue to optimise our regional business portfolios and strengthen their competitive positions, through capability development or geographic expansion either organically or via selective acquisitions.

Logistics South Africa

Market position				
	Leading 3PL provider with end-to-end capabilities.	**Generates more than double the revenue of its nearest competitor, with growth potential.**	**Integrated solutions offered in all significant industries, with the potential for leadership in additional industries.**	**Low risk exposure to cyclical and declining industries.**

Contributes **33%** of revenue at **5,8% margin with a cash conversion rate of 66%;** realising returns of c.3% above weighted average cost of capital.

Imperial Logistics' competitive position in South Africa rests on the scale, scope and depth of our capabilities and proven ability to integrate these into customised solutions. We have unique value- and risk-based commercial engagements in place focused on eliminating supply chain inefficiencies for clients, and a strong focus on continuous improvement and transformation.

This provides the platform to grow our integrated solutions offering across major industries as the market matures. In the large and fragmented insourced logistics market, outsourcing to 3PLs is expected to grow from the current 1,1% of GDP, at least maintaining the addressable market of more than R200 billion per annum in real terms despite the low-growth environment.

Specific strategic priorities include:

› Enhancing capabilities in selected industries to extend industry leadership in CPG, chemicals and energy, healthcare, and mining and manufacturing; and to grow market share in International Freight Management (across industries).
› In our CPG business, focus is on optimising operations and driving volumes; given the scale of this business, this provides considerable opportunity for improved profitability.
› The growth potential in the region will be underpinned by:
  • Retaining and expanding contracts with existing clients through customisation, innovation and service excellence.
  • Exiting unprofitable contracts and operations, consolidating property and rationalising assets in line with contract commitments, to support higher profitability and returns.
› Plans to improve B-BBEE credentials (to achieve a minimum Level 4 B-BBEE contribution in terms of the generic codes) to protect our market leadership are underway. A comprehensive black ownership transaction to dispose 30% of Imperial Logistics South Africa to a B-BBEE partner to be implemented in F2019.

For comprehensive information on our B-BBEE plans and progress, see Improving our transformation credentials in South Africa.

Logistics African Regions

Market position		
	Unrivalled reach and track record in delivering unique route-to-market solutions focused on the resilient and growing healthcare and CPG industries.	**Managed solutions operating model (asset light) leverages South African expertise to penetrate under-developed and fragmented 3PL markets.**

Contributes **20%** of revenue at **7,0% margin with a cash conversion rate of 93%;** realising returns of >6% above weighted average cost of capital.

Imperial Logistics has over 40 years of experience in the African Regions and is well positioned to deliver on our strategy of targeting consumer opportunities and supporting our clients on the continent. Our unique route-to-market and managed solutions offerings in the challenging, but defensive and fast-growing healthcare and CPG industries in sub-Saharan Africa, provide excellent opportunities for growth in the medium term. Our growth in the region will be underpinned by our proven legitimacy in our selected industries, good operational governance controls and strong brand recognition among multinational principals.

Both these industries have shown increasing consumer demand despite slower GDP growth, and the expected improvement in economic conditions in key markets across the region supports a positive outlook. The African consumer market is estimated to triple to a billion people over the next two decades, with a disproportional percentage of household and government income to be spent on healthcare. As societies become more affluent, the demand for other consumer products, specifically foodstuffs will grow significantly.

Specific opportunities in the region include:

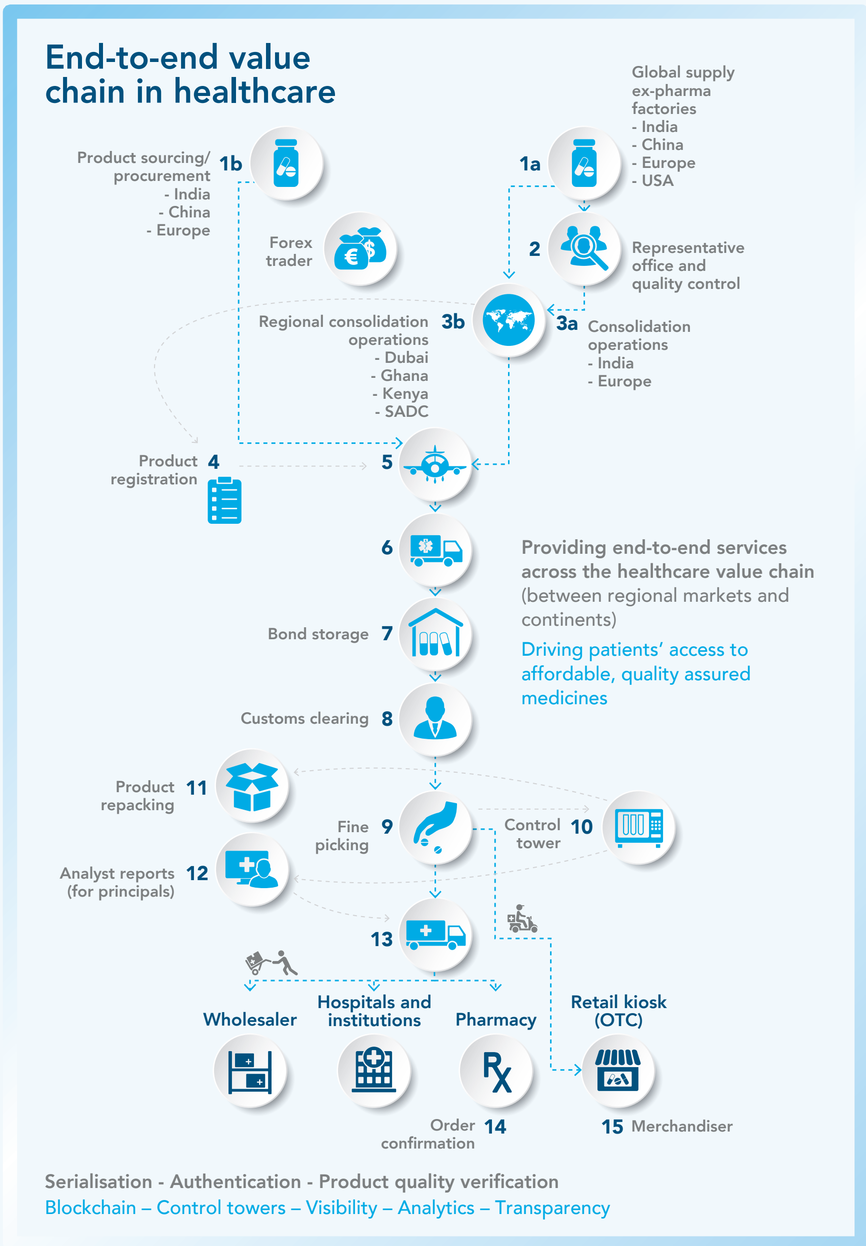
› Growth potential will be realised by leveraging our unique ability to provide multinational brand owners with access to fragmented markets through integrated solutions, unrivalled scale and multi-regional distribution, underpinned by long-term contracts and exclusive partnerships.

Operational review – continued

- All businesses in the region are asset-right, with good opportunities to expand the managed solutions operating model in high opportunity markets, by leveraging South African capabilities to secure sustainable competitive advantage.
- In healthcare, appropriate product groupings, ranging from innovator to generic pharmaceuticals and consumer health products, are applied in serving the main commercial healthcare markets of sub-Saharan Africa, according to their value potential and degrees of fragmentation; major opportunities exist to source, store and supply animal health products and surgicals, consumables and devices, and vitamins and supplements.
- Increasing product volumes, and the concurrent need for outsourced 3PL services, is expected to support demand and drive revenue in the public health business, with reduced spending from USA donors offset by the increased spending of other donors (such as Europe and China), decreasing product cost (from Indian generics) and higher local government spending on healthcare.
- Further growth is expected from the proprietary market aggregation model, which enables us to be the single strategic partner to multinational clients in accessing small- to mid-sized markets in the region; in this regard, the initial product focus will be on innovator pharmaceuticals and moving to generics and consumer products.
- Our focus on achieving the same level of maturity as our healthcare business in the CPG route-to-market offering in the region, with a specific focus on food, is informed by the strong growth projections for consumer market growth in the region; we are investigating acquisition opportunities in CPG businesses in Nigeria and Ghana, and we expect the CPG route-to-market business to equal that of the healthcare business within a five-year timeframe.

End-to-end value chain in healthcare

Imperial Logistics provides managed solutions (Warehousing and Transportation Management), product sourcing and supply chain systems (control towers) to governments and donors through its unique route-to-market solution.



Logistics International

Market position

Established international contract logistics platform in Germany, with specialised capabilities in automotive and chemicals.	Market leader in express palletised distribution services in UK, Italy and Iberia.	Leading market share in inland waterways.

Contributes **47%** of revenue at **4,7% margin with a cash conversion rate of 82%;** realising returns of >3% above weighted average cost of capital.

Imperial Logistics offers holistic, industry-wide logistics solutions for its European clients; from transport, storage and distribution to outsourced production services. It is a leading player in many of its niche markets and makes a significant contribution to Germany's powerful manufacturing and export industries.

With low market shares, our differentiation in our European operations is based on leveraging specialised capabilities in specific market sectors, which allow customised solutions that compete effectively with competitors' standardised services and strengthen client relationships. The new management team is focused on strengthening commercial focus and business development to drive revenue growth and rationalising contracts and assets to achieve targeted returns.

Specific opportunities in the region include:

› Leverage specialised capabilities to strengthen client relationships in specific market sectors, underpinned by client-focused innovation and systematic digitalisation of processes.

› Growth opportunities exist to expand specialist warehousing and synchronisation management capabilities into developing markets in Europe and Asia, to drive revenue growth and improve returns.

› Based on our strong competitive positions, plans in place to grow industry specialisation include:
- Focus on new opportunities in the automotive industry, based on specialised capabilities (including ability to source, train and manage foreign workers to required standards) and relationships with multinational clients.
- In chemical product manufacturing, focus on identifying alternatives to ease constrained warehousing, vehicle and barge capacity, and further reductions in asset intensity.

› Palletways aims to leverage its UK market leadership in express palletised distribution services to expand its footprint in Europe, to drive revenue and profitability growth, through:
- Acquisition of additional scale in new markets.
- Development of e-commerce solutions that add volume to the network.
- Introducing managed solutions to leverage the partnership network with members.
- International Freight Management to offer integrated multi-country solutions.

› Ongoing organisational initiatives to improve profitability in the region include:
- Focusing the regional portfolio to reduce exposure to cyclical, seasonal and declining industries.
- Aligning capabilities to improve integrated solutions design.
- Achieving improvements in asset mix through fleet optimisation, contract rationalisation and working capital management.

Leveraging digitalisation and innovation

Technology-related change is affecting industry requirements as industrial processes are digitised and the structure of markets change. We monitor technology trends and prioritise our IT projects based on their ability to achieve operational excellence and provide customised solutions to our clients. Our innovation hubs in Germany and South Africa are enabling cost-effective responses to client-focused R&D through collaboration with multiple stakeholders. We continue to formulate appropriate responses to potentially disruptive threats, for example e-commerce, by developing our capabilities. Although e-commerce is still relatively immature in our regions and geographies, we have developed B2C fulfilment capabilities in Palletways and specialised micro delivery capabilities in some of our African Regions markets, which could be leveraged in capturing e-commerce opportunities in Africa as this trend takes hold.

The systematic digitisation of our processes is gaining traction, supporting our ability to provide integrated solutions and reducing complexity to improve efficiencies, with a focus on quality, speed, security, scalability, reliability and visibility. Specific objectives include improved client engagement and debtor management, and procurement cost savings through better visibility and spend control. Our approach to digitisation and innovation, shown below, aligns to our business strategy and aims to build a global IT capability that serves all our businesses through an appropriate mix of standardised and customised system solutions.

Operational review – continued

Highly differentiated strategy to digitisation and innovation underpins competitive advantage

Digital vision: To create a culture where digitalisation enables people, clients and partners to innovate and continuously improve to achieve competitiveness and differentiation

Imperial Logistics' key digital objectives

Flawless execution	Organisation and people	Innovation
Pragmatic approach to digitalisation and innovation	Increase **attractiveness as an employer** to be on the winning side of the war for talent	**Improve the image of Imperial Logistics** as an innovative and dynamic logistics company
Competitive differentiation through **customised client-focused innovation** and systematic digitalisation	Educate employees to develop and maintain a **competitive and innovative workforce**	Implement structures to consistently **collect, evaluate and develop ideas by employees**
Understanding and applying appropriate digitisation trends to compete effectively with technology-enabled entrants to the logistics industry and large global competitors	**Improve the (digital and physical) working environment** to enable people to perform at their best	Screen and embrace **new and disruptive digital technologies to generate new business models** and additional revenue

...to remain competitive by embracing and leveraging disruptive new technologies and trends.

Demographic and cultural change

Digital transformation

New competition from start-ups

Business model disruption

Focusing on top five digitalisation and innovation projects to deliver growth

	1 Supply chain control tower	2 Blockchain	3 Serialisation of products	4 Share House	5 Mobile solutions
Idea	**Deliver specific high potential supply control tower opportunities on existing ONE Network SCCT Platform**	**Provides a platform for logistics services to enable fast, secure and highly automated logistics processes** without human interaction	**Implement an end to end chain of custody for serialised items,** integrated into various other systems on the supply chain	**"Airbnb for warehousing space"** Platform to connect providers and customers of available warehouse space and standardised value-added services	Provide mobile solution for transport management (activity execution, ePOD and digital administration process) that will **improve visibility and speed up order to cash cycles**
Value contribution	Improving visibility, execution and planning across multi-stakeholder supply chains and creating a disruptive differentiator globally	The blockchain based open source "Freightchain" is organised as +dCentral consortium and accelerates in dedicated legal structure	Enable detail track and trace ability on high-value items up and down the supply chain Combat counterfeiting, diversion and other illicit activity	Assert position as a "logistics disrupter" Create transparency in the market, increasing utilisation of warehouses Acceleration is happening as corporate start-up and separate legal entity	Improved visibility of transport execution and speed/accuracy of proof of delivery Improved service, reduction in debtors time and improved cash flow
	Implementation in progress	**First proof of concept completed**	Expected early in 2019	**Commercialisation in progress**	Expected early in 2019

For detailed information, see Driving digitisation and innovation online.

Performance in a challenging operating environment

Imperial Logistics' activities on the African continent produced 53% and 60%, respectively of revenues and operating profits during the 12 months to June 2018, with the remainder generated mainly in Europe and the United Kingdom. Trading conditions in our markets remain mixed, as reflected in the table below.

South Africa	African Regions	International
› Despite improved sentiment, the economy contracted sharply in the second half of the year. › Consumer spending remained under pressure due to high unemployment, high fuel prices, tax hikes and static personal incomes, despite monetary easing. › Operations directly impacted by lack-lustre consumer spending, high fuel prices and social unrest. › Challenging market conditions and competitive trading environment resulted in contract renewals at lower margins. › Tough trading conditions expected to persist in the short term.	› Recovery in commodity prices, gradually improving domestic demand and some policy reforms improved economic prospects in most countries in sub-Saharan Africa. › Political instability in Kenya, low economic recovery in Nigeria and persisting recessionary conditions in Namibia. › Increasingly competitive donor aid market resulted in lower than expected volumes and margins. › Tough trading conditions in key markets expected to persist in the short term.	› Economic expansion in Europe resulted in lower unemployment. › Certain sectors remain under pressure, specifically steel, with US trade tariffs expected to divert steel from China to Europe putting prices under further pressure. › New EU regulation with lower emission thresholds introduced, which could lead to OEMs reducing vehicle production volumes. › Low water levels on the River Rhine impacted shipping operations, with low water levels persisting since July. › Tough economic conditions in the UK due to Brexit uncertainty.

Within this context, Imperial Logistics recorded growth in revenue and operating profit of 3%. Excluding businesses held for sale (mainly the disposal of Schirm) revenue and operating profit grew 8% and 5%, respectively.

These results were supported by:
- Solid performance from our West African healthcare businesses (mainly Eco Health) and CPG business in Mozambique (CIC).
- Disposal and closure of some smaller, strategically misaligned businesses in South Africa and the African Regions.
- Inclusion of Surgipharm for the full 12-month period.
- Excellent results from the automotive and international shipping segments (mainly South America) in Logistics International.

Results were partially offset by lower volumes, margin pressures and renewal of contracts at lower margins in South Africa and the loss of a large public healthcare contract in African Regions, lower operating profit performance from the sourcing and procurement business (Imres) in African Regions and disappointing performances in the European inland shipping, retail and industrial businesses. Excluding current and prior year acquisitions and disposals, revenue increased by 5% and operating profit declined by 1%. Profit before tax improved by 26% as foreign exchange losses, mainly in African Regions, were contained to R70 million compared to R216 million in the prior year. Net finance costs reduced 8% due to a significantly improved and strengthened balance sheet, and amortisation of intangibles reduced by 17% mainly due to the sale of Schirm.

The net debt to equity ratio improved significantly from 122% in the prior year to 50% following the sale of non-core or underperforming businesses and non-strategic properties, reduced capital expenditure requirements and the recapitalisation of the African Regions. The ROIC of 12,2% compares to 11,5% in the prior year and is above the target hurdle rate of WACC + 3%.

Net capital expenditure increased to R578 million from R492 million in the prior year. Capital expenditure in the current year comprised mainly the replacement of transport fleet in South Africa, reduced by proceeds from asset disposals of R730 million, including property disposals of R367 million. Property disposals were lower when compared to the prior period.

Operational review – continued

Logistics South Africa

	% change	2018	2017
Revenue (Rm)	(1)	**16 310**	16 498
Operating profit (Rm)	4	**952**	919
Operating margin (%)		**5,8**	5,6
Return on invested capital (%)		**13,7**	12,3
Weighted average cost of capital (%)		**11,0**	10,6
Net debt/equity ratio (%)		**64**	40

Note: ROIC and WACC are calculated on a rolling 12-month basis. The above table includes businesses held for sale and eliminations.

Logistics South Africa performed satisfactorily in difficult market conditions, decreasing revenue by 1% and increasing operating profit by 4%. Excluding businesses held for sale revenue increased by 1% and operating profit reduced by 1%. Performance was enhanced by a positive contribution from the Itumele Bus Lines, and the disposal and closures of some smaller, strategically misaligned businesses in the current and prior years. The second-half performance was negatively impacted by reduced volumes and depressed margins. ROIC improved to 13,7% from 12,3% mainly due to improved capital management and the sale of strategically misaligned and underperforming businesses.

Logistics African Regions

	% change	2018	2017
Revenue (Rm)	9	**10 823**	9 947
Operating profit (Rm)	3	**759**	740
Operating margin (%)		**7,0**	7,4
Return on invested capital (%)		**17,5**	23,8
Weighted average cost of capital (%)		**11,1**	6,7
Net debt/equity ratio (%)		**23**	>150

Note: ROIC and WACC are calculated on a rolling 12-month basis. The above table includes businesses held for sale and eliminations.

Imperial Logistics African Regions performed below expectation with revenue and operating profit increasing by 9% and 3%, respectively with a mixed performance across the portfolio. Revenue and operating profit, excluding businesses held for sale, increased by 19% and 1%, respectively. Results were supported by a good performance from our West African healthcare businesses (mainly Eco Health), the leading distributors of pharmaceuticals in Nigeria and Ghana, which had record sales. The acquisition of Surgipharm contributed positively and the CPG route-to-market business were enhanced by strong growth in the cross-border trade from South Africa into SADC markets. Our sourcing and procurement business (Imres) delivered a lower operating profit performance compared to the prior year due to increased competition, change in the product mix, uncertainty in aid and relief markets, and longer lead times in executing orders which resulted in lower margins. However, this business continues to generate good cash flow and delivers ROIC in line with the target hurdle rate. The sub-Saharan healthcare logistics business was negatively impacted by the loss of a large, public healthcare contract.

The average strengthening of the Rand by 5% against the US Dollar also negatively influenced the Rand performance during the period. The business was recapitalised during the year, resulting in a significantly lower net debt to equity ratio. ROIC at 17,5% declined from 23,8% mainly due to the underperformance of the sub-Saharan and Kenyan healthcare logistics businesses and the sourcing and procurement business, an increase in our investment in Eco Health, from 68% to 87% and normalised working capital.

Logistics International

	% change	2018	2017
Revenue (Rm)	4	**24 266**	23 270*
Operating profit (Rm)	3	**1 142**	1 105
Operating margin (%)		**4,7**	4,7
Return on invested capital (%)		**9,6**	8,2
Weighted average cost of capital (%)		**6,3**	5,4
Net debt/equity ratio (%)		**56**	128
Revenue (Euro million)		**1 581**	1 574*
Operating profit (Euro million)	(1)	**74,6**	75,3
Operating margin (%)		**4,7**	4,8

Note: ROIC and WACC are calculated on a rolling 12-month basis. The above table includes businesses held for sale and eliminations.
* Restated.

Logistics International's revenue was flat and operating profit decreased by 1% in Euros, while revenue and operating profit increased by 4% and 3%, respectively in Rands, which weakened by 4% on average against the Euro during the year. Revenue and operating profit, excluding businesses held for sale (Schirm), increased by 8% and 12%, respectively in Rand terms and increased by 4% and 6%, respectively in Euros. The significant driver of growth was the automotive contract logistics business, which grew both new and existing business during the year. Results were also supported by a good performance from the international shipping operations in South America. The European inland shipping business underperformed due to low water levels on the River Rhine. The retail, steel and industrial sub-divisions delivered unsatisfactory results resulting from lower volumes. Palletways performed below expectations due to toughening economic conditions, and continued competitive pressure in sub-scale operations. ROIC improved to 9,6% from 8,2% and is above the targeted WACC+2%.

Outlook

In South Africa, the new financial year commenced with persistently low economic growth conditions, low consumer spending (exacerbated by rising fuel prices), subdued volumes and relentless pressure on margins from clients. It is anticipated that the tough business conditions will continue for the short term.

In the African Regions, we expect trading conditions to remain challenging, especially in key markets (Nigeria, Namibia, Mozambique and Kenya) due to volatility. These conditions are expected to ease in the medium to longer term. We continue to focus on adding new principals, maintaining margins and managing our costs and working capital. Growth in Africa's consumer environment is expected to maintain a positive trend and we remain positive about growth prospects, due to our positioning in the market, ability to add new business and managing the risks in the region.

Internationally, we have a strong base for growth within specific industries in which we have strong competitive positions. The commercial and business development focus of the new management team will support our ability to grow revenues in these industries, with the potential to expand into Eastern Europe and strengthen our International Freight Management capability. The low water situation is already impacting operations and the duration of this low water period will depend on weather conditions, which are forecast to remain unfavourable. We will continue to explore partnerships with global providers to expand the Palletways model in the UK into other European territories.

We anticipate solid operating and financial results in the financial year to June 2019, subject to stable currencies in the economies in which we operate. We expect to record growth in revenues and operating profit and have the appropriate capital structures in place to fund our strategic aspirations while continuing to pay a stable dividend.

Corporate governance at Imperial Logistics

The increased scrutiny that comes with direct accountability to equity and debt capital markets, will require Imperial Logistics to establish its credibility as a separately listed company, based on reliable disclosure and guidance on strategic and financial performance and, ultimately, delivering on it.

As per King IV, Imperial Logistics' leadership will need to demonstrate integrated thinking, through defensible decisions that harmonise the legitimate interests of stakeholders and align to the six capitals model for sustainable value creation, while deepening the company's reputation as an ethical and responsible corporate citizen that responds adequately to the risks and opportunities in the "triple context" (social, economic and environmental).

A well-constituted and diverse board, with expertise and experience relevant to strategy and the operating context within which Imperial Logistics operates, will need to be maintained and its independence and oversight of multinational operations, underpinned by strong governance and control processes that support strategic delivery and corporate reputation, will need to be demonstrated over time.

Retention and succession planning for the highly experienced, long-serving management team will be critical, with continuous leadership development aligned to strategy, diversity and culture objectives.

A high standard of excellence in governance and accountability has been instilled within Imperial Logistics as a member of the Imperial Group.

Board and committees post unbundling

Should shareholders approve the proposed unbundling of Motus at the meeting on 30 October 2018, Imperial Holdings Limited will be renamed Imperial Logistics Limited and the board and committees of the company will be constituted as set out below.

Imperial Logistics Limited board (post unbundling)

Non-executive directors

Phumzile Langeni (44)
Chairman
BCom (Acc), BCom (Hons), MCom
A stockbroker by training, Phumzile is executive chairman of Afropulse Group (Proprietary) Limited, non-executive chairman of the Mineworkers Investment Company (Proprietary) Limited and Primedia Holdings. Phumzile also serves as an independent non-executive director on some companies listed on the JSE, among others Massmart Holdings Limited and Redefine Properties Limited. Phumzile was appointed on 16 April 2018 by His Excellency Cyril Ramaphosa, the President of the Republic of South Africa as one of four Special Investment Envoys tasked with raising US$100 billion over a five-year period. Phumzile previously served as an economic adviser to the former Minister of Minerals and Energy, Ms BP Sonjica.

Roddy Sparks (59)
Deputy chairman and lead independent non-executive director
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, the lead independent director of Trencor and chairs the board of advisers of the UCT College of Accounting.

Peter Cooper (62)
Independent non-executive director
BCom (Hons), HDip Tax, CA(SA)
Peter is the immediate past chief executive officer of RMB Holdings Limited (RMH) and Rand Merchant Investment Holdings (RMI). His early career was in the financial services sector, first as a tax consultant and later specialising in corporate and structured finance with UAL Merchant Bank. He joined Rand Merchant Bank in 1992 as a structured finance specialist and transferred to RMB Holdings in 1997, where he was appointed to the board in 1999. He continues to serve as a non-executive director of RMH, RMI, OUTsurance and MMI.

Graham Wayne Dempster (63)
Independent non-executive director
BCom, CTA, CA(SA), AMP (Harvard)
Graham is a non-executive director of Telkom and AECI and the independent non-executive chairman of Long4Life Limited. Graham was an executive director of Nedbank Group Limited and Nedbank Limited and retired in May 2014 with over 30 years' service in the Nedbank Group.

Thembisa Skweyiya (45)
Independent non-executive director
BProc, LLB (Natal), LLM (Harvard), HDip Tax (Wits)
Thembisa is an admitted attorney to the New York State Bar, USA.

She is the past chairperson of Ukhamba Holdings, an empowerment shareholder in Imperial. She is an executive director of Skweyiya Investment Holdings (Proprietary) Limited and Theshka (Proprietary) Limited. She is currently a director of Famous Brands Limited and Sumitomo Rubber South Africa.

Executive directors

Marius Swanepoel (57)
Chief executive officer
BCom Acc (Hons)
Marius Swanepoel was appointed as the CEO of the Imperial Logistics division in July 2016 after serving as CEO of Imperial Logistics Africa since October 2005. He will retire as CEO of Imperial Logistics in June 2019, remaining as director until December 2019. Marius joined the group in 1994 when Imperial acquired Highway Carriers, where he served as financial director. In May 2007, he joined the Imperial executive committee and was appointed to the Imperial board in November 2009. Marius began his career with the South African Revenue Service in Cape Town, after completing his articles at auditing firm Brink, Roos & Du Toit.

Mohammed Akoojee (39)
Chief executive officer designate
BCom Acc (Hons), CA(SA), CFA
Mohammed Akoojee, currently CFO and acting CEO of Imperial, will succeed Marius as CEO of Imperial Logistics from 1 July 2019 on conclusion of the proposed unbundling. Mohammed will be appointed as CEO designate of Imperial Logistics to facilitate an orderly transition and handover from Marius. Mohammed joined the group in 2009, previously serving as CEO of the Imperial Logistics African Regions division and executive director responsible for mergers, acquisitions, strategy and investor relations for the group. Prior to joining Imperial in 2009, Mohammed worked within the corporate finance and investment banking team at Investec Bank. Before joining Investec, Mohammed worked for Nedbank Securities as an equity analyst.

George de Beer (45)
Chief financial officer
BCompt (Hons), CA(SA)
George de Beer is the CFO of Imperial Logistics and will remain in this role post the unbundling. George joined Imperial in 2005 and held various executive positions in the subsequent years. He was also closely involved with the creation of the African Regions business and his expertise in integrating acquisitions and establishing controls contributed to the evolution of the division from a collection of relatively small transport businesses to the R11 billion business it is today.

Board sub-committees (post unbundling)

Audit and risk committee	Remuneration committee	SES[1] committee	Asset and liabilities committee	Nomination committee
› Assists with internal and external audit processes for the group, taking into account the adequacy and functioning of the internal controls and integrity of financial reporting. › Sets the risk culture, framework and strategy and ensures robust risk management processes are in place.	› Advises and guides the board on director remuneration, setting and implementing remuneration policy, approval of general composition of remuneration packages and criteria for executive bonus and incentive awards.	› Assists the group with discharging its social, ethics and sustainability responsibilities and implementing practices consistent with good corporate citizenship.	› Responsible for implementing best practice asset and liability risk management policies. › Manages the liquidity, debt levels, interest rate and exchange rate risk of the group within an acceptable risk profile.	› Provides advice and guidance on succession planning, director appointments, and director induction and training.
Members	**Members**	**Members**	**Members**	**Members**
› GW Dempster (Chairman) › P Cooper › T Skweyiya › RJA Sparks	› RJA Sparks (Chairman) › P Langeni › T Skweyiya	› T Skweyiya (Chairman) › P Langeni	› P Cooper (Chairman) › GW Dempster	› P Langeni (Chairman) › RJA Sparks › T Skweyiya

[1] Social, ethics and sustainability.

Corporate governance at Imperial Logistics – continued

Imperial Logistics executive committee

Marius Swanepoel
Chief executive officer
See Imperial Logistics Limited board on page 81 for detailed CV.

Mohammed Akoojee
Chief executive officer designate (post unbundling)
See Imperial Logistics Limited board on page 81 for detailed CV.

George de Beer
Chief financial officer
See Imperial Logistics Limited board on page 81 for detailed CV.

Nico van der Westhuizen
Imperial Logistics South Africa CEO
BA (Hons), B Iuris
Nico was appointed CEO of Imperial Logistics South Africa in February 2016. He joined Imperial Logistics in May 1994 and has held various leadership positions within the business since then. Prior to joining the group, Nico held various senior management roles at the International Transport Corporation, Langeberg Foods (Tiger Brands) and Sasol.

Johan Truter
Imperial Logistics African Regions CEO
Johan Truter is the CEO of the African Regions business having previously served as CEO of the Managed Solutions division, where the introduction of an asset-light business model saw the division disrupt the market. His extensive experience in navigating the complex African continent – and proven success in developing and implementing route-to-market solutions and value-add logistics – see him well placed as a strategic partner to multinational clients wanting to enter and grow in emerging economies. Johan joined the group with the acquisition of Broco in 2004 – a business of which he was joint founder and managing director.

Renier Engelbrecht
Imperial Logistics African Regions CFO
BCom (Hons), CTA in Accounting, CA(SA)
Renier is currently CFO of the African Regions business. Renier is a chartered accountant and has held various CFO and commercial roles within the Imperial Group since joining in 2008. He is also a member of the Imperial treasury committee.

Hakan Bicil

Imperial Logistics International CEO

MBA (Logistics)

Hakan Bicil will manage the international business of Imperial Logistics as CEO of Imperial Logistics International B.V. & Co. KG as of 1 September 2018. Hakan will take the reins from Carsten Taucke, who will withdraw from the management board as of August 2018. Hakan was chief commercial officer at CEVA Logistics. Prior to this, he held senior management positions at Panalpina (executive vice-president strategic business development), at the TOLL Group (managing director Europe and Middle East) and at Kuehne & Nagel (senior vice-president global business development).

Cobus Rossouw

Chief strategy officer

BEng (Hons) (Industrial), BCom (Hons) Logistics

Cobus Rossouw is the chief strategy officer for Imperial Logistics. As such, he is responsible for orchestrating the group's strategic trajectory and enabling the alignment of all employees globally to ensure its execution. His primary task is the creation, communication and ongoing refinement of robust, integrated strategies that deliver and sustain a competitive edge for the business and its stakeholders. Before joining Imperial Logistics in 2009, Cobus co-founded Volition – which now operates as Resolve. Prior to that, Cobus was logistics director of Cadbury South Africa.

Michael Lütjann

Chief information officer

State examination in business management and economic computer science

Michael is CIO of Imperial Logistics and a member of the management board at Imperial Logistics International B.V. & Co. KG. He is expanding the digital infrastructure at Imperial Logistics and continues to develop processes, forms of work and business models with regard to their digital design. Michael has been working in the field of information technology for almost his entire professional career. Before he joined Imperial Logistics in 2015, he worked at Schenker AG for five years as senior vice president IT management logistics.

Motus

Motus is a diversified (non-manufacturing) business in the automotive sector with unrivalled scale and scope in South Africa, and a selected international presence primarily in the United Kingdom and Australia.

Contents

MOTUS
POWERING PROGRESS

With its origin dating back to 1948, Motus formed the foundation for the growth and development of Imperial Holdings. Our high-performance, ethical and entrepreneurial culture is well entrenched, and finds contemporary reference in our vision, mission and values.

Automotive industry in overview

The global automotive industry is rapidly changing with new technologies and emerging entrants redefining how consumers buy, own, use and drive cars. Differentiated mobility solutions are being developed by these new entrants, forcing a change in products and business models.

There is a need to improve and align digital platforms, leverage data and integrate channels to enable a fully integrated customer journey. Transforming the customer experience to one that is digital, omnipresent and omnichannel, and reflects the customer experiences that consumers enjoy from retail, banking and a host of other industries, remains the relevant theme. Consumers are demanding technology that is smarter, simpler and in line with consumer needs.

According to the South African Export Manual 2018, published by the Automotive Industry Export Council, the automotive industry is one of the most important sectors in South Africa, contributing more than 6% to the country's gross domestic product (GDP) and accounting for more than 13% of South Africa's total export value, making it a crucial cog in the economy. The South African automotive supply chain includes manufacturing, distribution, retail, finance, insurance and maintenance and servicing. Motus currently operates in all segments of the vehicle value chain other than manufacturing.

The automotive industry is a vital part of the United Kingdom (UK) economy accounting for more than £80 billion turnover. Despite Brexit-related consumer concerns, the UK new car market has remained stable and Motus' operations have performed to expectations. The UK automotive market has experienced a shift in market segment over the past decade, and the most popular vehicle choices are superminis, small family cars and small utility vehicles (SUVs) (dual purpose).

The Australian new vehicle market has shown steady growth over the past decade, with rising consumer confidence, population growth and low unemployment all having a direct impact. SUV sales continue to drive the passenger vehicle market due to the wide range of SUVs now being offered by manufacturers in the country.

Country	Total vehicle sales 2016	**Total vehicle sales 2017**	Motorisation rate/ 1 000 people	Vehicle parc million
Australia	1 178 133	**1 188 677**	718	17,2
South Africa	547 546	**557 701**	176	12,2
UK	3 123 755	**2 955 182**	587	38,2
Global	93 905 634	**96 804 390**	182	1 282,3

Source: The South African Automotive Export Manual 2018.

Motus is well positioned, due to its scale and scope, expertise and relationships, to anticipate the changes and respond with the necessary innovations. Specifically, its strong relationships with original equipment manufacturers (OEMs) will support its ability to respond quickly to their changing requirements. Furthermore, the financial services business has a proven track record in improving customer engagement through innovative channel and product development, underpinned by its data analytics capabilities.

Investment highlights and competitive position

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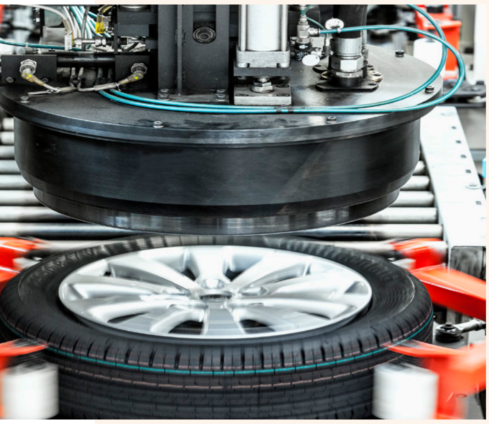


Leading market position underpinned by strong segmental positions

Vehicle Import and Distribution

- Exclusive South African importer and distributor of respected international brands of passenger and light commercial vehicles and in-warranty parts, the largest being Hyundai, Kia, Renault and Mitsubishi, serving a network of dealerships, car rental companies, fleets and government institutions.
- Over 80 000 vehicles imported annually.
- Exclusive distributor of Nissan in four East African countries.

Importer market share of around **15%** in South Africa

Motus revenue
22%

Motus operating profit
21%

Vehicle Retail and Rental

- South Africa
  - Represents 23 OEMs through 356 vehicle dealerships (including 104 pre-owned), 232 franchised dealerships and 20 commercial vehicle dealerships.
  - 118 car rental outlets (Europcar and Tempest) and 16 across Southern Africa.
- UK – leading commercial vehicle retailer with 84 dealerships, and 28 passenger dealerships.
- Australia – 30 passenger dealerships.

Retail market share of around **20%** in South Africa

Rental market share of more than **25%**

Motus revenue
68%

Motus operating profit
44%

Aftermarket Parts

- Distributor, wholesaler and retailer of accessories and parts for vehicles out of warranty.
- 35 owned branches, 43 retail-owned stores and a network of 720 Midas (AAAS), Alert Engine Parts and Turbo Exchange franchised outlets and specialised workshops.

Supply chain encompasses the **Far East and South Africa**

Motus revenue
8%

Motus operating profit
12%

Motor-Related Financial Services

- Markets and administers service, maintenance and warranty plans, and other value-added products.
- Develops and distributes innovative vehicle-related financial products and services through importers and distributors, dealers, vehicle finance houses, call centres and digital channels.
- Provider of fleet management services differentiated by cutting-edge technology and empowerment credentials.

More than **664 000** vehicle plans

Over **730 000** clients

Motus revenue
2%

Motus operating profit
23%

Note: Based on external revenue, excluding businesses held for sale.

Investment highlights
and competitive position – continued

Sustainable competitive advantage centred on scale, integration and insight

With our unrivalled scale and integration across the automotive value chain enabling deep market insight and expertise, we provide the essential connection between OEMs, customers and business partners. Underpinned by our entrepreneurial culture, this positions us to respond effectively to disruptive change, and in selected areas to lead disruptive change in our industry.

The following key competitive advantages underpin this structural resilience:

Consistently **superior route-to-market** through quality marketing, high levels of **customer satisfaction** and **strategically located dealerships**.

Unique understanding of mobility-related technologies, consumer behaviour and OEM strategies enables us to **partner OEMs in new ways of penetrating the market** and developing **innovative value-added products and services (VAPS) and mobility solutions**.

Proven ability to **leverage proprietary data**, the extent of which is unrivalled by competitors due to our leading importer and retail positions, to **understand customer mobility needs and accurately price our financial services and fleet management offerings**.

Differentiated fleet management services with cutting-edge systems, data analytics capability and strong empowerment credentials (positions us well to service ride-sharing and car-sharing models).

Provide customers with exceptional value across the full value chain, through relevant offerings and exceptional service at competitive prices.

Partner of choice to OEMs demonstrated by longstanding importer and retail partnerships.

Powerful and credible business partner to financial services incumbents and new entrants with significant routes-to-market, large corporate fleet owners, and broad-based black economic empowerment (B-BBEE) players.

Consistent earnings and margin profile through the cycle

Market leading position in South Africa and multi-faceted diversification, underpinned by financial discipline and cost control, provides proven cyclical resilience.

Access to developed markets and hard currency earnings

Our operations in selected international markets, supported by well-developed centralised controls and deep expertise in finance, treasury and accounting in a low-cost emerging market environment, provide first-hand access to latest industry trends in developed markets and hard currency earnings growth.

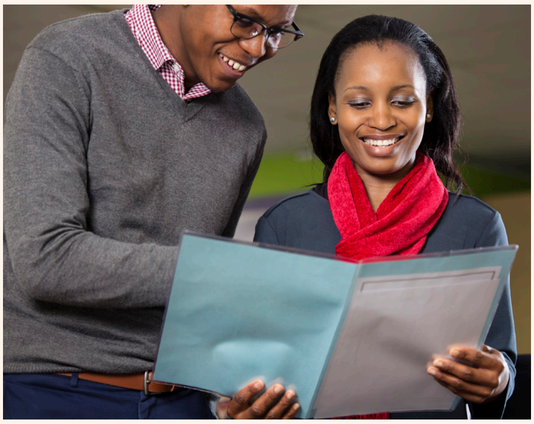
Key investment highlights

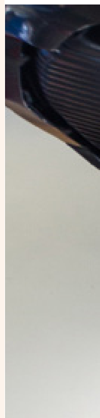
Our leading market share and diversified service offering in our home market maximises revenue and income opportunities per vehicle sold, underpinned by significant annuity earnings. Together with our growth prospects in our international markets, this positions Motus to sustain strong free cash flows, earnings and targeted returns, providing a platform for an attractive dividend pay-out through the cycle.

Representing the world's most respected automotive brands and supported by over 18 300 employees, Motus' key investment highlights include:

- Unique fully integrated business model across the automotive value chain: Import and Distribution, Retail and Rental, Motor-Related Financial Services and Aftermarket Parts supplier.
- Diversified business in the automotive sector (non-manufacturing) with a leading position in South Africa and selected international presence (UK and Australia).
- Access to annuity income streams, sustainable free cash flow generation with best-in-class earnings and return on invested capital exceeding weighted average cost of capital (WACC), providing a platform for an attractive dividend yield.
- Unrivalled scale underpinning a differentiated value proposition to OEMs, customers and business partners, providing multiple customer touch points which supports resilience and customer loyalty through the entire vehicle ownership cycle.
- Defined organic growth trajectory through portfolio optimisation, continuous operational enhancements and innovation, with a selected acquisition growth strategy outside South Africa.
- Highly experienced management team with deep industry knowledge of regional and global markets, and a proven track record with years of collective experience.

One Motus strategy





One Motus

Our strategic focus is on deepening our competitiveness and relevance across the automotive value chain, by driving organic growth through optimisation and innovation, with selective acquisitive growth outside South Africa that leverages our automotive industry expertise. Achieving our vision and related aspirations for financial performance, market performance and innovation, is supported by clearly defined strategic initiatives at a group and segment level.

Our **vision**

To improve people's lives by envisioning, innovating and creating new avenues of access to leading-edge mobility solutions (products and services) at competitive prices through our strong relationships with suppliers and principals, while ensuring sustainable value creation for all stakeholders, trusted partners to OEMs and business partners in the geographies in which we operate.

Our **mission**

We create value for customers and build market share through relevant, innovative products and exceptional service at competitive prices. We deliver returns to shareholders through operational alignment and collaboration across the supply chain.

Our **values**

To be fair, accountable and driven, and ensure that we operate in an environmentally friendly and responsible manner.

MOTUS
POWERING PROGRESS

Our strategic aspirations

Market leadership	Drive innovation	Improve operational excellence	Invest in human capital and change management
Maintain and grow market share and competitiveness in our local and international markets.	Leverage key strategic partnerships and enter into new targeted partnerships to deliver innovative mobility solutions to customers and ensure agility in response to disruption.	Remain the partner of choice for OEMs and business partners through exceptional customer service, technology solutions and operational alignment.	Develop and empower leaders, improve practices and processes and ensure a strong focus on transformation and succession.

To enhance financial performance and achieve medium-term targets

Turnover growth of **inflation plus two times GDP**

Return on invested capital (ROIC) target of **WACC + 3%**

Consistent dividend pay-out guideline of **45% of HEPS** in F2019

Motus business model

Inputs

Financial capital

- Direct access to equity and debt markets will attract funding from equity and debt investors, whose investment decisions are influenced by analysts and credit risk assessments.
- Proceeds from property disposals freed up balance sheet capital of R1,3 billion.
- Our ability to generate cash provides us with liquidity to fund working capital and investment in growth, in alignment with our stated dividend pay-out policy.

Human and intellectual capital

- More than 18 300 employees whose level of engagement, relevant skills and diverse ideas support our ability to achieve our strategic objectives and business targets, and deliver customer satisfaction, operational excellence and innovation.
- Human capital strategy focused on being an employer of choice in our industry, to attract, develop, retain and reward high-potential individuals with the mindset, skillsets, flexibility and responsiveness for excellence and innovation, and instilling the desired high-performance, inclusive, entrepreneurial and ethical culture in Motus.
- Ensuring that our people can work effectively by simplifying reporting structures for effective delegation and accountability, supported by the ongoing implementation of reliable core data and leading practices to optimise recruitment, training and mentoring.
- Investing in developing the required future skills to deliver on our aspirations includes annual training spend of R132 million (2017: R167 million).
- Strategic focus on innovation based on OEM partnerships, understanding changing consumer behaviour and mobility trends, proprietary data and analytics, supported by an innovation hub and appropriate internal structures – to optimise current models and at the same time to design new responses to disruption.

Manufactured capital

- The properties and facilities, either owned by Motus or by others (independent dealerships and outlets) and movable assets, for example rental fleet, owned by Motus.
- National transport infrastructure and utilities required to operate.

Relational capital

- The quality of our relationships with all stakeholders, including OEMs and customers, and our business partners including B-BBEE partners, financial services joint venture partners and technology partners.
- The quality of our relationships with regulators, governments and local communities, which protects our commercial and social licences to operate and ensures good corporate citizenship.
- Our credibility as a newly listed company determined by our compliance with JSE Listings Requirements, transparent disclosure and performing in line with market guidance.

Natural capital

- The gatekeepers of our natural capital are our customers, regulators, non-profit organisations and civil society.
- Our environmental performance is fundamental to Motus' value proposition and credibility among OEMs, customers, strategic partners and employees.

The effective operation of our business contributes to affordable vehicle ownership and supports real economic activity and quality of life.

Business activities/outputs

Our participation in all aspects of vehicle ownership, use and maintenance provides the opportunity to grow the proportion of revenue and operating profit that is not vulnerable to new vehicle sales and enables us to cross-sell and leverage synergies and efficiencies across our businesses, providing protection against cyclical pressure.

Vehicle Import and Distribution

Import and distribution of passenger, light commercial vehicles and parts, to serve a network of dealerships, car rental companies, fleets and government institutions in South Africa

Our services across all segments

Aftermarket Parts

Distributor, wholesaler and retailer of **accessories and aftermarket parts** for vehicles through franchised outlets and specialised workshops

Environmental impact

- Our consumption of water, to wash vehicles at dealerships and rental depots, and electricity consumption have the most material environmental impact of our business activities.
- Waste management and responsible disposal of waste oil generated from the servicing of vehicles and equipment in our business.

Ethical leadership, governance and corporate citizenship

- Ethical corporate citizenship, which involves many aspects including fair market practices, the elimination of all forms of anti-competitive behaviour and corruption, appropriate remuneration practices, diversity and inclusion as well as community development, is an expectation instilled by the ownership of Imperial Holdings.

MOTUS
POWERING PROGRESS

Our ability to deliver sustainable profitable growth through the cycle and to position our business for the structural disruption in our market, underpins our ability to create value for all stakeholders over the long term.

Retails, services and supplies parts for new and used vehicles across all segments, which includes entry level, SUV, luxury and light, medium, heavy and extra heavy commercial vehicles

Vehicle Retail and Rental

of the vehicle value chain

Develop, market and administer **service, maintenance and warranty plans.** Develop and sell VAPS. Provide fleet management services. Includes call centres and an innovation hub

Motor-Related Financial Services

For information on our dealership networks, rental outlets and parts stores, see page 87.

For more information on our market shares per segment, refer to page 111.

Outcomes (F2018)

Financial capital
- Turnover of R77,7 billion, 31% foreign.
- Operating income of R3,6 billion at a margin of 4,6%.
- Between 70% and 80% of operating profit in Motus is not vulnerable to short-term new vehicle sales volatility.
- Net debt/equity ratio of 50% (2017: 46%).
- Retail market share in South Africa of around 20%.
- Distributed R3,9 billion to providers of capital.

Human and intellectual capital
- Road fatalities – one (2017: 0).
- Black representation of top management in South Africa of 25% (2017: 17%).
- 58 training hours per employee (2017: 71 hours).
- 489 employees participated in a managerial programme (2017: 406).
- Recruited 128 sales cadets into the 12-month sales cadet programme.
- Created wealth per employee of R621 000.

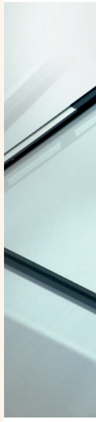
Manufactured capital
- Closure of nine non-performing dealerships.
- Sale of 32 non-strategic properties.
- Reinvested R1,4 billion to maintain and develop operations.

Relationship capital
- Supplier and enterprise development spend of R41 million (2017: R37 million).
- Exclusive South African importer and distributor of four respected international brands.
- Distributed R1,0 billion to governments.

Natural capital
- Road fuel usage down 11%.
- Total Scope 1 and 2 CO_2 emissions decreased by 11,3%.
- Water consumption of 651 648 kilolitres down 6,2%.
- Reduced electricity consumption by 9,8%.
- One environmental spill, of 140 litres of used and new oil contaminating a workshop's entire oil store.
- No fines or penalties incurred for environmental incidents during the reporting period.
- Recycled 2 431 068 litres of oil (2017: 2 679 396 litres).

- A strong, diverse and independent board, with the expertise and experience relevant to strategy and the operating context within which we operate and strong governance and control principles that comply with King IV and support strategic delivery and our corporate reputation, have been achieved in the process of separation.

Motus acting chief executive and chief financial officer's report



Motus introduction

Our leading position and fully integrated business model across the automotive value chain gives Motus unique market insight and expertise in South Africa, and forms the basis for strong relationships with OEMs, customers and business partners. Our diversified income streams in our core market, and growth prospects in selected international markets, position Motus to deliver best-in-class earnings, targeted returns and a consistent dividend pay-out, underpinning our ability to create sustainable value for stakeholders through the cycle.

In the past 12 months, key priorities for the executive team have been to formulate and execute detailed plans at group and business segment level in line with our strategic objectives of market leadership, operational excellence, innovation and investment in human capital and change management, as the basis for enhanced financial performance.

In South Africa, we continued to clarify and deepen our value propositions to OEMs, customers, business partners and employees, optimising the competitiveness and growth potential of our business segments and leveraging their presence across the automotive value chain. We made good progress in transforming our management teams, aligned to our employment equity targets, with key appointments of both internal and external candidates.

Focus was also given to integrating the acquisitions made in the UK and Australia, with the transfer of South African expertise, capital discipline and operational excellence. The optimisation of our portfolio continued, with the exit or disposal of non-core investments in certain brands and of properties that were surplus to our needs, and ongoing streamlining of the business further reduced complexity.

Considerable time was spent with shareholders and the investment community leading up to the proposed unbundling and listing, which clarified Motus' investment proposition as an independent entity. Extensive work with the relevant advisers was required to finalise the legal restructuring to form Motus Holdings Limited and to house its local and international subsidiaries. By year-end we had achieved an optimal capital structure with the flexibility and headroom in our balance sheet and debt facilities to accommodate strategic growth and sustain a consistent dividend pay-out. The necessary independent structures were established at board and management level to underpin the exemplary governance standards that are a vital aspect of Imperial's legacy.

One Motus strategy

Since 1 January 2017, Motus has operated as a consolidated automotive group under one collaborative leadership team, with four defined business segments. This was the outcome of three years of extensive portfolio optimisation and restructuring to sharpen strategic, managerial and customer focus, improve inter-divisional collaboration and efficiencies, and reduce complexity, costs and capital employed. This strategic and operational clarity positions Motus well for sustainable value creation.

In line with our strategy, we measure a range of performance targets that pertain to our key value drivers, including the market shares of our Import, Retail and Rental business segments, volume targets in our Aftermarket Parts segment, and customer growth in the financial services segment. Besides targeted volumes, customer satisfaction scores across our dealerships are critical elements of our agreements with OEMs. Capital and cash management is determined by a specific emphasis on our targeted return on invested capital and free cash conversion. We also monitor the defined forward cover instruments in place to mitigate against currency risk, especially in our importer business segment, on an ongoing basis. We will continue to unlock value in the dealership network by benchmarking, against industry standards, both locally and abroad. Management performance is linked to key non-financial measures including the achievement of employment equity targets in our South African operations and innovation in the financial services segment. We will expand these in time to include other measures to drive our strategic objectives.

For Motus' strategic and financial performance during the year, see pages 112 to 115.

Our key strategic intentions are outlined below in relation to the market context in each case.

MARKET LEADERSHIP: grow market share and competitiveness in our core and international markets, through optimisation and data insights.

In South Africa, our leading market position and unrivalled scale, integration and synergy across the automotive value chain enables us to maximise all possible revenue and profit streams for every vehicle sold, diversifying our earnings and providing resilience through the cycle. Continuing to increase our profitability, depends primarily on growing our competitive market share by strengthening our core business – driving organic growth and optimisation within each business segment, while leveraging their strong positions to unlock the full potential of the entire value chain. This will be further supported by the hard-currency earnings out of our recently expanded international operations.

In addition to the margin we make on the sale of a vehicle, the importer segment creates value for the retail segment through the generation of workshop throughput. This has a positive contribution to workshop and parts turnover and margins. This workshop throughput is supported through inclusive warranties, service and maintenance plans. Customers also have the option to purchase VAPS on the dealer floors at point-of-sale and the dealerships earn the regulated commissions on these sales.

Our trusted partnerships with OEMs, as an exclusive distributor, enable us to influence their decisions to make the most appropriate right-hand drive vehicle models available for the local market, underpinned by our data and market insight, and to secure competitive pricing and terms of

Ockert Janse van Rensburg

CFO and acting CEO

warranty, which supports our competitive edge and drives volumes in both the importer and financial services segments.

Our unrivalled footprint of strategically located dealerships, largely in growing urban areas, and our diverse portfolio of 23 vehicle brands, supports our leading market share. Furthermore, our strong balance sheet enables us to allocate 15% to 20% of importer volume to our rental fleet, which in turn supports OEM volume targets and drives sales of new vehicles by giving rental customers the chance to experience new vehicle models. Our car rental business defleets through our used car operations, ensuring that we have a constant and reliable source of the right used vehicles, in the right condition, and at the right price.

In the retail segment, we seek to achieve economies of scale in selected international markets through acquisitions that complement the group's existing networks. Following the significant acquisitions of Pentagon in the UK and SWT in Australia, there are good prospects for further complementary acquisitions in these markets to allow for broader brand representation. Although it is not a primary focus, given the constraint of our large market share, we also continue to acquire strategically located dealerships in South Africa, in line with our strategic focus on metropolitan localities where we are under-represented.

The financial services segment complements, completes and leverages the value chain, to provide a strong annuity earnings stream. Our ability to analyse our extensive proprietary data (including sales, residual values, service schedules and parts failure rates) enables the development and accurate pricing of innovative VAPS and management of claims costs and fund burn rates, which supports profitability.

A key strategic focus is to grow non-vehicle revenue in the Financial Services and Aftermarket Parts segments. With the integration and rebranding of the VAPS business (M-Sure), and the amalgamation of the financial services structure, where there is considerable opportunity to expand our financial services offerings across Motus and independent dealership networks.

The Aftermarket Parts segment has a large national and increasing international footprint with significant buying power, and we are focused on vertically integrating and shortening the supply chain by disintermediating low value-adding intermediaries, enabling us to distribute and sell competitively priced products for vehicles out of warranty. Our addressable market in this segment is a large and continually growing car parc in South Africa, and even more significant in other African markets given the large volumes of pre-owned vehicles imported from the Far East where high taxes are levied on older vehicles.

Our acquisition of a controlling stake in wholesale distributor ARCO in Taiwan will enable us to control a larger proportion of the value stream and provides attractive opportunities to consolidate the supply of parts into other international territories. There is also opportunity to grow our network in South Africa through the acquisition of large retailers and wholesalers in specific areas. In the African Regions, the opportunity is significant, and we are investigating local partnerships to provide a viable route-to-market given the emerging market characteristics of widespread informal retail outlets.

Importantly, to support our leadership position in our core market, we are also focused on identifying suitable B-BBEE partners to deepen our competitiveness within specific business segments.

The resilience that stems from the group's diversified earnings streams, supported by the market positions and growth prospects of our business segments, and the defensive and additive value of integration – all underpinned by financial discipline and cost control – provide an earnings and margin profile that will secure a consistent dividend pay-out ratio throughout the cycle, a key factor in our investment proposition as a separately listed entity.

IMPROVE OPERATIONAL EXCELLENCE: remain the partner of choice for OEMs and business partners through exceptional customer service, technology solutions and operational alignment.

Our strategic partnerships with OEMs and other business partners are pivotal to our business model, as we are the essential link between them and customers; underpinned by our ownership of 70% of our importer and retail dealerships, we provide customer touchpoints at points of sale, service, repairs and maintenance, which entrenches the OEM relationship. It is critical, therefore, that we remain relevant to customers by delivering exceptional value across the vehicle ownership lifecycle and staying abreast of their changing

Motus acting chief executive and chief financial officer's report – continued

preferences and behaviour, to remain the partner of choice for OEMs.

The basis for this is to understand customer mobility needs through data analysis, develop personalised services and engender loyalty. Innovative projects are underway in the financial services segment to introduce new loyalty programmes and achieve a single view of a customer across all Motus touchpoints, to deepen our understanding of their behaviour and preferences. We continue to showcase the evolving mobility experience in partnership with OEMs, introducing new formats such as showrooms in shopping malls and virtual showrooms. Another important initiative is to consolidate our pre-owned dealer brands and online presence to capture a greater share of this growing market.

Our unrivalled scale and scope across the automotive value chain in South Africa, which underpins our specialised industry expertise, also supports our attractiveness to other strategic partners. Our extensive network of dealerships provides a distribution platform not only for our own finance and insurance (F&I) products and VAPS but also those developed in joint ventures with financial services partners.

To provide the system's backbone for operational excellence, we are implementing technology solutions to realise efficiencies, drive new growth opportunities and strengthen competitive advantage. The rationalisation, upgrading and standardisation of fragmented legacy systems, and consolidation of back-office systems and shared services, where it makes sense to do so, is ongoing. Proper separation between customer information that is proprietary to OEMs, and compliance with legislation such as the Protection of Personal Information Act (PoPI) in South Africa, is a key consideration in building the strategic IT capability to support business insight and reporting, and enhanced data gathering and analytics to drive innovation across our physical and virtual sales platforms.

DRIVE INNOVATION: partner with OEMs to deliver innovations to customers, leverage IT solutions and ensure agility in response to disruption.

The automotive industry faces deep disruption with connected cars, telematics and electric engines as well as shifts in vehicle ownership fundamentally altering the mobility landscape. In view of the trends, we are focused on ensuring the ongoing relevance of our business by optimising and evolving our business model to protect our installed base; deepening our relationships with OEMs, customers and business partners. Simultaneously, we are investing in "disrupting ourselves" through innovation, supported by our exposure to leading-edge developments in the advanced markets in which we operate, specifically the UK which is expected to see among the most rapid structural shifts in the automotive industry worldwide.

Guided by this insight, we are investing in designing new solutions and operating models (for instance, smaller technology enabled dealerships and retail formats), instilling the required business culture, acquiring specialist skills and partnering with leading-edge technology developers. This will allow us to pre-empt the disruption in our core market and given our control across the full value chain, we have the ability to implement the necessary changes quickly within multiple segments as they become necessary to maintain our competitive lead.

While innovation is a strategic priority in each business segment, the financial services segment operates as an innovation hub, based on its proven expertise, proprietary data, and ability to predict and respond to mobility-related trends. We are investing in developing, building, pricing and commercialising innovative mobility products and services, partnering with highly specialised developers to bring these innovations to market, supported by the actuarial, data science and user experience skills we already have and continue to grow in this segment.

We have implemented the relevant structures, including appointing an innovation executive and an innovation forum to design and drive innovation projects, with sponsorship at a senior executive level within the organisation. Because all innovation cannot take place within Motus, these structures will allow us to partner leading-edge technology developers, who have access to the required skills and experience, on open innovation projects. To deepen senior management's awareness and understanding of global innovation and disruption, we continue to arrange learning experiences in global centres of innovation such as Silicon Valley and Berlin. Changing the way senior people think is a key driver in instilling a culture of innovation throughout the business.

INVEST IN HUMAN CAPITAL AND CHANGE MANAGEMENT: develop and empower leaders, improve practices and processes and ensure a strong focus on transformation and succession.

The competitiveness of our value propositions, particularly to customers, depends on high-calibre and fully engaged people at all levels, and on deepening an inclusive and collaborative high-performance culture at Motus. Ensuring a competitive employee value proposition, with the attendant policies, best practices and systems, across all the dimensions of human capital management, is a key strategic focus to support our intention to be an employer of choice in our industry. In the coming year, we will continue to invest in our talent to align their capabilities with business objectives and career opportunities. We are also developing a leadership development framework to ensure our leaders and managers are able to meet the expectations of our investors, customers and employees.

In our core market, transformation is fundamental to our reputation as an exemplary corporate citizen and to our competitiveness. We have made solid progress in increasing the representation of employees from designated groups at senior management level, including employment equity candidates that have risen through the ranks of our business, and through external appointments. Proper succession planning, aligned with our employment equity plans, is in place at executive and senior management level, supported by sufficient bench strength and long tenures among senior management at Motus. Our engagement efforts, including employee focus groups and diversity workshops, have helped us identify and develop clear action plans to address the barriers to transformation and sensitise our people to the importance of an inclusive culture. A key focus is to accelerate transformation at dealership principal level, where long career progressions and specific skillsets tend to hamper diversity. A pilot programme for 20 dealer principals and portfolio managers will be rolled out in the coming year.

In the implementation of best-in-class human capital management systems and best practices, we are ensuring the right balance of standardisation and procedural flexibility within certain business areas, to ensure that the initiatives implemented are workable and meaningful in different workplace contexts.

Medium-term priorities

Motus is positioned to benefit from the shorter-term structural trends in our core market, and to deal effectively with disruption over the longer term. The trend of customers buying down from luxury brands may continue to impact the retail business, but this will be offset by our diversified brand offering and the defensive positioning of the importer brands, as the demand for entry level vehicles and small and medium-sized SUVs grows.

Besides the ongoing optimisation of our business segments, and extracting maximum leverage across the value chain, we will invest significantly in growing financial services, specifically through joint ventures that leverage our powerful intellectual property in the automotive sector. Similarly in Aftermarket Parts, we will drive further vertical integration and optimisation of the supply chain through acquisitions and local partnerships.

Although the expansion of our South African dealership footprint is not a primary strategic focus, we will be selective in acquiring attractive dealerships should they become available. Consolidating our position in our core market, subject to approval by competition authorities, will be weighed up against potential acquisitions in other segments and markets, according to their potential for highest returns. Capital will be allocated on a case-by-case basis, in view of the potential synergies with our existing networks.

Further bolt-on acquisitions, in areas adjacent to our current networks, will be targeted to build critical mass and leverage synergies in our international operations. We will continue to leverage South African expertise to ensure capital discipline and operational excellence, while retaining local experience to support market understanding. The scale and competitiveness of the UK market will make it difficult to penetrate, and we will continue with a regional approach to expansion, while navigating the impact of Brexit on economic growth expectations. The high degree of fragmentation in the Australian market should provide greater opportunity for expansion in the territories in which we have established a footprint, namely New South Wales and Victoria.

The group's innovation capability will drive the continuous evolution of products and services to ensure relevance in the mobility-as-a-service and fintech space. Despite our reliance on OEM innovation and product pipelines, as the essential link between the OEM and the customer, we will continue to provide a superior route-to-market for mobility service offerings. Our empowered fleet management offering positions us well for changing vehicle ownership models, as individual ownership gives way to large fleet owners implementing ride-sharing or car-sharing models.

The rollout of required infrastructure is likely to delay the shift to electric vehicles in South Africa, but the pressure to do so will mount as OEMs evolve; however, the run-off in vehicles with combustion engines will make this a gradual shift. Given the nature of the South African market and the extensive infrastructure and regulatory changes required, the shift to autonomous vehicles is likely to be limited. With our first-hand exposure to the disruptive trends in advanced markets, we will continue to assess the rate at which they are likely to accelerate in South Africa and the impact on our business models, which will inform pre-emptive responses to the necessary changes.

Outlook and appreciation

In South Africa, improving consumer and business sentiment and higher forecast GDP growth rates are expected to support a gradual recovery in vehicle sales. However, the Rand is likely to stay volatile in relation to major trading currencies, the impact of which will be carefully managed through our defined forward-cover policy. Our medium-term growth profile is nonetheless compelling, underpinned by the resilience of our business model. Organic growth within our business segments will increase scale and operational synergies across the automotive value chain and acquisitive growth in selected international markets will increase our geographic diversification.

Our key performance aspirations for the medium term include:

› Turnover growth of inflation plus 2 times GDP.
› ROIC target of WACC plus 3%.
› Consistent dividend pay-out guideline of 45% of HEPS in F2019.

Should shareholders and regulators approve the proposed unbundling, we believe we are well positioned for a successful listing on the JSE. Notwithstanding this seminal development for Motus, we will ensure that our operational teams remain focused on delivering our strategic objectives and enhancing our financial performance.

On behalf of Osman Arbee and the executive team, I convey our appreciation to the people of Motus for delivering a strong performance in the year, while preparing the business for a successful future as the leading independent automotive group in South Africa, and among the largest in the world, which is set to deliver a highly competitive value proposition to our stakeholders.

Top risks and mitigation

Motus has an embedded enterprise risk model to identify and assess existing and emerging risks and associated opportunities where effective risk management can be turned into a competitive advantage. Any risk taken is considered within the risk appetite and tolerance levels, which are updated on a quarterly basis and approved by the finance and risk review committee and the group audit committee. Emerging risks are identified where the extent and nature of the risk or opportunity and its potential impact on the business are uncertain.

The aim of our enterprise risk management process is to understand fully the various categories of risks and identify any related opportunities in our business, and understand how these risks affect our strategic, operational, reporting and compliance objectives by establishing the impact and likelihood of the identified risks, together with actions required to mitigate and control these risks and to leverage opportunities.

The Motus risk management process considers both the internal and external environment. In identifying the top risks, shown below, management considered the material adverse effects on Motus' business, financial condition or results of operations, resulting in a quantitative and qualitative impact in the business. All the top business risks identified are considered and incorporated into the development of the Motus strategy and responses over time.

	Risk exposure	**Context**	**Response**	Link to strategic objective
1	Currency volatility in the markets in which we operate	The competitiveness and profitability of vehicle imports may be impacted by Rand volatility against major currencies, on the pricing of new vehicles and services and maintenance plans due to increases in parts pricing; and the ability to hedge at competitive rates. Foreign currency translation differences may also arise from the consolidation of foreign subsidiaries.	› Active management of currency volatility through established hedging strategy and policy, monitoring and oversight structures. › Foreign currency exposure is reviewed daily and forward cover positions weekly against the hedging policy and monitored through monthly forex committee meetings to assess committed and uncommitted vehicle orders and manage forex requirements. › Monthly reviews of parts pricing to determine and manage the effect of currency changes on pricing. › Review hedging instruments and assess appropriate hedging strategies monthly through the forex committee and quarterly through the asset and liabilities committee.	**Enhance financial performance**
2	Dependence on specific brands and reliance on key suppliers	Motus depends on our relationships with OEMs and franchised dealers, which are critical to our business model. We must comply with the agreements we have with them, which include meeting sales volumes and service targets. Failure to meet the required standards may affect our status as an exclusive distributor and retailer of global brands. Motus works closely with OEMs to deliver innovative solutions to customers and ensure the relevance of products and services in the markets in which we operate. Motus relies on ongoing commercial relationships with suppliers and sub-contractors and the loss of any significant supplier could impact on operations and financial performance.	› Proactive and continuous engagement and management of OEM relationships by leadership, including ongoing negotiation of fixed targets. › Standards required by OEMs are maintained and expectations in terms of agreements are met or exceeded. › Proactive monitoring of customer satisfaction and perception of the OEM brand. › Management regularly meets their counterparts at OEMs to ensure strong relationships. › Monitoring business performance to ensure targets are met and to identify and correct underperforming areas.	**Market leadership**

	Risk exposure	Context	Response	Link to strategic objective
3	Slow or negative growth in the geographies in which Motus operates	The outlook for economic growth in South Africa is poor and any further downgrades of the South African sovereign rating could adversely impact the business; our current customer base may not be as anticipated and lead to low/reduced volume increase. In addition, reduce margins may be achieved due to competitive market and change in product mix.	› Diversify revenue streams and grow the vehicle parc, supported by annuity income from financial services, parts and workshops. › Regular review, analysis and reporting of product margins, product mix, unit growth and aggressive balance sheet management with particular focus on working capital investment. › Ongoing monitoring of the economic environment and market forecasts to identify opportunities to increase sales. › Identify financial and operational synergies to extract efficiencies and manage costs. › Organic and acquisitive growth strategies focused on diversification across sectors and geographies. › Invest in innovation to identify new channels to market and deepen penetration of existing customer base.	**Enhance financial performance and market leadership**
4	Regulatory and compliance	Motus is subject to a wide range of legislation, which it monitors to ensure compliance. Any breach of compliance could result in fines or sanctions that affect profitability and undermine reputation. Changes in legislative environments and interpretations of law (eg National Credit Act, PoPI and Right to Repair in South Africa) is of key importance and may have uncertain consequences for our business model and operations. The risk is further increased by the potential listing of Motus on the JSE and the need to apply the practices, procedures and governance structures appropriate for a JSE listed entity.	› Compliance officers in place and compliance audits conducted on a quarterly basis. › Proactive monitoring, input and operational implementation plans and frameworks on emerging legislation. › Increased capacity in legal and compliance units. › Independent reviews by internal audit on compliance with regulatory requirements across the business. › Legal compliance training programmes to increase awareness of and compliance with applicable legislation. › A dedicated team is ensuring that Motus is ready to comply with all requirements relevant to a listed entity, including a review of the internal compliance framework to align to JSE Listings Requirements.	**Enhance financial performance**
5	B-BBEE status of South African-based operations	The changes to the B-BBEE codes requiring accelerated transformation, specifically higher levels of black ownership in our South African businesses. Failure to achieve set targets may impact on competitiveness and sustainability by reducing the ability to originate new business or maintain existing relationships in South Africa.	› Active monitoring and oversight of B-BBEE scorecards and targets. › Appointment of an executive to drive and report on transformation initiatives. › Clear initiatives in place to meet employment equity targets and skills development, including graduate training programmes and management key performance indicators (KPIs). › Standardised reporting process implemented to report a full B-BBEE scorecard with independent verification of initiatives and targets. › Actively assess and respond to the impact of the revised B-BBEE codes. › Joint ventures with strategic B-BBEE partners are being secured in various sub-divisions. › Transformation committee project to review and implement best practice employment equity recommendations.	**Market leadership**

Top risks and mitigation – continued

	Risk exposure	Context	Response	Link to strategic objective
6	IT strategy and execution of architecture, systems and applications	The legacy of decentralised IT systems and infrastructure makes it critical to reduce systems complexity, while ensuring that proprietary data is protected and addressing cybersecurity, system stability and innovation. IT strategies need to be flexible and effective to support operational alignment and collaboration across the value chain to reduce complexity, duplication and costs.	› Board oversight and monitoring of material IT projects. › Strategy alignment review done per division to ensure appropriate IT strategies. › Centralised IT departments reporting into a divisional chief information officer (CIO). › Active monitoring of IT systems and franchise networks. › Business continuity processes and disaster recovery plans are in place to ensure operations are unaffected by outages. › Commercial and governance IT role created to oversee vendor management and day-to-day IT processes. › Standardised IT governance and information policies focusing on IT reporting and security. › Ongoing cyber risk assessments and monthly security reporting. › Appointment of information security officer to oversee IT security. › Implementation of cybersecurity guidelines. › Analyse requirements for cyber insurance cover.	**Improve operational excellence**
7	Succession and talent management	The limited pool of qualified skills and the impact of an ageing skilled working population in South Africa are challenges in accessing the talent needed to resource our growth strategies. Besides leadership skills, our businesses depend on specialised technical and customer facing skills, which need to be developed and retained. Our ability to operate or expand effectively depends largely on the experience, skills and performance of senior management and technically skilled employees and ensures that the appropriate retention and succession planning processes are in place.	› Implementation of best people practices, supported by the appropriate systems to become an employer of choice in the automotive industry. › Identification of key current and future skills and aligning these to talent management programmes. › Training and development programmes, including specialist training academies. › Improve employee engagement through management communication, employee focus groups and diversity workshops. › Implement a co-ordinated talent management strategy and related human capital architecture, including the development of a top talent database and addressing transformation requirements. › Co-ordinated transformation policies and programmes focused on development and promotion of internal candidates, and recruitment of employment equity candidates.	**Invest in human capital and change management**

	Risk exposure	Context	Response	Link to strategic objective
8	Rapid speed of disruption due to innovation	The pace of change has accelerated and will inevitably require established brands to embrace digital capabilities to be competitive. Customers are becoming more product savvy and accustomed to the convenience of the digital experience. Sustained competitive advantage is increasingly achieved through innovation.	› Ongoing monitoring of market trends and new innovations by executives. › Keeping abreast of innovative changes by competitors. › Bringing in new and improved ways of doing business to reduce costs and increase profitability. › Motor-Related Financial Services operates as innovation hub based on proven expertise, proprietary data and ability to predict and respond to mobility-related trends. › Innovation forum to design and drive innovation projects, with sponsorship at senior executive levels in the organisation. › Creation of an innovation fund and skills transfer model to provide dedicated resources to innovation. › Align current and future skill requirements to talent management programme and performance management approach.	**Drive innovation**
9	Expansion, acquisition and business integration	With any expansion and acquisition strategy, there is a risk of entering markets that are not well understood. After businesses are acquired, their integration into the group requires stringent and pragmatic processes to ensure value is not impaired. In addition, there is a risk of deploying capital in areas of low return that may require high effort to succeed.	› Clearly defined expansion areas have been identified. › Group mandate relating to investments in place. › Regular review of acquisition risks and criteria at executive level. › Clear acquisition guidelines defined and overseen by group investment committee. › Formal authority limits are adhered to. › Formal post-acquisition review process. › Retaining existing management to allow for knowledge transfer over the medium term and sufficient time for succession planning. › Evaluate returns through ROIC. › Enter into effective strategic partnerships.	**Market leadership**

Material issues and priorities

Defining materiality

Motus defines material issues as those factors most likely to influence the conclusions of all its stakeholders in assessing the company's ability to create value over time. In determining if an issue is material, its potential to impact strategy (opportunity and risk), performance (financial and non-financial), prospects (in the short, medium and longer term) and ultimately value creation, is considered. Material issues are forward looking and incorporate factors within and beyond leadership's control.

Linking materiality to stakeholders and capital inputs

More specifically, material issues are the factors most likely to influence the decisions of a respective stakeholder in relation to the capital inputs they provide to Motus.

The capital inputs, and related stakeholders, are outlined as inputs to and outcomes of the Motus business model on page 92.

Determining material issues

The following inputs informed the determination of the material issues for Motus in 2018:

- Motus vision, mission and strategy.
- Roundtable discussion and follow-up interviews to elicit the views and concerns of both the leadership and divisional management who manage the various components of the automotive value chain.
- Key issues raised by stakeholder groups, including customers, business partners and OEMs, investors and the media, elicited from the relationship owners in each case.
- Extensive engagement with shareholders, debt providers, market experts and financiers involved in the unbundling process.
- Top business risks.

Material issues structure

The diagram below, which provides an overview of the material issues, shows the three key themes into which the material issues have been grouped.

The strategic context relating to each theme is provided in the acting CEO and CFO's report (on page 94),

and the table below shows the measures applied and under development, to demonstrate effectiveness in managing the underlying material issues, and the leadership priorities, which show how the material issue is being managed.

The material issues, and associated priorities, provided the basis for preparing the Motus Holdings section of the Imperial Holdings integrated annual report and supplementary sustainable development report. Given that the direct feedback of stakeholders informed the material issues and they are deemed to represent all legitimate concerns, and the strategic plans to address them over time are explicit in the priorities and the disclosure provided elsewhere in the report. We have therefore not provided a separate stakeholder table with concerns and responses, to avoid duplication.

Material issues overview

Relevance

1. Deliver exceptional value to customers
2. Remain the strategic partner of choice
3. Become an employer of choice in the automotive industry
4. Apply a pragmatic and proactive approach to innovation

Resilience

1. Maximise diversified earnings streams
2. Consolidate for efficiency and excellence
3. Sustain capital management discipline
4. Remunerate performance that supports strategic delivery

Credibility

1. Demonstrate governance best practice
2. Deepen management credibility
3. Become an investment of choice

Relevance

Sub-issues	Priorities	Reference
1. Deliver exceptional value to customers		
Provide exceptional service at competitive prices across the automotive value chain.	› Leverage best pricing and marketing from OEMs to deepen competitive position and protect market share. › Maximise efficiencies and leverage buying power to distribute and sell competitively priced vehicles and parts. › Leverage the Motus integrated value chain to procure vehicles and offer competitively priced vehicle rentals. › Deliver service excellence at points of sale, rental, service, repairs and maintenance. › Train and develop engaged employees that can provide a superior customer experience and appropriate conversations with increasingly well-informed and diverse customers.	
Ensure convenient, consolidated and compelling access to all of the group's offerings.	› Enhance customer experience by consolidating and improving Motus' online presence. › Maintain high dealership standards by empowering and incentivising dealership principals appropriately. › Showcase the evolving mobility experience through new retail formats, such as showrooms in shopping malls and virtual showrooms. › Leverage existing data warehouses and lakes, which currently support all direct marketing and customer relationship management initiatives across the value chain, to develop a single view of the customer across all offerings.	
Maintain a unique understanding of consumer behaviour and mobility needs.	› Understand what customers want, as their needs change, to support the delivery of relevant offerings. › Leverage data analytics to monitor customer behaviour and preferences.	88 and 94
Continue to differentiate through innovative vehicle and asset finance (VAF) solutions, VAPS and mobility service offerings.	› Leverage understanding of OEM strategies, changing customer behaviour and mobility-related technologies to inform the development of innovative VAPS and mobility solutions for customers. › Apply data analytics to develop personalised services and engender loyalty (including ride sharing models). › Grow differentiated fleet management offerings to corporate customers with an emphasis on cutting-edge technology.	88 and 94

Material issues and priorities – continued

Sub-issues	Priorities	Reference
2. Remain the strategic partner of choice		
Deepen OEM partnerships › Maintain a superior route-to-market. › Strengthen brand positioning through strategically located dealerships.	› Preserve longstanding importer and retail partnerships with OEMs, providing market access through quality marketing, high levels of customer satisfaction and strategically located dealerships (in growing urban areas). › Work with OEMs to ensure the most relevant and competitive products and financial services offerings for the South African market. › Partner with OEMs on new ways of penetrating the market (eg new retail formats and technologically enabled dealerships). › Leverage strong balance sheet to allocate importer volume to the rental fleet, to support OEM volume targets.	94
Secure strategic partnerships to drive growth and competitiveness › Leverage financial services joint ventures (JVs) with market leaders. › Form B-BBEE partnerships in key market segments. › Form technology partnerships with developers and solution providers. › Partner with local distributors in selected international markets (Aftermarket Parts).	› Proactively manage our strategic alliances to ensure that we have the appropriate partners, that our strategic objectives are aligned, and that our partners' competencies complement Motus' own capabilities. › Leverage Motus' specialised expertise, data and product design ability to offer relevant and innovative VAF and VAPS offerings to the large customer bases of financial services partners with established channels to market. › Leverage new B-BBEE partnership to grow fleet management business. › Seek other JV opportunities with B-BBEE partners to ensure competitiveness in certain market segments, with a holding company structure already in place to facilitate this. › Partner with technology developers and solution providers to gain access to highly specialised skills and cutting-edge innovation, including the opportunity to commercialise new technology. › In line with the forward integration of the supply chain to increase buying power, partner with local players in selective markets to facilitate lower-risk market entry into Africa for aftermarket parts.	
3. Become an employer of choice in the automotive industry		
Attract and retain high-calibre employees.	› Systematically implement best people practices across the group while maintaining the necessary flexibility to ensure they can be practically and cost-effectively delivered within different divisions. › Ensure effective talent and performance management, and succession planning that aligns employee capabilities and expectations with business objectives and career opportunities. › Ensure relevant training models per division, which also promote the mindset, skillset, flexibility and responsiveness for significant change.	
Ensure a strong focus on transformation and diversity.	› Focus on transformation and diversity at management level. › Identify and address the barriers to transformation, and continue to build an inclusive culture. › Target interventions to develop and promote designated groups (black people, women and people with disabilities) and to strategically source talent externally within these groups.	
Develop and empower employees and embed inclusivity and collaboration within the Motus culture.	› Improve employee engagement through management communication, employee focus groups and diversity workshops. › Ensure sensitivity to and drive diversity.	

Sub-issues	Priorities	Reference
4. Apply a pragmatic and proactive approach to innovation		
Continually assess digital, mobility and automation trends in the markets in which Motus operates to proactively participate in disruptive change.	› Leverage first-hand access to developments in different markets to assess the impact on business models and the expected time to implement, to inform the necessary changes. › Continue to ensure executives understand new technologies and their potential impact on markets. › Leverage IT solutions and data to drive innovation across the vehicle value chain, with the aim of securing higher market penetration in the short to medium term.	114
Optimise and evolve current business models while at the same time designing new solutions and operating models.	› Ensure IT systems support efficiency, connectivity and networking across the group. › Align continuously with digital, mobility and automation trends and changing customer needs by working with OEMs to deliver innovative solutions and business model changes.	
Focus on data science and analytics to extract value and enhance the customer experience.	› Continue to apply proven ability to monetise proprietary data. › Apply insights gained from data analytics to create relevant and innovative products and services aligned to customers' mobility needs. › Deepen understanding of customer data to retain customers and capture market share of vehicle sales and VAPS. › Apply sales, service and maintenance data to accurately price VAPS, to minimise fund burn rates and maximise profitability.	
Implement efficient structures to support innovation.	› Leverage innovation hub and capabilities exchange model to facilitate innovation within all divisions. › Implement new innovation funding model to support R&D.	
Seek opportunities to drive open innovation.	› Identify opportunities to collaborate with key strategic partners to share intellectual property and drive innovation in line with the principles underpinning the "open economy".	

Material issues and priorities – continued

Resilience

Sub-issues	Priorities	Reference
1. Maximise diversified earnings streams		
Optimise the profitability of each segment within the automotive value chain.	› Maximise the organic growth potential of each division according to clearly defined divisional strategies. › Drive defensive, high-margin annuity income streams from financial services, workshops, imports and distribution parts businesses and aftermarket parts. › Defend operating margins through efficiencies and process improvements. › Apply sales, service and maintenance data to accurately price VAPS, to minimise fund burn rates and maximise their profitability.	110
Grow competitive market share and strengthen the core business by leveraging the integrated value chain.	› Maintain unparalleled scale and footprint in South Africa. › Drive importer volumes to support parts sales, panel sales, workshop servicing and financial services. › Leverage all possible scale and operational synergies across the integrated automotive value chain.	110
Pursue strategic growth in selected international markets.	› Pursue acquisitions in selected markets that complement existing networks and benefit from the transfer of existing expertise. › Target a significant proportion of hard currency earnings (20% to 25%) from international operations.	110
Leverage data and expertise to expand value-added product offerings and services.	› Drive growth in Motor-Related Financial Services, by unlocking efficiencies and customer potential within existing and new channels, and exploring and developing new partnership opportunities.	110
2. Consolidate for efficiency and excellence		
Centralise and standardise systems and processes only where appropriate to enable business agility.	› Continue to drive operational alignment and collaboration across the value chain to reduce complexity, duplication, costs and capital employed, building on the extensive optimisation of recent years. › Simplify IT architecture to support efficiency, connectivity and networking across the group and share common infrastructure and access across businesses where appropriate. › Implement a suite of standard IT policies, focusing on IT security and reporting. › Simplify reporting structures and consolidate back-office functions, including centralising shared services (ongoing). › Maintain business continuity processes to ensure business operations are stable and unaffected by outages and disaster recovery is in place.	
Enforce sound internal process governance, risk management and approval structure.	› Ensure operational governance standards are met, supported by a well-developed control environment, risk management and deep expertise in finance, treasury and accounting. › Maintain effectiveness of controls in place to monitor and manage currency risk, including the application of the forward cover policy. › Ensure data security and proprietary systems are fit-for-purpose.	118

Sub-issues	Priorities	Reference
3. Sustain capital management discipline		
Enhance profitability, ROIC and cash flow generation to support a consistent dividend pay-out rate.	› Allocate capital to organic and acquisitive growth strategies that achieve the targeted returns. › Achieve targeted revenue and margin growth and maintain sound financial leverage ratios.	110
Maintain working capital management discipline.	› Streamline distribution (vehicles and aftermarket parts) to effectively manage inventory levels and improve working capital management in a low growth economic environment. › Maintain healthy liquidity ratios.	110
Continue to optimise the portfolio.	› Continue to optimise the portfolio by exiting or disposing of non-strategic dealerships and businesses that do not enhance competitive advantage or show low return on effort. › Align investment philosophy to strategic intent. › Invest in key regions to ensure a strong presence in the chosen markets.	110
4. Remunerate performance that supports strategic delivery		
Align incentives to strategic objectives.	› Incentivise management to ensure sustainable performance through the cycle. › Align incentives to financial and non-financial targets, including transformation, innovation and other qualitative targets.	94 and 110

Material issues and priorities – continued

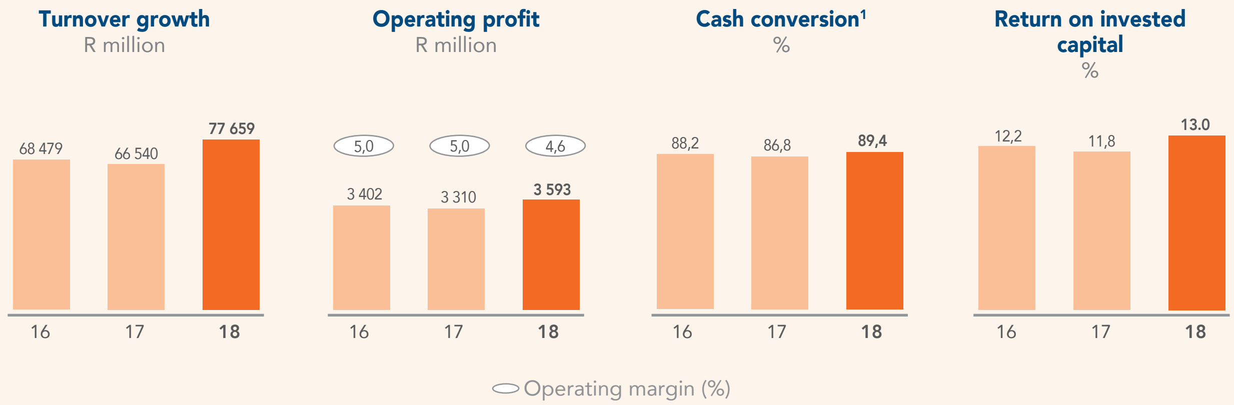
Credibility

Sub-issues	Priorities	Reference
1. Demonstrate governance best practice		
Establish a credible reputation for ethical, effective and independent leadership.	› Demonstrate independence and effectiveness of the board. › Formulate board succession plans to ensure relevant skills and experience in relation to strategy. › Continue to embed and enhance ethical practices and governance standards.	118
Maintain best governance practices (instilled as part of Imperial Holdings' legacy).	› Deepen application of King IV principles and recommendations. › Maintain and enhance robust control and risk management systems. › Embed effective reporting processes for board visibility.	118
Establish corporate citizenship credentials › Comply with laws and regulations across multiple jurisdictions, and demonstrate consistently ethical business conduct. › Demonstrate defensible safety practices, socioeconomic value creation and environmental stewardship.	› Manage the complexity and cost impact of regulations and fiscal policy, for example the impact of international privacy regulations. › Monitor and engage with regulators on upcoming legislation, for example Right to Repair regulations in South Africa, and assess the potential impact on operations for risk and opportunities. › Embed an ethical culture, supported by a code of ethics, and ethics training and awareness initiatives. › Embed safety practices and mindset in the right areas (road safety to avoid fatalities, and operational health and safety in workshops). › Support socioeconomic development initiatives, including partnering with black entrepreneurs in the workshop market, enterprise and supplier development programmes and corporate social investment programmes which support basic education, youth development and road safety. › Responsibly manage natural resources in line with national priorities, legislative requirements and municipal by-laws, including water restrictions in the Cape region.	118

Sub-issues	Priorities	Reference
2. Deepen management credibility		
Strengthen relationships with all key stakeholders.	› Maintain high standards of accountability, transparency and integrity in running the business and reporting to shareholders and other stakeholders. › Ensure responsiveness to the legitimate concerns of all stakeholders through accurate and transparent disclosures.	118
Ensure effective succession planning to ensure management depth.	› Continue to identify talent and implement succession planning for the CEO, direct reports and other levels of management for the short and long term.	118
Deepen the desired high-performance, entrepreneurial, collaborative and inclusive culture.	› Maintain high performance, in view of the additional scrutiny from stakeholders and direct accountability to the market as a listed entity. › Improve employee engagement through management communication and modelling the desired culture. › Ensure sensitivity to and drive diversity.	118
3. Become an investment of choice		
Retain current investors both locally and internationally. **Attract new pool of investors supportive of long-term strategic direction.**	› Deliver on the vision and related strategic objectives of market leadership, driving innovation, improving operational excellence, investing in human capital and change management, and portfolio optimisation. › Deliver the investment proposition: • Defend and grow leading market share in South Africa, increase exposure to annuity income streams, and grow in selected international markets. • Sustain high cash generation and strong free cash flows. • Deliver best-in-class earnings and targeted returns › Maintain a consistent dividend pay-out through the cycle.	118

Operational review

Performance highlights



[1] Cash conversion is calculated as (EBITDA – capex)/EBITDA), capex denotes PPE capex excluding disposals.

Profit and loss (extracts)

	% change	2018	2017	Medium-term outlook
Revenue (Rm)	17	**77 659**	66 540	Expected turnover growth of inflation + 2xGDP
Operating profit (Rm)	9	**3 593**	3 310	
Operating margin (%)		**4,6**	5,0	
Return on invested capital (%)		**13,0**	11,8	WACC + 3%
Weighted average cost of capital (%)		**10,4**	10,1	
Net debt/equity ratio (%)		**50**	46	Target range 55% to 75%

Note: ROIC and WACC are calculated on a rolling 12-month basis. The above table includes businesses held for sale and eliminations.

Market leadership

Key strategic actions

Grow competitive market share by strengthening the core business, optimising each business segment and driving further integration across the value chain.

Achieve economies of scale in selected international markets through acquisitions that complement the group's existing networks.

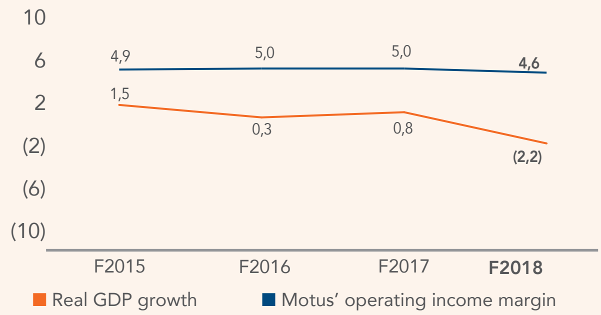
Leverage data from financial services segment to increase revenue and customer loyalty.

Expand annuity income streams through financial services and aftermarket parts.

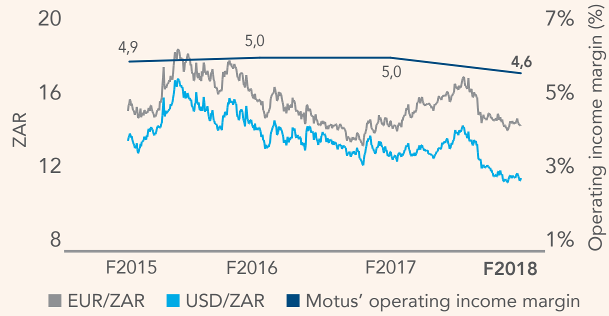
* Based on numbers previously reported by Imperial Holdings.

In the last three years, we have demonstrated a consistent ability to defend and grow our leading market share in South Africa, maintain best-in-class earnings and margins, and generate high free cash flows and returns on invested capital, despite a low growth environment and currency volatility.

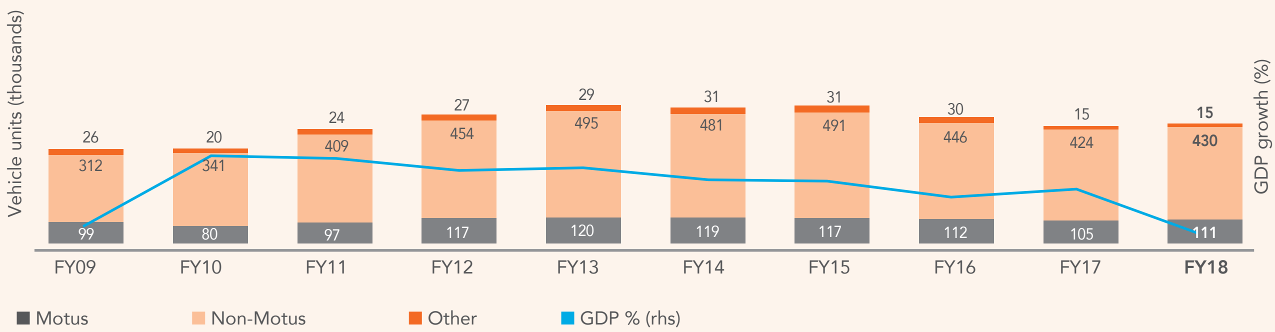
Proven ability to maintain earnings and margins through the cycle %



Motus' operating income margins remain stable despite Rand volatility

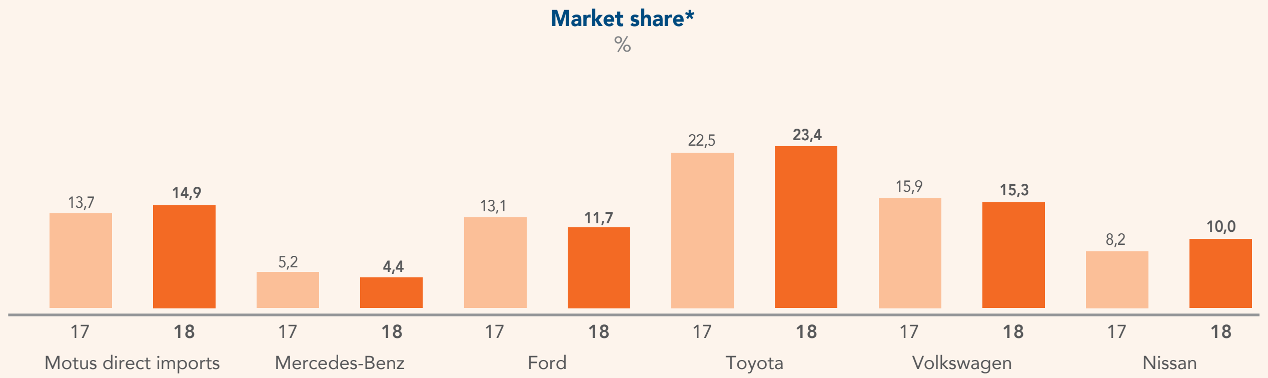


Motus' share of total NAAMSA vehicle sales and GDP growth



Note: Graph as published in Imperial Holdings F2018 results.

Motus' market share versus OEMs



* Graph is presented on a 12-month basis from July 2017 to June 2018 for South Africa only. Numbers include passenger, LCV, MCV & HCV

Our market leadership is underpinned by strong competitive positions within each of our business segments, which encompass the entire automotive value chain except manufacturing. With unrivalled scale and synergy across the value chain, we can unlock and maximise all possible revenue and profit streams for every vehicle sold.

We maintain our market leadership in South Africa by optimising each business segment and driving further integration across the value chain, while remaining relevant through innovation and strategic partnerships. We aim to drive transformation in our operations through JVs with BEE partners to maintain our competitiveness in certain market segments.

We have integrated the VAPS operations from Regent, newly branded as M-Sure, in the Motor-Related Financial Services segment. We have developed a longer-term strategy to grow the VAPS business, including expanding our suite of white labelled VAPS with strategic partners.

Key objectives to optimise our segmental businesses are:

Import and Distribution	Retail and Rental	Motor-Related Financial Services	Aftermarket Parts
› Provide offers and promotions to drive volume and annuity income in service parts, panel parts, workshop servicing and financial services. › Roll out pre-owned brands.	› Revise dealership commission structures to increase sales productivity and improve customer service. › Align the learnership model to support these objectives.	› Unlock efficiencies and customer potential within existing and new channels by expanding offerings in the owned and independent dealership networks. › Grow the VAPS business through joint ventures with companies able to provide significant channels to market.	› Increase efficiency through an integrated regional hub distribution system supported by an off-shore centralised distribution centre. › Improve the availability of products at the point of sale, and enhance premium, value and entry brand offerings.

We will continue to grow our competitive market share and achieve economies of scale in selected international markets through acquisitions that complement our existing networks and benefit from the transfer of South African expertise to our international operations. Our growth strategies in each market are focused on:

- In the UK, growing in commercial and passenger retail, with organic growth focused on fleet customers and pre-owned vehicles, and seeking acquisitive opportunities to expand our current dealership network.
- In Australia, growing acquisitively in a highly fragmented market, introducing volume brands to the existing dealership network, and growing in the pre-owned market.
- In Aftermarket Parts, growing significantly through acquisitions in selected markets in sub-Saharan Africa and partnerships with local players, and acquiring additional suppliers to achieve vertical integration, eliminating intermediaries in the wholesale supply chain to capture full channel margin.

We continually enhance our asset portfolio by disposing of or rationalising underperforming businesses, dealerships and brands, and by acquiring and rapidly integrating business and assets that can be enhanced by our capabilities and resources.

Key acquisitions and disposals in F2018

Acquisition of strategically aligned businesses:	Disposal or exit of non-core, strategically misaligned, underperforming or low return on effort assets:
› We acquired 100% of Pentagon Motor Holdings, which operates 38 passenger and light commercial vehicle franchises from 21 prime retail dealerships in the UK for £26 million (R479 million), effective 1 September 2017. Pentagon supports Motus' strategy to deploy capital and its vehicle retail expertise in pursuit of growth beyond South Africa, and it complements our existing commercial vehicle business in the UK. › We acquired 75% of Australian-based SWT Group Proprietary Limited, which operates 16 dealerships, for AU$24,2 million (R261 million), effective 1 October 2017. › We acquired 60% of ARCO Motor Industry Co Limited, a distributor of motor vehicle engine parts based in Taiwan for R185 million. The acquisition is in line with our strategy to shorten the supply chain in sourcing products for our route to market network in Africa, thereby eliminating costs and improving efficiency in the supply chain.	› Non-strategic properties for R1,3 billion, in South Africa and Australia were disposed of. › Nine underperforming dealerships were closed.

Improve operational excellence

Key strategic actions			
	Continue to drive operational alignment and collaboration across the vehicle chain, to reduce complexity, duplication, expenses and capital employed.	**Provide exceptional customer service at each stage of the value chain to remain the partner of choice for OEMs and business partners.**	**Improve technology solutions to realise efficiencies, drive new growth opportunities and strengthen competitive advantage.**

The desirability of our brands, the delivery of innovative VAPS and mobility service offerings, and our ability to consistently meet customer expectations are key factors in defending market share, deepening customer loyalty and growing our sales and customer base.

We are improving our technology solutions by driving a philosophy of "best-fit" systems per division, while sharing common infrastructure and access across Motus. Our growth through acquisition has resulted in a number of legacy and decentralised IT systems and infrastructure. In order to reduce complexity, duplication and cost, we are rationalising our systems, while ensuring cybersecurity and IT system stability is not compromised. The proposed unbundling from Imperial Holdings has also required that we move certain IT services, including risk, group reporting and governance systems, onto a new common network and server infrastructure layer.

During the year we strengthened our IT governance framework and created a new commercial and governance IT position to oversee vendor management and day-to-day IT processes. All divisions reviewed and aligned their IT strategies to support their strategic business objectives and we are expanding our strategic IT capability to support business insight, reporting and innovation in our sales platforms, social media interactions and data gathering and analytics capabilities.

For more detailed information, see Differentiated customer experience and High quality products and services reports available online.

Drive innovation

Key strategic actions			
Key strategic actions	**Align continuously with digital, mobility and automation trends and changing customer needs by working with OEMs to deliver innovative solutions to customers.**	**Leverage IT solutions effectively to drive innovation across product range and services.**	**Maintain overall business agility to respond effectively to disruptive change.**

The motor industry is increasingly being impacted by technology-driven disruption which requires us to embrace digital capabilities in order to remain competitive and provide exceptional customer service at each stage of the automotive value chain. Strong digital capabilities will also ensure that we remain the partner of choice for OEMs and business partners. Our operations in the UK and Australia give us first-hand exposure to the impact of these disruptive trends in advanced markets, enabling us to assess the rate at which these trends are likely to gain traction in South Africa.

Our ability to understand customer mobility needs through data analysis, and to develop personalised services and engender loyalty, will be supported by the project underway to further consolidate our data and enhance our view of our customers across all Motus touchpoints, giving us a consolidated understanding of their behaviour and preferences. We expect to complete this in the medium term. In our importer and retailer businesses our focus is to differentiate customer experience and provide convenient and compelling access to our offerings using digital platforms. In addition, we showcase the evolving mobility experience, in partnership with OEMs, through virtual showrooms and showrooms in shopping malls. In Motor-Related Financial Services, we continue to monitor the shift from traditional VAPS and finance offerings towards innovative mobility solutions that respond to changing customer needs and behaviour.

Innovation is a strategic focus across our business with Motor-Related Financial Services operating as our innovation hub, based on its proven expertise, proprietary data, partnerships with technology developers and ability to predict and respond to mobility-related tends.

We follow an open innovation approach and focus on developing the right technology partnerships to access the latest thinking and highly specialised skills required to change the way we do things. This includes collaborating with fintechs and software start-ups on artificial intelligence, virtual reality and big data projects. During the year, 11 executives were sent to Silicon Valley to learn about new technologies and a team will attend an innovation laboratory in Germany to prototype solutions to disruptive change identified in Motus' industry.

For detailed information, see Driving IT optimisation report available online.

Invest in human capital and change management

Key strategic actions				
Key strategic actions	**Develop and empower leaders to provide sustainable performance through the cycle.**	**Improve recruitment processes, training, mentoring and use the investment in IT to leverage HR practices.**	**Ensure a strong focus on transformation and continuously assess succession planning by aligning individual capabilities, development and aspirations with business requirements.**	**Accelerate transformation at all levels.**

Our people are vital to the achievement of our goals and objectives and our human capital management strategy has been aligned to the Motus vision, business strategy and performance aspirations. This strategy provides a guiding direction for the Motus-wide human capital programmes and initiatives, taking into consideration global workforce trends and social drivers in the wider context in which we operate, to develop a single Motus identity for our people.

Our people strategy aims to ensure that we are building the capabilities to drive our competitiveness, and that we have employees who are agile, futuristic and diverse with the ability to interpret and translate the needs of various stakeholders achieve business targets and objectives and drive productivity, customer satisfaction and retention. Our people strategy has the following priorities:

- Attract, develop, retain and reward high-potential individuals committed to building a career in the automotive industry, with the mindset, skillsets, flexibility and responsiveness for significant change.
- Provide effective performance management to align employee capabilities and expectations with business objectives and career opportunities.
- Incentivise management to ensure sustainable performance through the cycle; with management incentives focused on financial and non-financial targets (specifically for employment equity).
- Ensure a strong focus on transformation and succession at management level.
- Simplify reporting structures for effective delegation and accountability, and drive the ongoing implementation of reliable core data and leading practices to optimise recruitment, training and mentoring, transfers across divisions and employee engagement.

During the year, we implemented the first phase of a three-year programme for a new payroll and human capital management system, which will support all operating businesses and provide one view of the employee base. This system will ultimately support better workforce planning and management of performance, learning and development and onboarding of new employees.

We are developing a leadership development framework to support our leaders in driving the desired culture and achieving their business objectives, which will be used as a foundation for all future leadership development programmes. A learning and development forum has been established to create learning and development policies, programmes and standards to be applied across Motus.

We are committed to accelerating the transformation of our workforce to reflect our domestic markets. During the year, we increased our employee engagement efforts to understand the barriers that have hindered the pace at which we have been able to transform.

A mobile application platform was developed during the year to improve employee engagement and is being used to deliver consistent messaging on employment equity. It provides employees with an engaging platform across multiple mediums, including cellphones, the internet and email. The application is also used to facilitate training evaluations and employee focus group surveys, and drive feedback to employees.

For detailed information, see Employer of choice report available online.

Performance in a challenging operating environment

South Africa

- Despite improved sentiment, the economy contracted sharply in the second half of the year.
- Consumer spending remained under pressure due to high unemployment, high fuel prices, tax hikes and static personal incomes, despite monetary easing.
- National vehicle unit sales as reported by NAAMSA increased by 2%.
- Luxury brands remained under pressure as buying down continued.

United Kingdom

- Toughening economic conditions due to the uncertainty around Brexit.
- Consumers moving from diesel vehicles to petrol vehicles.
- Anticipated overall decline in the UK vehicle market for the 2018 calendar year.

Australia

- Australian new vehicle market grew at a compounded annual growth rate of 2,6% in the last decade.
- Rising consumer confidence, population growth and low unemployment is having a positive impact on growth.
- The automotive market remains competitive and fragmented, placing pressure on margins.

Notwithstanding challenging economic and trading conditions, as reflected in the table above, Motus increased revenue and operating profit by 17% and 9% respectively, with all four divisions recording revenue and operating profit growth. This was mainly due to competitive vehicle pricing and a strong improvement in entry level and small SUV vehicle sales in South Africa as consumers continued to trade down. As a result, luxury brand sales declined by 20% during the year. The acquisitions of Pentagon in the UK and SWT in Australia contributed positively to revenue, but at lower margins. Excluding current and prior year acquisitions and disposals, revenue and operating profit increased by 4%. Profit before tax improved by 64% resulting from a significant reduction in foreign exchange losses of R43 million compared to R425 million in 2017, mainly relating to the unwinding of excessive and uneconomical forward cover in Renault in the prior year. The profit on sale of R617 million relating to a property in Australia and the 13% reduction in finance costs also boosted the performance.

During the period, in South Africa, Motus grew unit vehicle sales by 7% compared to national unit vehicle sales growth of 2% as reported by NAAMSA. The Motus passenger and commercial vehicle businesses, including the UK and Australia, retailed 146 455 (2017: 113 074) new and 81 123 (2017: 70 158) pre-owned vehicles during the 12 months.

Property disposals and consistent levels of investment in vehicles for hire resulted in net capital expenditure declining by 85% from R2,2 billion in June 2017 to R322 million.

Motus' debt to equity ratio at 30 June 2018 increased marginally to 50% mainly due to capital reallocations and acquisitions, partly enhanced by disciplined working capital management and proceeds received from the disposal of non-strategic properties.

Vehicle Import and Distribution

	% change	2018	2017
Revenue (Rm)	11	**20 128**	18 157
Operating profit (Rm)	8	**788**	728
Operating margin (%)		**3,9**	4,0
Return on invested capital (%)		**12,7**	6,4
Weighted average cost of capital (%)		**11,3**	10,1
Net debt/equity ratio (%)		**37**	109

Note: ROIC and WACC are calculated on a rolling 12-month basis.

Revenue and operating profit increased by 11% and 8% respectively, as sales volumes increased by 11% (Hyundai up 4%, Kia up 22% and Renault up 22% per NAAMSA) with our vehicle mix aligned to market demand resulting from pressure on consumer affordability. The importer segment market share increased from 14% in the prior year to 15%.

At the end of July 2018, Hyundai and Kia forward cover on the US Dollar and Euro imports extends to February 2019 at average rates of R12,89 to the US Dollar and R15,61 to the Euro. New trading arrangements with Renault since October 2017 have rendered forward cover redundant. With the exception of Renault, Motus' current guideline is to cover a minimum of seven months forward and up to 75% of annual forecast orders, as stipulated by the South African Reserve Bank.

The African distributorship business improved its performance from the prior period but is still performing below expectations due to weak consumer demand mainly in the aftermath of political elections in Kenya. The capital deployed in these operations has been reduced and the viability of these operations is under review.

During the period ROIC increased to 12,7% from 6,4%, resulting from increased profitability, a significant reduction in working capital, lower investment in vehicles for hire and the sale of non-strategic properties.

Vehicle Retail and Rental

	% change	2018	2017
Revenue (Rm)	18	**62 759**	53 362
Operating profit (Rm)	14	**1 687**	1 478
Operating margin (%)		**2,7**	2,8
Return on invested capital (%)		**9,4**	10,7
Weighted average cost of capital (%)		**9,9**	10,0
Net debt/equity ratio (%)		**62**	46

Note: ROIC and WACC are calculated on a rolling 12-month basis.

Vehicle Retail and Rental recorded a strong performance, increasing revenue and operating profit by 18% and 14%, respectively, supported by an increase in overall vehicle sales volumes, despite subdued trading conditions in South Africa and challenging trading conditions in the UK. New and pre-owned retail sales volumes increased by 33% and 15%, respectively, assisted by the inclusion of the UK (Pentagon) and Australian (SWT) acquisitions which enhanced revenue but reduced margins. In South Africa, margins were enhanced by a realignment of the importer dealership operating model to unlock value.

In South Africa, passenger and light commercial vehicles increased new vehicle sales units by 2% from 51 374 in 2017 to 52 180. Importer brand dealerships performed well due to increased sales volumes in Hyundai, Kia and Renault. Total pre-owned retail unit sales declined marginally as consumer preference shifted to new entry level vehicles. The parts and aftersales segments continue to perform well.

Revenue and operating profit of the UK operations increased by 70% and 25% respectively, supported by the Pentagon acquisition, which improved its performance in the second half. Despite this, the newly acquired passenger segment of our business performed below expectation and remains under pressure due to Brexit-related consumer concerns, a reduction in sales of diesel vehicles and Vauxhall changing ownership from General Motors to the French PSA group. The latter resulted in substantially reduced OEM assistance, which improved in the second half as PSA implemented its new trading policies. The UK commercial operations performed to expectation and grew revenue and operating profit by 5% and 1% respectively.

The Australian vehicle market recorded growth but margins on new vehicles remain under pressure. The Australian operations increased revenue by 26% but operating profit decreased as margins in the Ford franchise normalised from a high base in the prior year. This was partially offset by the inclusion of the SWT acquisition which is performing in line with expectations.

Car rental increased its revenue and operating profit by 11% and 15% respectively due to increased vehicle rental volumes from the inbound and leisure segments, and higher post rental vehicle sales through Auto Pedigree. The vehicle rental utilisation was maintained at 71%, while accident costs were lower than the prior year.

ROIC reduced to 9,4% from 10,7% due to increased working capital and the acquisitions of Pentagon and SWT auto dealer groups.

Aftermarket Parts

	% change	2018	2017
Revenue (Rm)	8	6 632	6 153
Operating profit (Rm)	10	447	406
Operating margin (%)		6,7	6,6
Return on invested capital (%)		18,3	20,7
Weighted average cost of capital (%)		11,2	10,8
Net debt/equity ratio (%)		91	53

Note: ROIC and WACC are calculated on a rolling 12-month basis.

Revenue and operating profit grew by 8% and 10% respectively, supported by tighter cost control and good performances from Alert Engine Parts and Beekmans. However, performance was negatively impacted by market contraction, increased pricing pressure and consumers trading down. The acquisition of 60% of ARCO contributed positively to the performance in the second half.

ROIC decreased to 18,3% from 20,7% due to increased working capital and an investment in a warehouse facility which was included in invested capital.

Motor-Related Financial Services

	% change	2018	2017
Revenue (Rm)	6	2 166	2 036
Operating profit (Rm)	7	889	833
Operating margin (%)*		41,0	40,9
Return on invested capital (%)		69,5	65,7
Weighted average cost of capital (%)		13,6	13,8
Net debt/equity ratio (%)		(136)**	(166)

Note: ROIC and WACC are calculated on a rolling 12-month basis.
* Operating margin reflects various business ventures that yield operating profits without any associated revenues.
** Includes net cash of R1 426 million.

Motor-Related Financial Services grew revenue and operating profit by 6% and 7% respectively, supported by higher profitability in demo vehicle sales and maintenance funds, and growth in the newly branded M-Sure VAPS operations. Increased sales of monthly versus longer-term service and maintenance plans impacted on the growth of maintenance and warranty contracts on the balance sheet. Arising from the Regent transaction, the prior year includes once-off income of R46 million included in the VAPS business, which is not included in the current year.

We continue to focus on growing the fleet management business, building synergies within the retail motor sub-divisions and improving the sales penetration of our products into other channels.

ROIC increased from 65,7% to 69,5% due to higher profitability during the rolling 12-month period.

Outlook

In South Africa, the new financial year commenced with persistently low economic growth conditions and low consumer spending exacerbated by rising fuel prices and it is anticipated that these conditions will continue for the short term.

Motus is well positioned to respond to shorter-term structural trends in the market and to deal with disruption over the longer term. We anticipate solid operating and financial results in the financial year to June 2019, subject to stable currencies.

We expect to record growth in revenues and operating profit and have the appropriate capital structures in place to fund our strategic objectives while continuing to pay a stable dividend.

Corporate governance at Motus

The increased scrutiny that comes with direct accountability to equity and debt capital markets, will require Motus to establish its credibility as a separately listed company, based on reliable disclosure and guidance on strategic and financial performance and, ultimately, delivering on it.

Relationships with key stakeholders such as shareholders and the investment community, debt providers and ratings agencies, government and social partners will need to be deepened in some cases and separately established in others; towards a credible reputation for strong and independent governance and effective control processes, strategic clarity and delivery from leadership, and a reputation for ethical corporate citizenship, with all its many facets.

As per King IV, Motus' leadership will need to demonstrate integrated thinking, through defensible decisions that harmonise the legitimate interests of stakeholders and align to the six capitals model for sustainable value creation, while deepening the company's reputation as an ethical and responsible corporate citizen that responds adequately to the risks and opportunities in the "triple context" (social, economic and environmental).

A well-constituted and diverse board, with expertise and experience relevant to strategy and the operating context within which Motus operates, will need to be maintained as will its independence and oversight of operations, underpinned by strong governance and control processes that support strategic delivery and corporate reputation.

Retention and succession planning for the highly experienced, long-serving management team will be critical, with continuous leadership development aligned to strategy, diversity and culture objectives.

A high standard of excellence in governance and accountability has been instilled within Motus as a member of the Imperial Group. The Motus board has been constituted to comply with King IV and the principles and recommendations of King IV have been implemented.

Board and committees post unbundling

Should shareholders approve the proposed unbundling of Motus at the Imperial Holdings meeting on 30 October 2018, Motus will be separately listed on the JSE and the board and committees of the company will be constituted as set out below.

Motus board (post unbundling)

Non-executive directors

Graham Wayne Dempster (63)
Chairman
BCom (Hons), CTA, CA(SA), AMP (Harvard)
Graham was appointed to the Motus board on 1 August 2018. He is a non-executive director of Telkom, Sun International and chairman of Long4Life Limited. Graham was an executive director of Nedbank Group Limited and Nedbank Limited and retired in May 2014 with over 30 years' service in the Nedbank Group.

Ashley (Oshy) Tugendhaft (70)
Deputy chairman and non-executive director
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 and deputy chairman of Alviva Holdings Limited (formerly Pinnacle Technology Holdings Limited). He was appointed to the Motus board on 1 August 2018.

Phumzile Langeni (44)
Independent non-executive director
BComm (Acc), BCom (Hons), MCom
Phumzile is the executive chairman of Afropulse Group, non-executive chairperson of the Mineworkers' Investment Company and Primedia Holdings. She also serves as an independent non-executive director of Massmart and Redefine Properties. Phumzile was appointed on 16 April 2018 by His Excellency Cyril Ramaphosa, the President of South Africa, as one of four special investment envoys tasked with raising US$100 billion over a five-year period. She was appointed to the Motus board on 1 August 2018.

Saleh Mayet# (62)
Independent non-executive director
BAcc, CA(SA)
Saleh is a non-executive director and finance professional with well over three decades' experience in the Anglo American group in South Africa and the UK. Saleh has extensive expertise across the full spectrum of corporate activities, including strategy, driving value initiatives with key stakeholders. Saleh is also a member of the SA CEO's forum, providing key leadership, direction and strategy to the South African corporate office and region.

Mfondiso Johnson Ntabankulu (Johnson) Njeke# (60)
Independent non-executive director
BCompt (Hons), CA(SA), HDip Tax Law
Johnson is the lead independent director of Sasol Limited, independent chairman of MMI Holdings Limited, a non-executive director of Datatech Limited and the chairman of the Hollard Foundation Trust, and a board member since 2009.

He is the chairman of Silver Unicorn Trading 33 (Proprietary) Limited and Silver Unicorn Coal and Minerals (Proprietary) Limited. He is also a director of NM Rothschild (SA) (Proprietary) Limited, Compass Group (SA) (Proprietary) Limited, Teamcor Limited, First Lifestyle Holdings, Nkunzi Investment Holdings (Proprietary) Limited and is lead independent director at Delta Property Fund Limited since April 2017. He is also a director of the Council of the University of Johannesburg, the South African Qualifications Authority and the Black Management Forum Investment Company Limited.

Appointed with effect from 2 January 2019.

Executive directors

Osman Suluman Arbee (59)
Chief executive officer
BAcc, CA(SA), HDip Tax
Osman was appointed the CEO of Motus on 1 March 2017 and appointed to the Motus board on 12 October 2017.

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

Osman is a member of various Imperial subsidiary and divisional boards, including the UK and Australia, chairman of the Imperial Medical Aid Fund and a trustee of the Imperial and Ukhamba Community Development Trust. He was appointed to the Imperial board in July 2007 and served as CFO of Imperial Holdings from 1 July 2013 to 28 February 2017.

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 executive committee member.

Ockert Janse van Rensburg (45)
Chief financial officer
BCompt, CA(SA), HDip Co Law
Ockert has been with the Imperial Group since January 2015, and was appointed as CFO of Motus in January 2017. Prior to joining the group, he was the CFO of Foodcorp Holdings, a multinational food manufacturer and distributor. Prior to joining Foodcorp, he held the position as partner of PricewaterhouseCoopers Inc. Ockert is a member of various Motus subsidiary and divisional boards, including the UK and Australia, and a trustee of the group medical aid fund and retirement funds.

Board sub-committees

The Motus board has established a number of sub-committees, including statutory committees, all of which operate within written terms of reference. The performance of each committee will be regularly assessed in accordance with their terms of reference.
The tables below outline the board committee structures and memberships at the time of publication.

Audit and risk committee[1]	Remuneration committee	SES[2] committee	Asset and liabilities committee	Nomination committee
Responsibility › Assists with internal and external audit processes for the group, taking into account the adequacy and functioning of the internal controls and integrity of financial reporting. › Sets the risk culture, framework and strategy and ensures robust risk management processes are in place.	**Responsibility** › Advises and guides the board on director remuneration, setting and implementing remuneration policy, approval of general composition of remuneration packages and criteria for executive bonus and incentive awards.	**Responsibility** › Assists the group with discharging its social, ethics and sustainability responsibilities and implementing practices consistent with good corporate citizenship.	**Responsibility** › Responsible for implementing best practice asset and liability risk management policies. › Manages the liquidity, debt levels, interest rate and exchange rate risk of the group within an acceptable risk profile.	**Responsibility** › Provides advice and guidance on succession planning, director appointments, and director induction and training.
Members	**Members**	**Members**	**Members**	**Members**
› S Mayet (Chairman) › P Langeni › GW Dempster	› A Tugendhaft (Chairman) › GW Dempster › P Langeni	› JJ Njeke (Chairman) › P Langeni › S Mayet	› GW Dempster (Chairman) › S Mayet › JJ Njeke	› GW Dempster (Chairman) › A Tugendhaft › P Langeni

[1] Composition of the audit and risk committee will be aligned to the recommendations of King IV in January 2019.
[2] Social, ethics and sustainability.

Motus executive committee

Osman Suluman Arbee
Chief executive officer
See Motus board on page 119 for detailed CV.

Ockert Janse van Rensburg
Chief financial officer
See Motus board on page 119 for detailed CV.

Kerry Cassel
CEO – Motor-Related Financial Services
BCom (Hons), CA(SA)
Kerry is the CEO of the Motor-Related Financial Services business segment. Prior to joining Motus in 2002, Kerry was an audit manager at Deloitte & Touche. Kerry has held multiple senior positions within Imperial over the course of her career. She was appointed as managing director of LiquidCapital (Proprietary) Limited in April 2010, appointed to the board of Associated Motor Holdings (Proprietary) Limited in July 2015 and was a member of the Imperial executive committee until the committee was disbanded in 2017.

Ray Levin
Commercial executive
Ray was appointed as Motus commercial executive in July 2017. Prior to this appointment, Ray was the CEO of KIA Motors South Africa (Proprietary) Limited and served in this position for 19 years. He is one of the most longstanding CEOs in the South African automotive industry. Ray has managed to grow the business by expanding the Kia dealer footprint from 0 to 80 dealerships across the country and significantly increasing the KIA vehicle car park in South Africa.

David Long
Chief information officer
BSc Computer Science, BSc (Hons) Operations Research, MBA
David is the chief information officer for Motus. David was previously the CIO of the Imperial Vehicle Retail, Rental and Aftermarket Parts division for two years, and prior to that was a director of Resolve Solution Partners (part of the Imperial Logistics group) for 15 years. Before founding Resolve, David was involved in information systems and business strategy for a number of South African-based companies.

Niall Lynch
Managing director – Hyundai Automotive South Africa
BCom, MBS
Niall Lynch took over as managing director of Hyundai Automotive South Africa in 2016.

Niall was previously the managing director of Renault South Africa (Proprietary) Limited prior to which he held several franchise director positions within the Vehicle Retail and Rental segment.

Berlina Moroole
Chief internal audit, risk and sustainability officer
BCom (Hons), CA(SA)
Berlina was appointed as the chief internal audit, risk and sustainability officer of Motus on 1 June 2018. Prior to joining Motus, she held several senior management roles at different companies, including Liberty Holdings Limited from December 2013. During this period, she was the group chief risk officer, group executive for group internal audit services, acting group executive for human capital and a trustee member for Liberty Community Trust. Prior to joining Liberty, she spent six years at Deloitte & Touche as a partner and was an advisory audit committee member for the United Nations Population Fund (UNFPA) and board member for Legal Aid South Africa.

Philip Michaux
CEO – Retail and Rental
Philip is the CEO of the Retail and Rental 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 Imperial and now Motus. He was the managing director of Cargo Motors until 2006, at which time he was promoted to CEO of the Vehicle Retail division. He was appointed to the Imperial executive committee in October 2011 and later on in May 2014, appointed as a director of Imperial. His portfolio was then expanded into the Vehicle Retail and Rental division from July 2014, which includes the UK and Australian companies.

Jaco Oosthuizen
Managing director – Renault South Africa
BCom (Hons), CA(SA)
Jaco was appointed as Managing Director of Renault South Africa effective 1 July 2017. Prior to joining Imperial in 2001 Jaco was an audit manager at Deloitte & Touche. He joined the group in the role of general manager of the Motor-Related Financial Services segment and held the position of managing director of Daihatsu South Africa (Proprietary) Limited and then managing director of Mitsubishi South Africa (Proprietary) Limited during his tenure ahead of his current role.

Malcolm Perrie
CEO – Aftermarket Parts
BSc, MBA
Malcolm is the CEO of the Aftermarket Parts division. He began his career at Telkom having completed a BSc (Electrical Engineering) at the University of the Witwatersrand. He then entered the private sector with BMI, an industrial market research company after completing his MBA, also from Wits. In 1989 he started his own marketing and consulting company which specialised in the automotive and engineering sectors. Malcolm joined Imperial in 2013 as the managing director of Parts Incorporated, a division of Aftermarket Solutions.

Michelle Seroke
Chief people officer
BSocSci
Michelle was appointed as the chief people officer of Motus effective 1 July 2017. She joined Imperial as human resources director for the Imperial Vehicle Retail, Rental and Aftermarket Parts division in August 2016. Her career began in Eskom after obtaining her BSocSci from the University of Cape Town. She has held strategic senior management and executive positions in human resources, both locally and internationally, at several organisations, including Eskom, ProductivitySA, ArcelorMittal and General Electric.

Gary Scott
Managing director – Kia Motors South Africa
BCom (Hons), CA(SA)
Gary is the managing director of Kia Motors South Africa (Proprietary) Limited. He joined Kia Motors from Deloitte in 2002, where he qualified as a chartered accountant. His 15 years automotive experience includes stints in finance, group projects and parts. He most recently served as sales director at Kia Motors South Africa (Proprietary) Limited, from 2013 to 2017.

Corne Venter
CEO: Car rental division
BCom Acc, BCom (Hons), MCom
Corne is the CEO of the Car Rental division. Joining Imperial in 2005 as financial director of Premier Motor Holdings, Corne has since held the position of managing director of Premier Motor Holdings, Porter Motor Group and Imperial Commercials. Corne serves as a director of various Imperial held companies and as a former trustee of the Imperial Pension and Provident Fund.

Shareholder information

Contents

SHAREHOLDER INFORMATION


Mercedes-Benz
Mercedes-Benz

Shareholder analysis

Top 10 shareholders	Share class	Number of shares ('000)	% of issued voting capital
Public Investment Corporation Limited	Ordinary	22 245	10,77
Lazard Asset Management LLC Group	Ordinary	21 297	10,31
Prudential Group	Ordinary	18 159	8,79
Ukhamba Holdings (Proprietary) Limited	Ordinary	15 086	7,31
Lynch Family Holding	Ordinary	8 211	3,98
Ukhamba Holdings (Proprietary) Limited	Deferred Ordinary	7 699	3,73
BlackRock Inc	Ordinary	7 418	3,59
Dimensional Fund Advisors	Ordinary	7 202	3,49
Vanguard Group	Ordinary	6 020	2,92
Fidelity Management & Research	Ordinary	5 211	2,52
Morgan Stanley	Ordinary	5 196	2,52

Stock exchange performance	2018	2017
Number of shares in issue (million)	202	201
Number of shares traded (million)	209	206
Value of shares traded (Rand million)	45 495	34 434
Market price (cents per share)		
– Closing price	19 589	16 100
– High	28 400	18 889
– Low	15 926	13 778
Earning yield %*	8,0	8,6
Price: earnings ratio*	12,5	11,6

* Calculated using headline earnings per share.

Five-year performance of Imperial share price versus the JSE Industrial 25 Index and the JSE ALSI

Distribution of shareholders (listed ordinary shares)	Number of shareholders	Number of shares ('000)	% of ordinary shares listed
Public shareholders	5 735	146 363	72,47
Non-public shareholders			
– Shareholder holding more than 10%	2	43 543	21,56
– Shareholder entitled to appoint a director			
– Directors, their associates and employees	68	8 579	4,25
– Treasury shares	1	3 487	1,73
	5 806	201 971	100,00

Spread of listed holdings	Number of shareholders	%	Number of shares ('000)	%
1 – 1 000	4 168	71,79	1 263	0,63
1 001 – 10 000	1 038	17,88	3 443	1,70
10 001 – 100 000	429	7,39	13 831	6,85
Over 100 000	171	2,95	183 436	90,82
	5 806	100,00	201 971	100,00

Shareholder type	Number of shares ('000)	% of voting shares
Financial institutions, pension and provident funds	81 373	39,41
Unit trusts	82 137	39,78
Individuals	9 796	4,74
Directors and employees	8 579	4,15
Corporate holdings	16 901	8,19
Listed ordinary shares (net of treasury shares)	198 786	96,28
Unlisted deferred ordinary shares	7 669	3,72
Total voting shares in issue net of treasury shares	206 485	100,00
Treasury shares	3 185	
Non-redeemable preference shares	4 540	
Total shares in Issue	214 211	

Directors' interests in shares*	2018 Beneficial	2018 Non-beneficial	2017 Beneficial	2017 Non-beneficial
Non-executive				
GW Dempster	99		99	
SP Kana	9 417		9 417	
RJA Sparks	40 000		40 000	20 000
Y Waja[1]			1 000	
	49 516	–	50 516	20 000
Executive				
MJ Lamberti[2]			600 000	
M Akoojee	72 365		51 064	
OS Arbee	161 476		134 850	
MP de Canha[3]			7 298 946	
M Swanepoel	144 147		110 575	
P Michaux[4]			95 931	
	377 988	–	8 291 366	–
Total	427 504	–	8 341 882	20 000

* Between year end and the publication of this report, there were no changes in directors' interests.
[1] Resigned on 13 October 2017.
[2] Resigned as director on 30 April 2018.
[3] Retired on 31 January 2018.
[4] Resigned as director on 21 August 2017.

Notice of annual general meeting

IMPERIAL
LEADERS IN MOBILITY

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 28th annual general meeting of shareholders will be held on Tuesday, 30 October 2018 at 09:00 (CAT) at Hyundai Head Office (Training Centre), corner Norman Road and Lucas Lane, Bedfordview, Johannesburg, Gauteng, 2007, 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 31 October 2017 will be available for inspection at the registered office of the company until 17:00 on Monday, 29 October 2018 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 or some of 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 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 annual general meeting is Friday, 21 September 2018.

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, 19 October 2018.

Accordingly, only shareholders who are registered in the register of members of the company on 19 October 2018 will be entitled to attend, speak and vote at the annual general meeting. Therefore the last day to trade in order to be eligible to participate and vote at the meeting is Tuesday, 16 October 2018.

ELECTRONIC PARTICIPATION IN THE ANNUAL GENERAL MEETING

Shareholders or their proxies may participate in the meeting by way of a teleconference call and, 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 Monday, 29 October 2018 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

1. ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE FINANCIAL STATEMENTS

"Resolved that the audited consolidated company annual financial statements of Imperial for the year ended 30 June 2018, 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 NUMBER 2 – APPOINTMENT OF THE AUDITORS

"Resolved that Deloitte & Touche be appointed as auditors of the company and Mr MLE Tshabalala as designated partner until the date of the next annual general meeting."

The audit committee has recommended the reappointment of Deloitte & Touche as external auditors of the company from this AGM until the conclusion of the next AGM of the company with [Mr MLE Tshabalala (IRBA No 500769)] 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 AND RISK COMMITTEE

"Resolved that the reappointment of the following independent non-executive directors, be elected as members of the company's audit and risk committee in terms of section 94(2) of the Companies Act of 2008 (Act 71 of 2008), as amended (the Companies Act) by a separate vote in respect of each member:

3.1 Mr GW Dempster
3.2 Mr RJA Sparks
3.3 Mr P Cooper

A brief curriculum vitae of each of the directors offering themselves for election as members of the audit committee is contained on page 26 of the integrated annual report.

Percentage voting rights

The minimum percentage of voting rights that is required for each of resolutions 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, qualification and relevant experience of the appointed audit committee members and recommends that each of these directors be re-elected.

4. ORDINARY RESOLUTION NUMBER 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 P Cooper
4.2 Ms P Langeni
4.3 Ms T Skweyiya

A brief curriculum vitae of each of the directors offering themselves for re-election in terms of resolution 4 is contained on page 26 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 the 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 NUMBER 5 – CONFIRMATION OF THE GROUP'S REMUNERATION POLICY

"Resolved that, as a non-binding advisory vote, as recommended in the King Code on Governance for South Africa 2016, commonly referred to as King IV, the group's remuneration policy as set out in the remuneration report on pages 33 to 43 of the integrated annual report be hereby confirmed."

6. ORDINARY RESOLUTION NUMBER 6 – CONFIRMATION OF THE IMPLEMENTATION OF THE GROUP'S REMUNERATION POLICY

"Resolved that, as a non-binding advisory vote, as recommended in the King Code on Governance for South Africa 2016, commonly referred to as King IV, the implementation of the group's remuneration policy as set out in the remuneration report on pages 33 to 43 of the integrated annual 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 and on any other basis as may be recommended by the remuneration committee and approved by the board of directors for the period from 1 July 2019 to 30 June 2020 as follows:

		Fees from 1 July 2018 to 30 June 2019	Fees from 1 July 2019 to 30 June 2020
7.1	Chairman*	R993 000	R1 052 500
7.2	Deputy chairman and lead independent director*	R496 500	R526 000
7.3	Board member	R284 000	R301 000
7.4	Assets and liabilities committee chairman*	R181 000	R192 000
7.5	Assets and liabilities committee member	R120 500	R128 000
7.6	Audit and risk committee chairman*	R375 000	R397 500
7.7	Audit and risk committee member	R187 500	R198 000
7.8	Divisional board member	R168 500	R179 000
7.9	Divisional finance and risk committee member	R67 500	R71 500
7.10	Remuneration committee chairman*	R135 500	R143 500
7.11	Remuneration committee member	R90 000	R95 500
7.12	Nomination committee chairman*	R135 500	R143 500
7.13	Nomination committee member	R90 000	R95 500
7.14	Social, ethics and sustainability committee chairman*	R181 500	R192 000
7.15	Social, ethics and sustainability committee member	R120 500	R128 000

*Fee paid in addition to a member's fee.

Executive directors do not receive directors' fees.

Fees are stated excluding value added tax.

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.

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 SECURITIES
"Resolved that, the company, or a subsidiary of the company, be and is hereby authorised, by way of a general authority, to acquire securities issued by the company, 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 securities 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% (three percent) of the number of securities in issue on the date of passing of special resolution number 2, and for each 3% (three percent) 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 provided to the JSE 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 5% (five percent) of the company's issued ordinary shares as at the date of passing of this special resolution number 2; and
› in determining the price at which the securities are repurchased by the company or its subsidiary in terms of this general authority, the maximum price at which such securities may be repurchased will not be greater than 10% above the weighted average of the market value for such securities for the five business days immediately preceding the date of repurchase of securities.

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; and
› 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; and
› 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:
› Major shareholders – page 124
› Share capital of the company – page 125

Directors' responsibility statement
The directors, whose names are given on page 26 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 contains 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 2018 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 securities on such terms, conditions and in such amounts as determined from time to time by the directors of the company subject to the limitations set out above 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 5% (five percent) of the company's securities, 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 securities, it is deemed appropriate that the company or a subsidiary be authorised to repurchase the company's securities.

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 NUMBER 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% (five percent) of the issued share capital at 30 June 2018."

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 NUMBER 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% (five percent) of the issued share capital at 30 June 2018, 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;
- an announcement giving full details, including the impact on net asset value and earnings per share in the case of convertible securities, 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% (five percent) 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; and
- 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. 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 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.

12. 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 in order 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 number 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.

13. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING OF SHAREHOLDERS

Voting and proxies
A shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as its proxy to attend, speak and vote (or abstain from voting) in its stead. A proxy need not be a shareholder of the company.

A form of proxy is attached for the convenience of certificated shareholders and (own-name) dematerialised shareholders who are unable to attend the annual general meeting but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the company's transfer secretaries, Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051 Marshalltown 2107) or by fax to +27 11 688 5238 by no later than 09:00 on Monday, 29 October 2018 for administrative purposes. Alternatively, a duly completed form of proxy may be handed to the chairperson of the annual general meeting prior to the commencement of the annual general meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the shareholder decide to do so.

Dematerialised shareholders, other than with "own-name" registration, who have not been contacted by their CSDP or broker with regard to how they wish to cast their votes should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their votes at the annual general meeting in order for their CSDP or broker to vote in accordance with such instructions. If such dematerialised shareholders wish to attend the annual general meeting in person, they must request their CSDP or broker to issue the necessary letter of representation to them. This must be done in terms of the custody agreement entered into between such dematerialised shareholders and their CSDP or broker.

By order of the board

RA Venter
Company secretary

14 September 2018

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)

For use only by Imperial ordinary shareholders who:
› hold their shares in certificated form (certificated ordinary shareholders)
› have dematerialised their shares with "own-name" registration (dematerialised ordinary shareholders)

at the annual general meeting of shareholders to be held at 09:00 (CAT) on Tuesday, 30 October 2018 at Hyundai Head Office (Training Centre), corner Norman Road and Lucas Lane, Bedfordview, Johannesburg, Gauteng, 2007, or at any other adjourned or postponed date and time determined in accordance with the provisions of the Companies Act as read with the Listings Requirements (the AGM).

Dematerialised ordinary shareholders who do not have 'own- name' registration who wish to attend or send a proxy to represent them at the AGM must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend or be represented at the AGM and request their CSDP or broker to issue them with the relevant letter of representation to attend or be represented at the AGM and vote. If they do not wish to attend or be represented at the AGM, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. In the absence of such instructions, the CSDP or broker will be obliged to vote in accordance with the instructions contained in the custody agreement mandate between them and their CSDP or broker. These shareholders must **not** use this form of proxy.

I/We (Please print name in full) ____________________

Of (address) ____________________

Telephone number ____________________ Cellphone number ____________________

email 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 chairman 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 number 1 – Approval of financial statements					
2.	Ordinary resolution number 2 – Appointment of auditors					
3.	Ordinary resolution number 3 – Appointment of members of the audit and risk committee					
	Ordinary resolution number 3. 1 – GW Dempster					
	Ordinary resolution number 3. 2 – RJA Sparks					
	Ordinary resolution number 3. 3 – P Cooper					
4.	Ordinary resolution number 4 – Reappointment of retiring directors					
	Ordinary resolution number 4.1 – Reappointment P Cooper					
	Ordinary resolution number 4.2 – Reappointment P Langeni					
	Ordinary resolution number 4.3 – Reappointment T Skweyiya					
5.	Ordinary resolution number 5 – Confirmation of remuneration policy					
6.	Ordinary resolution number 6 – Implementation of remuneration policy					
7.	Special resolution number 1 – Directors' fees					
		Fees from 1 July 2018 to 30 June 2019	**Fees from 1 July 2019 to 30 June 2020**			
7.1	Chairman*	**R993 000**	**R1 052 500**			
7.2	Deputy chairman and lead independent director*	**R496 500**	**R526 000**			
7.3	Board member	**R284 000**	**R301 000**			
7.4	Assets and liabilities committee chairman*	**R181 000**	**R192 000**			
7.5	Assets and liabilities committee member	**R120 500**	**R128 000**			
7.6	Audit and risk committee chairman*	**R375 000**	**R397 500**			
7.7	Audit and risk committee member	**R187 500**	**R198 000**			
7.8	Divisional board member	**R168 500**	**R179 000**			
7.9	Divisional finance and risk committee member	**R67 500**	**R71 500**			
7.10	Remuneration committee chairman	**R135 500**	**R143 500**			
7.11	Remuneration committee member	**R90 000**	**R95 500**			
7.12	Nomination committee chairman	**R135 500**	**R143 500**			
7.13	Nomination committee member	**R90 000**	**R95 500**			
7.14	Social, ethics and sustainability committee chairman*	**R181 500**	**R192 000**			
7.15	Social, ethics and sustainability committee member	**R120 500**	**R128 000**			
8.	Special resolution number 2 – General authority to repurchase company securities					
9.	Ordinary resolution number 7 – Authority to issue ordinary shares					
10.	Ordinary resolution number 8 – Authority to issue shares for cash					
11.	Special resolution number 3 – Authority to provide financial assistance – section 44					
12.	Special resolution number 4 – Authority to provide financial assistance – section 45					

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 ____________________ 2018

Signature ____________________

Assisted by (where applicable) ____________________

Notes to the form of proxy

IMPERIAL
LEADERS IN MOBILITY

NOTES AND SUMMARY OF SALIENT RIGHTS IN TERMS OF SECTION 58 OF THE COMPANIES ACT

1. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the space provided, with or without deleting "the chairperson of the AGM". A proxy need not be a shareholder of the company. The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of shares represented by the shareholder in the appropriate box. Failure to comply with this will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes.
3. If a shareholder does not indicate on this form that his proxy is to vote in favour of or against any ordinary resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, the proxy shall be entitled to vote as he/she thinks fit.
4. The chairperson of the AGM may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
6. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company or unless the chairperson of the AGM waives this requirement.
7. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the company.
8. Where there are joint holders of shares, any one of such shareholders may sign the form of proxy provided that if more than one of such holders is present or represented at the AGM, the holder whose name stands first in the register of the company in respect of such shares, or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with the company or the transfer secretaries.
10. A proxy may delegate his/her authority to act on behalf of a shareholder to another person subject to any restriction therefore set out in this instrument of proxy.
11. The proxy appointment made herein shall remain valid for a period of one year from the date of signature unless revoked by the shareholder by cancelling it in writing or making a later inconsistent appointment of proxy and delivering a copy of the revocation instrument to the proxy and the company.
12. A vote given in accordance with the terms of this form of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy of the authority under which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the company before the commencement of the AGM (or any adjournment thereof).
13. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or mailed to the company's transfer secretaries, Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), to be received no later than 09:00 on Monday, 29 October 2018 for administrative purposes, or handed to the chairperson of the AGM before that meeting is due to commence.
14. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory/ies.

Independent limited assurance report

Deloitte.

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The Directors
Imperial Holdings Limited
Imperial Place
79 Boeing road East
Bedford View

Dear Sirs

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF IMPERIAL HOLDINGS LIMITED

We have performed our limited assurance engagement in respect of the selected non-financial key performance indicator (KPI) disclosures to be published in the Imperial Holdings Limited (Imperial Holdings) Integrated Annual Report for the year ended 30 June 2018.

SUBJECT MATTER

The subject matter comprises the non-financial key performance indicators prepared in accordance with the Global Reporting Initiative G4 Guidelines (GRI G4) supported by management's internal basis of preparation (the criteria) as prepared by the responsible party during the year ended 30 June 2018. The subject matter comprises of the following:

Category	Key performance indicator	Metric
Safety	Kilometres travelled	Kilometres
	Road accidents	Absolute
	Accidents per million kilometres	Ratio
	Road Fatalities (company)	Absolute
	Fatalities per million kilometres	Ratio
Environmental	Diesel consumed – Normal engine	Litres
	Petrol consumed – Normal engine	Litres
	Electricity consumed	Kilowatt hours
	Scope 1 emissions	Carbon emission tonnes (tCO_2e)
	Scope 2 emissions	Carbon emission tonnes (tCO_2e)
	Scope 3 emissions	Carbon emission tonnes (tCO_2e)
	Municipal Water consumed	Litres
Social	Training hours	Hours
	Training spend	Rand
	CSI spend	Rand

Independent limited assurance report – continued

DIRECTORS' RESPONSIBILITY

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the subject matter information, in accordance with the GRI and management's own internal basis of preparation.

The responsible party is responsible for:

- ensuring that the subject matter information is properly prepared and presented in accordance with the criteria against which the underlying subject matter will be assessed;
- confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information; and
- Designing, establishing and maintaining internal controls to ensure that the subject matter information is properly prepared and presented in accordance with the criteria against which the underlying subject matter will be assessed.

ASSURANCE PRACTITIONER'S RESPONSIBILITY

We conducted our assurance engagement in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 (Revised)*, Assurance Engagements other than Audits or Reviews of Historical Financial Information. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the subject matter of the engagement.

We shall not be responsible for reporting on any non-financial performance indicator transactions beyond the period covered by our limited assurance engagement.

QUALITY CONTROL

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

INDEPENDENCE AND OTHER ETHICAL REQUIREMENTS

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

SUMMARY OF WORK PERFORMED

We have performed our procedures on the subject matter, the non-financial key performance indicators of Imperial Holdings, as prepared by management in accordance with the GRI G4 as supported by management's basis of preparation for the year ended 30 June 2018.

Our evaluation included performing such procedures as we considered necessary which included:

- Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected subject matter;
- Testing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the Report,
- Inspected supporting documentation and performed analytical review procedures; and
- Evaluated whether the selected KPI disclosures are consistent with our overall knowledge and experience of sustainability processes at Imperial Holdings.

Our assurance engagement does not constitute an audit or review of any of the underlying information in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the non-financial performance indicators have been presented, in all material respects, in accordance with GRI G4 standards, supported by management's internal basis of preparation.

CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that the selected non-financial key performance indicators as set out in the subject matter paragraph (of our report) for the year ended 30 June 2018, is not prepared, in all material respects, in accordance with the GRI G4 supported by management's internally developed basis of preparation.

RESTRICTION ON USE AND DISTRIBUTION

Our report is made solely to the directors of Imperial Holdings in accordance with our engagement letter dated 24 April 2018 for the purpose of providing limited assurance over the subject matter disclosed in the Imperial Holdings Integrated Report for year ended 30 June 2018.

Claire Hoy
Director
Deloitte & Touche

Risk Advisory
14 September 2018

FTSE Russell

CERTIFICATE OF MEMBERSHIP

This is to certify that

Imperial Holdings

is a constituent company in the FTSE4Good Index Series

FTSE4Good

June 2018

The FTSE4Good Index Series is designed to identify companies that demonstrate strong environmental, social and governance practices measured against globally recognised standards.

Mark Makepeace
Group Director, Information Services Division &
CEO, FTSE Russell
London Stock Exchange Group

Sir Mark Moody-Stuart
Chairman, FTSE Russell ESG Advisory Committee

Corporate information

IMPERIAL HOLDINGS LIMITED
Registration number: 1946/021048/06
Ordinary share code: IPL
ISIN: ZAE000067211
Preference share code: IPLP
ISIN: ZAE000088076

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

Independent non-executive ## Non-executive

Company Secretary
RA Venter

Group investor relations manager
E Mansingh

Business address and registered office
Imperial Place, Jeppe Quondam
79 Boeing Road East
Bedfordview, 2007

Share transfer secretaries
Computershare Investor Services (Proprietary) Limited
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

Auditors
Deloitte & Touche
20 Woodlands Drive
The Woodlands
Woodmead
2052

Sponsor
Merrill Lynch SA (Proprietary) Limited
The Place, 1 Sandton Drive
Sandton, 2196

Forward looking statements

This report contains forward looking statements with respect to Imperial, Imperial Logistics' and Motus' financial positions, results, operations and businesses. These statements are not statements of fact or guarantees of future performance as by their nature they involve risk and uncertainty because they relate to future events and circumstances that are difficult to predict and beyond the group's control. There are various factors that could cause actual results to differ materially from those expressed or implied by these forward looking statements, and undue reliance should not be placed on such statements.

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