IMPERIAL INTEGRATED ANNUAL REPORT 2016

IMPERIAL

LEADERS IN MOBILITY

Imperial Holdings Limited is a JSE listed, South African-based international group of companies, active in two chosen areas of mobility.

> ***Logistics:*** *consumer and industrial logistics which make up 40% and 42% of group* revenue and operating profit respectively, with 71% of the operating profit generated internationally.*

> ***Vehicles:*** *vehicle import, distribution, dealerships, rental, aftermarket parts, and motor-related financial services, which make up 60% and 58% of group* revenue and operating profit respectively, with 11% of the operating profit generated internationally.*

* *Excluding Regent, head office and eliminations.*

IMPERIAL EMPLOYS OVER **51 000** PEOPLE WHO GENERATE ANNUAL REVENUES IN EXCESS OF

R118 BILLION

MAINLY IN AFRICA AND EUROPE.

– Contents –

01	Our business	
	01	How we allocate capital
	02	Where we are
	04	The big picture
	06	Our leaders
	12	Our strategy for value creation
	14	How we create value: Logistics
	16	How we create value: Vehicles
	18	Our key relationships
	22	Our top risks
	26	Our material issues
34	Our performance	
	34	Our operating context
	36	Chairman's letter to stakeholders
	40	Chief executive officer's report
	44	Chief financial officer's report
	50	Five-year review
	53	Value-added statement
54	Divisional reviews	
	54	Logistics division
	62	Vehicles division
70	Governance	
	70	Corporate governance report
	86	Remuneration report
104	Summarised financial statements	
130	Segmental information	
134	Independent limited assurance report	
136	Shareholder analysis	
138	Dividend declaration	
139	Notice of AGM	
149	Form of proxy	
150	Notes to form of proxy	
IBC	Corporate information	

The significant organisational renewal underway at Imperial, which is aimed at positioning the group for stronger growth, returns and sustainability in relation to the structural and systemic changes in the business environment, is in essence an exercise in integrated thinking. As our report explains, this renewal requires focused investment in the assets and enablers that underpin the group's ability to create long-term value for its stakeholders.

In line with the fundamental restructuring underway, the report covers the past structures for the last time, while looking forward to a new era for Imperial.

APPROVAL

The board of Imperial Holdings Limited is pleased to present the group's Integrated Annual Report 2016 (the report), which is its primary report to stakeholders. The board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. The audit committee is responsible for the content of the report and recommended it to the board for its approval. In the board's opinion, the report addresses all material issues and matters, and fairly presents the group's integrated performance.

On behalf of the board:

Suresh P Kana
Chairman

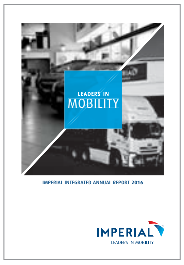
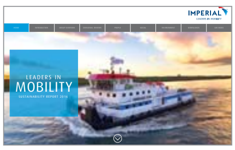
Mark J Lamberti
Chief executive officer

14 September 2016

For more information about the report, including its scope and boundary, and for an overview of integrated thinking at Imperial, see page 71 of the Corporate governance report.

– Our reporting –

Our reporting publications provide our stakeholders with an integrated assessment of how Imperial Holdings (the group) is driving its growth, returns and sustainability.

	PUBLICATIONS	INDICES/ REPORTING FRAMEWORKS	ASSURANCE/ COMPLIANCE	
	Our Integrated Annual Report 2016, which is aimed at a broad stakeholder audience, provides a focused assessment of the group's governance, risk, strategy, financial, operational and sustainability performance and prospects, in relation to the material issues that affect its ability to create long-term value for its stakeholders. The report can be accessed online at **www.imperial.co.za/ inv-reports.php**.	> Imperial is listed in the transportation services sector on the JSE Limited under the share code IPL. > JSE Listings Requirements. > South African Companies Act, 2008. > International Integrated Reporting Council's Integrated Reporting Framework (IIRC Framework). > King III Report on Corporate Governance (King III).	> The audit committee reviewed and recommended the report for board approval. > A register of the group's compliance with the 75 King III principles is available online at **www.imperial.co.za/ sus-king.php**. > Deloitte & Touche assured nine non-financial indicators of which certain are included in this report.	
	The complete audited consolidated annual financial statements for the year ended 30 June 2016 are available online at **www.imperial.co.za/ inv-afs.php**.	> International Financial Reporting Standards (IFRS).	> Deloitte & Touche issued an unmodified audit opinion on the consolidated annual financial statements for the 2016 financial year.	
	> Our Sustainable Development Report 2016, available online at **www.imperial.co.za/ inv-reports.php**, complements our Integrated Annual Report by expanding on our approach to sustainable development and our performance in this regard. This report also includes case studies of sustainability initiatives within our operations.	> The group is a constituent of the FTSE/JSE Responsible Investment Index Series. > G4 guidelines of the Global Reporting Initiative (GRI) on a core basis.	> The social, ethics and sustainability committee reviewed and recommended the report for board approval. > Deloitte & Touche assured nine (2015: four) non-financial indicators, and issued an assurance statement in this regard, which is included on page 134. > A response table to the relevant GRI G4 indicators is available at **www.imperial.co.za/ sus-gri.php**.	

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

– How we allocate capital –

Imperial Holdings strives to create long-term value for stakeholders through strategic clarity, financial discipline, operational excellence and strictly defined capital allocation principles.

Our investment thesis is unchanged:

> We will release capital and sharpen executive focus by disposing of non-core, strategically misaligned, underperforming or low return on effort assets.

> We will invest capital in South Africa to maintain the quality of our assets and our market leadership in logistics and motor vehicles.

> We will invest capital in the Rest of Africa primarily to achieve our 2020 objective for the revenue and profits generated in that region to equal that of our South African logistics business, and secondarily to expand our vehicles businesses in the region.

> We will invest the cash generated from operations and divestments to grow our businesses beyond the continent, with an emphasis on logistics.

> We will invest in human capital and information systems to underpin the development and sustainability of Imperial.

CEO's report on page 40.

— Where we are —

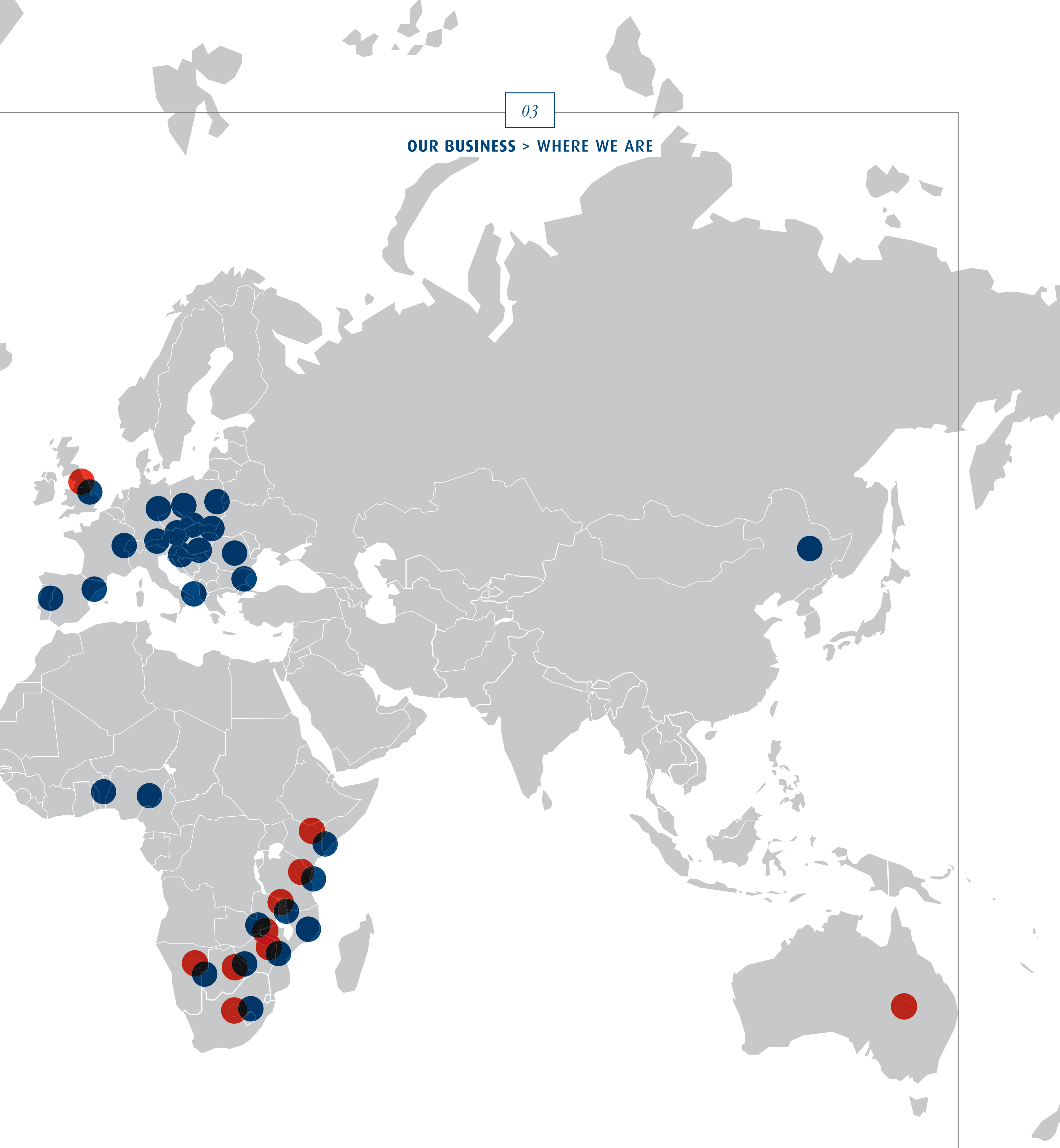
Imperial Holdings is a South African-based international group of companies, active in two areas of mobility in over 30 countries.

LOGISTICS

SOUTH AFRICA	INTERNATIONAL
REST OF AFRICA	AUSTRIA
BOTSWANA	BELGIUM
GHANA	BULGARIA
KENYA	CHINA
LESOTHO	CZECH REPUBLIC
MALAWI	FINLAND
MOZAMBIQUE	FRANCE
NAMIBIA	GERMANY
NIGERIA	HUNGARY
SWAZILAND	ITALY
TANZANIA	LUXEMBOURG
ZAMBIA	NETHERLANDS
ZIMBABWE	PARAGUAY
	PORTUGAL
	POLAND
	SPAIN
	SWEDEN
	SWITZERLAND
	UK
	USA

VEHICLES

SOUTH AFRICA
AUSTRALIA
BOTSWANA
KENYA
MALAWI
NAMIBIA
TANZANIA
UK
ZAMBIA
ZIMBABWE



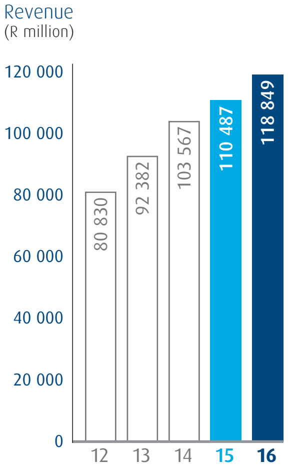
Map key

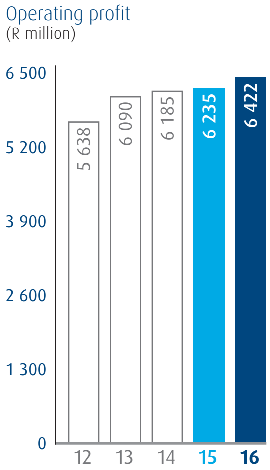
● LOGISTICS ● VEHICLES

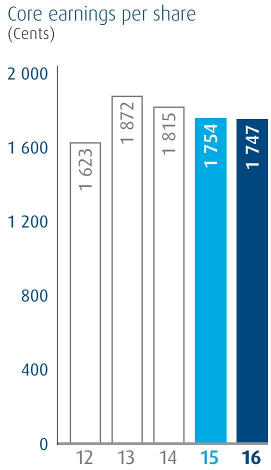
Divisional reviews starting on page 54.

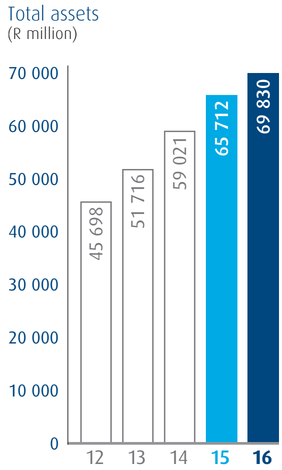
– The big picture –

REVENUE UP 8% to R118,8 BILLION (42% foreign)	OPERATING PROFIT UP 3% to R6,4 BILLION (36% foreign)	FOREIGN REVENUE increased 23% to R49,7 BILLION (42% of group* revenue)	FOREIGN OPERATING PROFIT increased 18% to R2,2 BILLION (36% of group* operating profit)	EPS AND CORE EPS unchanged at 1 581 and 1 747 CENTS PER SHARE RESPECTIVELY





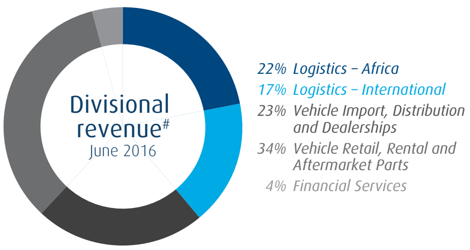


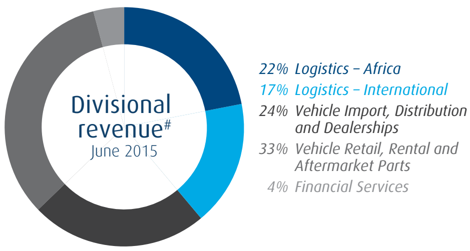


NON-VEHICLE REVENUE INCREASED 8% to R47,9 BILLION (40% of group* revenue)	NON-VEHICLE OPERATING PROFIT REMAINED FLAT AT R2,5 BILLION (42% of group* operating profit)	CASH GENERATED BY OPERATIONS OF R9,0 BILLION	NET WORKING CAPITAL INCREASED 7% to R9,9 BILLION

* *Excluding Regent, head office and eliminations. Motor-related Financial Services now included in Vehicles.*

CFO's report starting on page 44.
Five-year review on page 50.
Divisional reviews starting on page 54.

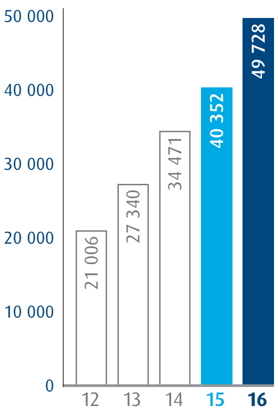




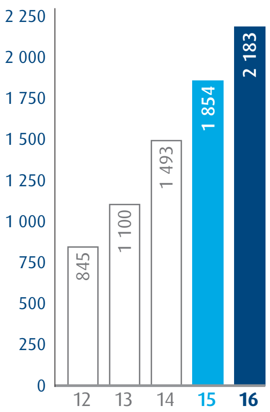
Before head office and eliminations.

HEPS DOWN 3% to 1 579 CENTS PER SHARE	RETURN ON EQUITY 15,6%	RETURN ON INVESTED CAPITAL 12,4%	WEIGHTED AVERAGE COST OF CAPITAL 10,2%	FULL YEAR DIVIDEND unchanged at 795 CENTS PER SHARE

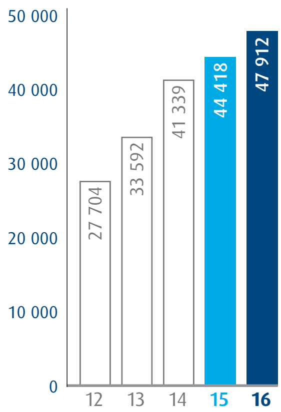
Revenue foreign business*
(R million)



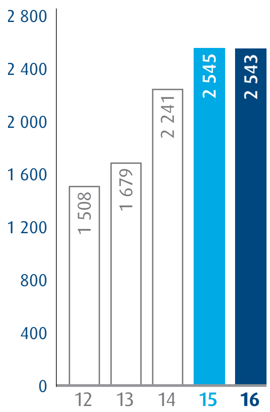
Operating profit foreign business*
(R million)



Revenue non-vehicle business*
(R million)



Operating profit non-vehicle business*
(R million)



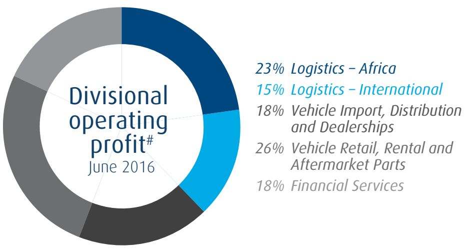
TOTAL WEALTH CREATED (including taxes to government, payments to employees and payments to providers of capital): R26,0 BILLION (2015: R24,4 billion)	TOTAL NUMBER OF EMPLOYEES: 51 256 Making the group the ninth biggest private employer in South Africa.	EMPLOYEE FATALITIES: 1 (2015: 6) Employee road fatalities have decreased over the last three years due to a range of safety initiatives, including driver training and fatigue management.	The Ukhamba Holdings Share Scheme has realised R222,6 MILLION in value for its shareholders since November 2013.

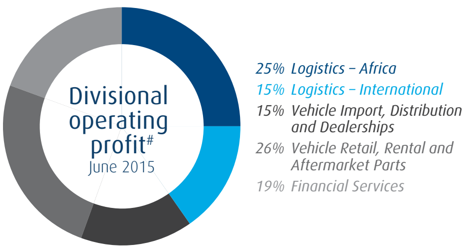
** Excluding Regent, head office and eliminations. Motor-related Financial Services now included in Vehicles.*

Our material issues on page 33.

Value-added statement on page 53.

Sustainable Development Report online.





 # Before head office and eliminations.

– Our leaders –

NON-EXECUTIVE DIRECTORS

Suresh Kana (61)
(Chairman)

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

Suresh was the CEO and Senior Partner of PwC Southern Africa and PwC Africa. He served on the PwC Global Board and its Strategy Council. He is the Chairman of the Financial Standards Reporting Council of South Africa, and a member of the King Committee on Governance. He is a non-executive director of Murray & Roberts Limited and the JSE Limited, and is a Professor of Accounting at the University of Johannesburg. Suresh was appointed as a non-executive director to the board of Imperial on 1 September 2015 and appointed as independent non-executive chairman of the board on 3 November 2015.

Peter Cooper (60)

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

Peter is the immediate past Chief Executive Officer of RMB Holdings Limited (RMH) and Rand Merchant Insurance 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, RMB Structured Insurance, OUTsurance and MMI, and as an alternate director of FirstRand. He was appointed to the board on 24 February 2015 and chairs the investment committee.

Ashley (Oshy) Tugendhaft (68)
(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 deputy chairman of Pinnacle Technology Holdings. He was appointed to the board in April 1998 and as deputy chairperson in March 2008.

Graham Wayne Dempster (61)

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 Telkom and AECI. He was appointed to the board on 24 February 2015 and is a member of the audit and investment committees.

Thembisa Dingaan (43)

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 Absa Bank, Famous Brands Limited, Telkom SOC Limited and Sumitomo Rubber South Africa. She was appointed to the board in November 2009.

Phumzile Langeni (42)

BCom (Acc), BCom (Hons)

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

Raboijane Moses Kgosana (57)

BCompt (Hons), CA(SA)

Moses is a past Chief Executive of KPMG South Africa. He is also a past chairman of the Accounting Practices Board, served as a member of the IFRS Advisory Council (SAC) of the International Accounting Standards Board (IASB) and was a trustee of the Thuthuka Bursary Fund and a member of Business Leadership South Africa. He is a member of the Institute of Directors in South Africa (IoDSA). Moses is a former President of the Association for the Advancement of Black Accountants of Southern Africa (ABASA), which was established to promote the interests of black men and women engaged in the accounting profession. He was appointed to the board and as chairman of the audit committee on 1 September 2015.

Mohammed Valli Moosa (59)

BSc

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

NON-EXECUTIVE DIRECTORS

Roderick John Alwyn Sparks (57)

BCom (Hons), CA(SA), MBA

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

Younaid Waja (64)

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

Younaid is a practising tax, business and governance consultant. He is a non-executive director and a sub-committee member of Dipula Income Fund Limited. His immediate past directorships include subsidiaries of the Gauteng Growth and Development Agency: Supplier Park Development Company and Automotive Industry Development Centre, Pareto Limited, the PIC, Telkom, Real Africa Holdings and Blue IQ. His former memberships include vice-president of the Association for the Advancement of Black Accountants of Southern Africa (ABASA), chairperson of the Public Accountants and Auditors Board (PAAB) – now the IRBA, and treasurer and executive member of the Black Business Council (BBC). He is also a former member of the Income Tax Court. He is currently a vice-chairperson of the Non-Racial Sports History Project – Gauteng. He was appointed to the board in June 2004.

EXECUTIVE DIRECTORS

Mark James Lamberti (66)

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

Mark was appointed CEO on 1 March 2014, in which capacity he chairs all divisional boards.

From 2008 until early January 2014, Mark was the CEO and a major shareholder of Transaction Capital, which listed on the JSE in 2012. He served as its non-executive chairperson until March 2014 when he resigned to devote his attention fully to Imperial.

In April 2014, he also resigned as non-executive chairperson of the board of Massmart Holdings, a position he assumed in 2007 after serving for almost 19 years as founder, architect, CEO and major shareholder. Notable developments during his tenure were the listing of the group on the JSE in 2000 and the purchase of a controlling interest by Walmart in 2011.

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

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

Osman Suluman Arbee (57)

BAcc, CA(SA), HDip Tax

Osman is the group's chief financial officer (CFO).

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

Osman is a member of various Imperial subsidiary and divisional boards, including the United Kingdom, Germany and the Netherlands, a trustee of the Imperial Pension and Provident Fund and the Ukhamba Trust which manages the interests of the black employees of the group, chairman of the Medical Aid Fund and a trustee of the Imperial and Ukhamba Community Development Trust.

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

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.

EXECUTIVE DIRECTORS

Manuel Pereira de Canha (66)

Manny is the CEO of Associated Motor Holdings, responsible for the Vehicle Import, Distribution and Dealerships division. Manny has extensive experience in the motor and import industries. He was part of the founding team of Imperial and worked for Imperial in various positions from 1969 to 1985. From 1986, he was a director of Automotive Holdings Limited in Western Australia. He re-joined Imperial in 1995 and was appointed to the board in November 2002.

Marius Swanepoel (55)

BCom Acc (Hons)

Marius is the CEO of Imperial Logistics, which effective 1 July 2016 includes all Imperial's logistics interests. He joined the group in 1994 when Imperial acquired Highway Carriers, where he was financial director from October 1990. Marius was appointed as financial director of Imperial Transport Holdings in 1997 and CEO of Imperial Logistics Transport & Warehousing in 2001. In October 2005, he was appointed CEO of Imperial Logistics Africa. In May 2007, he joined the Imperial executive committee and was appointed to the board in November 2009.

Marius started his career with the South African Revenue Service in Cape Town after completing his articles at auditing firm Brink, Roos & Du Toit.

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

Philip Bernard Michaux (56)

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

NOTE: All of the executive directors above and the executives listed below are members of the executive committee.

EXECUTIVE MANAGEMENT

Kerry Cassel (43)

BCom Acc, Dip Acc, CA(SA)

Kerry is the CEO of Imperial Financial Services.

Prior to joining the group in 2002, Kerry was an audit manager at Deloitte & Touche. Kerry has held multiple senior positions at Associated Motor Holdings and Liquid Capital since. Kerry was promoted to managing director of LiquidCapital (Pty) Limited in April 2010. She is a board member of Associated Motor Holdings (Pty) Limited and was appointed to the Imperial Holdings Limited executive committee in October 2015.

EXECUTIVE MANAGEMENT

Berenice Joy Francis (40)

BCompt (Hons), CIA, MBA (IE)

Berenice is the group's commercial executive. Her responsibilities include risk, IT, transformation and group marketing. She joined the group in 2008 and was appointed to the executive committee in June 2009.

She is a vice president of the Institute of Risk Management SA (IRMSA) and currently chairs the Education and Technical committee of IRMSA. She is a board member of Ukhamba Holdings and a trustee of the Unjani Clinics and the Imperial and Ukhamba Community Development Trust. She is also a past vice president and regional governor of the Institute of Internal Auditors (IIASA) and is a member of its policy committee. She is the current recipient of the IRMSA Risk Manager of the Year Award. Prior to joining the group, she was the chief risk officer for the State IT Agency.

George Nakos (39)

BCom (Cum laude), CA(SA), CFA, PLD (Harvard)

George is currently employed as group corporate finance executive and is a member of the executive committee of Imperial Holdings Limited. From 2000 to 2015, George was employed at Investec Bank Limited where he completed his articles and held senior positions in the Corporate Finance division, including being a member of the executive committee and global coordinator of the natural resources corporate finance team.

NOTE: Please refer to the Corporate governance report on page 80 for changes to the executive team during the year.

Taryn Marcus (35)

BA Human Resources (Cum Laude), BA (Hons) Industrial Psychology (Cum Laude), MA Industrial Psychology, Registered Industrial Psychologist

Taryn is currently employed as the group organisation effectiveness executive and is a member of the executive committee of Imperial Holdings Limited. From 2006 until she joined Imperial, Taryn occupied various positions of increasing responsibility in human capital management at Liberty, starting as a Human Resource Consultant and finishing as the Liberty Group Head of Talent and Succession Management and People Development. Taryn is a past chairperson for the Society for Industrial & Organisational Psychology South Africa (SIOPSA) Johannesburg chapter.

Craig W Shaw (46)

BCom, CA(SA), LLB

Craig was appointed as group strategy executive at Imperial Holdings in June 2016. Previously, he served as the Chief Investment Officer and Chief Financial Officer of Sedibelo Platinum Mines, an internationally run mining holding company. He is the past joint head of the natural resources corporate finance team at Investec Corporate Finance, a division of Investec Bank Limited. From 2007 to 2008, Craig served as finance director of Cunico, a multinational multi-commodity mining group, in preparation for a main board listing on the London Stock Exchange. Prior to 2007, Craig was responsible for the international corporate finance and private equity investments of a private global resource group with exposure to various industries, geographies and commodities, where he was involved in a number of significant transactions in the industrial and natural resource space, including various public capital market transactions.

– OUR STRATEGY –
for value creation

STRATEGIES	OBJECTIVES
Shape the portfolio Imperial's businesses must benefit from its ownership. The acid test of this principle is that any business that is more valuable as a stand-alone entity or under different owners must be disposed of. The growth and evolution of Imperial has led to a large complex international asset base, with deep expertise and capabilities within various sectors related to the mobility of people and goods. Competitiveness, organisational efficiency and financial returns are heavily dependent on Imperial's choice of sectors and how it is structured and functions between and within these sectors. The holding company's first obligation is therefore to agglomerate and structure businesses to benefit from the resources and capabilities of Imperial or each other.	> Determine which resources, competencies and capabilities constitute competitive advantage and scale in their sectors and value chains. > Determine where scarce managerial effort is wasted or can be better deployed to maximum advantage. > Analyse the current portfolio with reference to its sectors, value chains, competitors and value drivers. > Identify businesses whose similarity of supply chains, counterparties and capabilities enable performance enhancement from integration, collaboration and common management.
Allocate capital The ultimate veracity of Imperial's strategic choices will be returns on invested capital superior to peers in similar sectors and businesses. As the provider of capital, the holding company's second obligation is to source, allocate and control capital to achieve this objective.	> Evaluate the return on invested capital (ROIC) at a granular level for each business and operating asset. > Knowledge of debt and equity capital market conditions and pricing. > Determine short-, medium- and long-term capital requirements in support of subsidiary strategy implementation.
Ensure strategic clarity in subsidiaries The sustainable performance of any client-facing organisation is determined by its strategic choices on where to compete and how to win. Incorrect strategic choices confuse stakeholders, divert management attention, and diminish returns. As the entity held to account for the performance of its underlying businesses, the holding company must define the strategic parameters within which subsidiaries operate and it must interrogate and approve their strategic choices.	> Provide guidelines on desired sectors and available capital.
Develop executive capability The size and complexity of Imperial's operations requires executives of considerable expertise, experience and diversity, relative to the worldwide talent pool. By virtue of its objective understanding of the executive capabilities and challenges in every business, the holding company must intervene to ensure the recruitment, development and deployment of executive talent in the best long-term interests of Imperial and individuals' careers.	> Metrics on demographics, tenure, experience, qualifications, performance, potential, compensation and succession of the 200 most senior executives. > Requirements to align executive resources and capabilities with strategy execution and new structure. > Direct and indirect costs of executive total compensation relative to market peers.
Deploy technology for control, efficiency and innovation The increasing rate of development in information, communications and telecommunications technologies presents opportunity and threat to every Imperial business. As the competitiveness, efficiency, returns, risks and ultimately the value of any business can so easily be diminished by technology errors of omission and commission, the holding company must stimulate and monitor the deployment of technologies that enable control, efficiency and innovation that creates value for stakeholders.	> Knowledge of status and risks of Imperial's current ICT technologies. > Intelligence on ICT developments that can enhance transactional efficiency and value propositions to stakeholders.

ENABLING FOCUSED VALUE CREATION

The renewal of the group is entailing focused investment in, and active management of, the relevant resources and relationships (or capitals) that are pivotal to creating and sustaining long-term value for stakeholders. Besides the value-adding intervention in its subsidiaries, which defines the group's business model, group leadership sets the appropriate policies, approval frameworks and related oversight processes that give effect to superior governance, transparency, disclosure and communication.

FINANCIAL AND MANUFACTURED CAPITAL

The group has well-developed structures and processes in place to ensure disciplined capital allocation and effective balance sheet management. The reorganisation of the group is focused on the optimal utilisation of the group's assets, to drive growth, returns and sustainability, and hence value creation for all stakeholders.

Imperial functions on the simple strategic premise that groups do not compete; only subsidiaries do. As the parent of business units that compete in the marketplace for goods and services, Imperial Holdings exists to enhance their competitiveness and returns in excess of the costs of doing so. As a listed entity, Imperial Holdings' legitimacy and value is assured only by a proven ability to nurture businesses and diversify in a way its shareholders cannot. As a holding company or parent, we therefore create value through five major strategies.

ACTIVITIES	PROGRESS IN 2016
> Exit (Acquire) businesses that do not enhance (do enhance) competitive advantage in their value chains or whose value is not enhanced (is enhanced) by Imperial's ownership. > Dispose of businesses with low return on effort. > Establish the dominant sectors in which Imperial is best able to compete. > Group similar businesses as defined, and restructure the organisation to allocate management responsibility and optimise the deployment of expertise and capabilities.	> 37 businesses disposed; 18 businesses acquired (including Palletways) to create a narrower portfolio of businesses. > A higher return on managerial capability and effort. > Decision to focus exclusively on the Logistics and Vehicles supply chains. > Decision to operate as Imperial Logistics and Motus Holdings from 1 July 2016. *CEO's report on pages 40 to 43.*
> Selected disposals and acquisitions based on their ability to achieve ROIC greater than the weighted average cost of capital (WACC). > Frequent exchange of relevant information with rating agencies and providers of debt and equity. > Bottom-up cash forecasts resulting from strategy implementation.	> Value creation for shareholders and reduced future capital intensity of portfolio. > Working capital up due to rand weakness. > Competitively priced debt. > Improving rating. > Prudent three-year, long/short, fixed/variable, local/foreign, debt arrangements within approved 60% to 80% debt to equity ratio. *CEO's report on pages 40 to 43.*
> Detailed review of strategies and three-year forecasts by executive committee and board.	> Competitive, portfolio and financial strategies to focus subsidiary execution and guide stakeholders. *How our subsidiaries create value is set out on pages 14 to 17.*
> Establish systems and processes for group-wide collection and analysis of executive talent pool. > Evaluated enterprise architecture to determine reporting lines and levels of decision-making authority and accountability. > Annual PwC survey.	> Data collected manually for top 100 executives. > Group-wide human resources (HR) system under evaluation. > Changes to the roles or reporting lines of 26 senior executives for the next three years. > Competitive compensation. *Our material issues on pages 26 to 33.*
> Appointed chief information officers (CIOs) in all major business units. > Created the CIO forum as part of group risk committee. > Accelerated development of digital interfaces with counterparties.	> Improved insight and decision-making on selection, procurement, maintenance and adequacy of systems. > Although still far from optimal, improvement in efficiencies, client interaction and online sales generation. *Our material issues on pages 26 to 33.*

HUMAN AND INTELLECTUAL CAPITAL

The group's HR capability is moving from a transactional to a transformational approach, recognising that people and culture are the foundation of organisational effectiveness. Significant progress has been made in implementing the talent management practices and related HR architecture to ensure performance, succession and diversity. More broadly, the group invests in systems and technology to realise efficiencies, new growth opportunities and competitive advantage.

SOCIAL AND RELATIONSHIP CAPITAL

Stakeholder expectations and priorities are integrated into strategic and operational decision-making to ensure strong commercial relationships and to protect our licence to operate, which depends on our societal relevance and legitimacy. The group continues to invest and participate in initiatives that respond to critical societal concerns.

NATURAL CAPITAL

The group's businesses focus on measuring and managing their respective environmental impacts, according to what is material to the nature of their operations. The group's sustainability management system provides the basis for ensuring that these initiatives deliver a meaningful consolidated impact across the group.

HOW WE CREATE VALUE

as a market-leading logistics business

With effect from 1 July 2016 we will bring Imperial's various logistics businesses together under one leadership team, its mission being to identify and prioritise strategic opportunities, allocate capital, exploit synergies and disseminate management expertise; to create an increasingly global, asset-light, cash-generative, highly rated logistics group, active in carefully chosen sectors and businesses that benefit from Imperial's financial strength, management expertise, geographic footprint, asset base and specific logistics capabilities.

Logistics South Africa

Leading logistics provider across the entire supply chain.

FREIGHT & TRANSPORT

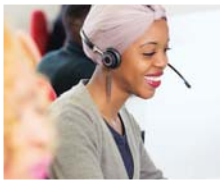
> Dedicated fleets.
> Specialised vehicles.
> Bulk tankers.
> Commodity tipper trucks.
> Regional flow management.

MANAGED LOGISTICS

> Continuous flow management.
> Inter-modal solutions.
> International freight forwarding and logistics.
> Commodity tipper trucks.
> Demand-driven logistics.

WAREHOUSING & DISTRIBUTION

> Product focused capabilities.
> Single and multi-principal.
> Palletised and picking.
> Consolidation.
> Convenience and informal market deliveries.
> Rental fleet.
> Stockpile management.



DEMAND-DRIVEN ROUTE-TO-MARKET FULFILMENT

> Agency and distributorships.
> Sales and merchandising.
> Brand activation.
> Trade intelligence.
> Traditional market development.

SUPPLY CHAIN INTEGRATION

> Advisory services.
> Technology services.
> People enablement.
> Process outsourcing.

WE CREATE VALUE THROUGH:

> Improving clients' competitiveness, as evidenced by the retention of long-term relationships and ongoing service innovation.
> Scale, expertise and technology to provide high-value logistics services that lower total cost and offer superior reliability for clients.
> Continued reliable service delivery and innovation to support client retention, expansion and new client engagement.
> End-to-end service offering that provides tangible value-add to clients through a fully integrated supply chain.
> Organisational agility and a commitment to corporate responsibility.

Logistics Rest of Africa

Distributor of consumer goods and pharmaceuticals in Southern, East and West Africa.

SUPPLY CHAIN INTEGRATION

- > Advisory services.
- > Technology services.
- > People enablement.
- > Process outsourcing.

MANAGED LOGISTICS & FREIGHT

- > Continuous flow management.
- > Inter-modal solutions.
- > International logistics.
- > Demand-driven logistics.

WAREHOUSING & DISTRIBUTION

- > Palletised storage and handling.
- > Single and multi-principal.
- > Ambient, temperature controlled and Medicines Control Council specifications.
- > Consolidation.

ROUTE-TO-MARKET SOLUTIONS

- > Agency and distributorships.
- > Cash management on behalf of principals.
- > Sales and merchandising.
- > Trade intelligence.
- > Traditional market development.

BRAND ACTIVATION

- > Customised market understanding and intelligence.
- > Advertising and promotion management.
- > Experiential marketing.
- > Digital bridge.

WE CREATE VALUE THROUGH:

- > A unique distributor approach based on the needs of emerging markets, supported by acquisitions and local partnerships, and benefiting from exclusive relationships with principals.
- > Ability to grow consumer and pharmaceutical brands by bringing products to market in a trading environment where logistics are challenging, and sales and marketing channels are relatively underdeveloped and complex.
- > Attractiveness to multinationals of end-to-end integrated route-to-market solutions across African markets.

Logistics International

Leading positions in inland shipping, chemical and industrial contract logistics.

TRANSPORT SOLUTIONS

Inland shipping, road and express freight with dedicated fleet and equipment in target industries.

SUPPLY CHAIN SOLUTIONS

Leading provider of procurement logistics, manufacturing logistics, contract manufacturing, warehousing, outbound logistics and reverse logistics in selected industries.

INDUSTRY EXPERTISE

Expertise and experience in the automotive, machinery and equipment, steel, retail and consumer goods sectors.

WE CREATE VALUE THROUGH:

- > A strong position in demanding industries such as chemicals and automotive, and our ability to manage complex services and processes to the highest quality standards.
- > Our ability to reproduce high-quality offerings in new industries and markets.
- > An integrated portfolio of services across clients' supply chains.
- > Well-established, long-term client partnerships as a basis for entering new markets.

HOW WE CREATE VALUE
as a market-leading vehicles business

With effect from 1 July 2016 we will integrate and restructure Imperial's various vehicle businesses under one leadership team, its mission being to create the most competitive and profitable distributor and retailer of vehicles, car rental and aftermarket parts, and related financial products and services in sub-Saharan Africa, with selected investments beyond the continent. In the short term, it aims to reduce complexity, duplication, expenses and capital employed, while mitigating currency risk and maintaining market share in a challenging South African vehicle market.

Vehicle Import, Distribution and Dealerships

Exclusive importer and distributor of 14 automotive brands, covering virtually all segments of the value chain.
Retailer, aftersales servicing and parts through 136 owned and 193 franchised dealerships.

WE CREATE VALUE THROUGH:

> Our status as an exclusive importer of quality vehicle brands, the largest being Hyundai, Renault and Kia.

> Coverage of virtually all aspects of the vehicle value chain, from importing, retailing and rental to aftersales service, parts and financial services.

> Ability to multi-franchise and add additional brands to our product portfolio by leveraging the scale in our existing distribution and dealership network.

> Leveraging financial services to gain market intelligence on sales and vehicles, enabling the division to reach clients with the right product at the right time.

> Ownership of 70% of our physical infrastructure.

> Ability to strengthen our position in the value chain through value-added products and aftersales parts and services, which provide annuity income.

Vehicle Retail, Rental and Aftermarket Parts

Represents 22 original equipment manufacturers (OEMs) through 80 passenger and 57 commercial vehicle dealerships (including 38 in the UK). Provides vehicle rental and distributes parts and accessories.

VEHICLE RETAIL

> Extensive footprint of 80 passenger vehicle dealerships representing 22 locally based OEMs.
> 57 commercial vehicle dealerships (including 38 in the UK) and workshops representing 12 brands in South Africa.
> Beekman canopies (manufacturing and retail).
> Jurgens caravans (manufacturing and wholesale).

AFTERMARKET PARTS

> Distributor, wholesaler and retailer through 764 owned and franchised stores.
> Midas, Alert Engine Parts and Turbo Exchange.
> Focus on parts and accessories for vehicles five to ten years old.

RENTAL

> Car rental (Europcar and Tempest).
> 63 dedicated pre-owned retail outlets (Auto Pedigree).
> Panel shops.

WE CREATE VALUE THROUGH:

> The business's position as the largest vehicle retailer and aftermarket parts distributor, and the second-largest car rental operator in South Africa.
> Well-balanced footprint of vehicle retail operations which represent almost all major brands in South Africa, with the benefit of scale and a broad spread of motor-related services in its portfolio.
> Trusted relationships with manufacturers, franchisors, franchisees, customers and suppliers.
> Ownership of 70% of facilities that retail passenger and commercial vehicles, in prime locations (South Africa and the UK).
> A strong balance sheet and cash generation ability.
> Continual investment in people, as a critical point of differentiation.
> The business's technical training network for vehicle-related trades, which is the largest in South Africa.

Motor-related Financial Services

Develops and distributes innovative vehicle-related financial products and services through dealer and vehicle finance channels, and a national call centre.

> Mainly motor-related financial services.
> Full maintenance leasing services.

WE CREATE VALUE THROUGH:

> Access to the group's extensive vehicle dealership network, which provides significant point of sale opportunities for financial services.
> Access to market intelligence through the group's vehicle businesses and its own data, which provides a basis for the business to create leads for its products and services, enhance the customer's vehicle ownership experience, and provide for vehicle and customer retention opportunities.
> Ability to feed market intelligence back into the vehicle businesses.
> Cash-generative revenue lines that create strong annuity income streams.
> Proven track record of product and channel innovation, deployment and development.
> Consistent investment in people and technology ensures agility to rapidly respond to market changes and developments.

– Our key relationships –

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

OWNERS

Share owners expect favourable long-term returns on their investments in our group, and have the inalienable right to exercise effective ownership over their equity. Any dilution of this right by management for any reason whatsoever will irretrievably undermine our corporate integrity, and cannot be tolerated.

INVESTMENT COMMUNITY

Research analysts facilitate an understanding of the group for our owners and prospective investors, who provide the capital we need to execute on our strategy. Collectively, the investment community supports the effective functioning of equity markets, which is essential to attracting capital at a fair price.

DEBT PROVIDERS

We work with debt providers to access debt funding at competitive rates in different jurisdictions, facilitated by our balance sheet and credit rating.

FINANCIAL CAPITAL RELATIONSHIPS

- Owners
- Investment community
- Debt providers

SOCIETAL RELATIONSHIPS

- Civil society and communities

IMPERIAL™

LEADERS IN MOBILITY

REGULATORY RELATIONSHIPS

- Government and regulators

CIVIL SOCIETY AND COMMUNITIES

Our social licence to operate depends on being a good corporate citizen and maintaining constructive relationships with the communities in which we operate.

Our stakeholders include a wide range of groups and individuals, with varying levels of involvement with the business, and diverse and sometimes conflicting interests and concerns that we need to balance.

The key issues raised by the group's stakeholders were considered in formulating and answering the group's material issues. How the group is responding to each stakeholder issue forms part of the strategic responses and key actions in *Our material issues*, starting on page 26.

Sustainable Development Report online.

BUSINESS RELATIONSHIPS

Clients | Suppliers and OEMs | Business partners

CLIENTS

Our clients' needs drive the nature of the products and services we offer and the way in which we deliver them. Strong competition in our areas of mobility and changes to our clients' operating contexts require that we strengthen our customer focus and continually enhance our value proposition to clients.

SUPPLIERS AND OEMs

Our suppliers are critical to our client relationships given their role in the quality and delivery of products and services, and their adherence to our ethical standards. A number of OEMs we represent have specific criteria that cover various aspects of how we retail their products.

BUSINESS PARTNERS

Strategic partnerships, including finance partners and joint ventures, enable deeper penetration into value chains and greater reach of our products and services. BEE partners are critical to meeting our moral obligations and delivering on elements of our BBBEE scorecard.

HUMAN CAPITAL RELATIONSHIPS

Employees | Organised labour

EMPLOYEES

Every employee contributes skills, perspective and energy to building, maintaining and deepening the relationships with our clients and other stakeholders on which our survival depends. Together, within the framework set by Imperial, our employees determine the quality of the working environment and the group's ability to attract and retain individuals of calibre at all levels. Investment in the development of their capabilities and skills is an imperative.

ORGANISED LABOUR

Many of our employees choose union representation in exercising their rights. While we respect their choice to do so, it can never diminish our obligation to interact directly with them as individuals in a fair, open and respectful manner.

GOVERNMENT AND REGULATORS

The Imperial group is subject to various regulations across multiple jurisdictions.

The key issues raised by the group's stakeholders were considered in formulating and answering the group's material issues. How the group is responding to each stakeholder issue forms part of the strategic responses and key actions in *Our material issues,* starting on page 26. Further detail is referenced in this report or in the group's Sustainable Development Report.

FINANCIAL CAPITAL RELATIONSHIPS – OWNERS INVESTMENT COMMUNITY DEBT PROVIDERS

KEY ISSUES	STRATEGIC RESPONSE AND KEY ACTIONS (Comprehensively covered under the group material issues)
The group's response to a significantly weaker domestic outlook.	*Driving focused growth* > Simplifying the group to reduce complexity and cost (page 27) > Rebalancing the portfolio (page 26) > Optimal asset utilisation (page 27) *CEO's report on page 40.*
How the group is positioning itself for growth outside South Africa.	*Driving focused growth* > Rebalancing the portfolio (page 26) *Managing capital effectively* > Achieving appropriate returns (page 28) *Divisional reviews starting on page 54.*
The group's ability to fund its growth strategy.	*Managing capital effectively* > Accessing capital (page 28) *CFO's report starting on page 44.*
The impact of slower new vehicle sales on the group's vehicles businesses.	*Driving focused growth* > Maintaining and growing market share (page 27) *Vehicles review starting on page 62.*

BUSINESS RELATIONSHIPS – CLIENTS SUPPLIERS OEMs BUSINESS PARTNERS

KEY ISSUES	STRATEGIC RESPONSE AND KEY ACTIONS
The impact of foreign currency movements, and currency shortages in some African countries, on the group's margins and volumes.	*Managing capital effectively* > Reducing exposure to currency risk (page 28) *Divisional reviews starting on page 54.*
Providing highest levels of customer experience, service delivery and product quality.	*Driving focused growth* > Maintaining and growing market share (page 27)
Maintaining volumes and improving customer satisfaction.	*Divisional reviews starting on page 54.* *Sustainable Development Report online: Divisional reviews.*

Broad-based black economic empowerment (BBBEE).	*Strengthening legitimacy among all stakeholders* > BBBEE (page 32) *Sustainable Development Report online: Demonstrating social value/Accelerating transformation progress in South Africa.*
Long-term strategic intent of the group and the role of partnerships in the group's strategic plans.	*Driving focused growth* > Simplifying the group to reduce complexity and cost (page 27) > Rebalancing the portfolio (page 26) *CEO's report starting on page 40.* *Divisional reviews starting on page 54.*

HUMAN CAPITAL RELATIONSHIPS – EMPLOYEES ORGANISED LABOUR

The need to improve strategic workforce and succession planning.	*Developing effective leadership and empowered people* > Ensure strong leadership (page 29) > Managing organisational effectiveness (page 29)
Slow transformation at senior management levels.	*Developing effective leadership and empowered people* > Promoting workforce diversity (page 30) *Strengthening legitimacy among all stakeholders:* > BBBEE (page 32)
Investment in targeted leadership development programmes.	*Developing effective leadership and empowered people* > Ensure strong leadership (page 29)
A lack of people-related data and analytics. *Inconsistent approach to performance management across the group.*	*Developing effective leadership and empowered people* > Managing organisational effectiveness (page 29) *Improving systems and driving innovation* > Accelerating investment in IT (page 31)

Sustainable Development Report: Our people.

REGULATORY RELATIONSHIPS – GOVERNMENT REGULATORS

General compliance with legal and regulatory requirements, with a particular focus on consumer protection, cybersecurity and the protection of intangible assets.	*Strengthening legitimacy among all stakeholders* > Regulatory compliance and policy advocacy (page 32) *Divisional reviews starting on page 54.*

SOCIETAL RELATIONSHIPS – CIVIL SOCIETY COMMUNITIES

Skills development, job creation and socio-economic development. *Promoting road safety.*	*Strengthening legitimacy among all stakeholders* > Demonstrating social value (page 33) *Sustainable Development Report online: Demonstrating social value.*

– Our top risks –

Imperial has a well-developed enterprise risk model to identify and assess relevant risks and associated opportunities, where effective risk management can be turned into a competitive advantage. Any risk taken is considered within the group's risk appetite and tolerance levels, which are updated annually.

The group's risk profile reflects our overall strategic direction and as such the changes in risk exposure from last year demonstrate the progress that has been made in implementing the group and divisional strategies, as well as changes in our operating context. Our risk management approach is set out in our *Corporate governance report* on page 84.

CHANGE IN RISK EXPOSURE*	CONTEXT	RESPONSE	LINK TO MATERIAL ISSUES
Currency volatility in the markets in which we operate RISK UPDATED	This risk has been revised to include the rapid fluctuations of all the currencies we trade in, in addition to the rand, which affect the pricing of our products. The impact of rand volatility on the pricing of new vehicles, and therefore the competitiveness and profitability of the vehicle import business, remains the most significant aspect of this risk. We have also experienced foreign currency depreciation and are unable to source hard currency in some of our markets in the Rest of Africa.	> Active management of currency volatility and established hedging policies in the vehicle import business. > Preferential pricing from OEMs to support margins and protect market share. > Restructuring payment terms and obtaining funding in-country to mitigate foreign currency shortages in the Rest of Africa. > Ability to reprice parts inventory and pharmaceuticals resulting from weakening currency in South Africa and the Rest of Africa. > Diversification of the group's portfolio of businesses and geographies over time.	*Driving focused growth* *Managing capital effectively*
Our material issues (page 28), CEO's report (page 40), CFO's report (page 44), Divisional reviews (page 54).			
Management of Imperial divisional consolidation NEW RISK	The consolidation of the group's five divisions into two major divisions, Logistics and Vehicles, from 1 July 2016 may undermine divisional management's and employees' focus on growth and profitability, given the complexity and disruption of restructuring operating models and processes, and integrating different business cultures.	> Board and executive management structure for 2017 has been confirmed for both divisions. > Project committees for divisional consolidation include key group executives to ensure effective change management, and to enable divisional management to focus on day-to-day business.	*Driving focused growth* *Developing effective leadership and empowered people*
Our material issues (page 27), CEO's report (page 40). *Sustainable Development Report online: Our people.*			

* Indicates management's assessment of the year-on-year change in residual exposure to the risk.

CHANGE IN RISK EXPOSURE*	CONTEXT	RESPONSE	LINK TO MATERIAL ISSUES
Acquisition and business integration	As the group's acquisition strategy expands, there is a risk of entering markets that are not well understood. Also, the group may need to rely on outside partners in this respect. After businesses are acquired, their integration into the group requires stringent and pragmatic processes to ensure value is not impaired.	> Clearly defined expansion areas have been identified. > Group mandate relating to investments is in place. > 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.	*Driving focused growth*
Our material issues (starting on page 26), CEO's report (page 40).			
Labour and social disruptions	Increasing labour disruptions and unprotected strikes are having an adverse effect on our businesses and customers, and impact our cost base.	> Active participation in industrial labour councils. > Agility and diversification of supply chain channels. > Review of operational labour plans to ensure continuity of services.	*Developing effective leadership and empowered people* *Strengthening legitimacy among all stakeholders*
Chairman's letter (page 36). *Sustainable Development Report online: Our people.*			
Succession and talent management	As a major determinant of our success, the attraction and retention of professional, qualified and competent leaders is imperative. The retirement of key senior management over the next five years elevates the importance of succession planning, requiring that we identify critical positions and individuals to ensure continuity. The limited pool of qualified skills in South Africa, and the impact of an ageing working population in both our South African and European businesses, are challenges in accessing the talent we need to resource our strategy. Besides leadership skills, the group's businesses depend on specialised technical and customer-facing skills, which need to be developed and retained.	> A talent management programme is in place focused on developing the skills of the group's 200 most senior leaders and aligning these to our future requirements. > The talent management programme is being extended to the next level of senior management. > Identification of key current and future skills and aligning these to development programmes in progress. > Divisional and group training and development programmes, including specialist training academies. > Coordinated transformation policies and programmes focused on development and promotion of internal candidates, and recruitment of employment equity candidates.	*Developing effective leadership and empowered people* *Strengthening legitimacy among all stakeholders*
Our material issues (page 29), CEO's report (page 40). *Sustainable Development Report online: Our people.*			

* *Indicates management's assessment of the year-on-year change in residual exposure to the risk.*

CHANGE IN RISK EXPOSURE*	CONTEXT	RESPONSE	LINK TO MATERIAL ISSUES
Credit extension and client affordability in the retail markets	The growth in our Vehicles division (including financial services) is dependent on the ability of customers to access credit and the appetite of banks to lend. The indebtedness of the South African consumer and rising interest rates are therefore cause for concern.	> Market assessment of client affordability. > Monitoring of bank appetite to extend credit. > Building alliances with multiple banks. > Growing annuity revenue streams. > Diversification of the group's portfolio of businesses and geographies over time.	*Driving focused growth*
Divisional reviews/Vehicles (page 62).			
Slow growth in the South African and European economy	Given the high market shares in our domestic businesses, which prevent acquisitive growth, their performance is linked to that of the broader economy. The outlook for economic growth in South Africa is poor, which will impede growth in our local Logistics and Vehicles businesses. Also, further downgrades of the South African sovereign rating could adversely impact the group's credit rating, affecting our cost of capital. In Europe, the subdued rate of economic growth and the uncertainty around the economic impact of the UK leaving the European Union, may impact the growth potential of our businesses in the region.	> Focus on niche products and services in our current offerings. > Ensuring agility in our operating model. > Organic and acquisitive growth strategies focused on diversification across sectors and geographies. > Rigorous control of costs and working capital.	*Driving focused growth* *Managing capital effectively*
Our operating context (page 34), CEO's report (page 40), CFO's report (page 44), Divisional reviews (starting on page 54).			
Third-party dependence and reliance	We are dependent on our relationships with OEMs in our Vehicles division, and must comply with the agreements we have with them. In the Logistics division we manage a complex network of suppliers, including sub-contractors, on whom we rely to deliver superior service to our clients.	> Proactive engagement with OEMs as well as relationship and contract satisfaction management with key suppliers and clients. > Formalised and proactive management of service and product level expectations. > Ongoing oversight and monitoring of contract renewals and negotiations.	*Driving focused growth*
Our key relationships (page 18), Divisional reviews (starting on page 54).			

* *Indicates management's assessment of the year-on-year change in residual exposure to the risk.*

CHANGE IN RISK EXPOSURE*	CONTEXT	RESPONSE	LINK TO MATERIAL ISSUES
Reputation and brand perception NEW RISK	The Imperial brand is a valuable strategic asset that enables the group to expand its markets, maintain its customer base and attract employees. Given the decentralised nature of our operations we need to ensure a consistent experience aligned to our ethics and values wherever we operate, both in physical and digital markets, to protect our reputation. A key consideration is the protection and maintenance of customer and employee data.	> Ongoing monitoring of compliance to group ethics and legal requirements. > Clear policies and guidelines on employee conduct and ethics. > Cybersecurity minimum guidelines. > Group-wide branding and marketing strategy for the Imperial brand.	*Strengthening legitimacy among all stakeholders*
Regulatory and compliance	As a multinational group, Imperial 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 our profitability and may have adverse reputational consequences.	> Centralisation of selected specialist areas where compliance risk is high. > Proactive monitoring, input and operational implementation plans and frameworks on emerging legislation. > Increased resource allocation to legal and compliance units.	*Strengthening legitimacy among all stakeholders*

Our material issues (page 32), Chairman's letter (page 36).

Sustainable Development Report online: Our people.

Our material issues (page 32), Chairman's letter (page 36), Governance report (page 70).

* *Indicates management's assessment of the year-on-year change in residual exposure to the risk.*

– Our material issues –

The group's material issues reflect the most important considerations in the board's deliberations and management's thinking in managing the business, to ensure the group's ongoing ability to deliver capability-based growth and focused value creation for its stakeholders.

The process to refine and reaffirm the group's material issues in 2016 included the following direct inputs:

> Key questions and concerns of group and divisional stakeholders, determined through engagement with group leadership responsible for stakeholder relationships.
> The key risks identified by the group.
> Feedback from investors garnered through ongoing engagement throughout the year.
> The board's key discussions and considerations in the year.
> Input from group and divisional leadership.

The material issues provide the key themes for the group's Integrated Annual and Sustainable Development reports. This section provides an overview of each material issue, associated strategic responses and relevant management actions and performance.

1. DRIVING FOCUSED GROWTH

Build on and expand our capabilities and reshape the group to create stakeholder value, in a strategically disciplined and focused manner.

Rebalancing the portfolio

» Dispose of non-core, strategically misaligned and low return on effort assets to release capital and enhance strategic and management focus.

Key actions	Key indicators
– Disposal process approaching completion. – Rationalisation of property portfolio underway, taking into account the requirements of OEMs and with a view to retaining strategically aligned properties. This will unlock substantial value for the group.	> Disposals to the value of R5,2 billion. > R2,4 billion in cash received by year end. > Further disposals of mainly non-strategic properties amounting to R2,6 billion anticipated over the next 12 to 18 months.

» Grow organically and through acquisition by leveraging existing capabilities to expand into new geographies, and diversify the group's earnings base to withstand cyclical and macro-economic constraints.

Key actions	Key indicators
– Acquisitions in the pharmaceuticals sector by Logistics Rest of Africa are contributing positively to performance. The acquisition of 95% of Palletways in the UK for R3 billion complements the division's business model and geographic reach in Europe. – Imperial acquired the 10% minority in the AMH Group for R750 million. – Imperial acquired a further 14% in Midas for R112,5 million, and a further 10% acquired post year end. The group now owns 100% of Midas. – The Vehicles division is considering opportunities in other African markets, having already concluded vehicle distribution agreements in six African countries, and will continue to grow its aftermarket parts business on the continent. In the UK, the business is expanding into light commercial vehicles.	> Revenue growth of 8%. > R4,4 billion invested in acquisitions. > Winning new long-term contracts with global and national market leaders.

The CFO's report starting on page 44 and the divisional reviews starting on page 54 set out other acquisitions and disposals in the year.

Simplifying the group to reduce complexity and cost

» **Restructure the group to streamline the portfolio of businesses and realise opportunities for capability-based synergies.**

Key actions	Key indicators
– Devised the creation of two integrated divisions dedicated to Logistics and Vehicles. Each division will be led by its own board and executive committee. – Group executives are represented on the boards to facilitate the change management process and to ensure divisional executive management maintain their focus on the day-to-day operations of their businesses. – 52 legal entities were taken out of the group structure during the year, excluding disposals. – Review of management positions and functions underway to identify opportunities for consolidation.	From 1 July 2016 Imperial comprises two divisions: > Imperial Logistics (all logistics businesses). > Motus (all vehicles businesses).

Maintaining and growing market share

» **Defend and grow market share in challenging economic and competitive environments by leveraging strong relationships with business partners.**
» **Focus on customer value and satisfaction.**

Key actions	Key indicators
– All divisions are focused on maintaining market share in challenging operating environments, centred on enhancing customer satisfaction and value propositions. – In the Vehicles businesses, customer satisfaction scores are monitored to ensure a high level of customer satisfaction. – In the Logistics businesses, ongoing analysis of customer requirements contributes to understanding their needs.	> Total market share of all new vehicles businesses in South Africa: 18,6% (2015:19,4%). > In Logistics, volume losses in most sectors in South Africa were partly offset by new contract gains. In Logistics International, improved visibility to its client base and a centralised sales capability improved contract gains.

Optimal asset utilisation

» **Achieve the targeted ROIC, with a focus on asset-light models, optimising of existing assets and leveraging technology.**

Key actions	Key indicators
– Various optimisation and consolidation opportunities are being explored. In Logistics, asset-light managed logistics is proving highly effective. – Upgrade of the dealership management system in Vehicles will allow for operational and administrative efficiencies. – In Vehicles, new approaches in the dealership model will enable optimal utilisation of property assets.	> Disposal of 29 businesses that produced unsatisfactory returns.

2. MANAGING CAPITAL EFFECTIVELY

Maintain appropriate funding structures at competitive rates to execute strategy, and manage exchange rate and foreign currency risk.

Accessing capital

» Maintain adequate facilities to fund the group's regional growth strategies.
» Ensure appropriate gearing ratio.
» Engage proactively with funders, rating agencies and investors to ensure clear understanding of strategy, financial position and mitigating actions in relation to volatile operating contexts.

Key actions	Key indicators
– The group maintains three regionally defined funding structures (South Africa, Rest of Africa, International). – The group targets a gearing range of 60% to 80%. – Implementing asset-light business models by subcontracting assets where sector regulations and contractual agreements allow. – As part of the process leading to the consolidation of the group's divisions, the group engaged with analysts and major shareholders to ensure their ability to analyse the group is maintained. – The group has expanded its facilities with banks and has capacity under its bond programme.	> The group's reporting to stakeholders was recognised as the best in the industrial services category in the 2016 Investment Analysts Society (IAS) Awards. > Net debt to equity (including preference shares as equity and including Regent's cash resources) at 73% in 2016 is within the target gearing range of 60% to 80%. > The net debt to EBITDA ratio was 1,7 times (2015: 1,5 times).

CEO's report (starting on page 40), CFO's report (starting on page 44).

Achieving appropriate returns

» Maintain strict capital allocation criteria for organic and acquisitive growth.
» Account for factors unique to each international jurisdiction, including return on executive effort (particularly in challenging or complex operating markets), and multi-country and political risk.

Key actions	Key indicators
– Return on invested capital (ROIC) > weighted average cost of capital (WACC) + risk-adjusted premium remains the overarching target for allocating capital. – Factors such as return on executive time and effort, and the broader risk environment, are key considerations when considering capital allocation.	> Return on invested capital 12,4% (2015: 13,1%*). > Weighted average cost of capital 10,2% (2015: 9,0%*).

* *Restated*

Reducing exposure to currency risk

» Reduce impact of currency volatility on vehicle import business.

Key actions	Key indicators
– The vehicle import business maintains appropriate forward cover and hedging strategies. Persistent rand weakness necessitated vehicle price increases during the year. – The group has hedged its foreign currency purchases to April 2017.	> Improved performance in all three major exclusive imported brands (Hyundai, Kia and Renault) was attributable to an expeditious trade-off of volume and margin, enhanced by assistance from OEMs, price increases and prudent currency hedging strategies.

» Manage foreign exchange shortages in Rest of Africa.

Key actions

– Sudden shortages of foreign currency in certain African countries are being managed operationally, and through restructuring payment terms and sourcing funding in-country. Where feasible, products are sourced locally from local manufacturers in local currency.

3. DEVELOPING EFFECTIVE LEADERSHIP AND EMPOWERED PEOPLE

Ensure strong leadership for performance and sustainability, and empower people to deliver.

The group's Sustainable Development Report provides comprehensive information about the group's people practices.

Ensure strong leadership

» Ensure alignment between board and executive competencies and strategy.

Key actions	Key indicators
– Directors' skills in relation to strategy is considered in making board appointments. Non-executive directors are given unfettered access to group and divisional leadership to deepen their understanding of divisional strategies.	> Four non-executive director appointments in the past 18 months.

» Continue to build succession depth.

Key actions	Key indicators
– The appointment of leadership for the two consolidated divisions from within the group demonstrates its progress in deliberate succession planning. – Succession status of critical roles has been determined. Future successors have been identified for most leadership roles. – An executive succession and self-development ethos is being embedded across the group.	> Marius Swanepoel appointed CEO of Imperial Logistics (previously CEO of Logistics Africa). > Osman Arbee (current group CFO) to become CEO of Motus Holdings from 1 January 2017. > Mohammed Akoojee (current CEO of Logistics Rest of Africa) to be appointed CFO of Imperial from 1 April 2017.

» Ensure smooth transition to new leadership structure.

Key actions

- Profiling of leadership roles commenced, for completion in 2017.
- Appointment of leadership from within the group and ongoing involvement of executive directors on divisional boards will facilitate a smooth transition.

» Strengthen leadership's skills, agility and resilience with regard to organisational change.

Key actions

- Strategic talent reviews of Executive Forum members have informed talent discussions and decisions regarding key appointments.

Managing organisational effectiveness

» Implement effective people practices and processes across the group to anticipate future human capital requirements in support of strategy.

Key actions	Key indicators
– Reviews of key human capital elements have been undertaken in each division, including strategy, policies and processes; technology and reporting; work structures; performance and competency management; pay and incentives; and organisational culture. This has led to a group-wide initiative to create a robust HR architecture that can support leaders in making effective people-related decisions.	> Talent management is linked to executive and senior management's performance and remuneration incentives. > Metrics to measure progress in implementing the talent plan are being determined.

Managing organisational effectiveness (continued)

» Gain insight into the group-wide talent profile and medium-term talent requirements, and align performance management.

Key actions

- A comprehensive job profiling exercise is being undertaken across the group.
- Divisional talent forums to inform group-level talent requirements.
- The job profiling exercise will inform the development of a group-wide performance management framework.

» Implement training and development aligned to business objectives, including technical and customer-facing sales skills and middle management development.

Key actions	Key indicators
– Employee development needs are assessed as part of the performance and talent management processes. – The Management Development and Dealership Management programmes support promotion to middle management. – The group operates three academies: the accredited Imperial Logistics Academy; and in the Vehicles division, the Imperial Technical Training Academy and the Imperial Retail Academy.	> Training spend of R319 million (2015: R295 million) increased due to higher spend on organisational effectiveness projects. > Imperial Logistics Academy: 589 and 207 employees registered for learnerships and tertiary education respectively. > Imperial Technical Training Academy: 1 135 registered at June 2016. > Imperial Retail Academy: 40 participants per year.

» Leverage technology to ensure effective people management practices.

Key actions	Key indicators
– People systems for all divisions are being investigated and will be implemented in a phased approach.	> Group head of human resources technology appointed to oversee the automation of people practices.

Promoting workforce diversity

» Drive employment equity in the South African businesses, particularly black and women representation at senior management levels.

Key actions	Key indicators
– Completed a review of the group's employment equity practices and are addressing gaps identified with regard to target setting and external recruitment. – Growth in black representation at senior and middle management levels is linked to performance and remuneration incentives of executive and senior managers.	> 19,4% (2015: 17,5%) and 24,3% (2015: 21,2%) black representation at top and senior management respectively. > 16,5% (2015: 18,3%) and 20,8% (2015: 21,0%) women representation at top and senior management respectively.

» Increase women representation in international operations.

Key actions

- Logistics International voluntarily subscribes to meeting German requirements for women representation at senior level. Gender diversity is linked to performance and remuneration incentives.

Reward and remuneration

» Ensure ability to retain and compete for talent in a globalised market, and in South Africa, a scarce talent environment.

Key actions	Key indicators
– Management remuneration is in line with industry peers and is linked to relative performance. Long-term incentives support retention of executive and key management. – Benchmarked the remuneration of the CEO as well as executive and senior staff remuneration packages.	> The remuneration of executives and senior management was in line with the benchmark median. In certain cases, remuneration was in line with or above the benchmark.

» Build a culture that drives performance and recognises and rewards top performing individuals and teams.

Key actions

- The job profiling project will support the linking of performance to reward.
- Annual incentives for executive management comprise a mix of financial and non-financial performance criteria.

See the Remuneration report starting on page 86 for more.

4. IMPROVING SYSTEMS AND DRIVING INNOVATION

Leverage technology to realise efficiencies, new growth opportunities and competitive advantage.

Accelerating investment in IT

» Enhance operational and functional effectiveness.
» Implement technology solutions that answer customer needs.
» Leverage technology to drive innovation in customer service for competitive differentiation.

Key actions	Key indicators
– People systems being implemented across the group will enable consistent application of policies and procedures, and provide accurate, timely data for management decision-making. – In the Logistics division, various technology initiatives are being undertaken to transition from existing products and traditional distribution models to those that deliver appropriate solutions that meet customer needs. – The Vehicles division is adapting its sales approach to account for consumers' increasing preference for digital platforms to source vehicle information and pricing. – Motor-related Financial Services is expanding its digital sales channel, providing customers with access to self-service capability and value-adding services.	> Dealerships utilise world-class OEM systems. > Major systems implementations in Logistics Africa (SAP and others); Logistics International (Imperial Freight Management System); and Vehicles (Dealer Management System and others).

Technology governance

» Ensure effective oversight of IT investments.

Key actions

- The group IT governance framework has been adopted by the divisions, providing guidance to divisional and operational IT functions and enabling the measurement of IT maturity across the group.

» Ensure strategic IT alignment across the group's divisions.

Key actions

- All divisions have chief information officers (CIOs) and a quarterly CIO forum, chaired by the executive responsible for risk management, operates across all divisions to enhance the effectiveness of IT implementation, including risk management and achieving cross-functional synergies.
- Increased focus on IT security and potential cyber threats.

5. STRENGTHENING LEGITIMACY AMONG ALL STAKEHOLDERS

Maintain high governance standards and ensure the group contributes meaningfully to society.

The group's Sustainable Development Report provides comprehensive detail on the group and divisional sustainability initiatives and performance.

Broad-based black economic empowerment (BBBEE)

» Accelerate transformation progress in South Africa.

Key actions

- The remuneration committee refined the criteria for growth in black representation at senior and middle management levels, performance against the BBBEE scorecard, and succession and talent management, within the performance and remuneration incentive structure.
- As part of a broader talent management approach, deliberate transformation considerations will be included in learning and development, succession planning and recruitment.

» Align to the Department of Trade and Industry's revised codes for BBBEE.

Key actions

- Under the revised codes, the group has revised its transformation projects and divisional strategies. The updated BBBEE Act requires the group to report a full scorecard from 2017. Given that procurement spend is largely weighted to OEMs in the vehicle import business, meeting the procurement thresholds under the new enterprise and supplier development pillar will be challenging. Under the revised codes, the group aims to achieve its previous contribution levels in its applicable South African businesses over the next three years.

Regulatory compliance and policy advocacy

» Adhere to a broad range of regulations across jurisdictions and sectors.

Key actions

- Divisional boards and risk committees oversee compliance and report quarterly to the group's audit and risk committees.
- The executive committee of each division is accountable for ensuring compliance with legislation across all jurisdictions.
- Systems and control processes within divisions are monitored and managed by legal and compliance units and internal audits are undertaken in all operations to assess critical compliance processes and controls.

» Engage with regulators and respond proactively to regulatory developments.
» Contribute to policy discussions to create an enabling business environment.

Key actions

- Engagement with regulators is proactive and ongoing.
- The group undertook a detailed gap analysis against the requirements of the Protection of Personal Information (POPI) Act.
- Legal and compliance officers meet in a quarterly forum to monitor and report on regulatory matters.
- The group and its divisions participate in relevant industry bodies and business associations to contribute to policy development.

Maintaining ethical business practices

» Instilling an ethical business culture.

Key actions

- The group's code of ethics remains the primary means for instilling a high ethical standard across all its underlying businesses.
- Whistle-blowing hotlines are in place in all operating regions.

Key indicators

> Over 1 387 senior managers formally confirmed that they had not been involved in any corrupt activity and were not aware of any specific activity which contravened the policy.
> 140 (2015: 133) tip-offs were registered through the whistle-blowing hotlines. These incidents are being investigated.

Demonstrating social value

» Drive initiatives that create social value, aligned to the group's operational realities and critical social concerns.

Key actions	Key indicators
– We ensure the safety of our drivers and their potential impact on other road users throughout our countries of operation by investigating every accident involving one of our vehicles, which results in remedial actions implemented into day-to-day operations.	> One road fatality (2015: six). > Road fatalities per million kilometres: 0,0001 (2015: 0,008). > 678 road accidents (2015: 517). > Road accidents per million kilometres: 0,920 (2015: 0,693). > 145 road injuries (2015: 103). > Road injuries per million kilometres: 0,197 (2015: 0,138).

Key actions	Key indicators
– The Ukhamba Holdings Share Scheme is the vehicle through which Imperial's black employees are able to participate in share ownership. – Other initiatives include building libraries for schools in underprivileged communities in South Africa (through the Imperial and Ukhamba Community Development Trust), the Unjani clinics project, which is a primary healthcare network run and owned by professional nurses; Imperial Logistics' participation in the Trucking Wellness programme; and various other road safety campaigns.	> Since over-the-counter trading commenced in November 2013, 10 409 058 A class shares have been traded realising R222,6 million in value.

Sustainable development management and assurance

» Reduce the environmental footprint of the group's operations.

Key actions	Key indicators
– Key initiatives include reducing fuel consumption in our logistics businesses and conserving water in our vehicles businesses. The Logistics division accounts for 91% of the group's total fuel consumed.	> Total Scope 1 emissions reduced by 10,45% from the prior year due to the reorganisation of Logistics entities; reduction of Logistics fleet due to downturn of commodity cycle and lower consumer goods volumes; and sustainability efficiencies achieved through constant driver training and monitoring and more efficient utilisation of vehicle management systems.

» Ensure accurate measurement of social and environmental performance to inform decision-making.

Key actions	Key indicators
– The group's sustainability management system collates, processes and tracks data globally. The focus is now on ensuring the completeness and quality of data to inform business decisions and set achievable targets. Measurement systems for other non-financial aspects are being enhanced, such as implementing the new human resources management system.	> Assurance of key indicators was expanded from four indicators in 2015 to nine indicators in 2016.

– Our operating context –

Imperial operates in diverse and often complex geographies, industries and markets with different socio-economic, political, regulatory and technological profiles. With its footprint extending across more than 30 countries and six continents, the group is subject to broader global economic conditions and the specific performance of the diverse economies and sectors within which its businesses operate.

As an international organisation with a suitably diversified portfolio of assets and geographic presence, Imperial is better able to withstand cyclical and country-specific constraints. Likewise, it will be able to benefit from more favourable conditions in individual sectors and geographies as these opportunities arise. In addressing the impact of external factors on the group's performance, its value should improve over time.

GLOBAL CONTEXT[1]

- Global growth forecasts for 2016 lowered to 3,2% and 3,5% for 2017, indicating the persistence of challenging global conditions.
- Increase in economic, political and institutional uncertainty, with the UK vote to leave the European Union a key factor.
- Lower commodity prices and exports.

SOUTH AFRICA

- Economy tightened and trading environment remained challenging.
- National GDP growth forecasts lowered to 0,1% in 2016 and 1,0% in 2017[1].
- Specific uncontrollable factors that affected Imperial during the 2016 financial year included:
  - 27% decline in average rand/dollar exchange rate.
  - 8% decline in national new vehicle sales.
  - Sharp decline in commodity, chemical and fuel volumes.
  - Declining consumer confidence and rising interest rates depressed personal income expenditure and consumer goods volumes.

58%
OF GROUP REVENUE
(R66,0 BILLION)

64%
OF GROUP OPERATING PROFIT
(R3,7 BILLION)

1 *International Monetary Fund, April 2016.*

REST OF AFRICA

Falling commodity demand, lower oil prices and the consequent impact on currencies and private consumption reduced economic growth.

Specific uncontrollable factors impacting the group included:

> Lower commodity prices and slowing economies.

> Currency volatility and availability.

> Subdued consumer goods volumes.

11% OF GROUP REVENUE **(R13,3 BILLION)**

14% OF GROUP OPERATING PROFIT **(R853 MILLION)**

EUROZONE AND UK

> Slower than expected recovery but satisfactory trading conditions in the Eurozone.

> Solid economic growth in the UK.

> Specific uncontrollable factors that affected the group included:
  - Low water levels on German waterways depressed profitability of inland shipping in the first half.
  - Solid UK economic growth supporting our business, before the impact of Brexit.
  - Weakening of the rand against the pound and euro assisted rand-denominated results of our businesses in this region.

31% OF GROUP REVENUE **(R36,4 BILLION)**

22% OF GROUP OPERATING PROFIT **(R1,3 BILLION)**

The divisional reviews on pages 57 and 65 provide more detailed information on operating context in relation to each division's key drivers of value.

– Chairman's letter to stakeholders –

"It is with great pleasure that I present my inaugural report as chairman of the Imperial board."

INTRODUCTION

Against a backdrop of worldwide uncertainty and volatility, it is gratifying to lead the board of a group whose four past chairmen and their co-directors so successfully navigated periods of historic political, social and economic change in Southern Africa over 60 years, while developing the group into one of the largest companies listed on the JSE.

It is a privilege to be associated with board colleagues of such exceptional experience, wisdom and judgement and as a newcomer I am mindful of my obligation to marshal their collective capabilities with due care in pursuit of greater value for all Imperial stakeholders.

While there are many matters that are cause for deliberation in a group of Imperial's size and scope, my exposure to date allows me to assure shareholders that the board's attention and oversight will never waver far from strategy, risk, capital allocation, executive calibre and governance.

CONTEXT AND PERFORMANCE OVERVIEW

This past year was characterised by challenging and often turbulent conditions in the jurisdictions in which Imperial operates.

Global growth decreased to 3,2% in 2016 with a slight increase to 3,5% forecast in 2017. Towards the end of our financial year, the Brexit referendum and its outcome increased economic, political and institutional uncertainty in many markets.

The tough trading environment in South Africa intensified with GDP growth forecasts lowered to 0,1% for 2016 and to below 1% for 2017. Slowing growth, the rand weakening by 27%, policy uncertainty and a growing concern about corruption and so-called "state capture", resulted in a sharp decline in business and consumer confidence. Finally, rising interest rates placed downward pressure on personal income, expenditure and durable consumer goods volumes.

The Rest of Africa experienced decreased economic growth due to falling commodity demand, lower oil prices and increased currency volatility and shortages, and the tentative recovery of the Eurozone

"... the board believes the group is well placed to capitalise on growth opportunities as they arise and to enhance value creation for our stakeholders."

continued through the year with the United Kingdom recording solid economic growth prior to the Brexit result.

Notwithstanding the specific impact of these conditions on Imperial (as described in the CEO's report) the group's revenue was up by a pleasing 8% to a record R118,8 billion, with operating profit up by 3% to R6,4 billion. Earnings per share remained flat and headline earnings per share declined by 3%. Although net working capital increased by 7% to R9,9 billion, the group generated solid cash flows from operations of R9 billion and a return on invested capital of 12,4%. A final dividend of 425 cents brought the full year dividend to 795 cents.

A NEW ERA

During the past year, your directors reached the conclusion that in essence the most valuable assets and capabilities of Imperial could be logically grouped within two value chains or sectors – logistics and vehicles. Imperial's genesis as a motor dealership in 1948 set the stage for its growth into a globally significant importer, distributor and dealer of motor vehicles and associated products and services. Concurrently, the group expanded into adjacent business areas associated – sometimes loosely – with the transport of people and goods.

The pedestrian growth over the past few years exposed two realities. The first was that we were involved in many businesses and assets that were non-core, strategically misaligned, underperforming or of a scale that produced a low return on effort. The second was that those businesses and assets with the most promising prospects of producing growth and returns, operated within the logistics and vehicles value chains. Although these value chains appear to overlap in different sectors of industry and commerce, their underlying strategic, financial, organisational and managerial determinants of success are far less similar and complementary than a superficial analysis would suggest.

Setting aside the impact of exogenous factors on the performance of Imperial, it was therefore decided to dispose of unwanted businesses and assets, and to consolidate the group's five operating divisions within two large increasingly self-sufficient divisions: **Imperial Logistics** and **Motus Holdings** will respectively house the group's worldwide interests in logistics and vehicles, to sharpen strategic, managerial and customer focus, and to reduce duplication, complexity and costs. This restructuring included numerous changes to the roles or reporting relationships of the group's most senior executives, some of which addressed imminent succession requirements. As if all this was not enough, a year of extraordinary managerial activity included acquisitions of R4.4 billion, some concluded shortly after the financial year end.

ETHICS AND SUSTAINABILITY

Imperial is committed to acting with uncompromising honesty and integrity. The board recognises that ethical leadership forms the cornerstone of good governance and we are confident that the correct "tone at the top" is set uncompromisingly by our chief executive leading an experienced and motivated management team.

As the group expands its international operating base, especially as new operations are acquired and integrated into the group, it becomes increasingly important to ensure that Imperial's reputation as an ethical, responsible corporate citizen is protected and enhanced. The board acknowledges that the consistent application of the values that inform our behaviour and that of our business partners is fundamental to the group's business practices. During the year, the code of conduct was reviewed to ensure that it was still relevant and upholds the highest ethical standards. A revised code of conduct and a new anti-bribery policy was thus introduced and compliance was formally confirmed by 1 387 managers worldwide. Ethics awareness campaigns were also undertaken in four African countries.

The board is mindful that the effect of our commercial activities on the broader society is significant and as fiduciaries we strive at all times to exercise due care in our dealings with our stakeholders. We believe that corporate sustainability is founded on accountability for decisions that impact on people, the planet and profits in the long term and thus the board regularly reviews the risks, opportunities and material issues that affect the group and their impact on broader society.

HUMAN CAPITAL

The far-reaching organisational restructuring of Imperial, aimed at positioning the group to capture growth, increase profitability and remain sustainable in an environment of profound structural and systemic change requires focused investment. Most prominent in this regard has been the accelerated investment in human capital management capabilities.

This has extended to ensure the relevance of the board's collective skills in providing oversight of the group's growth and value creation strategy. During the year, an independent board evaluation exercise was conducted by Woodburn Mann and the feedback was extremely positive. I am confident that the board, as a collective, has the optimum balance of relevant skills, expertise and experience to provide effective governance to create long-term value for all our stakeholders.

A highly developed workforce is critical to ensure stakeholder value. During the year, the organisation effectiveness function was established. The activities of this function range from leadership assessments to job profiling and the identification of strategically critical positions. By 30 June 2016, the group's investment in training amounted to R319 million – an 8% increase on the prior year with an average of 16 hours of training per employee.

Imperial promotes diversity across its business. With 74% of the group's employees located in South Africa, it is imperative that our workforce reflects the demographics of the talent pools from which we select our employees. Over the years, the group has made good progress up to middle management levels but our attention is currently focused on repeating this at top and senior management levels.

At 30 June 2016, black representation at top and senior management levels was 19,4% (2015: 17,5%) and 24,3% (2015: 21,2%) respectively. In Germany, where gender diversity at executive level is an imperative, female representation at senior level is 10%.

Diversity, transformation and employment equity plans for each business set out the targets and initiatives that need to be in place to ensure success. Performance against these targets is monitored at various levels in the organisation, including the social and ethics committee of the board. Growth in black representation at senior and middle management levels is linked to performance and remuneration for South African-based executives and senior managers. For our German business, gender diversity is linked to performance and remuneration incentives.

The basis and extent of executive remuneration is increasingly being scrutinised globally. Imperial is sensitive to this while recognising that the most pressing threat facing global organisations is a worldwide shortage of executive leadership skills. At Imperial's last annual general meeting, 95% of shareholders voted in favour of the group's remuneration policy, a significant improvement from the 70% in the previous year. Although a non-binding advisory vote, the board continues to acknowledge the views expressed by shareholders in its deliberations and remains deeply committed to ensuring responsible conduct, sound governance and transparency regarding executive compensation.

SOCIETY AND ENVIRONMENT

The group's social and environmental initiatives, which respond to critical social concerns, including road safety, education and access to primary healthcare, continue to receive attention as they are material to our group's home base in South Africa. In Logistics, road safety is of great concern and the group is focusing its attention on the safety of our drivers and raising public awareness of road safety in South Africa, which has one of the highest per capita road death rates in the world. In our South African operations, fatalities per million kilometres travelled have dropped from 0,106 in 2015 to 0,002 in 2016 and there were no fatalities in our international operations in 2016.

The group has a large number of operational sites in South Africa and internationally. These operations consume water, electricity and other natural resources and generate waste products. The social and ethics committee oversees the material environmental issues with a view to minimising the group's environmental footprint. Both Scope 1 and Scope 2 emissions, fuel usage and water and electricity consumption were reduced compared to the prior year. No fines or penalties were paid for environmental incidents.

The board takes its role seriously in ensuring compliance with relevant laws, codes and standards related to the environment.

CHANGES TO THE BOARD

On 1 September 2015, Raboijani Moses Kgosana was appointed to the board. Moses served as the chief executive officer of KPMG South Africa, chairman of the Accounting Practices Board and was a member of the IFRS Advisory Council. With his considerable experience in accounting and financial reporting he now chairs the audit committee, succeeding Mike Leeming who retired from the board on 31 August 2015. We thank Mike for his leadership on this committee and his contributions to the board.

In anticipation of a higher rate of acquisitive growth, the board constituted an investment sub-committee comprising directors and executives with corporate finance expertise, under the chairmanship of Peter Cooper.

PROSPECTS

Volatility and uncertainty are expected to continue in the markets in which we operate. In this context, the board fully endorses the group's strategic direction and the progress made over the year in continuing to position the group for stronger growth, profitability and sustainability.

Over half of Imperial's activities are in South Africa and, notwithstanding the smooth passage and results of the recent local government elections – clear evidence to the world that our country remains a well-functioning constitutional democracy – we remain deeply concerned about the political climate and the increasing evidence of corruption and interference in the major organs of state. We strongly urge the government and the African National Congress to be more considered in their policies and pronouncements, many of which will exacerbate rather than mitigate the unemployment, poverty and inequality which are of deepest concern to all patriots.

All things considered, the board believes the group is well placed to capitalise on growth opportunities as they arise and to enhance value creation for our stakeholders.

APPRECIATION

On behalf of the board, I extend my appreciation to our stakeholders for their continued loyalty and support during the past year. I am particularly indebted to my fellow board members for the clear direction they have provided in a challenging and ever-changing environment, to management for their sterling efforts in forging ahead with the board's vision for the group, and to every employee for their important contributions towards a pleasing set of results.

A heartfelt thank you to each of you!

SURESH P KANA

– Chief executive officer's report –

"No longer a complex conglomerate, Imperial will comprise two increasingly self-sufficient large divisions, whose strategic, financial, managerial and market focus will unlock value for all stakeholders."

INTRODUCTION

The year was a significant one in the evolution of Imperial. While dealing with the exigencies of everyday business in challenging environments, four additional streams of activity were directed at reallocating capital and fundamentally restructuring the organisation and its leadership for improved growth, returns and sustainability.

A major programme to dispose of non-strategic or low return businesses and properties reached an advanced stage. A number of sizable acquisitions, some concluded after year end, demonstrated our intent to invest in businesses whose growth is not reliant on further capital investment. The decision was taken to consolidate and integrate Imperial's five sub-divisions within two major divisions, focusing exclusively on Logistics and Vehicles. Finally, the most senior three levels of the Imperial management hierarchy were reconfigured, with new executives appointed to address structural and succession requirements over the next three years.

Collectively, these developments created a platform for Imperial to accelerate its transformation to a different entity: no longer a complex conglomerate, Imperial will comprise two increasingly self-sufficient large divisions, whose strategic, financial, managerial and market focus will unlock value for all stakeholders.

This report therefore comments on the past structures for the last time, while ushering in a new Imperial.

ENVIRONMENT

The impediments to GDP and personal consumption expenditure growth in most of the markets in which Imperial operates are well publicised. The following are additional factors that influenced Imperial's performance during the year.

South Africa

Imperial faced various external challenges in South Africa, which generated 58% and 64% respectively of the group's revenue and operating profit. As a provider of logistics services and retailer of vehicles, Imperial experienced falling or low demand from mining and industrial manufacturing clients, as well as declining private expenditure on consumer durables. As an importer and owner of foreign operations, Imperial experienced the effects of rand weakness and foreign currency volatility on the competitiveness of products and on financial reporting, both of which undermined the predictability of performance.

In addition, as the economy slowed and business and consumer confidence declined, competition and the demands of clients and counterparties intensified, exerting pressure on revenues, margins and working capital. Operating margins were depressed by inflationary increases in uncontrollable overheads.

HIGHLIGHTS

SOUND MANAGEMENT
OF CONTROLLABLE FACTORS UNDERPINNED PERFORMANCE

DISPOSED OF NON-STRATEGIC AND LOW RETURN ASSETS OF
R5,3 BILLION

ACQUIRED MINORITIES AND CAPITAL-LIGHT BUSINESSES FOR
R4,4 BILLION

COMMENCED FUNDAMENTAL ORGANISATIONAL AND
LEADERSHIP RESTRUCTURING

DEVISED AND ANNOUNCED
SUCCESSION PLAN
FOR 26 SENIOR EXECUTIVES

Rest of Africa

In sub-Saharan Africa, which generated 11% and 14% respectively of Imperial's revenue and operating profit, trade and fiscal deficits grew, currencies collapsed, foreign exchange became scarce or dried up in some countries, and GDP growth forecasts were sharply reduced.

These pressures were all felt by Imperial's businesses, more so in the second half when a scarcity of foreign exchange threatened the availability and competitiveness of dollar-based imports. Policy and regulatory uncertainty often heightened the operational and financial risks of doing business in some countries.

International

Imperial's operations beyond the African continent generated 31% and 22% respectively of Imperial's revenue and operating profit.

Our businesses in Germany were directly affected to various degrees by low water levels on the Rhine in the first half and full employment which hampered the attraction and retention of skills. With few exceptions our clients and counterparties operate very sophisticated, frequently global businesses, and we face continual pressure to deliver more for less.

In the United Kingdom uncertainty caused clients to delay purchases in the lead up to the Brexit referendum, the result of which had an impact on the value of the pound sterling earnings. There was little change in the economic or competitive pressures we face in Australia and South America where growth off a low base was primarily a function of management initiatives.

GROUP FINANCIAL HIGHLIGHTS

Despite difficult trading conditions, Imperial achieved record revenues and operating profits in 2016, with all divisions producing revenue growth in rand terms. Double-digit growth of revenue and operating profit from foreign operations, increased Imperial's share of revenue and operating profit from foreign operations to 42% and 36% respectively.

The impact of volatile currency movements on the group's profitability and invested capital was significant. Recent developments have shown that in addition to movements of the South African rand, foreign currency movements and our hedging strategies can result in sharp adjustments to reported income in rand. We are confident, however, that our hedging strategies are prudent and we will continue to highlight the impact of currency movements in our communication with stakeholders.

Detail and commentary on Imperial's financial position and performance is contained in the chief financial officer's report which follows, the divisional reviews on pages 54 to 69 and the summarised financial statements on pages 104 to 133.

OUR STRATEGY FOR VALUE CREATION

While always subject to refinement, the underlying precepts of our strategies to create value are unchanged.

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

The second, which follows and is depicted on pages 12 and 13, is that the value-adding strategies of a holding company are supportive of, but distinctly different to the competitive strategies of its client-facing operating subsidiaries (pages 14 to 17). The following describes how we refined and implemented our strategies as a holding company that creates value as a "parent" and one that defines the parameters within which subsidiaries are empowered to achieve market leadership and thrive.

As the major determinant of all future performance we continued to **shape the group's portfolio to achieve focused growth**. The intent is to create a less complex, lower capital intense, higher return group of businesses, active only in the logistics and vehicles sectors.

To this end we disposed or are in the process of disposing of non-core, strategically misaligned, underperforming or low return assets amounting to R5,3 billion during the year. Excluding Regent (still subject to regulatory approval) we have disposed or are in the process of disposing of 29 businesses that generated revenues of R6 billion and utilised R2,8 billion of invested capital to produce operating profit of only R45 million – clear evidence that bigger is not better! And we invested R4,4 billion to acquire minorities and new businesses, the most significant of which was 95% of Palletways, acquired on 5 July 2016 at an enterprise value of R3,2 billion (£162,9 million).

As the custodian of equity, debt and assets, and as the funder or guarantor of subsidiaries, the holding company must **raise, allocate and control capital for value accretion**.

During the year, with due regard to cash flows arising from changes to the portfolio, the asset and liability committee and group treasury function ensured a prudent balance of short/long, fixed/variable and local/international debt within the group's self-imposed debt to equity range of 60% to 80%.

From a strategic perspective capital is allocated as per the principles of our investment thesis, shown on page 1. All capital allocation is made and evaluated over time with a view to achieving through the cycle returns on invested capital of between 3% and 4% above the weighted average cost of capital. Over the past year, the return on invested capital exceeded the weighted average cost of capital by 2,2% compared to 3% in 2015. Although uncontrollable external factors have been the major reason for this decline in recent years, we are determined to reverse this trend by reducing average working capital, restructuring or disposing of highly capital intensive businesses and avoiding acquisitions that are highly capital intensive businesses or require capital to grow.

Although divisions and subsidiaries define the bases on which they compete and grow in their chosen markets, their strategies are a basis for budgeting and capital allocation, and can influence the strategic positioning of Imperial as represented to stakeholders. A major responsibility of the holding company is therefore to **ensure strategic clarity at subsidiary level**. Over the past year the formality of this process enhanced competitiveness and created a framework for investment decisions within divisions.

With Imperial's success heavily reliant on the calibre of its leadership, the holding company has an obligation to **develop executive capability for performance and sustainability** throughout the group.

Over the past year, the talent management function established 18 months ago to focus on the most senior 200 managers in Imperial, has evolved. The deployment of leading-edge human capital practices is required not only to develop a leadership pipeline, but also to address issues of productivity, diversity, employment equity and compensation. The mandate of the renamed and restructured organisation effectiveness function is now to provide thought leadership and to institutionalise talent management, human resource architecture, core human resource data and technology, and enterprise architecture throughout Imperial's operations.

In a first for Imperial, the crafting and announcement of a multifaceted 18-month succession plan, involving changes to the roles or reporting lines of 26 senior executives for the next three years, was early evidence of the power of integrated talent management.

Fast developing information, communications and telecommunications technologies are both an opportunity and threat to Imperial's transactional efficiency and value propositions to counterparties. As the competitiveness, efficiency, returns, risks and ultimate value of Imperial can so easily be diminished by technology errors of omission or commission, the holding company must ensure that subsidiaries appropriately **deploy technology for control, efficiency and innovation**. Over the past year, progress in this regard included the appointment of chief information officers in all major business units and oversight by the board through a CIO forum, which reports to the group risk committee.

An insight fundamental to any decision on Imperial is that the group operates predominately in **two different sectors**. The strategic, financial, organisational and managerial determinants of success are very different in the logistics and vehicles sectors as broadly defined, and the synergies are few. Our disposal programme over the past few years has brought this into stark relief.

To give further expression to these differences we decided to sharpen strategic, managerial and customer focus and reduce duplication, complexity and costs, by consolidating and integrating Imperial's five sub-divisions within two large increasingly self-sufficient divisions, each focusing exclusively on Logistics and Vehicles, with effect from 1 July 2016.

Imperial's entire logistics interests (i.e. Imperial Logistics South Africa, Imperial Logistics Rest of Africa and Imperial Logistics International) will be managed as one division called **Imperial Logistics**, and Imperial's entire vehicle interests (i.e. Vehicle Import, Distribution and Dealerships; Vehicle Retail, Rental and Aftermarket Parts; and Motor-related Financial Services) will be managed as one division called **Motus Holdings**.

This restructuring will facilitate opportunities for intra-divisional efficiencies and collaboration, and deeper penetration of the supply chains in both sectors, through better coordinated and competitive value propositions to clients. The competitive strategies employed by and within the divisions will be driven by their leadership, but within the strategic and financial parameters defined by Imperial Holdings.

As both divisions have market-leading positions in South Africa, foreign growth will be preferred.

In the past year, 68% and 71% respectively of what is now Imperial Logistics' revenues and operating profits were foreign. The rapid growth in sub-Saharan Africa is planned to continue and, building on our proven international capabilities in logistics, major acquisitive growth is anticipated beyond the African continent.

With foreign revenues and operating profits of what is now Motus Holdings being 24% and 11% respectively in 2016, the division will pursue foreign growth in distribution and retail, but will remain a predominantly South African company for the medium term.

MATERIAL ISSUES

Notwithstanding significant external and internal developments during the year, five material issues continue to dominate the deliberations of the Imperial board, and the thoughts and actions of management. They are growth; capital management; leadership and human capital development; systems improvement and innovation; and legitimacy among stakeholders. These material issues take into account the key matters and concerns our stakeholders have raised in our engagement with them over the course of the year, and a comprehensive report on our progress appears on pages 26 to 33.

LOOKING FORWARD

Imperial's performance in the past financial year has been pleasing and reflects sound management of controllable factors under challenging circumstances.

Although the decisions have been taken and many of the plans formulated, the success of Imperial over the next few years will be highly dependent on the initial implementation processes in the current financial year.

There will be no help from the environment.

Globally tepid growth and uncertainty will persist. In all of the markets where Imperial operates, underlying economic growth will be slow and real organic revenue growth elusive, achieved only through continual innovation to improve value propositions and penetrate new markets. Locally, the structural obstacles to higher economic performance will remain and the socio-political climate will be unpredictable, fractious and disruptive in the lead up to the national elections in 2019.

We expect volume growth throughout our logistics operations to be subdued, and national new vehicle sales in South Africa to fall gradually in response to declining private consumption expenditure, rising interest rates and tightening credit. In addition, the volatility of the rand and the currencies in the countries in which we operate, together with the group's hedging policy to cover forward, will affect both our competitiveness and profitability. Low growth, the ubiquity and falling cost of data, and technological innovation, will each drive clients and counterparties to be more demanding, putting gross margins continually under pressure.

Aside from our primary obligation to deliver growth and returns, our agenda to unlock value is weighty. We are in the process of restructuring and altering the leadership, and will report differently on two very large multinational divisions in different sectors. Both would rank among the bigger companies in South Africa.

These factors make forecasting challenging but our current outlook for the financial year to June 2017 indicates single-digit revenue growth and a moderate decline in operating profit for Imperial's continuing operations.

APPRECIATION

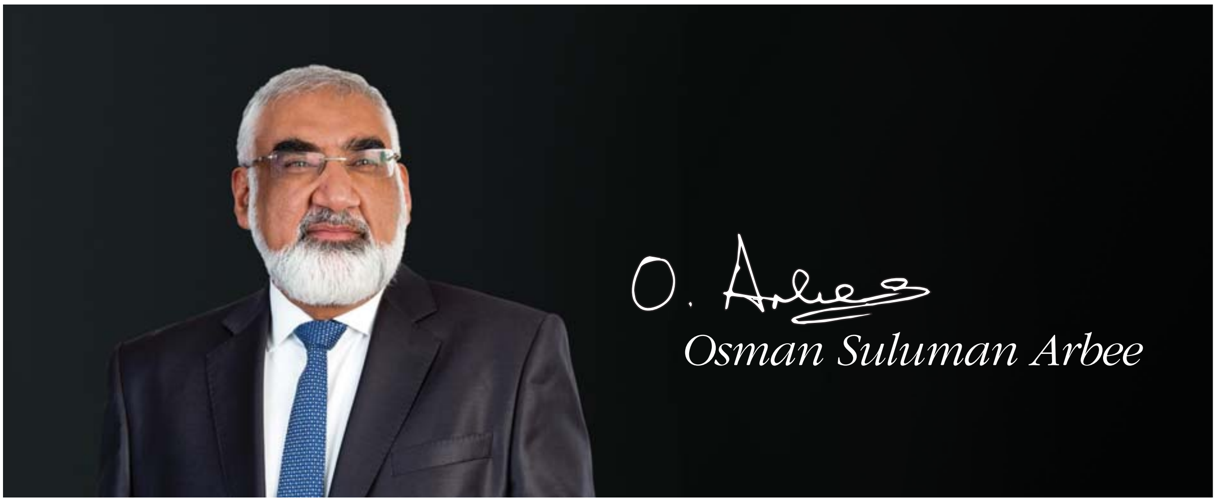
My gratitude is due to each of the 51 256 people whose daily commitment contributed to these results and in particular to my co-directors and executive committee colleagues without whose counsel and support my task would be impossible.

MARK J LAMBERTI

– Chief financial officer's report –

"Solid performance reflects sound management of controllable factors in challenging trading conditions."

Imperial delivered pleasing results for the year ended 30 June 2016, with all divisions recording revenue growth in rand terms, despite challenging trading environments and lowered growth forecasts in all its key markets, as fully outlined in the chief executive officer's report.



RESULTS OVERVIEW

R million	TOTAL 2016	CONTINUING 2016	DISCONTINUED 2016	TOTAL 2015	CONTINUING 2015	DISCONTINUED 2015	TOTAL % CHANGE	CONTINUING % CHANGE
Revenue	118 849	115 738	3 111	110 487	107 453	3 034	8	8
Operating profit	6 422	5 893	529	6 235	5 671	564	3	4
Operating margin (%)	5,4	5,1	17,0	5,6	5,3	18,6		
Net finance costs	(1 440)	(1 440)	–	(1 194)	(1 194)	–	21	21
Income from associates	133	133	–	32	33	(1)	316	303
Profit before tax	4 437	3 924	513	4 599	4 044	555	(4)	(3)
Tax	(1 229)	(1 049)	(180)	(1 213)	(1 035)	(178)	1	1
Net profit after tax	3 208	2 875	333	3 386	3 009	377	(5)	(5)
Attributable to non-controlling interests	(159)	(128)	(31)	(332)	(274)	(58)	(52)	(53)
Attributable to shareholders of Imperial	3 049	2 747	302	3 054	2 735	319	–	–
Effective tax rate (%)		27,7			25.8		–	–
Return on invested capital (%)	12,4			13,1*				
Weighted average cost of capital (%)	10,2			9,0*				

* *Restated to new calculation method. See page 52.*

FINANCIAL HIGHLIGHTS

REVENUE UP 8% TO
R118,8 BILLION

OPERATING PROFIT UP 3% TO
R6,4 BILLION

CORE EPS UNCHANGED AT
1 747 CENTS
PER SHARE

EPS UNCHANGED AT
1 581 CENTS
PER SHARE

HEPS DOWN 3% TO
1 579 CENTS
PER SHARE

CASH GENERATED BY OPERATIONS OF
R9,0 BILLION

RETURN ON INVESTED CAPITAL
12,4%

WEIGHTED AVERAGE COST OF CAPITAL
10,2%

FULL YEAR DIVIDEND UNCHANGED AT
795 CENTS
PER SHARE

NET WORKING CAPITAL INCREASED BY 7% TO
R9,9 BILLION

Total revenue increased by 8% to R118,8 billion (6% up excluding acquisitions) and for continuing operations, excluding Regent, by 8% to R115,7 billion. Revenue increased in all operating divisions. The biggest changes were in Logistics Rest of Africa, which was up 19%, supported by volume growth and acquisitions, with Logistics South Africa experiencing a marginal decline due to lower volumes.

Total operating profit increased 3% to R6,4 billion (1% up excluding acquisitions) and for continuing operations, excluding Regent, up by 4% to R5,9 billion. The increase in operating profit was mainly due to strong performances from the Vehicle Import, Distribution and Dealerships division and Logistics Rest of Africa, which was assisted by the inclusion of Imres for a full year. S&B Commercials in the Vehicle Retail, Rental and Aftermarket Parts division was also included for the full year.

Group operating margin, including discontinued operations, was slightly down at 5,4% (2015: 5,6%).

Net finance costs increased by 21% compared to the prior year on the back of increased debt levels and higher interest rates.

Income from associates and joint ventures for continuing operations increased by R100 million on the prior year. This increase is as a result of a loss of R84 million recognised in respect of Ukhamba in the prior year.

The group's net profit attributable to non-controlling shareholders for continuing operations reduced by R146 million due to their share of impairment of intangibles, reduced minority participation in Associated Motor Holdings and sale of businesses in which the minorities participated.

Net profit attributable to shareholders was flat at R3,0 billion.

Attributable earnings reconciled to core earnings

	NOTES	2016 Rm	2015 Rm	% Change
Net profit attributable to Imperial shareholders (earnings)		**3 049**	3 054	–
Profit on disposal of assets		**(98)**	(85)	
Impairments of goodwill and other assets	1	**526**	95	
Profit on sale of businesses	2	**(520)**	(17)	
Impairment losses on assets of disposal group		**90**		
Other		**2**	84	
Tax and non-controlling interests		**(3)**	4	
Headline earnings		**3 046**	3 135	(3)
Amortisation of intangibles arising on business combinations		**437**	415	
Foreign exchange gain on inter-group monetary items		**(92)**	(104)	
Remeasurement of contingent consideration, put option liabilities and business acquisition costs		**117**	69	
Tax and non-controlling interests		**(139)**	(128)	
Core earnings		**3 369**	3 387	–

NOTE 1

The impairments relate to:

> Goodwill amounting to R258 million in total, mainly arising from Renault in the Vehicle Import, Distribution and Dealerships division and various businesses in the Logistics Africa division.
> Other intangibles of R151 million mainly arising from Renault in the Vehicle Import, Distribution and Dealerships division and Jurgens in the Vehicle Retail, Rental and Aftermarket Parts divisions.
> Various other items amount to R117 million.

NOTE 2

Profit on sale of businesses mainly relates to the disposals of Neska, Rijnaarde and ALS in the Logistics International division.

Earnings, headline earnings and core earnings per share

	Group total 2016	Continuing 2016	Group total 2015	Continuing 2015	Total % change	Continuing % change
Basic EPS (cents)	**1 581**	**1 425**	1 582	1 416	–	1
Basic HEPS (cents)	**1 579**	**1 423**	1 624	1 458	(3)	(2)
Basic core EPS (cents)	**1 747**	**1 589**	1 754	1 586	–	–

FINANCIAL POSITION OVERVIEW

	2016 Rm	2015 Rm	% change
Goodwill and intangible assets	**7 501**	7 193	4
Property, plant and equipment	**11 465**	10 967	5
Investment in associates and joint ventures	**986**	1 351	(27)
Transport fleet	**5 953**	5 610	6
Vehicles for hire	**3 469**	3 603	(4)
Investments and loans	**291**	357	(18)
Net working capital	**9 936**	9 267*	7
Other assets	**1 867**	1 428	31
Assets of discontinued operations and disposal groups	**6 552**	4 618	42
Net debt	**(16 079)**	(13 886)*	16
Non-redeemable, non-participating preference shares	**(441)**	(441)	–
Other liabilities	**(8 584)**	(8 121)	6
Liabilities of discontinued operations and disposal groups	**(3 114)**	(2 713)	15
Total shareholders' equity	**19 802**	19 233	3
Total assets	**69 830**	65 712	6
Total liabilities	**(50 028)**	(46 479)	8

* *Restated to reclassify interest-bearing supplier liabilities as accounts payable of R607 million.*

Goodwill and intangible assets rose by 4% to R7,5 billion as a result of rand weakness and small acquisitions.

Property, plant and equipment increased by R498 million to R11,5 billion due mainly to investments in properties during the year and as a result of rand weakness.

Investment in associates and joint ventures decreased by R365 million, as a result of the reclassification of MixTelematics to "disposal groups".

The transport fleet increased by 6% or R343 million due mainly to the net investment in trucks and barges of R727 million, currency adjustments of R509 million resulting from a weaker rand, reduced by depreciation of R778 million.

Vehicles for hire reduced by R134 million impacted by the sale of Goscor and Bobcat's rental assets of R696 million and a reduction in fleet units, offset partly by price increases in vehicles for hire.

Net working capital increased by 7% mainly due to an increase in inventory in the Vehicle Import, Distribution and Dealerships division.

Assets held for sale include Regent and other businesses identified during 2016 as being available-for-sale.

Total assets increased by 6% to R69,8 billion due mainly to acquisitions, capital expenditure and currency adjustments.

Net debt to equity (including preference shares as equity and including Regent's cash resources) at 73% improved from 76% at December 2015 but was higher than the 66% at June 2015. The increase in debt is due to a weaker exchange rate for the translation of the foreign debt into rand, capital expenditure, working capital requirements and acquisitions. Net debt to equity (including preference shares as debt) is 77% (2015: 70%).

The net debt level is within the target gearing range of 60% to 80%. The net debt to total EBITDA ratio was 1,7 times (2015: 1,5 times), from continuing operations.

Shareholders' equity was impacted by the following major items:

Movement in shareholders' equity

	2016 Rm
Net profit attributable to Imperial shareholders	**3 049**
Net profit attributable to non-controlling interests	**159**
Increase in the foreign currency translation reserve	**623**
Shares issued to acquire 10% of AMH	**648**
Reduction in the hedge accounting reserve	**(317)**
Remeasurement of defined benefit obligations	**(159)**
Dividends paid	**(1 909)**
Shares repurchased, acquired to hedge share appreciation rights and deferred bonus plan obligations	**(558)**
Purchase of non-controlling interests:	
AMH	**(750)**
Imres (including remeasurement of put option)	**98**
Midas	**(113)**
Other	**(150)**
Other movements	**(52)**
Total change	**569**

CASH FLOW OVERVIEW

	2016 Rm	2015* Rm	% change
Cash generated by operations before movements in working capital	**8 952**	9 049	(1)
Movements in net working capital (excluding currency movements and net acquisitions)	**(828)**	9	
Interest paid	**(1 461)**	(1 180)	
Tax paid	**(1 910)**	(1 301)	
Cash flows from operating activities before capital expenditure on rental assets	**4 753**	6 577	(28)
Net capital expenditure on rental assets	**(1 611)**	(1 531)	5
Cash flows from operating activities	**3 142**	5 046	(38)
Net proceeds from sale of businesses (net of acquisitions)/net acquisitions	**760**	(938)	
Net capital expenditure	**(2 527)**	(2 988)	
Equities, investments and loans	**41**	(1 025)	
Dividends paid	**(1 909)**	(1 724)	
Other	**(1 164)**	(273)	
Increase in net debt (excludes currency movements and net acquisitions)	**(1 657)**	(1 902)	
Free cash flow	**2 517**	4 573	(45)

* *Restated for the reclassification of interest-bearing accounts payable to accounts payable.*

Cash generated by operations after working capital movements, interest charge and tax payments was R4,8 billion (2015: R6,6 billion).

Net working capital increased due to higher inventory in the Vehicle Import, Distribution and Dealerships division.

The main contributors to the net R760 million proceeds from sale of businesses (net of acquisitions) were the disposal of Neska, Goscor, ALS, two dealerships and two panel shop outlets.

Inflows from equities, investments and loans amounted to R41 million. The prior year included additional investments in long-term deposits and equities.

Dividends amounting to R1,9 billion were paid during the year.

Other increased due to share repurchases to hedge obligations in respect of share schemes and for the buy out of non-controlling interests.

FUNDING

	June 2016 Rm	June 2015 Rm
Gross debt (Excluding preference shares)	**18 396**	16 157
Cash resources	**(2 317)**	(2 271)
Net debt before cash held for sale	**16 079**	13 886
Less: Cash of discontinued operations and disposal groups	**(1 356)**	(845)
Net debt	**14 723**	13 041
Net debt to equity (Preference shares included as equity)	**73%**	66%
Net debt to equity (Preference shares included as debt)	**77%**	70%
Net debt to EBITDA (times) (Preference shares included as debt)	**1,7**	1,5

The group's net debt is up R1,7 billion (including cash held for sale). The increase in debt is due to a weaker exchange rate for the translation of the foreign debt into rand, capital expenditure, working capital requirements and acquisitions.

The group has R9,4 billion of unutilised banking facilities. 79% of the group's debt is long term in nature.

In September 2017, Imperial's corporate bond IPL 6 for R1,5 billion matures and sufficient long-term facilities are available to meet the redemption. The assets and liabilities committee assesses the group's liquidity position on a quarterly basis and in addition to facilities there is capacity of R4,7 billion under the Domestic Medium Term Note programme and R3,3 billion under the Commercial Paper programme should there be a need to access the debt capital markets in South Africa.

The group's international scale credit rating as determined by Moody's was unchanged at Baa3 with a stable outlook.

Capital management and capital allocation are controlled and reviewed at least quarterly by group finance and group treasury. The allocation of equity and debt by division is reviewed and the appropriate weighted average cost of capital (WACC) determined in order to evaluate investments and measure performance on a risk adjusted basis applicable to the various types of businesses and geographies.

DISPOSALS

The disposals described below, some still subject to regulatory approval, will generate proceeds of approximately R5,2 billion, which will reduce debt until redeployed in accordance with our strategic and investment criteria.

International: The Logistics division disposed its 65% interest in Neska for EUR75 million (R1,3 billion) and the 75% interest in ALS, a small shipping company, for EUR6 million (R84 million).

South Africa: The 100% interest in the Regent Group for R2,2 billion which is subject to regulatory approval. The disposal of the Group's 67,5% share of the Goscor group for R1,03 billion was finalised on 5 February 2016. The Vehicle Retail, Rental and Aftermarket Parts division disposed of two panel shops, two commercial dealerships and six vehicle dealerships. The group's disposal of its minority stake in MixTelematics for R470 million was announced by MixTelematics during May 2016; the proceeds were received at the end of August 2016.

Disposals post year end:

The group disposed of 51% in ten entities in the AMH Group to a related party for R75 million, subject to regulatory approval. The balance of the shares in these entities will be sold in the next calendar year. Over the next 12 to 18 months the group intends disposing of mainly non-strategic properties (sale or sale and leaseback) in a number of unrelated transactions in various jurisdictions amounting to R2,6 billion.

ACQUISITIONS

Various acquisitions were made during the 2016 financial year, the most notable of which are listed below:

International: Van den Anker in the Netherlands by the International Logistics division and Humberside Tail Lifts in the UK by the UK Commercials division.

South Africa: In the Vehicles division, 10% in the AMH Group for R750 million (the group now owns 100% of AMH), a further 14% in Midas and a number of small acquisitions in Midas. The Logistics division acquired a 70% share in Sasfin Premier Logistics and 100% of Anoxis by Resolve.

Rest of Africa: The Logistics division acquired 70% in Imperilog Botswana and a further 10% in Imres (based in the Netherlands; the group now owns 80%). The group concluded vehicle distribution agreements in six African countries.

Acquisitions post year end:

International: A 95% share in Palletways (UK) for R3,0 billion. Palletways is a leading European operator in express small consignment palletised freight, with operations in the UK, Spain, Italy, France, Luxembourg and Germany.

South Africa: A further 14% in Midas, bringing the group's ownership of Midas to 100%.

FINAL ORDINARY DIVIDEND

A final cash dividend of 425 cents per ordinary share (2015: 445 cents per share) has been declared, bringing 2016 dividends to 795 cents per ordinary share, unchanged from the prior year.

Osman S Arbee
Chief financial officer

OUR PERFORMANCE

FIVE-YEAR REVIEW

	DEFINITIONS	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
Extracts from statement of profit or loss						
Revenue		**118 849**	110 487	103 567	92 382	80 830
Operating profit		**6 422**	6 235	6 185	6 090	5 638
Net financing costs		**(1 440)**	(1 194)	(926)	(744)	(681)
Share of result of associates and joint ventures		**133**	32	76	86	46
Income tax expense		**(1 229)**	(1 213)	(1 330)	(1 405)	(1 382)
Tax rate (%)		**28,6**	26,6	27,2	28,1	29,3
Net profit attributable to non-controlling interest		**159**	332	355	392	408
Headline earnings		**3 046**	3 135	3 151	3 458	3 007
Extracts from statement of cash flows						
Cash generated by operations (before capital expenditure on rental assets, net financing costs and tax paid*		**8 124**	9 058	5 973	7 191	7 440
Cash flow from investing activities (including capital expenditure on rental assets)		**(3 337)**	(6 482)	(2 927)	(4 708)	(4 230)
Net debt (raised) repaid*		**(1 657)**	(1 902)	(1 972)	(2 250)	(625)
Free cash flow*	1	**2 517**	4 573	2 138	3 658	3 770
Extracts from statement of financial position						
Total assets		**69 830**	65 712	59 021	51 716	45 698
Operating assets	2	**58 525**	56 944	55 968	48 443	41 575
Operating liabilities*	3	**24 640**	23 774	22 802	21 174	18 046
Net working capital*	4	**9 936**	9 267	8 033	5 694	4 606
Net interest-bearing debt*	5	**15 283**	13 482	11 882	9 165	6 642
Imperial owners' interest		**20 225**	18 868	17 540	16 241	14 666
Non-controlling interest		**884**	1 838	1 569	1 295	1 223
Contingent liabilities		**798**	405	317	294	46
Ratios						
Efficiency						
Revenue to average net operating assets (times)	6	**3,5**	3,3	3,4	3,6	3,9
Revenue relating to sales of goods to average inventory (times)	7	**4,4**	4,5	4,8	4,7	4,5
Revenue to average net working capital (times)		**12,4**	12,8	15,1	17,9	20,6
Profitability						
Operating profit to average net operating assets (%)	8	**19,2**	18,8	20,5	24,0	26,9
Operating profit to average gross operating assets (%)		**11,1**	11,0	11,8	13,5	15,2
Operating margin (%)	9	**5,4**	5,6	6,0	6,6	7,0
Return on average shareholders' interest (%)	10	**15,6**	16,8	19,4	21,3	22,4
Return on invested capital (%)**	11	**12,4**	13,1	14,7	17,2	18,0
Weighted average cost of capital (%)**	12	**10,2**	9,0	9,4	9,0	10,1
Solvency						
Interest cover by operating profit (times)		**4,5**	5,2	6,7	8,2	8,3
Net interest-bearing debt to EBITDA (times)		**1,7**	1,5	1,4	1,1	0,9
Total equity to total assets (%)		**28,4**	29,3	30,7	33,9	34,8
Net interest-bearing debt as a percentage of total equity (%)		**77,2**	70,1	65,6	52,3	41,8
Liquidity						
Free cash flow to net profit for the year (times)		**0,78**	1,35	0,59	0,99	1,11
Free cash flow to headline earnings (times)	13	**0,83**	1,46	0,68	1,06	1,25
Unutilised facilities		**10 046**	9 372	6 703	5 880	6 045

Figures include continuing and discontinued operations.

	DEFINITIONS	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
Investing in the future						
Cost of new acquisitions		**352**	1 076	911	776	2 241
Expansion capital expenditure		**1 902**	2 515	1 957	1 682	1 125
Net replacement capital expenditure		**2 236**	2 004	1 642	1 395	1 467
Capital commitments		**1 309**	2 289	2 285	935	1 112
Statistics						
Total new and used vehicles and motorcycles sold		**209 432**	211 412	208 740	206 462	198 131
Number of transport fleet vehicles (owned)		**7 238**	7 133	5 676	6 431	6 312
Number of vehicles for hire (car rental only)		**13 903**	14 917	15 356	17 602	16 599
Number of employees		**51 256**	51 361	51 671	51 007	47 699
Employee costs		**16 981**	15 647	14 576	12 824	10 703
Wealth created per employee		**507**	475	444	412	380
Total taxes and levies paid	14	**1 825**	1 496	1 748	1 438	1 572
Share performance						
Basic headline earnings per share (cents)		**1 579**	1 624	1 625	1 805	1 566
Basic core earnings per share (cents)		**1 747**	1 754	1 815	1 872	1 623
Dividends per share (cents)		**795**	795	820	820	680
Earnings yield (%)	15	**10,6**	8,8	8,1	8,6	9,1
Price earnings ratio (times)	16	**9,5**	11,4	12,3	11,6	11,0
Net asset value per share (cents)	17	**10 287**	9 696	9 037	8 324	7 479
Market prices (cents)						
– Closing		**14 948**	18 550	20 000	20 968	17 200
– High		**18 600**	20 634	22 290	22 600	17 729
– Low		**9 999**	16 418	16 080	17 150	9 420
Total market capitalisation at closing prices	18	**31 118**	37 616	41 563	43 788	36 093
Value of shares traded		**37 985**	34 159	43 446	51 766	30 099
Value traded as a percentage of average capitalisation (%)		**111**	86	102	130	98
Exchange rates used						
Rand to euro						
– average		**16,10**	13,73	14,07	11,43	10,38
– closing		**16,31**	13,55	14,51	13,04	10,39
Rand to US dollar						
– average		**14,51**	11,44	10,38	8,84	7,75
– closing		**14,70**	12,15	10,62	10,01	8,20
Rand to British pound						
– average		**21,47**	18,02	16,87	13,85	12,27
– closing		**19,58**	19,11	18,11	15,22	12,87
Rand to Nigerian naira						
– average		**0,07**	0,06	0,06		
– closing		**0,07**	0,06	0,06		
Rand to Botswana pula						
– average		**1,34**	1,20	1,17	1,09	1,05
– closing		**1,35**	1,23	1,21	1,16	1,07
Rand to Australian dollar						
– average		**10,56**	9,54	9,52	9,06	7,99
– closing		**10,95**	9,40	9,96	9,01	8,40

Figures include continuing and discontinued operations.

* *2015 restated to reclassify interest-bearing supplier liabilities as accounts payable of R607 million.*
** *Calculated on the new basis. See definitions on next page.*

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 of disposal groups and discontinued operations.
3. Operating liabilities – all liabilities less all interest-bearing borrowings, taxation liabilities and liabilities of disposal groups and discontinued operations.
4. Net working capital – consists of inventories, trade and other receivables, provisions for liabilities and other charges and trade and other payables.
5. Net interest-bearing debt – include total interest-bearing borrowings plus non-redeemable preference shares less cash resources.
6. Revenue to average net operating assets (times) – calculated by dividing revenue with average net operating assets.
7. Revenue relating to sales of goods to average inventory (times) – revenue relating to sales of goods divided by average inventory.
8. Operating profit to average net operating assets (%) – operating profit per the statement of profit or loss divided by average net operating assets.
9. Operating margin (%) – operating profit per the statement of profit or loss 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, plus income from associates. 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) + (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 2016

	2016 Rm	%	2015 Rm	%
Revenue	**118 849**		110 487	
Paid to suppliers for materials and services	**92 887**		86 085	
Total wealth created	**25 962**		24 402	
Wealth distribution				
Salaries, wages and other benefits (note 1)	**16 981**	65	15 647	64
Providers of capital	**3 349**	12	2 974	12
– Net financing costs	**1 440**	6	1 194	5
– Dividends, share buybacks and cancellations	**1 572**	6	1 527	6
– Dividends to non-controlling interests	**337**	1	253	1
Government (note 2)	**1 825**	7	1 495	6
Reinvested in the group to maintain and develop operations	**3 807**	15	4 286	18
– Depreciation, amortisation, impairments and recoupments	**3 119**		2 906	
– Future expansion	**688**		1 380	
	25 962	100	24 402	100
Value-added ratios				
– Number of employees total	**51 256**		51 361	
– Revenue per employee (000)	**2 319**		2 151	
– Wealth created per employee (000)	**507**		475	
Notes				
1 Salaries, wages and other benefits				
Salaries, wages, overtime, commissions, bonuses, allowances	**15 423**		14 249	
Employer contributions	**1 558**		1 398	
	16 981		15 647	
2 Central and local governments				
South African normal taxation	**1 146**		930	
Withholding and secondary tax on companies	**9**		17	
Foreign tax	**381**		277	
Rates and taxes	**98**		86	
Skills development levy	**79**		83	
Unemployment Insurance Fund	**85**		80	
Carbon emissions tax	**27**		22	
	1 825		1 495	


IMPERIAL
IMPERIAL
Quon
J80
UD TRUCKS

– LOGISTICS –

In line with the group's strategic objectives, the consolidation of all Imperial's logistics interests within one division – Imperial Logistics – from 1 July 2016, will enable the creation of an increasingly global, asset-light, cash-generative logistics group able to identify and prioritise strategic opportunities, allocate capital appropriately, exploit synergies and disseminate management expertise.

Key data

	REVENUE			OPERATING PROFIT			OPERATING MARGIN	
R million	**2016**	2015	% change	**2016**	2015	% change	**2016 %**	2015 %
Logistics Africa – South Africa	**15 266**	15 372	(1)	**750**	952	(21)	**4,9**	6,2
Logistics Africa – Rest of Africa	**11 853**	9 975	19	**780**	635	23	**6,6**	6,4
Logistics International	**20 793**	19 071	9	**1 013**	958	6	**4,9**	5,0
Total Logistics	**47 912**	44 418	8	**2 543**	2 545	–	**5,3**	5,7

	REVENUE			OPERATING PROFIT			OPERATING MARGIN	
Euro million	**2016**	2015	% change	**2016**	2015	% change	**2016 %**	2015 %
Logistics International (euro)	**1 298**	1 391	(7)	**63**	70	(10)	**4,9**	5,0

	RETURN ON INVESTED CAPITAL %		WEIGHTED AVERAGE COST OF CAPITAL %	
	2016	2015	**2016**	2015
Logistics Africa	**11,3**	13,3*	**10,0**	8,3*
Logistics International	**9,8**	10,7*	**6,7**	6,4*

* *Restated to new calculation method. See page 52.*

Non-financial data

TOTAL SCOPE 1 AND 2 CO_2 EMISSIONS (TONNES):

LOGISTICS AFRICA:

561 397
(**2015:** 624 026)

LOGISTICS INTERNATIONAL:

286 430
(**2015:** 306 441)

LOGISTICS AFRICA:

TRAINING SPEND:

R109 MILLION
(**2015:** R109 million)

NUMBER OF TRAINING HOURS:

441 848
(**2015:** 459 121 hours)

For more on the Logistics division's sustainable development performance, see the Sustainable Development Report online.

INJURIES PER MILLION KILOMETRES TRAVELLED:

LOGISTICS AFRICA:

0,158
(**2015:** 0,059)

LOGISTICS INTERNATIONAL:

0,101
(**2015:** 0,127)

FATALITIES PER MILLION KILOMETRES TRAVELLED:

LOGISTICS AFRICA:

0,002
(**2015:** 0,106)

LOGISTICS INTERNATIONAL:

0
(**2015:** 0)

KILOMETRES TRAVELLED:

LOGISTICS AFRICA:

443 MILLION
(**2015:** 473 million)

LOGISTICS INTERNATIONAL:

79 MILLION
(**2015:** 71 million)

TOTAL FUEL USAGE:

LOGISTICS AFRICA:

178 860 KILOLITRES
(**2015:** 201 766 kilolitres)

LOGISTICS INTERNATIONAL:

91 243 KILOLITRES
(**2015:** 95 124 kilolitres)

VALUE DRIVERS	OPERATING CONTEXT
Economic conditions both globally and within operating markets.	**South Africa** > GDP growth in South Africa remained subdued. > Upward pressure on interest rates potentially limiting growth in personal consumption expenditure. > Depressed manufacturing and mining sectors. **Rest of Africa** > Although growth forecasts for many African countries have been lowered, mainly due to persistent low commodity prices, the longer-term outlook remains positive. > Weakening currencies and liquidity shortages in some sub-Saharan Africa countries. > Increasing inflation and higher interest rates resulting in reduced consumer demand. The impact on demand for pharmaceuticals remains limited. **International** > Moderate economic growth in Europe, with lower export growth but sustained import growth due to strengthening domestic demand. > In Germany, slow but solid GDP growth, which is expected to persist in 2017.
Outsourcing of logistics and client demand for specialist capabilities.	**South Africa** > Low growth and challenging environment resulting in clients implementing cost-cutting measures, which can impact the extent to which they outsource their logistics requirements. > Specialisation and complexity associated with integrated supply chain management and skills shortages within organisations sustaining demand for supply chain expertise and consulting. **Rest of Africa** > Expansion of South African and multinational FMCG and pharmaceuticals companies into Africa remains positive as the long-term fundamentals of the African consumer remain positive. > Underdeveloped infrastructure and complex routes to market leads principals to utilise trusted partners like Imperial in providing an end-to-end demand-driven route-to-market solution. **International** > Trend to outsourcing remains positive, particularly for transactional, operational and repetitive activities. Emerging demand for outsourced IT-based services. > Continued demand for full service offering and international capability.
Strengthening competitive advantage in challenging operating environments.	**South Africa** > Increasing competition especially from smaller logistics players puts pressure on margins. **Rest of Africa** > Threat of disintermediation as multinational brand owners and retailers acquire or create their own distribution, selling and marketing capabilities. **International** > Competition in the European market is expected to intensify due to tightened capacity and increased consolidation within supply chains.

2016 PERFORMANCE

In South Africa, challenging trading conditions continued to put pressure on the division's revenue and profitability due to soft volumes particularly in the manufacturing, commodities, fuel and chemicals sectors. This was partially offset by new contract gains and pleasing performances from Resolve, Imperial Managed Solutions and Imperial Health Sciences. Revenue was down 1% and operating profit declined 21%.

In the Rest of Africa, volume growth, the contribution of the division's businesses in the pharmaceuticals sector and the inclusion of Imres for a full 12 months contributed to an operating margin of 6,6% (2015: 6,4%) and operating profit of R780 million, which exceeded that of the Logistics South Africa business for the first time. The weaker rand also positively impacted the Rest of Africa operations.

Logistics International's revenue and operating profit in euro declined 7% and 10% respectively, mainly due to strategic disposals (primarily Neska and Rijnaarde). Adjusted for disposals and acquisitions, the division's euro revenues and operating profit both increased by 4%. Other factors that impacted the division's results were slow economic growth, which suppressed volumes, increased labour costs in certain of the automotive sites it serves, and an unusually long period of low water levels on European waterways in the first half. This was offset by contract gains and a growing contribution from the South American inland shipping business. The weakening of the rand against the euro assisted the rand-denominated results. Two more convoys became operational in South America during the year to meet the growing demand for inland waterway transport on the Rio Parana in South America. This business now utilises five push boats with 60 barges, some redeployed from Europe, with two additional push boats with 24 barges expected to be commissioned later this year.

GUIDANCE

There is no reason to anticipate an improvement in the trading conditions facing Imperial in the short term. Volume growth is expected to be subdued throughout the logistics operations. In addition, the volatility of the rand and other operating country currencies will affect both competitiveness and profitability.

South Africa

Despite the testing market conditions in South Africa, the business will continue to invest in people, capabilities and assets that will help deliver the required returns for the group's shareholders. With a more asset-light strategy and a renewed focus on customers' needs and continuous improvement, the business is well placed to achieve its focus on developing customised solutions to better service clients and contribute to improving their efficiencies. Growth of revenues and operating profit is expected in the 2017 financial year.

Rest of Africa

The economic environment in key markets, especially in Nigeria and Mozambique, remains challenging and is unlikely to improve in the near term. The knock-on impact of a collapse in commodities continues to place pressure on government finances, liquidity, forex availability, inflation, consumer demand and economic

growth. As a result, the division is cautious about growth in the 2017 financial year but remains optimistic about its positioning in the market and its ability to add new business and manage risk. It remains focused on its key strategic priorities, which include expanding its network geographically, leveraging its capabilities across markets, turning around underperforming businesses and releasing unproductive capital to improve returns. Growth of revenues and a decline in operating profit are expected in the 2017 financial year.

International

The focus on sales and marketing is expected to contribute positively to revenue in the year ahead, with recent investments in shipping and contract manufacturing expected to drive operating profit higher, tempered by ongoing administrative costs relating to strategic initiatives in the prior year and higher labour costs. Growth of revenues and operating profit, substantially from the Palletways acquisition, is expected for the 2017 financial year.

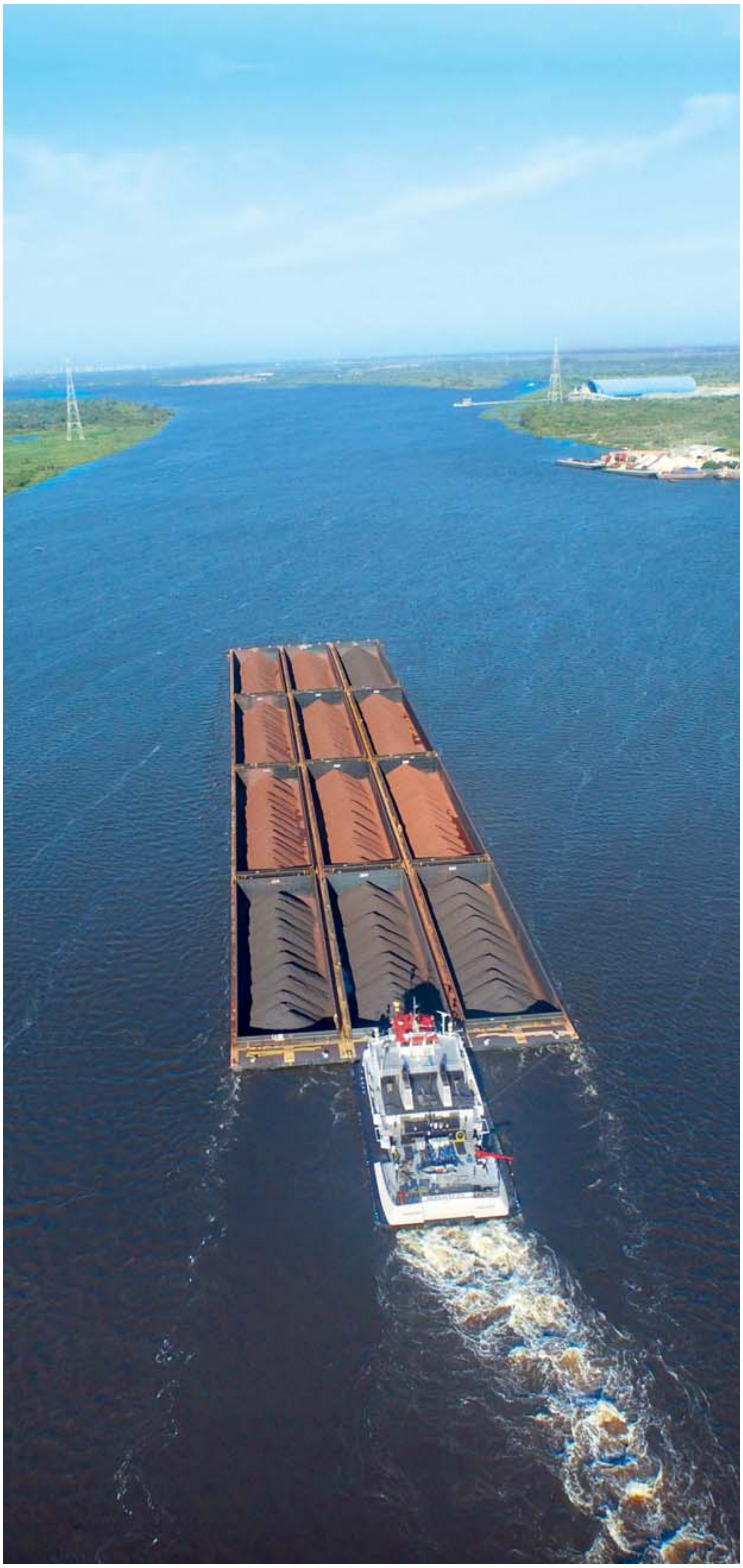
STRATEGY

In line with the group's strategic intent to simplify its portfolio of businesses, the creation from 1 July 2016 of one Logistics division – Imperial Logistics – will enable better coordination of relationships and opportunities with counterparties, and further clarify the growth strategy and capital deployment in existing businesses and acquisitions.

With 71% of operating profit generated outside South Africa in 2016, the new structure affirms Logistics as a large global business led by one board, one CEO and one management team.

For the 2017 financial year, Imperial Logistics will report segmentally on three sub-divisions:

> Logistics South Africa
> Logistics Rest of Africa
> Logistics International



Focus on: managed solutions

Building on the success of its managed logistics offering, Imperial Managed Solutions (IMS) was launched as a stand-alone sub-division in the year. In line with the Logistics division's objective to reduce asset intensity, in addition to its dedicated fleet IMS matches the demand from clients with the supply of vehicles and warehousing owned by independent operators within the markets in which it operates. IMS maintains a high level of control over these assets and applying its intellectual capital to managing them in the most efficient way. This enables the business to provide its customers with the highest levels of service, and ensures sufficient flexibility to respond to their changing requirements, for example, short-term increases in demand.

IMS provides a comprehensive logistics service through six core functional competencies:

> Logistics services, including road transport, freight forwarding, and bulk and bonded warehousing.
> Planning and optimisation, including tracking each load through a customised transport management system.
> Enterprise resource planning and an operations command centre to plan, allocate and execute loads, maintaining full visibility.
> Technology, reporting and business intelligence to ensure efficient management decision-making and operational support.
> Dedicated suppliers who benefit from fleet optimisation and are subject to ongoing quality management.
> Customs management as a registered clearing agent with the South African Revenue Service, including tariff classification and applying for import permits.

Read more at: www.managedlogistics.co.za.

Sustainable development in brief

Talent management

Logistics Africa has sharpened its focus on talent management with over 200 senior managers having participated in a comprehensive assessment process. The Imperial Logistics Academy supports the learning and career development needs of the division's employees. It also serves to promote a learning culture and developmental ethos within the division, and supports the division's ability to meet current and future talent requirements.

In Logistics International, the development programme for young professionals has been extended to other operating markets, and all middle management employees have been assessed to identify high-potential individuals. A succession programme was introduced during the year.

Transformation

In South Africa, the revised dti Codes set challenging but attainable targets for broad-based BEE. The division's BEE roadmap targets the achievement of Level 4 status in 2016, moving progressively to Level 3 status by 2020. Strong BEE performance will provide significant competitive advantage for the division.

In Germany, Logistics International is focused on increasing the representation of women and has aligned its development and succession programmes in this regard. In addition, an ageing population and low rate of unemployment presents challenges to attracting qualified and skilled people to the logistics industry.

Ethics and compliance

To mitigate against underdeveloped regulatory environments, the Logistics division applies best practice in areas such as vehicle quality and safety across all its markets. The division is focusing on embedding an ethical culture aligned to Imperial's code of conduct, which includes the mitigation of corruption risk in cross-border transportation and NGO contracts in Africa and anti-bribery guidelines in its international operations.

Environment

The division's fuel savings and energy management initiatives are expected to contribute positively to operational efficiency. Environmental considerations are a growing feature of tender requirements.

For more on these and other sustainable development topics, see the Sustainable Development Report online.

Logistics South Africa

In South Africa, the division is focused on maintaining and selectively growing its operating margin in a challenging operating environment. A key focus in this regard is on simplifying its Southern African businesses through capability-based operational consolidation to reduce operational and administrative complexity, finding synergies between individual businesses and further strengthening its specialisation in different aspects of supply chain management. Further to this, the division will dispose of businesses where these are strategically or financially misaligned.

Logistics Rest of Africa

Logistics Rest of Africa continues to expand and leverage its footprint in selected African countries and is strengthening its integrated logistics capabilities to penetrate deeper into its clients' and principals' supply chains. Its strategic intent is to become the market leader in providing brand owners of consumer and pharmaceuticals products access to the growing consumer market on the continent, offering a fully integrated, demand-driven route-to-market for principals.

Within its existing focus on pharmaceuticals products in the Rest of Africa, the division is actively pursuing opportunities to extend its services to international donor agencies active on the continent. Opportunities for growth in other industries will be explored where the division can leverage its existing capabilities and capacity, in line with its asset-light approach.

It is extending its focus from traditional road transport to include cross-border and international logistics services and warehousing operations. Ongoing cash, working capital and foreign exchange risk management is critical to ensuring appropriate returns from this region, particularly in light of liquidity shortages and weakening currencies in some sub-Saharan Africa countries.

Achieving Logistics Africa's aspiration to equal revenue of its Rest of Africa operations to that of South Africa by 2020 will require further acquisitions and aggressive organic growth, particularly in the East and West Africa regions. Again, focused capital allocation and stringent cash and working capital management are essential to ensuring appropriate returns and service in these developing regions.

Logistics International

The division remains focused on the German and broader European market given the substantial outsourcing potential and continued trend towards companies outsourcing non-core activities. The biggest potential to increase its share of the outsourced market is within warehousing, contract logistics and contract manufacturing.

A key initiative to grow market share in the European market is the implementation of an enhanced and focused sales organisation. Further to this, the business structure was reorganised according to its service offerings, operating as Imperial Transport Solutions and Imperial Supply Chain Solutions from 1 July 2015. This has improved visibility and clarity of its potential client base, and together with a centralised sales capability has already resulted in contract gains.

To further enhance customer service through technology, the international business is implementing the Imperial Freight Management System to automate the matching of cargo to shipping vessels. This capability will enable it to offer its customers the most cost-efficient and reliable transport on all Western European waterways, and provides customers with online access to various functions, including tracking of cargo.

Logistics International's strategic intent is to shift its business model to more knowledge-based, technology-driven services with a focus on managed logistics. To achieve this, strategically relevant assets will be combined with managed freight and services where appropriate, together with further acquisitions to add the necessary capabilities.

Logistics International expanded its activities in China during the year, and is collaborating with Logistics Africa to evaluate all relevant and developing industries in Asia for potential future investment.

Acquisitions and disposals

The acquisition of UK-based Palletways, effective 5 July 2016, is in line with Imperial's strategic intent to further grow its presence outside South Africa by acquiring asset-light logistics businesses that benefit from the group's existing footprint and capabilities. Palletways provides an express delivery solution for small consignments of palletised freight across 20 European countries. Its business model and geographic reach are complementary to the division's existing services and networks in the logistics sector. The acquisition of Netherlands-based van den Anker strengthens Logistics International's position as a leader in chemical warehousing and distribution.

The disposal of Logistics International's interest in ports operator Neska in October 2015 is in response to growing competition from established operators. The disposal enables the business to focus on further investing in its core capabilities, in line with its strategy to develop asset-light businesses and move asset-intensive businesses towards a managed logistics business model.


KIA

– VEHICLES –

In line with the group's strategic objectives, the consolidation, integration and restructuring of Imperial's various vehicle-related businesses under one division – Motus Holdings – will strengthen its position as a highly competitive and profitable distributor and retailer of vehicles and related products and services in sub-Saharan Africa and selected international markets.

Key data

	REVENUE			OPERATING PROFIT			OPERATING MARGIN	
R million	**2016**	2015	% change	**2016**	2015	% change	**2016 %**	2015 %
Vehicle Import, Distribution and Dealerships	**28 473**	27 437	4	**1 149**	960	20	**4,0**	3,5
Vehicle Retail, Rental and Aftermarket Parts	**41 045**	37 547	9	**1 677**	1 677	–	**4,1**	4,5
Motor-related Financial Services	**1 634**	1 429	14	**669**	620	8	**40,9**	43,4
Total Vehicles	**71 152**	66 413	7	**3 495**	3 257	7	**4,9**	4,9

	RETURN ON INVESTED CAPITAL %		WEIGHTED AVERAGE COST OF CAPITAL %	
	2016	2015	**2016**	2015
Vehicle Import, Distribution and Dealerships	**7,2**	6,4*	**10,0**	9,1*
Vehicle Retail, Rental and Aftermarket Parts	**14,7**	15,2*	**11,0**	9,6*
Motor-related Financial Services	**36,3**	32,7*	**13,9**	12,1*

* *Restated to new calculation method. See page 52.*

Non-financial data

TOTAL SCOPE 1 AND 2 CO_2 EMISSIONS:

VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS:

61 975 TONNES

(**2015:** 66 330 tonnes)

VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS:

100 017 TONNES

(**2015:** 105 451 tonnes)

TRAINING SPEND:

VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS:

R59 MILLION

(**2015:** R42 million)

VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS:

R126 MILLION

(**2015:** R118 million)

NUMBER OF TRAINING HOURS:

VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS:

86 842 HOURS

(**2015:** 100 542 hours)

VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS:

278 709 HOURS

(**2015:** 293 176 hours)

For more on the Vehicles division's sustainable development performance, see the Sustainable Development Report online.

VALUE DRIVERS	OPERATING CONTEXT
Economic growth in operating markets and personal consumption expenditure.	> Economic growth in South Africa is expected to fall well below 1%. Together with higher inflation and interest rates, consumers will continue to curtail personal expenditure on durables and capital items. > In the UK, economic uncertainty due to the consequences of Brexit will temper demand.
Performance of the South African rand relative to major currencies.	> Volatility of the rand against the US dollar and euro is necessitating price increases of imported vehicles and components across the vehicles value chain. > Positive translation impact on foreign currency earnings.
Growing and ageing vehicle parc.	> Anticipated year-on-year decline in new vehicle sales volumes. > Buying behaviour expected to shift towards entry-level and pre-owned vehicles. > Potential increase in use of grey (non-original manufacturer) vehicle parts.
Accessibility of consumer credit and regulatory developments.	> Tighter lending criteria and affordability assessments will negatively impact the granting of credit. > In financial services, amendments to tax legislation related to company cars used by Imperial dealerships staff members could reduce the demo fleet size, and as a result impact rental income. > Various regulatory developments related to financial services (for example Protection of Personal Information Act, Treating Customers Fairly and Retail Distribution Review) require close monitoring and potential early adoption if competitive advantage can be gained.
Desirability of imported brands and sales channels.	> New model introduction of key import brands (Hyundai, Kia, Renault). > Noticeable increase in buyers and sellers utilising digital platforms.
Competitive environment.	> Aggressive competition for market share among major automotive manufacturers and retailers in response to declining new vehicle sales. > In financial services, increasing competition in the value-added products and services market, particularly from banks and insurers.

2016 PERFORMANCE

Vehicle Import, Distribution and Dealerships

Notwithstanding extremely challenging trading conditions and lower vehicle sales volumes during the year, revenue and operating profit increased by 4% and 20% respectively, resulting in an improved operating margin of 4,0%. The improved performance was seen in all three major exclusive imported brands (Hyundai, Kia and Renault). This was attributable to an expeditious trade-off of volume and margin, with the latter enhanced by assistance from OEMs, price increases and prudent currency hedging strategies. Although the rand was weaker against the euro and more so against the US dollar, the division achieved increased profitability on euro-based products in the first half. Forward cover on US dollar and euro imports currently extends to April 2017. Annuity revenue streams generated from aftersales parts and services contributed positively with revenue up 4%. The growing vehicle parc of the imported brands (over 1 million) is delivering good levels of aftermarket activity for the dealerships. The Australian operations returned a strong performance off a low base, driven by increased unit sales. The newly established African operations contributed positively to the increased growth in operating profit.

Vehicle Retail, Rental and Aftermarket Parts

The division delivered good revenue growth, while maintaining operating profit in challenging trading conditions. Results were supported by the strong performance of the UK Commercials division, which included S&B Commercials for 12 months, and the acquisition of Humberside Tail Lifts which is included for eight months. A weaker rand supported rand-denominated results. In line with the market, lower volumes in SA Commercials resulted in a decline in operating profit, exacerbated by the disposal of two dealerships to Lereko Motors. The passenger vehicle unit sales for new vehicles declined 13% and pre-owned vehicle sales increased by 3%. Aftersales parts and services increased operating profit, supported by strong new vehicle sales in the past three years. The aftermarket parts business performed to expectation, with improved revenue and flat operating income. The Leisure business's performance was hampered by a fire in its factory early in the financial year, although it was adequately insured. Car rental increased its revenue and market share supported by contract gains, despite a challenging and competitive operating environment. However, operating profit was negatively impacted by higher accident costs and lower profit on disposal of fleet.

Motor-related Financial Services

Despite lower vehicle sales, revenue and operating profit grew by 14% and 8% respectively. Innovative new products and channels have improved retention and penetration rates. During the year, funds and policies held under service, maintenance, roadside assistance and warranty plans and policies were maintained. The book growth and returns from the vehicle finance alliances with financial institutions was tempered due to increased impairment provisions and challenging economic conditions.

GUIDANCE

The division will continue to focus on retaining and growing market share. Increased used vehicle sales and the increasing retention of vehicles beyond manufacturer warranty and maintenance contract periods should contribute to greater demand for aftersales warranty and maintenance products.

All the division's businesses will focus on cost management, efficiency improvements and sales innovation.

There is no reason to anticipate an improvement in the trading conditions facing Motus Holdings in the short term. National new vehicle sales in South Africa are expected to continue to decline in response to declining private consumption expenditure, rising interest rates and tightening credit. In addition, the volatility of the rand and the currencies in the countries in which we operate, and the group's hedging policy to cover forward, will affect both competitiveness and profitability.

Flat revenue and a decline in operating profit is expected from the Import, Retail, Car Rental and Aftermarket Parts sub-division, with flat revenue and operating profit from Motor-related Financial Services.

STRATEGY

In line with the group's intention to simplify its businesses, the creation of one consolidated Vehicles division, Motus Holdings, from 1 July 2016, will create opportunities to reduce costs and drive profitability through the sharing of expertise, eliminating duplication of assets, functions, effort and expenses, and minimising capital employed. Identifying and realising these opportunities will be a key focus for divisional and group leadership over the next year, with various work-streams already underway.

At the core of the division's strategic positioning is its participation in all aspects of the vehicles value chain related to the ownership, usage, running and maintenance of vehicles. In addition to diversifying its revenue base, this positioning enables the division to leverage cross-selling opportunities and synergies across its vehicles-related businesses.

From the 2017 financial year, Motus Holdings will report segmentally on two sub-divisions:

> Import, Retail, Car Rental and Aftermarket Parts
> Motor-related Financial Services

However, as consolidation, integration and management restructuring has only recently commenced, this report deals with the strategy of the three sub-divisions as configured in the 2016 financial year.

Vehicle Import, Distribution and Dealerships

The division will seek to defend and sustainably grow market share of its directly imported vehicle brands. The shift in buying behaviour to entry-level brands – a number of which are exclusively represented by the division – is expected to contribute positively to market share. In partnership with manufacturers, the division has introduced further incentives

Focus on: sales innovation

In line with the Imperial group's strategy to optimise asset utilisation and pursue asset-light growth, the Vehicles division is rethinking traditional dealership models to prepare for the future of vehicle retail.

Showrooms

Rising real estate costs in urban centres and changing buying behaviour creates the opportunity for purely sales-focused showrooms, with centralised vehicle servicing and administrative functions housed off-site in lower-cost areas.

This approach has been successfully trialled by the Vehicle Import, Distribution and Dealerships division in Cape Town, with showrooms in the city centre to maintain brand visibility and provide convenient access to potential customers. Multi-franchise dealerships – where one dealership represents multiple brands – also creates an opportunity to reduce the number of physical single-brand dealerships.

Digital sales channels

Buying behaviour is increasingly moving online. In the Imperial Select business, vehicle enquiries resulting in a successful sale has increased from around 33% four years ago, to 65% in the past year. The percentage for new vehicle sales remains lower at 32%, leaving significant room to grow the conversion rate of new vehicle customers enquiring online.

Buyers are increasingly knowledgeable about their preferred vehicle, using online reviews to decide on a vehicle before visiting a dealership. This creates the need for the evolution of sales executives from providers of information, to providers of the high level of customer experience required to secure a sale. Motus Holdings will continue to invest in the skills and technologies required to be successful in this changing consumer context.

Sustainable development in brief

People development

Skilled customer-facing employees and suitably qualified technicians are crucial to delivering superior customer service, driving sales volumes and ensuring continued utilisation for vehicle servicing and maintenance.

The division's vehicles businesses all have talent development initiatives in place. At senior levels, succession planning and developing future leaders is an ongoing focus.

Customer satisfaction

Delivering quality, relevant products and services and an excellent customer experience are key determinants of customer satisfaction, supporting sales and ongoing utilisation of services. The division will leverage technology to continuously measure and improve customer satisfaction.

Transformation

In addition to being a social and moral imperative in South Africa, transformation performance in areas such as employment equity is crucial to participating in corporate and government tenders. The group's vehicles businesses have employment equity plans in place, supported by talent management frameworks.

Compliance

The division is subject to various laws and regulations across different aspects of its value chain, requiring ongoing compliance assessments and training. The financial services businesses are registered financial services providers under South African legislation, and are therefore impacted by an increasingly complex financial services regulatory framework.

For more on these and other sustainable development topics, see the Sustainable Development Report online.

such as extensions of manufacturer warranty periods and maintenance plans on key brands to increase the desirability of brands under current market conditions.

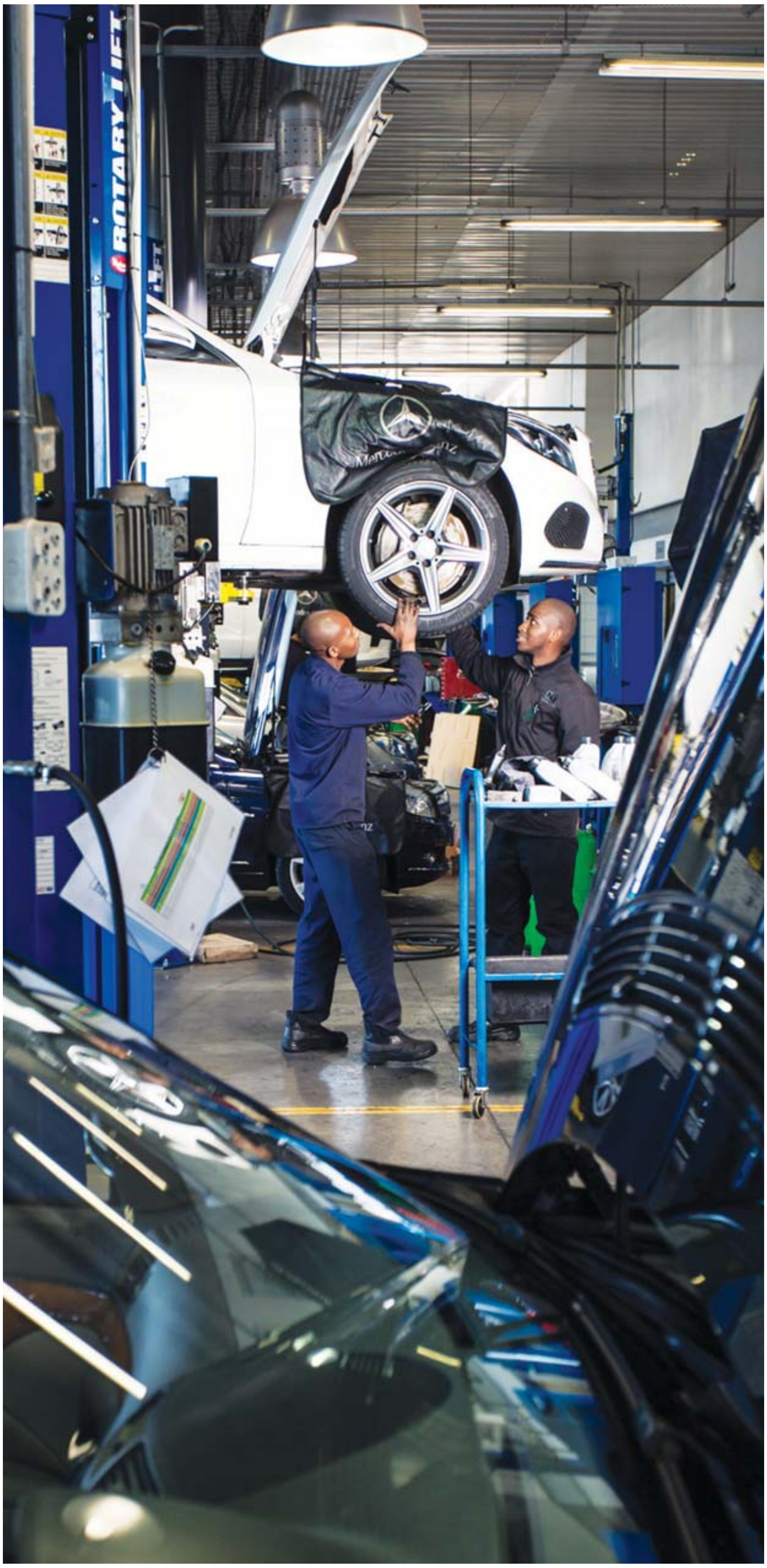
The division actively manages its exposure to currency volatility. Sudden and severe exchange rate impacts are mitigated by maintaining hedging strategies together with longer-term forward cover and approved option hedging products. Sustained rand weakness has necessitated increases to vehicle selling prices, partially offset by preferential prices negotiated with manufacturers of its imported brands. As new vehicle trade in Africa is predominantly in US dollars, the division's exposure to currency shortages in countries north of South Africa is minimal.

The greater use of digital platforms by both buyers and sellers requires the division to adapt its sales approach and invest in relevant technologies. Its digital strategy includes introducing new interactive online platforms to facilitate sales, with the potential of expanding these platforms into its African operations over time.

To grow its presence in Africa, the division is considering opportunities in right-hand drive markets beyond its existing footprint of six African countries (excluding South Africa) and will look to introduce other vehicle brands into existing markets. In Australia, the introduction of new brands and the successful conversion of dealerships into multi-franchise dealerships is contributing positively to performance.

The division disposed of various non-core operations during the year and will continue to evaluate its portfolio of businesses to focus on its core importer, distribution and retail operations. Further opportunities for simplifying the business and reducing costs will be identified as part of the consolidation of Motus Holdings, with an initial focus on back-office and administrative functions.

Other simplification and cost-reduction initiatives include reassessing the division's dealer network to become more asset-light. This includes exploring opportunities to consolidate brands under multi-franchised dealerships and introducing sales-focused dealerships in



prime locations, with vehicle maintenance and administrative functions housed in lower-cost areas serving multiple dealerships. The disposal of non-strategic properties will realise significant value for the division; however, properties considered strategic from a customer visibility and OEM relationship perspective will be retained.

Vehicle Retail, Rental and Aftermarket Parts

In light of challenges in the domestic operating context, growing and defending margin and market share in the passenger vehicle businesses remains a key priority. The division will continue to drive growth in selected businesses and consider revenue-enhancing acquisitions where appropriate.

Enhancing customer experience and business efficiency through implementing and responding to new technology is a key focus for the division, including the further expansion of its electronic sales platform. The appointment of a divisional chief information officer during the year is a key initiative in this regard, together with ongoing projects to upgrade or replace legacy systems.

The division has introduced various work-streams to evaluate and refine its current business structures to reduce complexity and costs and drive efficiencies, including the identification and disposal of non-core or unprofitable dealerships where feasible. It also aims to ensure that assets such as vehicle stock, properties and fleet are used optimally. Engagement with the group's other vehicles businesses is ongoing, to identify opportunities to consolidate or eliminate duplicated functions.

The division expects the strong performance of its UK commercial vehicles business to continue. Building on the positive contribution of its S&B Commercials acquisition, the division is engaging with Mercedes-Benz and other manufacturers to expand further into the light commercial vehicles space, which represents a key growth opportunity. It will also seek to leverage its truck bodybuilding and conversion business to enhance its value proposition to customers.

The aftermarket parts business presents a significant African growth opportunity for the division given current market conditions. Although the process of introducing a consolidated warehouse in the previous year caused some disruption, it is now running well and positions the business to pursue substantial regional opportunities.

During the period, the car rental businesses (Europcar and Tempest), Auto Pedigree and panel shops were placed under a single management team to facilitate integration throughout the rental, accident repair and resale value chain. The addition of the Telesure contract for insurance repairs will continue to make a positive revenue contribution.

In the car rental businesses, the rollout of the administration system in Europcar is yet to be completed, owing to implementation challenges. The opportunities for operational efficiency and cost reduction this project presents, including the utilisation of a single fleet and simpler administration, should start to be realised in the second half of calendar 2017.

Motor-related Financial Services

LiquidCapital uses its advanced information technology, data management capabilities and access to market intelligence from within the group's Vehicles division to develop relevant and customer-focused motor-related products and value-added services. The creation of Motus Holdings will enable it to further extend the strategic advantage it provides to the group's vehicles-related businesses, in addition to extending its access to points of sale.

These strengths position financial services as a key growth area for the division. LiquidCapital's direct sales channel, MotorHappy, has successfully strengthened its position in the direct-to-consumer market. LiquidCapital has also launched a roadside assistance mobile application, providing a single point of contact for customers. Vehicle insurance is provided through LiquidCover in partnership with existing insurance partners.

In anticipation of a shift in buying behaviour from new to lower-cost and pre-owned vehicles, LiquidCapital is developing products that specifically address the needs of this market, notwithstanding the impact of the weak rand on the cost of imported vehicle parts, which increases the average cost of maintenance and service plans.

Although the slowdown in the vehicle sales market is expected to slow growth in funds under management, the strategic initiatives outlined above will stimulate growth in funds and the customer base over time.

CORPORATE GOVERNANCE REPORT

ACCOUNTING TO OUR STAKEHOLDERS

Our intention is to continually improve our reporting, as a function of our accountability to our stakeholders, and in providing the assessments by leadership that stakeholders require to evaluate the group's ability to create long-term value. The improvements made to the Integrated Annual Report 2016 (the report), specifically the granularity of the process and output of the material issues determination, the clearer link between strategy, risk, and stakeholders and the material issues, the longer-term outlook provided in the assessment of strategic performance outlined in the CEO's report, and the greater conciseness of the report, substantiate this intention.

SCOPE AND BOUNDARY

The report covers the group's subsidiaries over which it has operational control, including those outside South Africa. Leased facilities are treated as group-owned for reporting purposes. The report focuses on the group's continuing operations unless otherwise specified. 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 in so far as they materially affect the group's ability to create value over time. From the 2017 financial year, the newly created Logistics (Imperial Logistics) and Vehicles (Motus Holdings) divisions will be reported on as single entities.

MATERIALITY DETERMINATION

The group's material issues reflect the most important considerations in the board's deliberations and management's thinking in managing and positioning the group to deliver growth and focused value creation for its stakeholders. In turn, the material issues are the key themes for the report, and each division goes further in emphasising those issues that are critical to their respective operating contexts, stakeholders and strategies. Further detail on the material issues that relate most closely to sustainable development is provided in the Sustainable Development Report online. The material issues, how they were determined, the associated strategic responses and relevant management actions and performance, as well as where stakeholders can find further information in both the Integrated Annual Report and the Sustainable Development Report, are set out on pages 26 to 33.

INTEGRATED THINKING AT IMPERIAL

As an employer, supplier, client, taxpayer and investment, Imperial ranks among South Africa's larger companies, with a direct or indirect impact on tens of thousands of lives in our operations around the world. Our performance and progress is founded on the provision of competitively priced products and services of high quality, conducted within all laws and regulations, and to high ethical standards. But there are additional responsibilities attached to a corporation of Imperial's size and reach. Among the most important of these is the demonstration of our societal relevance, not through redistribution as a charitable donor, but in the businesses we operate. We are mindful that the effects of our commercial activities on broader society are potentially significant and as fiduciaries we strive at all times to exercise due care in our dealings with stakeholders. We understand that the creation of shareholder value is a necessary but insufficient condition for sustainability, and we therefore subscribe to the view that corporate sustainability is founded on accountability for decisions that have economic, social and environmental impacts in the long term.

In particular, the significant organisational renewal underway at Imperial, which is aimed at positioning the group for stronger growth, returns and sustainability in relation to the structural and systemic changes in the business environment, is in essence an exercise in integrated thinking. As our report explains, this renewal is entailing focused investment in the assets and enablers that underpin the group's ability to create long-term value for its stakeholders. Most notable in this regard has been the accelerated investment in our human capital management capabilities and IT systems as the foundation for organisational effectiveness. In tandem with the renewal, the group's focus on its social and environmental initiatives, which respond to critical social concerns, continue to receive focus in line with their material importance to the group's home base of South Africa and also to our respective operations around the world.

APPROVAL

The board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. The audit committee is responsible for the content of this report and recommended it to the board for its approval. In the board's opinion, the report addresses all material issues and matters, and fairly presents the group's integrated performance.

Suresh P Kana
CHAIRMAN

Mark J Lamberti
CHIEF EXECUTIVE OFFICER

FEEDBACK

We welcome the feedback of our stakeholders in improving our reporting. Any questions relating to our reports can be directed to:

Esha Mansingh, group investor relations manager – emansingh@ih.co.za

1 OPERATING CONTEXT AND STRATEGY

Imperial's businesses operate in diverse geographies, industries and markets with different socio-economic, political, regulatory and technological profiles. The complex interplay of opportunities and threats within these environments must be 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 apprised of developments that could have a bearing on the performance and sustainability of the group. Similarly, executive management responds tactically to everyday shifts in the operating context. The board annually approves the strategies necessary to remain competitive and create focused value for stakeholders over the long term.

2 GOVERNANCE

Imperial subscribes to the principles of good governance as defined in King III, and complies with all relevant laws and regulations.

Ultimate responsibility for governance rests with the Imperial board, which comprises a majority of independent non-executive directors, and its sub-committees, which are constituted with the requisite expertise and experience.

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, excepting 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.

www.imperial.co.za.

The board continually assesses its governance practices and procedures against King III and makes adjustments where necessary. A register of the group's application of the 75 principles of King III is available online.

3 BOARD AND COMMITTEES

BOARD

The group has a unitary board comprising ten non-executive directors (of whom eight are independent) and five executive directors.

Board of directors

Non-executive directors

SP Kana* (chairman)
A Tugendhaft (deputy chairman)
P Cooper*
GW Dempster*
T Dingaan*
RM Kgosana*
P Langeni*
MV Moosa
RJA Sparks (lead independent director)*
Y Waja*

Executive directors

MJ Lamberti (CEO)
OS Arbee (CFO)
MP de Canha
PB Michaux
M Swanepoel

* *Independent.*

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 nomination committee. New directors are formally inducted to facilitate their understanding of the group.

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

The responsibilities of the board are clearly defined in a written charter. The board charter outlines a clear balance of power and authority within the board so as 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 table on page 75 outlines attendance at board and committee meetings during the year.

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 required by legislation.

The board regularly performs assessments of its performance and the performance of individual directors, including the chairman.

An independently facilitated review was performed in the year.

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

Directors standing for re-election were appraised by the board and their re-election is recommended by the board. This year, Messrs MJ Lamberti, PB Michaux, RJA Sparks and A Tugendhaft, and Ms P Langeni, will retire by rotation and are standing for re-election at the AGM to be held on 1 November 2016.

Mr MJ Leeming retired from the board on 31 August 2015. Mr RM Kgosana has been appointed as a director and chairman of the audit committee with effect from 1 September 2015. Mr M Akoojee was appointed in an executive position in the Logistics Africa division and resigned from the board with effect from 30 September 2015. Mr JJ Strydom, the previous CEO of Regent, resigned from the board with effect from 4 November 2015.

Mr TS Gcabashe retired as a director and as chairman at the annual general meeting on 3 November 2015. He was succeeded as chairman by Dr SP Kana, who was appointed as a director of the company on 1 September 2015.

3 BOARD AND COMMITTEES CONTINUED

THE CHAIRMAN

The chairman's role is to set the ethical tone of the board and to ensure that the board remains efficient, focused and operates as a unit. The board has continued to operate under the guidance of Dr SP Kana in this reporting period. Dr Kana is an independent non-executive chairman and his role is clearly defined and separated from that of the CEO through the provisions in the board charter.

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

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

BOARD AND COMMITTEE ATTENDANCE

		Board meetings		Committee meetings							
		Meetings (including one special meeting)	Annual strategy meeting	Executive committee	Social and ethics committee	Assets and liabilities committee	Nomination committee	Risk committee	Audit committee	Rem-uneration committee	Investment committee
Non-executive directors	SP Kana (chairman)[1]*	4/4	1/1		3/3		2/2			2/2	3/3
	P Cooper	2/2	1/1								3/3
	GW Dempster	2/2	1/1			4/4			3/3		3/3
	T Dingaan	5/5	1/1						4/4		
	TS Gcabashe**	1/1			3/4		4/4			2/2	
	RM Kgosana[2]*	3/3	1/1					3/3	3/3		
	P Langeni	4/5	1/1				5/6		4/4	4/4	
	MJ Leeming**	1/1				1/1		1/1			
	MV Moosa[3]	5/5	1/1		4/4						
	RJA Sparks[4]	5/5	1/1				6/6		4/4	4/4	3/3
	A Tugendhaft	5/5	1/1		4/4		6/6			4/4	
	Y Waja[5]	5/5	1/1					4/4	4/4		
Executive directors	MJ Lamberti[6]	5/5	1/1	15/15	4/4	4/4		3/4			3/3
	OS Arbee[7]	5/5	1/1	15/15	4/4	4/4		4/4			3/3
	M Akoojee**	1/1		3/3							2/3
	MP de Canha	5/5	1/1	14/15							
	PB Michaux	5/5		14/15							
	JJ Strydom**	2/2		4/4		2/2					
	M Swanepoel	5/5	1/1	14/15		4/4					3/3

* *Appointed during the year.*
** *Resigned or retired during the year.*
1 *Nomination committee chairman.*
2 *Audit committee chairman.*
3 *Social and ethics committee chairman.*
4 *Remuneration committee chairman.*
5 *Risk committee chairman.*
6 *Executive committee chairman.*
7 *Assets and liabilities committee chairman.*

3 BOARD AND COMMITTEES CONTINUED

NON-EXECUTIVE DIRECTORS

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

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

Ms P Langeni and Mr Y Waja have served on the board for over nine years. An internal evaluation of their independence, character and judgement was performed and the assessment confirmed them to have remained independent.

THE CHIEF EXECUTIVE OFFICER

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

THE COMPANY SECRETARY

The company secretary, Mr RA Venter, holds BCom, LLB and LLM degrees and is an admitted attorney.

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

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

The competence and performance of the company secretary was reviewed based on interviews with all board members, which formed part of the board review, the results of which is considered by the board as a whole.

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

COMMITTEES

The board has established a number of sub-committees, including statutory committees, all of which operate within 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 table below outlines the board committees at the time of publication. The rest of this governance report outlines the committee memberships and activities during the year to 30 June 2016.

EXECUTIVE COMMITTEE	AUDIT COMMITTEE	RISK COMMITTEE	REMUNERATION COMMITTEE	SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE	ASSETS AND LIABILITIES COMMITTEE	INVESTMENT COMMITTEE
MJ Lamberti (chairman)	RM Kgosana (chairman)	Y Waja (chairman)	RJA Sparks (chairman)	MV Moosa (chairman)	OS Arbee (chairman)	P Cooper (chairman)
OS Arbee (CFO)	GW Dempster	MJ Lamberti (CEO)	SP Kana	MJ Lamberti (CEO)	MJ Lamberti	MJ Lamberti (CEO)
MP de Canha	T Dingaan	N Bell	P Langeni	OS Arbee (CFO)	GW Dempster	M Akoojee
K Cassel	P Langeni	OS Arbee (CFO)	A Tugendhaft	N Bell	R Mumford	OS Arbee (CFO)
BJ Francis	RJA Sparks	BJ Francis	**NOMINATION COMMITTEE**	T Dingaan	WF Reitsma	GW Dempster
T Marcus	Y Waja	O Janse v Rensburg	SP Kana (Chairman)	BJ Francis	C Shaw	SP Kana
PB Michaux		RM Kgosana	P Langeni	SP Kana	M Swanepoel	G Nakos
G Nakos		F Seedat	RJA Sparks	R Levin		RJA Sparks
C Shaw		A Tennick	A Tugendhaft	L Maluleke		C Shaw
M Swanepoel				MR Sharfuddin		M Swanepoel
				A Tugendhaft		
				RA Venter		

GROUP INTERNAL AUDIT EXECUTIVE	GROUP TREASURER	GROUP LEGAL ADVISOR AND COMPANY SECRETARY	GROUP RISK EXECUTIVE	GROUP HEAD OF SUSTAINABILITY
G Nzalo BCom, CA(SA), CIA	WF Reitsma BTech Banking, MCom, FIBSA, FIFM	RA Venter BCom, LLB, LLM	BJ Francis BCompt (Hons), MBA (IE), CIA	MR Sharfuddin BBA, IMP (Insead)

3 BOARD AND COMMITTEES CONTINUED

Audit committee

The group audit committee comprises non-executive directors, one of whom is appointed as chairman. The membership of the committee will be tabled at the next AGM for approval by shareholders. The committee meets at least four times a year. Attendance of audit committee meetings is shown in the audit committee report.

Risk committee

The risk committee sets the group risk culture, framework and strategy and ensures that a robust risk management process is in place. The committee comprises both non-executive and executive members and is chaired by a non-executive director. The committee met four times during the year.

Remuneration committee

Details of the workings of the committee and attendance of meetings are contained in the comprehensive remuneration report on pages 86 to 103.

Nomination committee

The committee provided the board with advice and guidance regarding:

> the development and implementation of formal succession plans for the board, CEO and senior management
> the establishment of formal processes and policies for the appointment of directors, the identification of suitable members for the board and gender diversity of the board
> induction and ongoing training and development of directors.

During the year, the committee met a number of times to identify and approve for recommendation to the board, a new chairman following the resignation of TS Gcabashe as chairman of the group.

The committee considered and approved new divisional boards and governance structures following the decision to combine the logistics divisions and to combine the various motor divisions. This included succession in these structures to 2018.

The group chairman chairs the committee in accordance with the recommendations of King III.

The table on page 75 outlines attendance of committee meetings during the year.

3 BOARD AND COMMITTEES CONTINUED

Social, ethics and sustainability committee

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

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

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

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

- SED, including the company's standing in terms of the goals and purposes of the ten principles set out in the United Nations Global Compact Principles, the Organisation for Economic Cooperation and Development (OECD) recommendations regarding corruption, the Employment Equity Act and the BBBEE Act.
- Good corporate citizenship, including the company's promotion of equality, prevention of unfair discrimination and reduction of corruption, its contribution to the development of the communities in which it operates or within which its products or services are marketed and where it undertakes sponsorship, donations and charitable giving.
- The environment, health and public safety, including the impact of the company's activities and of its products or services.
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including the company's standing in terms of the International Labour Organisation (ILO) Protocol on decent work and working conditions, as well as the company's employment relationships and its contribution towards the educational development of its employees.

The committee comprises non-executive directors, executive directors and other members of the management of the company. It is chaired by a non-executive director.

Assets and liabilities committee

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

Investment committee

The investment committee is responsible for reviewing significant transactions and matters of a strategic nature. It meets on an ad hoc basis.

During the year, the committee considered the group restructuring as well as significant disposals and acquisitions.

The table on page 75 outlines attendance of committee meetings during the year.

4 MANAGEMENT COMMITTEES

The size and diversity of Imperial's operations has led to all significant entities being managed through divisional boards and executive committees.

While the Imperial board of directors delegates authority through the group CEO to his direct reports and in turn to theirs, the group executive committee and the subsidiary boards exercise statutory oversight of assets and control of performance within the bounds of Imperial's board-approved strategies and budgets, with executive committees controlling day-to-day operating performance within the parameters set by the group delegation of authority policy.

Executive committee

The group's executive committee is responsible for:

- devising group strategy for recommendation to the board of directors and implementing the strategies and policies approved by the board
- managing the day-to-day business and affairs of the group.

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

Mr M Akoojee was appointed in an executive position in the Logistics Africa division and resigned from the committee with effect from 30 September 2015. Mr JJ Strydom, the previous CEO of Regent, resigned from the committee with effect from 4 November 2015. Mr C Taucke, the CEO of the Logistics International division, resigned from the committee with effect from 1 July 2016, following the decision to combine the Africa and International Logistics businesses.

The table on page 75 outlines attendance of executive committee meetings during the year.

5 PEOPLE, PROCESSES, REMUNERATION AND TECHNOLOGY

PEOPLE

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

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

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

CODE OF ETHICS

Imperial is committed to acting with uncompromising honesty and integrity. The code of ethics provides guidance to all group and divisional employees on adhering to this commitment, while recognising that no single code can address every situation individuals are likely to encounter. This code is therefore not a substitute for employees' responsibility and accountability to exercise good judgement and obtain guidance on appropriate business conduct.

Ethics content is included in training and induction programmes.

The code of ethics requires employees to adhere to the following behaviours:

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

PROCESSES

Processes are critical to ensure that governance strategy is aligned with implementation in the group.

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

5 PEOPLE, PROCESSES REMUNERATION AND TECHNOLOGY CONTINUED

TECHNOLOGY

Most aspects of governance rely on underlying management information systems and information technology (IT). Conversely, the investments and risks of information systems require dedicated oversight and judgement.

The group established a chief information officer (CIO) forum which meets regularly and involves CIOs from operations. The forum aims to assess and agree group IT standards, enhance cooperation and knowledge sharing across divisions. The forum submits reports to the group risk committee.

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

The objective of the standardised IT governance framework is to:

- provide guidance to divisional and operational IT functions
- set a standard measure of IT maturity within the group
- align with King III.

The five principles of the Imperial operational IT governance framework are:

1. Business alignment and enablement	> People capacity and development. > Internal processes and measures.
2. Operational performance	> People capacity and development. > Internal processes and measures.
3. Supplier performance management	> Formalised service level agreements. > Structured commercial agreements.
4. Business continuity/disaster recovery	> Business impact analysis. > Testing of back-up and recovery.
5. Compliance and security	> Data privacy, security and access control. > Internal control monitoring.

6 COMPLIANCE

LEGAL COMPLIANCE

As a multinational group, Imperial is subject to a wide range of legislation. It monitors legislative developments on an ongoing basis and has a legal compliance programme to increase awareness of, and enhance compliance with, applicable legislation.

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

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

To maximise synergies and cooperation, the compliance and legal officers meet in a quarterly forum.

Key objectives of the forum are to:

- **monitor and report** on emerging and key legislative and compliance matters
- **ensure** completeness of compliance with the legislative universe
- **formulate** group plans to facilitate the implementation of new legislation
- where applicable, **coordinate** group responses to draft legislation requiring comments.

CONTRACT COMPLIANCE

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

CONFLICTS OF INTEREST

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

INSIDER TRADING

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

No infringements were reported during the year.

CORRUPTION

The board adopted a comprehensive anti-bribery and corruption policy governing the relationship with customers, service providers, contractors, suppliers and government. The policy applies to all employees and covers all operating businesses in the group.

WHISTLE-BLOWING HOTLINES AND TIP-OFFS

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

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

Internal audit coordinates all reported matters. Tip-offs are also sent to the CEOs of the respective divisions and investigated accordingly. Detailed feedback is given at the respective financial and risk review committees and group audit committee.

7 RISK MANAGEMENT

RISK MANAGEMENT MODEL

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

The risk assessment process also identifies areas of opportunity, for example, where effective risk management can be turned into a competitive advantage or where taking certain risks could result in reward for the group. Any risk taken is considered within the group's risk appetite and tolerance levels, which are updated annually.

The group's divisions have different market, operating and financial characteristics. Risk management responsibility and accountability, therefore, vests largely with divisional management structures. They report to the divisional finance and risk review committees, which are overseen by the group audit and risk committees. The group risk committee formalises, standardises and monitors this process, guiding management and assessing their effectiveness in implementing the approved risk management framework.

The board determines the level of acceptable risk and requires operations to manage and report on risk accordingly. Issues and circumstances that could materially affect the group's reputation constitute unacceptable risk.

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

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

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

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

7 RISK MANAGEMENT CONTINUED

KEY GROUP RISKS

Imperial has identified key group-level risk categories in addition to business and industry-specific risks identified by divisions.

The group strives to realise opportunities through the manner in which it addresses each risk. The risk categories are presented on pages 22 to 25, together with key mitigating actions, and are linked to the group's material issues.

INTERNAL CONTROLS

The board is:

- accountable for the process of risk management and the systems of internal control, which are reviewed regularly for effectiveness
- accountable for establishing appropriate risk and control policies and communicating these throughout the group
- satisfied that there is an effective process in place for identifying, evaluating and managing the group's significant risks
- satisfied that the system of internal control is effective and that group-wide strategies are in place to mitigate the consequences and impact of the group's significant risks to an acceptable level.

INTERNAL FINANCIAL CONTROLS AND FINANCIAL REPORTING

The board acknowledges its responsibility for instituting internal control systems that provide reasonable assurance that:

- assets are safeguarded against material loss
- transactions are properly authorised and recorded
- proper accounting records are maintained to ensure reasonable reliability and integrity of financial and operational information, including the annual financial statements.

Internal controls also provide assurance that the group's resources are utilised efficiently and that the activities of the group comply with applicable laws and regulations.

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

INTERNAL AUDIT

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

Internal audit is an independent, objective assurance and consulting activity established to support and improve the group's operations. It follows a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of risk management, control and governance processes.

The group internal audit executive, based at the group's corporate head office, coordinates internal audit activities. The internal audit executive reports administratively to the CFO and functionally to the chairman of the audit committee, and has unrestricted access to the group CEO and audit committee chairman.

The internal audit executive reports formally at all audit committee meetings during the year. The audit plan for the group and its divisions uses a risk-based approach and is approved by the group audit committee. The internal audit executive also attends and coordinates the activities of all quarterly divisional finance and risk review committees and attends all group risk committee meetings.

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

During the year, an independent review of the internal audit function was conducted by Deloitte, which confirmed that it is operating effectively and comparable to similar functions in other leading listed entities.

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

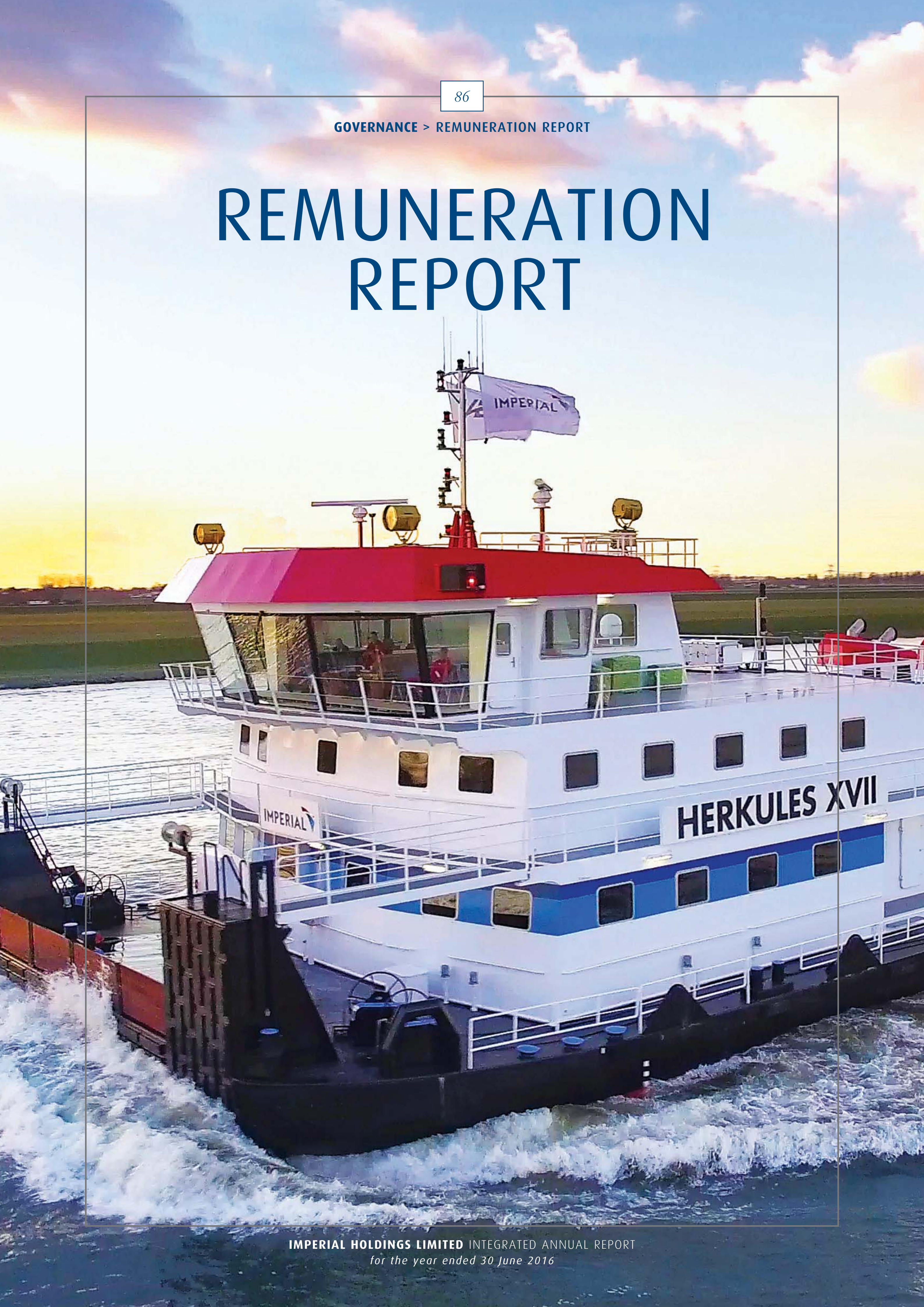
COMBINED ASSURANCE

The group's combined assurance model ensures:

- the completeness of the group-wide inherent risk profile
- that key mitigation factors and processes are documented and aligned to the group's risk management model
- an adequate level of assessment of the control environment by assurance providers, both internal and external.

The combined assurance model aligns with the group's integrated governance model, with key assurance provider roles overlapped, which strengthens the robustness of assurance across key elements.

REMUNERATION REPORT



– Introduction from the committee chairman –

Imperial is sensitive to the global debate on executive compensation, where its correlation to performance is too often tenuous and coincidental.

At the same time the biggest and most pressing threat facing the global economy today is the shortage of skills – we simply have too few experienced managers, leaders, professionals and technicians.

With regard to executive compensation, Imperial will strive firstly, to ensure that our governance and disclosure is transparent, and secondly, that we do not compromise unduly on performance criteria when external factors outside our control stifle 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.

At the 2015 annual general meeting (AGM), 95% of shareholders voted in favour of the group's remuneration policy, a significant improvement from the 70% 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.

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.

In addition, during the year the committee considered and approved:

> The general composition of remuneration packages.
> The criteria for bonus and incentive awards.
> The amount of bonus and incentive awards in accordance with set criteria.
> Executive and general long-term incentive awards.
> The CEO's remuneration.

Approval

This remuneration report has been approved by the board of directors.

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 the following:

> 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 non-executive directors. TS Gcabashe resigned during the year and was succeeded by SP Kana.

The group chief executive officer (CEO) and chief financial officer (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)	4/4
TS Gcabashe*#	2/2
SP Kana*Ƶ	2/2
P Langeni*	4/4
A Tugendhaft	4/4

* *Independent non-executive director*
# *Resigned during the year*
Ƶ *Appointed during the year*

REMUNERATION POLICY

The group's remuneration policy was approved by shareholders at the AGM on 3 November 2015. The policy will be submitted to shareholders for approval by non-binding advisory vote at the AGM on 1 November 2016.

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.

Page 91 for an indication of management's KPIs.

	2016	2015
Total number of employees	**51 256**	51 361
Total compensation paid to employees (Rm)	**16 981**	15 647
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 and sectors 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's 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 fund (compulsory), provident fund and medical aid (compulsory above a certain salary threshold. 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 fund (compulsory), provident fund 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 a car allowance or a fully maintained car, pension or provident fund contributions, medical insurance, death and disability insurance.

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

The 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 (TCTC) 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 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)
The base target for ROIC is achievement of the weighted average cost of capital (WACC) and the measurement pays on the gap between ROIC and WACC. This measurement is not capped.
WACC is based on the group's actual mix of the cost of equity and debt for the year, calculated on a monthly average basis.

Group core earnings per share (EPS) growth
The measurement starts to pay out above a base target for core EPS growth. This measurement has no cap in order to avoid the risk of profit smoothing.

Divisional ROIC versus WACC
The base target for ROIC is the achievement of WACC. The measurement pays on the gap between ROIC and WACC. This measurement is not capped.
For the group's insurance businesses, return on insurance group equity value is used.

Divisional profit before interest and tax (PBIT) growth
The measurement starts to pay out above a base target for PBIT growth. This measurement has no cap in order to avoid the risk of profit smoothing.

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 creation of a talent management strategy and framework. It includes 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 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	60% to 100%
First-line operational management	50%

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

3 SHARE-BASED LONG-TERM INCENTIVE 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)

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 vest after three years and lapse four years from vesting; the latter has been changed to two years from 1 July 2016.

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, relative to the growth in core EPS or headline earnings per share (HEPS) of a selected peer group of 20 JSE-listed companies	50%
ROIC compared to WACC, over a three-year period	50%

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

CORE EPS GROWTH

If the core EPS growth of the company is below the lower quartile of the selected peer group:

0% OF SARs WILL VEST

If the core EPS of the company is equal to the lower quartile of the selected peer group:

30% OF SARs WILL VEST

If the core EPS of the company is equal to or above the upper quartile of the selected peer group:

100% OF SARs WILL VEST

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

ROIC

If the average ROIC for the company over the performance period is lower than the average WACC of the company over the performance period:

0% OF SARs WILL VEST

If the average ROIC over the performance period is equal to the average WACC over the performance period:

30% OF SARs WILL VEST

If the average ROIC over the performance period is equal to or above a pre-determined target percentage:

100% OF SARs WILL VEST

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

In addition to performance of the group, the minimum core EPS 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
> 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.

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% – 66%
First-line operational management	20% – 35%

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

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.

4 OTHER BENEFITS

Executive directors are entitled to a car allowance or a fully maintained car, pension or provident fund contributions, medical insurance and death and disability insurance. Providing these benefits is considered to be market competitive for executive positions.

TERMINATION OF EMPLOYMENT

Resignation, dismissal or retirement

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.

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, dismissal or retirement, 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.

Total allocations

A total of 16 470 932 SARs remain unexercised in terms of the SARs scheme at an average price of R164.23 per share. A total of 1 078 623 DBPs have been taken up and remain unvested. A total of 196 319 CSPs have been taken up and remain unvested.

Hedge

The group hedges its exposure to deliver shares in terms of share-based long-term incentive schemes by taking out hedges or buying back shares to avoid dilution associated with the issue of shares. All SARs awards have been fully hedged through a combination of shares purchased and the purchase of call options, after allowing for attrition over the vesting period. All DBPs and CSPs have been hedged in full, assuming no attrition via a share buyback.

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.

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. The Imperial executive forum, which comprises the 150 most senior executives and other high-potential employees, is the focal point of this initiative and will strengthen the group's internal succession capability.

For more information on talent development and succession, see the Our material issues section on page 29 and the CEO's report on page 40.

EXTERNAL APPOINTMENTS

Executives are not permitted to hold external directorships or offices, other than those of a personal nature, without the approval of the board.

DIRECTORS' SERVICE CONTRACTS

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

Directors' appointments are made in terms of the company's MOI and are initially confirmed at the first annual general meeting 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 group has not had significant instances of non-attendance of meetings.

Fees for 2016

The table below provides an analysis of the emoluments paid to non-executive directors for the year ended 30 June 2016.

	DIRECTORS' FEES R'000	SUBSIDIARY/ ASSOCIATE AND SUB-COMMITTEE FEES R'000	**2016 TOTAL R'000**	2015 TOTAL R'000
			TOTAL	TOTAL
Non-executive directors				
HR Brody[1]				233
P Cooper[3]	239	472	**711**	78
GW Dempster[3]	239	375	**614**	78
ST Dingaan[5]	239	232	**471**	510
S Engelbrecht[2]				214
TS Gcabashe[4]	479		**479**	1 305
SP Kana[3]	715	343	**1 059**	173
RM Kgosana[3]	239	498	**737**	
P Langeni	239	307	**546**	499
MJ Leeming[4]	164		**164**	960
V Moosa	239	253	**492**	464
RJA Sparks	239	890	**1 129**	895
A Tugendhaft	656	251	**907**	839
Y Waja	239	699	**938**	989
Total	3 926	4 320	**8 246**	7 237

1. *Prior year figures are for part of the year.*
2. *Resigned 4 November 2015.*
3. *Appointed 1 September 2015.*
4. *Retired 31 August 2015.*

Fees for 2016 and 2017

At the annual general meeting to be held on 1 November 2016, 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 2017 until 30 June 2018. The proposed increase in fees is 6% for all boards and committees as follows:

	CURRENT FEE	FEE FROM 1 JULY 2016 TO 30 JUNE 2017	FEE FROM 1 JULY 2017 TO 30 JUNE 2018
Chairman*	**R834 000**	R884 000	R937 000
Deputy chairman and lead Independent director*	**R417 000**	R442 000	R468 500
Board member	**R238 500**	R253 000	R268 000
Assets and liabilities committee chairman*	**R152 000**	R161 000	R170 500
Assets and liabilities committee member	**R101 000**	R107 000	R113 500
Audit committee chairman*	**R315 000**	R334 000	R354 000
Audit committee member	**R157 000**	R166 500	R176 500
Divisional board member: Vehicles division	**0**	R125 000	R132 500
Divisional board member: Logistics division	**0**	R150 000	R159 000
Investment committee chairman*	**R315 000**	R334 000	R354 000
Investment committee member	**R157 000**	R166 500	R176 500
Risk committee chairman*	**R152 000**	R161 000	R170 500
Risk committee member	**R101 000**	R107 000	R113 500
Remuneration committee chairman*	**R114 000**	R120 500	R128 000
Remuneration committee member	**R75 000**	R79 500	R84 500
Nomination committee chairman*	**R114 000**	R120 500	R128 000
Nomination committee member	**R75 000**	R79 500	R84 500
Social, ethics and sustainability committee chairman*	**R152 000**	R161 000	R170 500
Social, ethics and sustainability committee member	**R101 000**	R107 000	R113 500

* *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.

Non-executive directors also receive fees for services on divisional boards and financial and risk review committees that are included in their remuneration.

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

EXECUTIVE REMUNERATION

The group remunerated its executive directors during the year as follows:

MJ (Mark) Lamberti – Group CEO

2016 REMUNERATION

R'000 BASIC SALARY	RETIREMENT AND MEDICAL CONTRIBUTIONS	OTHER BENEFITS	SHORT-TERM INCENTIVE BONUS	TOTAL CASH REMUNERATION	GAINS ON EXERCISE OF LONG-TERM INCENTIVE AWARDS	2016 TOTAL TAXABLE REMUNERATION REALISED	2015 TOTAL TAXABLE REMUNERATION REALISED
nil	nil	nil	nil	**nil**	nil	**nil**	nil

Fixed compensation and benefits

Mark's fixed compensation as CEO of Imperial is R5 543 000, which is paid in DBPs. These shares vest on 15 September 2018.

The board has resolved that the company will make R3 000 000 available on an annual basis, that would otherwise have been payable to the CEO of Imperial, for the provision of university education from the second year onwards to the direct descendants of individuals who earn less than R600 000 per annum and have been employed for more than five years.

Annual incentive

The following short-term incentive performance criteria and weightings, as determined by the board, were used to calculate Mark's annual bonus in an amount of R9 600 000 (2015: R6 500 000). In lieu of this annual bonus he received DBP rights which vest on 15 September 2018.

2016 MEASURE	2016 WEIGHTING
Group core EPS growth	**27%**
Group achievement of ROIC target over WACC	**27%**
Group BBBEE improvement	**13%**
Discretionary	**33%**

Long-term incentive

Mark was awarded CSPs in line with LTI award benchmarks for executive directors. These shares will vest on 15 September 2018 subject to achieving the same criteria and weightings used in 2016. The expected value of this award is R9 059 138 (2015: R8 543 000).

OS (Osman) Arbee – Group CFO

2016 REMUNERATION

R'000 BASIC SALARY	RETIREMENT AND MEDICAL CONTRIBUTIONS	OTHER BENEFITS	SHORT-TERM INCENTIVE BONUS	TOTAL CASH REMUNERATION	GAINS ON EXERCISE OF LONG-TERM INCENTIVE AWARDS	2016 TOTAL TAXABLE REMUNERATION REALISED	2015 TOTAL TAXABLE REMUNERATION REALISED
5 309	691	360	7 200	**13 560**	1 564	**15 124**	12 466

Fixed compensation and benefits

Osman's fixed compensation and benefits increased by 6% to R6 360 000.

Annual incentive bonus

With reference to the criteria below, Osman received an incentive bonus of R7 200 000.

2016 MEASURE	2016 WEIGHTING
Group core EPS growth	**27%**
Group achievement of ROIC target over WACC	**27%**
Group BBBEE improvement	**13%**
Discretionary	**33%**

Long-term incentive and retention payments

Osman was awarded DBPs in line with LTI award benchmarks for executive directors. These shares are to be held in escrow and will vest on 15 September 2019. The expected value of this award is R6 089 378.

M (Marius) Swanepoel – CEO: Logistics Africa

2016 REMUNERATION

R'000

BASIC SALARY	RETIREMENT AND MEDICAL CONTRIBUTIONS	OTHER BENEFITS	SHORT-TERM INCENTIVE BONUS	**TOTAL CASH REMUNERATION**	GAINS ON EXERCISE OF LONG-TERM INCENTIVE AWARDS	**2016 TOTAL TAXABLE REMUNERATION REALISED**	2015 TOTAL TAXABLE REMUNERATION REALISED
4 732	739	180	5 000	**10 651**	1 465	**12 116**	13 196

Fixed compensation and benefits

Marius's fixed compensation and benefits increased by 7% to R5 651 000.

Annual incentive bonus

With reference to the criteria below and the successful implementation of acquisitions related to the African expansion strategy, Marius received an incentive bonus of R5 000 000.

2016 MEASURE	2016 WEIGHTING
Group core EPS growth	**13%**
Group achievement of ROIC target over WACC	**13%**
Divisional BBBEE improvement	**20%**
Divisional PBIT growth	**20%**
Divisional achievement of ROIC target over WACC	**20%**
Discretionary	**14%**

Long-term incentive and retention payments

Marius was awarded DBPs in line with LTI award benchmarks for executive directors. These shares are to be held in escrow and will vest on 15 September 2019. The expected value of this award is R5 736 439.

MP (Manny) de Canha – CEO: Vehicle Import, Distribution and Dealerships

2016 REMUNERATION

R'000

BASIC SALARY	RETIREMENT AND MEDICAL CONTRIBUTIONS	OTHER BENEFITS	SHORT-TERM INCENTIVE BONUS	**TOTAL CASH REMUNERATION**	GAINS ON EXERCISE OF LONG-TERM INCENTIVE AWARDS	**2016 TOTAL TAXABLE REMUNERATION REALISED**	2015 TOTAL TAXABLE REMUNERATION REALISED
4 924	567	159	4 600	**10 250**	1 823	**12 073**	10 560

Fixed compensation and benefits

Manny's fixed compensation and benefits increased by 3% to R5 650 000 for the coming year.

Annual incentive bonus

With reference to the criteria below, Manny received an incentive bonus of R4 600 000. The increase is largely due to the increased profitability of his division.

2016 MEASURE	2016 WEIGHTING
Group core EPS growth	**13%**
Group achievement of ROIC target over WACC	**13%**
Divisional BBBEE improvement	**20%**
Divisional PBIT growth	**20%**
Divisional achievement of ROIC target over WACC	**20%**
Discretionary	**14%**

Long-term incentive and retention payments

Manny was awarded DBPs in line with LTI award benchmarks for executive directors. These shares are to be held in escrow and will vest on 15 September 2019. The expected value of this award is R4 986 247.

PB (Philip) Michaux – CEO: Vehicle Retail, Rental and Aftermarket Parts

2016 REMUNERATION

R'000 BASIC SALARY	RETIREMENT AND MEDICAL CONTRIBUTIONS	OTHER BENEFITS	SHORT-TERM INCENTIVE BONUS	**TOTAL CASH REMUNERATION**	GAINS ON EXERCISE OF LONG-TERM INCENTIVE AWARDS	**2016 TOTAL TAXABLE REMUNERATION REALISED**	2015 TOTAL TAXABLE REMUNERATION REALISED
4 171	589	240	4 600	**9 600**	1 108	**10 708**	9 920

Fixed compensation and benefits

Philip's fixed compensation and benefits increased by 6% to R5 000 000 which takes into account the significant increase in his area of responsibility.

Annual incentive bonus

With reference to the criteria below, Philip received an incentive bonus of R4 600 000.

2016 MEASURE	**2016 WEIGHTING**
Group core EPS growth	**13%**
Group achievement of ROIC target over WACC	**13%**
Divisional BBBEE improvement	**20%**
Divisional PBIT growth	**20%**
Divisional achievement of ROIC target over WACC	**20%**
Discretionary	**14%**

Long-term incentive and retention payments

Philip was awarded DBPs in line with LTI award benchmarks for executive directors. These shares are to be held in escrow and will vest on 15 September 2019. The expected value of this award is R4 853 867.

M (Mohammed) Akoojee – Director: group strategy, mergers and acquisitions and investor relations (Resigned as a board member with effect from 30 September 2015 following his appointment as CEO of Logistics Rest of Africa)

2016 REMUNERATION

R'000 BASIC SALARY	RETIREMENT AND MEDICAL CONTRIBUTIONS	OTHER BENEFITS	SHORT-TERM INCENTIVE BONUS	**TOTAL CASH REMUNERATION**	GAINS ON EXERCISE OF LONG-TERM INCENTIVE AWARDS	**2016 TOTAL TAXABLE REMUNERATION REALISED**	2015 TOTAL TAXABLE REMUNERATION REALISED
811	122	30	963[1]	**1 926**	703	**2 629**	8 249

[1] Mohammed was paid his short-term incentive from the Logistics Rest of Africa division pro rata to 30 September 2015.

JJ (Jurie) Strydom – CEO: Regent (Resigned with effect from 4 November 2015)

2016 REMUNERATION

R'000 BASIC SALARY	RETIREMENT AND MEDICAL CONTRIBUTIONS	OTHER BENEFITS	SHORT-TERM INCENTIVE BONUS	**TOTAL CASH REMUNERATION**	GAINS ON EXERCISE OF LONG-TERM INCENTIVE AWARDS	**2016 TOTAL TAXABLE REMUNERATION REALISED**	2015 TOTAL TAXABLE REMUNERATION REALISED
1 834	165	120	–	**2 119**	947	**3 066**	8 853

Prescribed officers' remuneration

C (Carsten) Taucke

The group had one prescribed officer for the financial year, Carsten Taucke, the CEO of the Logistics International business based in Germany. 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.

2016 REMUNERATION

R'000 BASIC SALARY	RETIREMENT AND MEDICAL CONTRIBUTIONS	OTHER BENEFITS	SHORT-TERM INCENTIVE BONUS	**TOTAL CASH REMUNERATION**	GAINS ON EXERCISE OF LONG-TERM INCENTIVE AWARDS	**2016 TOTAL TAXABLE REMUNERATION REALISED**	2015 TOTAL TAXABLE REMUNERATION REALISED
5 796	998	354	8 050	**15 198**	nil	**15 198**	10 523

Carsten Taucke is based in Germany and paid in euro. He does not participate in the group share incentive scheme.

APPROVAL

This remuneration report has been approved by the board of directors.


IMPERIAL
IMPERIAL
Quon
J80

SUMMARISED FINANCIAL STATEMENTS

– Contents –

107	Directors' responsibility for group financial reporting
108	Independent auditor's report
109	Report of the audit committee
114	Presenting continuing and discontinued operations
115	Discontinued operations
116	Summarised consolidated statement of profit or loss
117	Summarised consolidated statement of comprehensive income
118	Earnings per share information
120	Summarised consolidated statement of financial position
121	Summarised consolidated statement of cash flows
122	Summarised consolidated statement of changes in equity
124	Notes to the summarised consolidated financial statements
129	Business combinations during the year
130	Segmental information
134	Independent limited assurance report
136	Shareholder analysis
138	Dividend declaration
139	Notice of annual general meeting
149	Form of proxy
150	Notes to form of proxy
IBC	Corporate information

> DIRECTORS' RESPONSIBILITY FOR GROUP FINANCIAL REPORTING

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the separate and consolidated annual financial statements and related information. The separate and consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board in issue and effective for the group at 30 June 2016 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Council and the requirements of the South African Companies Act, 2008.

The group's independent external auditors, Deloitte & Touche have audited the separate and consolidated annual financial statements and their unmodified report appears on page 108.

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

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

The summarised consolidated annual financial statements are set out on pages 114 to 133. The full audited consolidated annual financial statements are available on the group's website at www.imperial.co.za and were approved by the board of directors on 22 August 2016 and are signed on their behalf by:

SP KANA	**MJ LAMBERTI**	**OS ARBEE**
Chairman	*Chief executive officer*	*Chief financial officer*

TO THE SHAREHOLDERS OF IMPERIAL HOLDINGS LIMITED:

OPINION

The summarised consolidated financial statements of Imperial Holdings Limited, which comprise the summarised consolidated statement of financial position as at 30 June 2016, the summarised consolidated statements of profit and loss, other comprehensive income, changes in equity and of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Imperial Holdings Limited for the year ended 30 June 2016.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects with the audited consolidated financial statements of Imperial Holdings Limited, in accordance with IAS 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Imperial Holdings Limited and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified opinion on the audited consolidated financial statements in our report dated 22 August 2016. That report also includes the communication of key audit matters which were of most significance in our audit of the consolidated financial statements of the current year.

OTHER MATTER

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Andrew Mackie

Partner
22 August 2016

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

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

The committee has performed all the duties required in section 94(7) of the Companies Act 71 of 2008.

MEMBERS OF THE AUDIT COMMITTEE AND ATTENDANCE AT MEETINGS

The audit committee consists of the non-executive directors listed below and meets at least four times per annum in accordance with its charter. All members act independently as described in the Act. The members of the committee for the year ended 30 June 2016 comprised Mr RM Kgosana (chairman), Mr GW Dempster, Mrs T Dingaan, Ms P Langeni, Mr RJA Sparks and Mr Y Waja (the committee), all of whom are independent non-executive directors of the company.

The members are being recommended by the board for appointment for the financial year ending 30 June 2017, and their appointments are being submitted to shareholders for approval at the next annual general meeting (AGM) on 1 November 2016. The abridged curricula vitae of the members are included in the "Our leaders" section on page 6.

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

Member	Number of meetings attended
RM Kgosana (chairman) (member since 1 September 2015)	3/3
GW Dempster (member since 1 September 2015)	3/3
T Dingaan (member since 2014)	4
P Langeni (member since 2005)	4
RJA Sparks (member since 2006)	4
Y Waja (member since 2008)	4

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

ROLE OF THE AUDIT COMMITTEE

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

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

FINANCE RISK REVIEW COMMITTEES (FRRC)

Due to the size and diverse nature of the group, the audit committee has established divisional FRRCs which perform the functions of the audit committee at the divisions. These FRRCs are chaired by an independent person and report to the group audit committee.

EXECUTION OF FUNCTIONS DURING THE YEAR

The committee is satisfied that, for the 2016 financial year, it has performed all the functions required to be performed by an audit committee as set out in the Act and the committee's terms of reference.

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

External audit

The committee among other matters:

- nominated Deloitte & Touche and Mr A Mackie as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ending 30 June 2016, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- nominated the external auditor and the independent auditor for each material subsidiary company for re-appointment;
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- obtained an annual confirmation from the auditor that their independence was not impaired;
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- approved non-audit services with Deloitte & Touche in accordance with its policy;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its material subsidiaries;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No 26 of 2005; and
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

The committee is satisfied that Deloitte & Touche is independent of the group after taking the following factors into account:

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

Internal audit

The audit committee:

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

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

Adequacy and functioning of the group's internal controls

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

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

Financial reporting

The audit committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of the group. This covers the annual financial statements, integrated report, interim and preliminary reports.

The committee among other matters:

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

Significant areas of judgement

In arriving at the figures disclosed in the financial statements there are many areas where judgement is needed. These are outlined in note 1.28 to the annual financial statements. The audit committee has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and decided to expand on the following:

> Inventories
> Trade receivables
> Land, buildings and leasehold improvements
> Goodwill and intangible assets
> Tax
> Discontinued operations
> Maintenance and warranty contracts
> Put option liabilities

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

Inventories

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

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

The FRRCs and audit committee consider the carrying value of inventory to be fairly stated. Refer to note 12 in the consolidated annual financial statements for the amounts.

Trade receivables

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

The FRRCs and audit committee consider the carrying value of trade receivables to be fairly stated. Refer to note 38.1.5 in the consolidated annual financial statements.

Land, buildings and leasehold improvements

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

To further advance the review, the group has a process of valuing its property portfolio to assess for impairments. All properties will be valued over a five-year cycle. The valuation was done by an internal expert using the income approach method.

There were no material impairments during the year. The FRRCs and the audit committee considered the carrying values to be fairly stated. Refer to notes 6 and 28 in the consolidated annual financial statements.

Goodwill and intangible assets

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

The FRRCs and the audit committee agreed with the impairment of the goodwill and intangible assets and that the carrying value of the goodwill is fairly stated. Refer to notes 4 and 29 in the consolidated annual financial statements for further details.

Tax

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

The FRRCs and the audit committee questioned management on the computation and tax risks relating to the group. Where appropriate, the audit committee also considers the opinions of the group's independent tax advisors. The audit committee considers the probability of the recovery of significant deferred tax assets, based on forecasts prepared by management.

No major tax issues arose during the year.

The effective tax rate of 27,7% was up compared to 25,8% in the prior year mainly due to higher impairment of goodwill and other intangible assets which are not tax deductible. The tax rate benefited from prior year over provisions.

Refer to notes 8 and 31 in the consolidated annual financial statements for further details.

Maintenance and warranty contracts

This liability is required to cover contractual costs of maintenance and warranty work to be carried out in the future. The adequacy of this amount is actuarially determined by forecasted burn rates which are affected by exchange rates, inflation and incident levels. These require a high level of judgement.

Independent actuarial experts are used to determine the inputs needed resulting in the revenue recognition and the final liability. The FRRC in this area is chaired by an independent actuary to strengthen the review process.

The audit committee considers the assumptions supporting the liability to be reasonable and the carrying value to be fair. Refer to note 22 in the consolidated annual financial statements for further details.

Put option liabilities

This liability arises when new acquisitions have contractual obligations enabling non-controlling interest shareholders to put their shares back to the group at an agreed price. The initial recognition of this amount is debited directly to equity with subsequent movements to the liability recognised in the statement of profit or loss.

In arriving at the liability the future earnings need to be assessed and discounted back to calculate the present value. This requires a high level of judgement.

The FRRC chairman in this area questioned management on the inputs and considers that they resulted in a liability that fairly presents the obligation to be settled. The audit committee considers that the carrying value is fairly reflected. Refer to notes 23 and 38.2.2 and the statement of changes in equity for further details.

The reconciliation of Earnings Per Share (EPS) to Headline Earnings Per Share (HEPS) and Core EPS outlines the items of a non-operational nature affecting earnings and is outlined in note 32 in the consolidated annual financial statements.

Discontinued operation

The sale of the Regent Group is regarded as highly probable in terms of the accounting standards. The sale will only be confirmed once the regulatory approvals have been completed.

As a result the statement of profit and loss has been split between continuing and discontinued operations, and on the statement of financial position Regent's assets are included under 'Assets of discontinued operations' and its liabilities under 'Liabilities of discontinued operations'. The net assets held for sale are required to be held at the lower of its carrying value and net realisable value. Our assessment is that there is no need for impairment.

The audit committee agrees with the classification of the Regent Group as a discontinued operation and the disclosures made.

Refer to note 15 in the consolidated annual financial statements for further details.

Quality of earnings

The reconciliation of the attributable profits to headline and core earnings is outlined in the chief financial officer's report starting on page 44.

There were no other material once-off income or expense items that affected the operating profit.

Risk management and information technology (IT) governance

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

Legal and regulatory requirements

To the extent that these may have an impact on the annual financial statements, the committee:
> reviewed legal matters that could have a material impact on the group;
> reviewed the adequacy and effectiveness of the group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities;
> monitored complaints received via the group's whistle-blowing service; and
> considered reports provided by management, internal audit and the external auditors regarding compliance with legal and regulatory requirements.

Expertise and experience of chief financial officer and the finance function

As required by section 3.84(h) of the JSE Limited Listings Requirements, the audit committee has satisfied itself that the chief financial officer, Mr OS Arbee, has the appropriate expertise and experience. In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the group's requirements.

Subsidiary companies

The functions of the committee are also performed for each subsidiary company of Imperial Holdings Limited that has not appointed an audit committee, on the basis that the committee delegates the performance of such functions to sub-committees referred to as finance and risk review committees. Divisional finance and risk review committees have been constituted and these committees report significant issues to the group audit committee. Each divisional finance and risk review committee is chaired by an independent chairman with no operational role in the divisions.

INTEGRATED REPORT

Following the review by the committee of the consolidated and separate annual financial statements of Imperial Holdings Limited for the year ended 30 June 2016, the committee is of the view that in all material respects they comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the integrated report and the sustainability information reported therein.

Having achieved its objectives, the committee has recommended the consolidated and separate annual financial statements and the integrated annual report for the year ended 30 June 2016 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.

M KGOSANA
Chairman

14 September 2016

> PRESENTING CONTINUING AND DISCONTINUED OPERATIONS

The results of the insurance businesses, which are in the process of being disposed, are presented in the summarised consolidated statement of profit or loss as discontinued operations. The assets and related liabilities of the insurance business have been reclassified to 'Assets of discontinued operations' and 'Liabilities of discontinued operations' respectively on the summarised consolidated statement of financial position. The assets and related liabilities of the disposal group have been reclassified to 'Assets of other disposal groups' and 'Liabilities of other disposal groups' respectively on the summarised consolidated statement of financial position. These assets include various businesses in the Logistics Africa; Vehicle Import, Distribution and Dealerships; and the Vehicle Retail, Rental and Aftermarket Parts divisions and a listed associate. The businesses will be recovered through disposal rather than through continuing use.

The following shows the combined result of the continuing and discontinued operations after eliminating inter-group transactions. The results of the businesses to be disposed are included in continuing operations.

	% change	TOTAL OPERATIONS 2016 Rm	CONTINUING OPERATIONS 2016 Rm	DISCONTINUED OPERATIONS 2016 Rm	TOTAL OPERATIONS 2015 Rm	CONTINUING OPERATIONS 2015 Rm	DISCONTINUED OPERATIONS 2015 Rm
Revenue	8	118 849	115 738	3 111	110 487	107 453	3 034
Net operating expenses		(109 868)	(107 286)	(2 582)	(101 732)	(99 290)	(2 442)
Profit from operations before depreciation and recoupments		8 981	8 452	529	8 755	8 163	592
Depreciation, amortisation, impairments and recoupments		(2 559)	(2 559)		(2 520)	(2 492)	(28)
Operating profit	3	6 422	5 893	529	6 235	5 671	564
Recoupments from sale of properties, net of impairments		28	28		29	29	
Amortisation of intangible assets arising on business combinations		(437)	(437)		(415)	(415)	
Impairment of intangible assets arising on business combinations		(151)	(151)				
Other non-operating items		(118)	(102)	(16)	(88)	(80)	(8)
Profit before net finance costs		5 744	5 231	513	5 761	5 205	556
Net finance costs	21	(1 440)	(1 440)		(1 194)	(1 194)	
Profit before share of result of associates and joint ventures		4 304	3 791	513	4 567	4 011	556
Share of result of associates and joint ventures		133	133		32	33	(1)
Profit before tax	(4)	4 437	3 924	513	4 599	4 044	555
Income tax expense		(1 229)	(1 049)	(180)	(1 213)	(1 035)	(178)
Net profit for the year	(5)	3 208	2 875	333	3 386	3 009	377
Net profit attributable to:							
Owners of Imperial		3 049	2 747	302	3 054	2 735	319
Non-controlling interests	(52)	159	128	31	332	274	58
		3 208	2 875	333	3 386	3 009	377
Earnings per share (cents)							
– Basic		1 581	1 425	156	1 582	1 416	166
– Diluted	(2)	1 540	1 388	152	1 568	1 406	162
Headline earnings per share (cents)							
– Basic	(3)	1 579	1 423	156	1 624	1 458	166
– Diluted	(4)	1 538	1 386	152	1 609	1 446	163
Core earnings per share (cents)							
– Basic		1 747	1 589	158	1 754	1 586	168
– Diluted	(2)	1 702	1 548	154	1 736	1 571	165

> DISCONTINUED OPERATIONS

The major classes of assets and liabilities classified at 30 June 2016 as held for sale were as follows:

	2016 Rm	2015 Rm
Assets		
Goodwill and intangible assets	**204**	122
Investment in associates and joint ventures	**40**	17
Property, plant and equipment	**164**	146
Income tax assets	**24**	20
Investments and other financial assets	**3 197**	3 250
Trade and other receivables	**217**	218
Cash resources	**1 237**	845
Assets of discontinued operations	**5 083**	4 618
Liabilities		
Insurance and investment contracts	**1 384**	1 361
Income tax liabilities	**214**	197
Trade, other payables and provisions	**1 140**	1 155
Liabilities of discontinued operations	**2 738**	2 713
Investments and other financial assets consist of:		
Listed investments at fair value (level 1)	**2 481**	2 288
Fixed and negotiable deposits at fair value (level 2)	**589**	733
Reinsurance debtors at amortised cost	**127**	229
Total investments and other financial assets	**3 197**	3 250
The cash flows from discontinued operations were as follows:		
Cash flows from operating activities	**390**	391
Cash flows from investing activities	**(30)**	(1 103)
Cash flows from financing activities	**(1)**	(31)

> SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2016

	Notes	% change	2016 Rm	2015 Rm
CONTINUING OPERATIONS				
Revenue		8	**115 738**	107 453
Net operating expenses			**(107 286)**	(99 290)
Profit from operations before depreciation and recoupments			**8 452**	8 163
Depreciation, amortisation, impairments and recoupments			**(2 559)**	(2 492)
Operating profit		4	**5 893**	5 671
Recoupments from sale of properties, net of impairments			**28**	29
Amortisation of intangible assets arising on business combinations			**(437)**	(415)
Impairment of intangible assets arising on business combinations			**(151)**	
Other non-operating items	6		**(102)**	(80)
Profit before net finance costs			**5 231**	5 205
Net finance costs	7	21	**(1 440)**	(1 194)
Profit before share of result of associates and joint ventures			**3 791**	4 011
Share of result of associates and joint ventures			**133**	33
Profit before tax		(3)	**3 924**	4 044
Income tax expense			**(1 049)**	(1 035)
Profit from continuing operations		(4)	**2 875**	3 009
DISCONTINUED OPERATIONS				
Profit from discontinued operations			**333**	377
Net profit for the year		(5)	**3 208**	3 386
Net profit attributable to:				
Owners of Imperial			**3 049**	3 054
– Continuing operations			**2 747**	2 735
– Discontinued operations			**302**	319
Non-controlling interests			**159**	332
– Continuing operations			**128**	274
– Discontinued operations			**31**	58
Earnings per share (cents)				
Continuing operations				
– Basic		1	**1 425**	1 416
– Diluted		(1)	**1 388**	1 406
Discontinued operations				
– Basic		(6)	**156**	166
– Diluted		(6)	**152**	162
Total operations				
– Basic			**1 581**	1 582
– Diluted		(2)	**1 540**	1 568

> SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

	2016 Rm	2015 Rm
Net profit for the year	**3 208**	3 386
Other comprehensive income (loss)	**147**	(268)
Items that may be reclassified subsequently to profit or loss	**306**	(172)
Exchange gains (losses) arising on translation of foreign operations	**607**	(312)
Share of associates' and joint ventures' movement in foreign currency translation reserve	**16**	8
Movement in valuation reserve		(87)
Reclassification of loss on disposal of available-for-sale investments		43
Movement in hedge accounting reserve	**(374)**	175
Income tax relating to items that may be reclassified to profit or loss	**57**	1
Items that will not be reclassified to profit or loss	**(159)**	(96)
Remeasurement of defined benefit obligations	**(228)**	(137)
Income tax on remeasurement of defined benefit obligations	**69**	41
Total comprehensive income for the year	**3 355**	3 118
Total comprehensive income attributable to:		
Owners of Imperial	**3 190**	2 762
Non-controlling interests	**165**	356
	3 355	3 118

> EARNINGS PER SHARE INFORMATION

for the year ended 30 June 2016

	% change	2016 Rm	2015 Rm
Headline earnings reconciliation			
Earnings – basic		**3 049**	3 054
Saving of finance costs by associate on potential sale of Imperial shares			44
Earnings – diluted		**3 049**	3 098
Recoupment for disposal of property, plant and equipment (IAS 16)		**(97)**	(85)
Recoupment for disposal of intangible assets (IAS 38)		**(1)**	
Impairment of property, plant and equipment (IAS 36)		**12**	28
Impairment of intangible assets (IAS 36)		**167**	
Impairment of goodwill (IAS 36)		**258**	67
Impairment (profit on disposal) of investments in associates and joint ventures (IAS 28)		**89**	(2)
Profit on disposal of subsidiaries and businesses (IFRS 10)		**(520)**	(15)
Impairment losses on assets of disposal groups		**90**	
Reclassification of loss on disposal of available-for-sale investment (IAS 39)			43
Remeasurements included in share of result of associates and joint ventures		**2**	41
Tax effects of remeasurements		**60**	13
Non-controlling interests' share of remeasurements		**(63)**	(9)
Headline earnings – diluted		**3 046**	3 179
Saving of finance costs by associate on potential sale of Imperial shares			(44)
Headline earnings – basic	(3)	**3 046**	3 135
Headline earnings per share (cents)			
Continuing operations			
– Basic	(2)	**1 423**	1 458
– Diluted	(4)	**1 386**	1 446
Discontinued operations			
– Basic	(6)	**156**	166
– Diluted	(7)	**152**	163
Total operations			
– Basic	(3)	**1 579**	1 624
– Diluted	(4)	**1 538**	1 609
Core earnings reconciliation			
Headline earnings – basic	(3)	**3 046**	3 135
Saving of finance costs by associate on potential sale of Imperial shares			44
Headline earnings – diluted	(4)	**3 046**	3 179
Amortisation of intangible assets arising on business combinations		**437**	415
Foreign exchange gain on inter-group monetary item		**(92)**	(104)
Business acquisition costs		**63**	16
Remeasurement of contingent consideration and put option liabilities		**50**	47
Change in economic assumptions on insurance funds		**4**	6
Tax effects of core earnings adjustments		**(98)**	(85)
Non-controlling interests' share of core earnings adjustments		**(41)**	(43)
Core earnings – diluted	(2)	**3 369**	3 431
Saving of finance costs by associate on potential sale of Imperial shares			(44)
Core earnings – basic	(1)	**3 369**	3 387

> EARNINGS PER SHARE INFORMATION (continued)

for the year ended 30 June 2016

	% change	2016 Rm	2015 Rm
Core earnings per share (cents)			
Continuing operations			
– Basic		**1 589**	1 586
– Diluted	(1)	**1 548**	1 571
Discontinued operations			
– Basic	(6)	**158**	168
– Diluted	(7)	**154**	165
Total operations			
– Basic		**1 747**	1 754
– Diluted	(2)	**1 702**	1 736
ADDITIONAL INFORMATION			
Net asset value per share (cents)	6	**10 287**	9 696
Dividend per ordinary share (cents)		**795**	795
Number of ordinary shares in issue (million)			
– total shares		**208,1**	202,8
– net of shares repurchased		**196,6**	194,6
– weighted average for basic		**192,9**	193,1
– weighted average for diluted		**198,0**	197,6
Number of other shares (million)			
– Deferred ordinary shares to convert into ordinary shares		**7,5**	8,3

> SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016

	Note	2016 Rm	2015* Rm	2014* Rm
ASSETS				
Goodwill and intangible assets	8	**7 501**	7 193	6 766
Investment in associates and joint ventures		**986**	1 351	1 418
Property, plant and equipment		**11 465**	10 967	10 469
Transport fleet		**5 953**	5 610	5 322
Deferred tax assets		**1 376**	1 097	1 101
Investments and loans		**291**	357	2 468
Other financial assets		**8**	36	267
Vehicles for hire		**3 469**	3 603	2 945
Inventories		**16 717**	15 465	13 132
Tax in advance		**483**	295	148
Trade and other receivables		**12 712**	12 849	11 882
Cash resources		**2 317**	2 271	3 103
Assets of discontinued operations		**5 083**	4 618	
Assets of disposal group**		**1 469**		
Total assets		**69 830**	65 712	59 021
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium		**1 030**	382	382
Shares repurchased		**(1 226)**	(668)	(220)
Other reserves		**1 003**	1 089	1 149
Retained earnings		**19 418**	18 065	16 229
Attributable to owners of Imperial		**20 225**	18 868	17 540
Put arrangement over non-controlling interests		**(1 307)**	(1 473)	(1 000)
Non-controlling interests		**884**	1 838	1 569
Total equity		**19 802**	19 233	18 109
Liabilities				
Non-redeemable, non-participating preference shares		**441**	441	441
Retirement benefit obligations		**1 531**	1 157	1 083
Interest-bearing borrowings		**18 396**	16 157	14 340
Maintenance and warranty contracts		**3 156**	3 191	4 310
Deferred tax liabilities		**881**	1 193	1 355
Other financial liabilities		**2 335**	2 019	1 711
Trade, other payables and provisions		**19 493**	19 047	17 185
Current tax liabilities		**681**	561	487
Liabilities of discontinued operations		**2 738**	2 713	
Liabilities of disposal group**		**376**		
Total liabilities		**50 028**	46 479	40 912
Total equity and liabilities		**69 830**	65 712	59 021

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

** *Assets and liabilities relating to other disposal groups. The results of the other disposal groups are included in the results of continuing operations.*

> SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Note	% change	2016 Rm	2015* Rm
Cash flows from operating activities				
Cash generated by operations before movements in net working capital			**8 952**	9 049
Movements in net working capital			**(828)**	9
Cash generated by operations before interest and taxes paid		(10)	**8 124**	9 058
Net finance costs paid			**(1 461)**	(1 180)
Tax paid			**(1 910)**	(1 301)
Cash generated by operations before capital expenditure on rental assets			**4 753**	6 577
Expansion capital expenditure – rental assets			**(772)**	(772)
Net replacement capital expenditure – rental assets			**(839)**	(759)
– Expenditure			**(3 539)**	(2 496)
– Proceeds			**2 700**	1 737
Cash generated by operations after capital expenditure on rental assets		(38)	**3 142**	5 046
Cash flows from investing activities				
Net disposals (acquisitions) of subsidiaries and businesses			**760**	(938)
Expansion capital expenditure – excluding rental assets			**(1 130)**	(1 743)
Net replacement capital expenditure – excluding rental assets			**(1 397)**	(1 245)
Net movement in associates and joint ventures			**71**	178
Net movement in investments, loans and other financial instruments			**(30)**	(1 203)
			(1 726)	(4 951)
Cash flows from financing activities				
Hedge cost premium paid			**(193)**	(128)
Ordinary shares repurchased			**(558)**	(56)
Dividends paid			**(1 909)**	(1 724)
Change in non-controlling interests#			**(439)**	(90)
Capital raised from non-controlling interests			**26**	1
Net increase in other interest-bearing borrowings			**2 193**	831
			(880)	(1 166)
Net increase (decrease) in cash and cash equivalents			**536**	(1 071)
Effects of exchange rate changes on cash resources in foreign currencies			**145**	7
Cash and cash equivalents at beginning of year			**38**	1 102
Cash and cash equivalents at end of year	9		**719**	38

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

\# *The 4 559 221 ordinary shares issued to acquire the remaining interest in Associated Motor Holdings (Pty) Limited and Boundlesstrade 154 (Pty) Limited was treated as non-cash flow as shares were issued to obtain the additional investments.*

> SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	SHARE CAPITAL AND SHARE PREMIUM Rm	SHARES RE-PURCHASED Rm
At 30 June 2014	382	(220)
Total comprehensive income for the year		
Net attributable profit for the year		
Other comprehensive income		
Movement in statutory reserves		
Share-based cost charged to profit or loss		
Share-based equity reserve transferred to retained earnings on vesting		
Share-based equity reserve hedge cost refund		
Ordinary dividend paid		
Repurchase of 320 000 ordinary shares from the open market at an average price of R172,68 per share, plus transaction cost		(56)
Cancellation of 5 864 944 ordinary shares held by Lereko Mobility		665
Reallocation of prior year surplus on shares cancelled		(1 057)
Initial recognition of put option written over non-controlling interest		
Share of changes in net assets of associates and joint ventures		
Realisation on disposal of subsidiaries		
Non-controlling interests acquired, net of disposals and shares issued		
Net decrease in non-controlling interests through buy-outs		
Non-controlling interests' share of dividends		
At 30 June 2015	**382**	**(668)**
Total comprehensive income for the year		
Net attributable profit for the year		
Other comprehensive income		
Movement in statutory reserves		
Share-based cost charged to profit or loss		
Share-based equity reserve transferred to retained earnings on vesting		
Share-based equity reserve hedge cost		
Ordinary dividend paid		
Repurchase of 3 387 507 shares from the open market at an average price of R164,78 per share, plus transaction cost		**(558)**
Share of changes in net assets of associates and joint ventures		
Realisation on disposal of subsidiaries		
Non-controlling interests disposed, net of acquisitions and shares issued		
Net decrease in non-controlling interests through buy-outs*	**648**	
Non-controlling interests' share of dividends		
At 30 June 2016	**1 030**	**(1 226)**

* *Includes the issue of 4 559 221 ordinary shares at an average market price of R142 per share to the non-controlling shareholder of Associated Motor Holdings (Pty) Limited and Boundlesstrade 154 (Pty) Limited as consideration for its 10% shareholding.*

	OTHER RESERVES Rm	RETAINED EARNINGS Rm	ATTRIBUTABLE TO OWNERS OF IMPERIAL Rm	PUT ARRANGEMENT OVER NON-CONTROLLING INTERESTS Rm	NON-CONTROLLING INTERESTS Rm	TOTAL EQUITY Rm
	1 149	16 229	17 540	(1 000)	1 569	18 109
	(199)	2 961	2 762		356	3 118
		3 054	3 054		332	3 386
	(199)	(93)	(292)		24	(268)
	39	(39)				
	126		126		4	130
	7	(7)				
	7		7		(3)	4
		(1 471)	(1 471)			(1 471)
			(56)			(56)
		(665)				
		1 057				
				(473)		(473)
	(5)		(5)			(5)
	12		12			12
					208	208
	(47)		(47)		(43)	(90)
					(253)	(253)
	1 089	**18 065**	**18 868**	**(1 473)**	**1 838**	**19 233**
	300	**2 890**	**3 190**		**165**	**3 355**
		3 049	**3 049**		**159**	**3 208**
	300	**(159)**	**141**		**6**	**147**
	20	**(20)**				
	144		**144**		**4**	**148**
	(55)	**55**				
	(183)		**(183)**			**(183)**
		(1 572)	**(1 572)**			**(1 572)**
			(558)			**(558)**
	(5)		**(5)**			**(5)**
	59		**59**			**59**
					(71)	**(71)**
	(366)		**282**	**166**	**(715)**	**(267)**
					(337)	**(337)**
	1 003	**19 418**	**20 225**	**(1 307)**	**884**	**19 802**

1. BASIS OF PREPARATION

The summarised consolidated financial statements have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and its Interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2016 and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council. The summarised consolidated financial statements are presented in accordance with IAS 34 – Interim Financial Reporting and comply with the Listings Requirements of the JSE Limited and the Companies Act of South Africa, 2008. These summarised consolidated financial statements are an extract of the full audited consolidated annual financial statements.

These summarised consolidated financial statements and the full audited consolidated annual financial statements have been prepared under the supervision of R Mumford, CA(SA) and were approved by the board of directors on 22 August 2016.

2. ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the preparation of the summarised consolidated financial statements are in accordance with IFRS and are consistent with those of the audited consolidated annual financial statements for the year ended 30 June 2015, except for the change detailed below.

2.1 Change in accounting policy

Floorplans

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

The impact of the change in policy on the comparative amounts was as follows:

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

2.2 Restatement of the segmental information

The 2015 segmental information for the Vehicle Retail, Rental and Aftermarket Parts division has been restated as follows:

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

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

IFRS 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term longer than 12 months. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest on the lease liability. In terms of lessor accounting, IFRS 16 substantially carries forward the requirements in IAS 17 Leases and accordingly, a lessor continues to account for its leases as operating leases or finance leases. Issued in January 2016, this standard becomes effective for annual reporting periods beginning on or after 1 January 2019.

Other standards that will become applicable to the group in future reporting periods includes IFRS 9 Financial Instruments (effective 1 January 2018) and IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). The details of these standards are outlined in the 30 June 2016 audited consolidated annual financial statements.

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

4. NEW HEADLINE EARNINGS CIRCULAR

Circular 2/2015 Headline Earnings which was issued by the South African Institute of Chartered Accountants (SAICA) in October 2015 replaces Circular 2/2013 Headline Earnings. The revisions contained in the new circular relate primarily to IFRS 9 Financial Instruments and has had no impact on the way the group computes headline earnings.

5. FOREIGN EXCHANGE RATES

	2016	2015
The following major rates of exchange were used in the translation of the group's foreign operations:		
SA rand : euro		
– closing	**16,31**	13,55
– average	**16,10**	13,73
SA rand : US dollar		
– closing	**14,70**	12,15
– average	**14,51**	11,44

6. OTHER NON-OPERATING ITEMS

	2016 Rm	2015 Rm
Remeasurement of financial instruments not held-for-trading	**(122)**	(15)
Foreign exchange (loss) gain on foreign currency monetary items	**(72)**	75
Charge for remeasurement of put option liabilities	**(64)**	(49)
Gains on remeasurement of contingent consideration liabilities	**14**	2
Reclassification of loss on disposal of available-for-sale investments		(43)
Capital items	**20**	(65)
Impairment of goodwill	**(258)**	(66)
(Impairment) profit on disposal of investments in associates and joint ventures	**(89)**	2
Profit on disposal of subsidiaries and businesses	**520**	15
Impairment losses on assets of disposal group	**(90)**	–
Business acquisition costs	**(63)**	(16)
	(102)	(80)

	2016 Rm	2015 Rm
7. NET FINANCE COSTS		
Net interest paid	**(1 462)**	(1 180)
Fair value gain (loss) on interest-rate swap instruments	**22**	(14)
	(1 440)	(1 194)
8. GOODWILL AND INTANGIBLE ASSETS		
Goodwill		
Cost	**6 286**	5 944
Accumulated impairments	**(862)**	(926)
	5 424	5 018
Carrying value at beginning of year	**5 018**	4 737
Net (disposal) acquisition of subsidiaries and businesses	**(130)**	463
Impairment charge	**(258)**	(67)
Reclassified to assets held for sale	**(28)**	(13)
Currency adjustment	**822**	(102)
Carrying value at end of year	**5 424**	5 018
Intangible assets	**2 077**	2 175
Goodwill and intangible assets	**7 501**	7 193
9. CASH AND CASH EQUIVALENTS#		
Cash resources	**2 317**	2 271
Cash resources included in assets of discontinued operations and of disposal groups	**1 356**	845
Short-term loans and overdrafts (included in interest-bearing borrowings)	**(2 954)**	(3 078)
	719	38

Restated for the change in accounting policy (see note 2.1).

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

10.1 Fair values of financial assets and liabilities carried at amortised cost

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

30 JUNE 2016	CARRYING VALUE Rm	FAIR VALUE* Rm
Listed corporate bonds (included in interest-bearing borrowings)	**5 348**	**5 278**
Listed non-redeemable, non-participating preference shares	**441**	**345**

* *Level 1 of the fair value hierarchy.*

The fair values of the remainder of the group's financial assets and financial liabilities approximate their carrying values.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

10.2 Fair value hierarchy

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

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

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

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

The following table presents the valuation categories used in determining the fair values of financial instruments carried at fair value. For financial assets of discontinued operations refer to page 115.

30 JUNE 2016	TOTAL Rm	LEVEL 2 Rm	LEVEL 3 Rm
Financial assets carried at fair value			
Interest-rate swap instruments *(Included in Other financial assets)*	8	8	
Foreign exchange contracts and other derivative instruments *(Included in Trade and other receivables)*	44	44	
Financial liabilities carried at fair value			
Put option liabilities *(Included in Other financial liabilities)*	1 875		1 875
Contingent consideration liabilities *(Included in Other financial liabilities)*	19		19
Swap instruments *(Included in Other financial liabilities)*	267	267	
Foreign exchange contracts *(Included in Trade, other payables and provisions)*	479	479	

Transfers between hierarchy levels

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

10.3 Movements in level 3 financial instruments measured at fair value

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

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

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

10.3 Movements in level 3 financial instruments measured at fair value (continued)

Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R1 894 million were estimated by applying an income approach valuation method, including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key assumptions used in the valuations include the assumed probability of achieving profit targets and the discount rates applied. The assumed profitabilities were based on historical performances but adjusted for expected growth.

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

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

11. CONTINGENCIES AND COMMITMENTS

	2016 Rm	2015 Rm
Capital commitments	**1 309**	2 289
Contingent liabilities	**798**	405

12. ACQUISITIONS AND DISPOSALS DURING THE YEAR

Disposals

The group disposed of its 65% interest in Neska, a subsidiary of Imperial Logistics International BV.

Acquisitions

For acquisitions during the reporting period please refer to business combinations on page 129.

13. EVENTS AFTER THE REPORTING PERIOD

Acquisition of Palletways Group Limited

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

Dividend declaration

Shareholders are advised that a preference and an ordinary dividend has been declared by the board of Imperial on 22 August 2016. For more details please refer to the dividend declaration on page 138.

> BUSINESS COMBINATIONS DURING THE YEAR

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

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

Details of contingent consideration

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

Acquisition costs

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

Impact of the acquisitions on the results of the group

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

Other details

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

Segment profit or loss – Continuing operations

R million	GROUP CONTINUING OPERATIONS 2016	2015	LOGISTICS AFRICA 2016	2015	LOGISTICS INTERNATIONAL 2016	2015
Revenue	**115 738**	107 453	**27 119**	25 347	**20 793**	19 071
– South Africa	**66 010**	67 101	**15 266**	15 372		
– Rest of Africa	**13 288**	10 481	**11 853**	9 974		
– International	**36 440**	29 871		1	**20 793**	19 071
Operating profit	**5 893**	5 671	**1 530**	1 587	**1 013**	958
– South Africa	**3 724**	3 828	**750**	952		
– Rest of Africa	**853**	668	**780**	632		
– International	**1 316**	1 175		3	**1 013**	958
Depreciation, amortisation, impairments and recoupments	**3 119**	2 878	**902**	924	**777**	739
– South Africa	**1 924**	1 754	**604**	636		
– Rest of Africa	**326**	305	**298**	288		
– International	**869**	819			**777**	739
Net finance costs	**1 440**	1 194	**533**	407	**207**	180
– South Africa	**913**	825	**314**	281		
– Rest of Africa	**244**	135	**219**	126		
– International	**283**	234			**207**	180
Pre-tax profits*	**3 841**	4 093	**777**	1 037	**585**	647
– South Africa	**2 663**	2 893	**424**	661		
– Rest of Africa	**389**	404	**353**	373		
– International	**789**	796		3	**585**	647
Additional segment information – Continuing operations						
Analysis of revenue by type						
– Sale of goods	**70 228**	63 966	**10 065**	8 216		
– Rendering of services	**45 510**	43 487	**16 947**	17 008	**20 793**	19 070
	115 738	107 453	**27 012**	25 224	**20 793**	19 070
Inter-group revenue			**107**	123		1
	115 738	107 453	**27 119**	25 347	**20 793**	19 071
Analysis of depreciation, amortisation, impairment and recoupments	**3 119**	2 878	**902**	924	**777**	739
– Depreciation and amortisation	**2 601**	2 520	**717**	731	**619**	575
– Recoupments and impairments	**(70)**	(57)	**(35)**	(20)	**(35)**	(16)
– Amortisation and impairment of intangible assets arising on business combinations	**588**	415	**220**	213	**193**	180
Share of result of associates and joint ventures included in pre-tax profits	**133**	33	**33**	34	**25**	25

* *Pre-tax profits are calculated as profit before tax, impairment of goodwill, profit or loss on sale of investment in subsidiaries, associates and joint ventures and other businesses, and impairment losses on assets of disposal groups.*

TOTAL LOGISTICS		VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS		VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS		MOTOR-RELATED FINANCIAL SERVICES		TOTAL VEHICLES		HEAD OFFICE AND ELIMINATIONS	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
47 912	44 418	**28 473**	27 437	**41 045**	37 547	**1 634**	1 429	**71 152**	66 413	**(3 326)**	(3 378)
15 266	15 372	**22 975**	23 898	**29 461**	29 780	**1 634**	1 429	**54 070**	55 107	**(3 326)**	(3 378)
11 853	9 974	**1 306**	388	**129**	119			**1 435**	507		
20 793	19 072	**4 192**	3 151	**11 455**	7 648			**15 647**	10 799		
2 543	2 545	**1 149**	960	**1 677**	1 677	**669**	620	**3 495**	3 257	**(145)**	(131)
750	952	**1 033**	885	**1 403**	1 491	**669**	620	**3 105**	2 996	**(131)**	(120)
780	632	**37**	4	**36**	32			**73**	36		
1 013	961	**79**	71	**238**	154			**317**	225	**(14)**	(11)
1 679	1 663	**696**	546	**721**	662	**150**	117	**1 567**	1 325	**(127)**	(110)
604	636	**670**	531	**626**	579	**150**	117	**1 446**	1 227	**(126)**	(109)
298	288	**8**	3	**21**	14			**29**	17	**(1)**	
777	739	**18**	12	**74**	69			**92**	81		(1)
740	587	**495**	494	**346**	313	**(5)**		**836**	807	**(136)**	(200)
314	281	**469**	473	**279**	271	**(5)**		**743**	744	**(144)**	(200)
219	126	**17**	3	**8**	6			**25**	9		
207	180	**9**	18	**59**	36			**68**	54	**8**	
1 362	1 684	**433**	458	**1 317**	1 388	**712**	647	**2 462**	2 493	**17**	(84)
424	661	**357**	399	**1 123**	1 260	**712**	647	**2 192**	2 306	**47**	(74)
353	373	**9**	5	**27**	26			**36**	31		
585	650	**67**	54	**167**	102			**234**	156	**(30)**	(10)
10 065	8 216	**24 750**	23 441	**35 413**	32 308			**60 163**	55 749		1
37 740	36 078	**2 099**	2 295	**5 035**	4 515	**613**	594	**7 747**	7 404	**23**	5
47 805	44 294	**26 849**	25 736	**40 448**	36 823	**613**	594	**67 910**	63 153	**23**	6
107	124	**1 624**	1 701	**597**	724	**1 021**	835	**3 242**	3 260	**(3 349)**	(3 384)
47 912	44 418	**28 473**	27 437	**41 045**	37 547	**1 634**	1 429	**71 152**	66 413	**(3 326)**	(3 378)
1 679	1 663	**696**	546	**721**	662	**150**	117	**1 567**	1 325	**(127)**	(110)
1 336	1 306	**581**	553	**653**	659	**144**	117	**1 378**	1 329	**(113)**	(115)
(70)	(36)		(7)	**(1)**	(19)	**6**		**5**	(26)	**(5)**	5
413	393	**115**		**69**	22			**184**	22	**(9)**	
58	59	**(19)**	(3)	**46**	33	**47**	27	**74**	57	**1**	(83)

> SEGMENTAL INFORMATION (continued)

Segment financial position	GROUP		LOGISTICS AFRICA		LOGISTICS INTERNATIONAL	
R million	**2016**	2015^	**2016**	2015	**2016**	2015
Assets						
Intangible assets	**7 501**	7 193	**3 526**	3 110	**3 004**	2 863
Property, plant and equipment	**11 465**	10 967	**2 518**	2 096	**2 245**	2 244
Transport fleet	**5 953**	5 610	**2 715**	3 212	**3 278**	2 438
Vehicles for hire	**3 469**	3 603				
Investment in associates and joint ventures	**687**	1 199	**342**	300	**167**	139
Inventories	**16 717**	15 465	**1 498**	1 448	**314**	211
Trade and other receivables	**12 712**	12 849	**4 994**	5 136	**3 618**	3 350
Other financial assets	**8**	36	**5**	8	**5**	5
Cash resources	**13**	22				
Operating assets	**58 525**	56 944	**15 598**	15 310	**12 631**	11 250
– South Africa	**32 248**	34 312	**9 039**	9 034		
– Rest of Africa	**7 329**	6 557	**6 559**	6 275		
– International	**18 948**	16 075		1	**12 631**	11 250
Liabilities						
Retirement benefit obligations	**1 531**	1 157			**1 531**	1 157
Maintenance and warranty contracts	**3 156**	3 191				
Trade and other payables and provisions	**19 493**	19 047	**5 591**	5 401	**3 372**	3 145
Other financial liabilities	**460**	379	**119**	111	**1**	2
Operating liabilities	**24 640**	23 774	**5 710**	5 512	**4 904**	4 304
– South Africa	**13 949**	14 794	**3 609**	3 682		
– Rest of Africa	**2 539**	1 896	**2 101**	1 824		
– International	**8 152**	7 084		6	**4 904**	4 304
Net working capital[1]	**9 936**	9 267	**901**	1 183	**560**	416
– South Africa	**7 345**	7 253	**235**	336		
– Rest of Africa	**838**	924	**666**	852		
– International	**1 753**	1 090		(5)	**560**	416
Net debts[2]	**16 520**	14 327	**5 249**	4 872	**3 955**	4 150
– South Africa	**9 915**	8 204	**2 610**	2 669		
– Rest of Africa	**2 821**	2 454	**2 639**	2 209		
– International	**3 784**	3 669		(6)	**3 955**	4 150
Net capital expenditure	**4 138**	4 519	**880**	1 046	**1 027**	1 173
– South Africa	**2 624**	2 856	**534**	711		
– Rest of Africa	**416**	369	**346**	335		
– International	**1 098**	1 294			**1 027**	1 173

^ *Restated as described in notes 2.1 and 2.2.*
~ *The assets and liabilities of the Insurance business are shown as held-for-sale at 30 June 2016 and at 30 June 2015.*
1. *Consist of inventories, trade and other receivables, trade and other payables and provisions.*
2. *The aggregate of interest-bearing borrowings, non-redeemable, non-participating preference shares less cash resources.*

TOTAL LOGISTICS		VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS		VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS		MOTOR-RELATED FINANCIAL SERVICES		TOTAL VEHICLES		HEAD OFFICE AND ELIMINATIONS		INSURANCE	
2016	2015	2016	2015	2016	2015^	2016	2015	2016	2015^	2016	2015	2016~	2015~
6 530	5 973	175	505	755	695		(6)	930	1 194	41	26		
4 763	4 340	3 477	3 346	3 236	3 313	10	9	6 723	6 668	(21)	(41)		
5 993	5 650									(40)	(40)		
		1 534	1 757	1 723	1 669	1 071	988	4 328	4 414	(859)	(811)		
509	439	(39)	(19)	154	100	55	600	170	681	8	79		
1 812	1 659	8 288	7 659	6 361	5 822	436	480	15 085	13 961	(180)	(155)		
8 612	8 486	1 601	2 164	2 019	2 103	929	469	4 549	4 736	(449)	(373)		
10	13	4	26	27		85	85	116	111	(118)	(88)		
						13	22	13	22				
28 229	26 560	15 040	15 438	14 275	13 702	2 599	2 647	31 914	31 787	(1 618)	(1 403)		
9 039	9 034	12 401	13 973	10 207	10 113	2 599	2 647	25 207	26 733	(1 998)	(1 455)		
6 559	6 275	652	201	118	81			770	282				
12 631	11 251	1 987	1 264	3 950	3 508			5 937	4 772	380	52		
1 531	1 157												
		102	17			3 040	3 083	3 142	3 100	14	91		
8 963	8 546	4 770	5 529	6 346	5 825	896	384	12 012	11 738	(1 482)	(1 237)		
120	113	67	48	42	45	10	1	119	94	221	172		
10 614	9 816	4 939	5 594	6 388	5 870	3 946	3 468	15 273	14 932	(1 247)	(974)		
3 609	3 682	4 160	5 358	3 565	3 338	3 946	3 468	11 671	12 164	(1 331)	(1 052)		
2 101	1 824	425	62	13	10			438	72				
4 904	4 310	354	174	2 810	2 522			3 164	2 696	84	78		
1 461	1 599	5 119	4 294	2 034	2 100	469	565	7 622	6 959	853	709		
235	336	4 178	3 834	1 701	1 924	469	565	6 348	6 323	762	594		
666	852	147	62	24	11			171	73	1	(1)		
560	411	794	398	309	165			1 103	563	90	116		
9 204	9 022	5 822	4 661	2 000	2 482	(1 668)	(1 738)	6 154	5 405	1 162	(100)		
2 610	2 669	5 244	4 185	1 686	2 199	(1 668)	(1 738)	5 262	4 646	2 043	889		
2 639	2 209	118	194	64	51			182	245				
3 955	4 144	460	282	250	232			710	514	(881)	(989)		
1 907	2 219	1 288	1 199	779	844	228	649	2 295	2 692	(162)	(500)	98	108
534	711	1 228	1 182	701	710	228	649	2 157	2 541	(163)	(501)	96	105
346	335	27	8	41	23			68	31			2	3
1 027	1 173	33	9	37	111			70	120	1	1		

We have performed our limited assurance engagement in respect of the selected sustainability key performance indicators, as described below, disclosed by Imperial Holdings Limited (Imperial) in the Integrated and Sustainable Development reports for the year ended 30 June 2016.

SUBJECT MATTER

The subject matter comprises of the sustainability key performance indicators disclosed in accordance with management's basis of preparation, supported by the Global Reporting Initiative (GRI) Sustainability Framework G4. The subject matter includes:

1. Road fatalities (company) (Absolute)
2. Road accidents (Absolute)
3. Accidents per million kilometres
4. Diesel consumed – Normal engine (Litres)
5. Petrol consumed – Normal engine (Litres)
6. Electricity purchased (Kilowatt hours)
7. Scope 1 emissions (Carbon emission tonnes, tCO_2e)
8. Scope 2 emissions (Carbon emission tonnes, tCO_2e)
9. Employee training hours

DIRECTORS' RESPONSIBILITY

The directors, being the responsible party, and where appropriate, those charged with governance are responsible for the selection, preparation and presentation of the subject matter in accordance with the criteria. This responsibility includes ensuring the subject matter is prepared in accordance with the GRI, the identification of stakeholders and stakeholder requirements, material matters, for commitments with respect to the non-financial key performance and for the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

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, issued by the International Auditing and Assurance Standards Board. 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 of the Company, as prepared by management in accordance with the GRI G4 as supported by management's basis of preparation for the year ended 30 June 2016.

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.

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 has been presented, in all material respects, in accordance with GRI G4 Guidelines, supported by managements 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 sustainability key performance indicators as set out in the subject matter paragraph (of our report) for the year ended 30 June 2016, is not prepared, in all material respects, in accordance with the GRI G4 supported by managements internally developed basis of preparation.

OTHER MATTERS

Our report does not extend to any disclosures or assertions relating to future performance plans and / or strategies disclosed in the Reports. The maintenance and integrity of the Imperial Website is the responsibility of Imperial management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Website, the Reports or our independent assurance report that may have occurred since the initial date of presentation.

RESTRICTION ON USE AND DISTRIBUTION

Our report is made solely to the directors of Imperial in accordance with our engagement letter dated 9 May 2016, for the purpose of providing limited assurance over the key sustainability performance indicators disclosed in the Imperial Integrated Report for the year ended 30 June 2016.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per Nina le Riche

Partner
5 September 2016

1st Floor, The Square, Cape Quarter, 27 Somerset Road, Greenpoint, Cape Town, 8005

SHAREHOLDER ANALYSIS

TOP TEN SHAREHOLDERS	SHARE CLASS	NUMBER OF SHARES ('000)	% OF ISSUED VOTING CAPITAL
Public Investment Corporation Limited	Ordinary	25 270	12,14
Lazard Asset Management LLC Group	Ordinary	22 733	10,92
Prudential Group	Ordinary	21 908	10,52
Ukhamba Holdings (Pty) Limited	Ordinary	12 562	6,03
Ukhamba Holdings (Pty) Limited	Deferred Ordinary	9 362	4,50
Lynch Family Holding	Ordinary	8 276	3,98
Fidelity Management & Research	Ordinary	8 079	3,88
BlackRock Inc	Ordinary	7 172	3,45
Dimensional Fund Advisors	Ordinary	6 687	3,21
Wooddale Investments	Ordinary	6 292	3,00
Vanguard Group	Ordinary	5 664	2,72

STOCK EXCHANGE PERFORMANCE	2016	2015
Number of shares in issue (million)	**208,2**	202,8
Number of shares traded (million)	**261**	180
Value of shares traded (rand million)	**37 985**	34 159
Market price (cents per share)		
– Closing price	**14 948**	18 550
– High	**18 600**	20 634
– Low	**9 999**	16 418
Earning yield %^	**10,6**	9,0
Price:earnings ratio^	**9,5**	12,1

^ *Calculated using headline earnings per share.*

Five-year performance of Imperial share price versus the JSE Industrial 25 Index and the JSE ALSI

SHAREHOLDER ANALYSIS (continued)

DISTRIBUTION OF SHAREHOLDERS (LISTED ORDINARY SHARES)	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES ('000)	% OF ORDINARY SHARES LISTED
Public shareholders	8 945	120 056	57,67
Non-public shareholders			0
– Shareholder holding more than 10%	3	69 911	33,58
– Shareholder entitled to appoint a director			
– Directors, their associates and employees	73	16 065	7,72
– Treasury shares	2	11 503	5,53
	8 947	208 173	

SPREAD OF LISTED HOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES ('000)	%
1 – 1 000	6 984	78,06	2 214	1,06
1 001 – 10 000	1 462	16,34	4 333	2,08
10 001 – 100 000	352	3,93	11 283	5,42
Over 100 000	149	1,67	190 344	91,44
	8 947	100,00	208 173	100,00

SHAREHOLDER TYPE	NUMBER OF SHARES ('000)	% OF VOTING SHARES
Financial institutions, pension and provident funds	81 519	0,39
Unit trusts	88 562	0,43
Individuals	5 823	0,03
Directors and employees	16 065	0,08
Corporate holdings	14 063	0,07
Listed ordinary shares (net of treasury shares)	206 032	98,97
Unlisted deferred ordinary shares	10 482	5,04
Total voting shares in issue net of treasury shares	208 173	100,00
Treasury shares	11 503	
Non-redeemable preference shares	4 540	
Total shares in issue	224 216	

Directors' interests in shares*	2016 Beneficial	2016 Non-beneficial	2015 Beneficial	2015 Non-beneficial
Non-executive				
GW Dempster	**99**		99	
SP Kana	**9 417**		9 417	
MJ Leeming				6 928
RJA Sparks	**40 000**	**20 000**	40 000	20 000
Y Waja	**3 000**		3 000	
	52 516	**20 000**	52 516	26 928
Executive				
M Akoojee			34 873	
OS Arbee	**121 771**		71 344	
MP de Canha	**6 292 670**		1 725 385	
MJ Lamberti	**600 000**		500 000	
M Swanepoel	**88 366**		38 672	
P Michaux	**57 519**		48 243	
JJ Strydom			56 865	
	7 160 326	**0**	2 475 382	0
Total	**7 212 842**	**20 000**	2 527 898	26 928

* *Directors' interests have not changed between the year end and the date of this report.*

DECLARATION OF FINAL PREFERENCE AND ORDINARY DIVIDENDS

for the year ended 30 June 2016

PREFERENCE SHAREHOLDERS

Notice is hereby given that a gross final preference dividend of 425.77911 cents per preference share has been declared by the board of Imperial, payable to holders of non-redeemable, non-participating preference shares. The dividend will be paid out of reserves.

The preference dividend will be subject to a local dividend tax rate of 15%. The net preference dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 361.91224 cents per share.

ORDINARY SHAREHOLDERS

Notice is hereby given that a gross final ordinary dividend in the amount of 425.00000 cents per ordinary share has been declared by the board of Imperial, payable to holders of ordinary shares. The dividend will be paid out of reserves.

The ordinary dividend will be subject to a local dividend tax rate of 15%. The net ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 361.25000 cents per share.

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

	2016
Last day for preference shares and ordinary shares respectively to trade cum-preference dividend and cum-ordinary dividend	**Tuesday, 20 September**
Preference and ordinary shares commence trading ex-preference dividend and ex-ordinary dividend respectively	**Wednesday, 21 September**
Record date	**Friday, 23 September**
Payment date	**Monday, 26 September**

Share certificates may not be dematerialised/rematerialised between Wednesday, 21 September 2016 and Friday, 23 September 2016, both days inclusive.

On Monday, 26 September 2016, amounts due in respect of the preference dividend and the ordinary dividend will be electronically transferred to the bank accounts of certificated shareholders that utilise this facility. In respect of those who do not, cheques dated 26 September 2016 will be posted on or about that date. Shareholders who have dematerialised their shares will also have their accounts, held at their CSDP or broker, credited on Monday, 26 September 2016.

On behalf of the board

RA Venter
Group company secretary
22 August 2016

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 27th annual general meeting of shareholders will be held on Tuesday, 1 November 2016 at 09:00 in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng, or any adjournment or postponement thereof, to transact the following business and resolutions with or without amendments approved at the meeting.

The minutes of the meeting held on 3 November 2015 will be available for inspection at the registered office of the Company until 16:00 on Monday, 31 October 2016 and up to 30 minutes immediately preceding the meeting.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about what action you should take, consult your broker, Central Securities Depository Participant ("CSDP"), banker, financial adviser, accountant or other professional adviser immediately.

If you have disposed of all your shares in Imperial, please forward this document together with the enclosed form of proxy to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

This notice of annual general meeting is only available in English. Copies may be obtained from the registered office of the Company and the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001.

REGISTERED AND CORPORATE OFFICE

Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng (PO Box 3013, Edenvale, 1610), South Africa.

Included in this document are the following:

> The notice of annual general meeting setting out the resolutions to be proposed at the meeting, together with explanatory notes. There are also guidance notes if you wish to attend the meeting or to vote by proxy.
> A proxy form for completion, signature and submission to the share registrars by shareholders holding Imperial ordinary shares in certificated form or recorded in sub-registered electronic form in "own name".

Reference in this notice of annual general meeting to the term "MOI", including references to a provision in the Company's MOI, in this notice of annual general meeting (including all of the relevant ordinary and special resolutions contained herein) is used throughout to refer to the Company's Memorandum of Incorporation.

RECORD DATE

The record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the annual general meeting is Friday, 23 September 2016.

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, 21 October 2016.

Accordingly, only shareholders who are registered in the register of members of the Company on 28 October 2016 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, 18 October 2015.

ELECTRONIC PARTICIPATION IN THE ANNUAL GENERAL MEETING

Notice is hereby given that the 27th annual general meeting of shareholders of the Company will be held on Tuesday, 1 November 2016 at 09:00 in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng. Shareholders or their proxies may participate in the meeting by way of a teleconference call 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 Friday, 28 October 2016 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 1 – APPROVAL OF THE FINANCIAL STATEMENTS

"Resolved that the audited consolidated Company annual financial statements of Imperial for the year ended 30 June 2016, including the directors' report, the audit committee report and the auditor's report, be adopted."

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

2. ORDINARY RESOLUTION 2 – APPOINTMENT OF THE AUDITORS

"Resolved that Deloitte & Touche be appointed as auditors of the Company and Mr A Mackie as designated partner until the date of the next annual general meeting."

The audit committee has recommended the reappointment of Deloitte & Touche as external auditors of the Company from this AGM until the conclusion of the next AGM of the Company with Mr A Mackie (IRBA No 397210) 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 3 – APPOINTMENT OF THE MEMBERS OF THE AUDIT COMMITTEE

"Resolved that the reappointment of the following independent non-executive directors, be elected as members of the Company's audit committee 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 M Kgosana
3.2 Mr GW Dempster
3.3 Mrs T Dingaan
3.4 Ms P Langeni
3.5 Mr RJA Sparks
3.6 Mr Y Waja

A brief curriculum vitae of each of the directors offering themselves for election as members of the audit committee is contained on page 6 of the Integrated Annual Report.

Percentage voting rights

The minimum percentage of voting rights that is required for each of the 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 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 MJ Lamberti
4.2 Ms P Langeni
4.3 Mr PB Michaux
4.4 Mr RJA Sparks
4.5 Mr A Tugendhaft

A brief curriculum vitae of each of the directors offering themselves for re-election in terms of ordinary resolution 4 is contained on page 6 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 5 – CONFIRMATION OF THE GROUP'S REMUNERATION POLICY

"Resolved that, as a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2009, commonly referred to as King III, the group's remuneration policy as set out in the remuneration report on pages 86 to 103 of the Integrated Annual Report be hereby confirmed."

6. SPECIAL RESOLUTION 1 – DIRECTORS' FEES

"Resolved that in terms of section 66(9) of the Companies Act of 2008 (Act 71 of 2008), as amended (the "Companies Act"), the Company be and is hereby authorised, by a separate vote in respect of each item, to remunerate its directors for their services as directors and/or pay any fees related thereto on the following basis and on any other basis as may be recommended by the remuneration committee and approved by the board of directors, 1 July 2016 to 30 June 2018 as follows:

	Fee from 1 July 2016 to 30 June 2017	**Fee from 1 July 2017 to 30 June 2018**
Chairperson*	R884 000	**R937 000**
Deputy chairperson and lead independent director*	R442 000	**R468 500**
Board member	R253 000	**R268 000**
Assets and liabilities committee chairperson*	R161 000	**R170 500**
Assets and liabilities committee member	R107 000	**R113 500**
Audit committee chairperson*	R334 000	**R354 000**
Audit committee member	R166 500	**R176 500**
Investment committee chairperson*	R334 000	**R354 000**
Investment committee member	R166 500	**R176 500**
Risk Committee chairman*	R161 000	**R170 500**
Risk Committee member	R107 000	**R113 500**
Remuneration committee chairperson*	R120 500	**R128 000**
Remuneration committee member	R79 500	**R84 500**
Nomination committee chairperson*	R120 500	**R128 000**
Nomination committee member	R79 500	**R84 500**
Social, ethics and sustainability committee chairperson*	R161 000	**R170 500**
Social, ethics and sustainability committee member	R107 000	**R113 500**

* *Paid in addition to a member's fee.*

Executive directors do not receive directors' fees.

Reason and effect

The reason for special resolution 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 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.

7. SPECIAL RESOLUTION 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 (including the conclusion of derivative transactions which may result in the purchase of securities), 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 2;
> when the Company has cumulatively repurchased 3% of the number of securities in issue on the date of passing of special resolution 2, and for each 3% thereof, in aggregate acquired thereafter, an announcement is published as soon as possible and not later than 08:30 on the second business day following the day on which the relevant threshold is reached or exceeded, and the announcement complies with the requirements of the Listings Requirements;
> at any time, only one agent is appointed to effect any repurchase on the Company's behalf;
> the Company or its subsidiary does not repurchase securities during a prohibited period unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
> a resolution by the board of directors that it has authorised the repurchase, that the Company and its subsidiaries have satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was done, there have been no material changes to the financial position of the group;
> any general repurchase by the Company of its own ordinary shares shall not, in aggregate in any one financial year exceed 20% of the Company's issued ordinary shares as at the date of passing of this special resolution 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 "Price").

The directors of the Company confirm that no repurchase will be implemented in terms of this authority unless, after each such repurchase:

> the Company and the group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;
> the consolidated assets of the Company and the group, fairly valued in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed its consolidated liabilities for a period of 12 months after the date of the notice of the annual general meeting;
> the share capital and reserves of the Company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting;
> the working capital of the Company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
> the directors have passed a resolution authorising the repurchase, resolving that the Company and its subsidiary/ies, as the case may be, have satisfied the solvency and liquidity test as defined in the Companies Act and since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group.

Pursuant to and in terms of paragraphs 11.23 and 11.26 of the Listings Requirements, the directors of the Company hereby state that:

> the intention of the Company and its subsidiaries is to utilise the general authority to repurchase, if at some future date the cash resources of the Company are in excess of its requirements; 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 136
> Share capital of the Company page 136

Directors' responsibility statement

The directors, whose names are given on pages 6 to 10 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 2016 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.

8. ORDINARY RESOLUTION 6 – AUTHORITY TO ISSUE ORDINARY SHARES

"Resolved that, in terms of the Listings Requirements, the MOI and the Companies Act, the authorised but unissued ordinary shares be and are hereby placed under the control of the directors by way of a general authority that shall remain valid until the next annual general meeting and the directors authorised to allot and issue those shares at their discretion, which authority shall include the authority to issue any option/convertible securities that are convertible into ordinary shares, provided that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% of the issued share capital at 30 June 2016."

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.

9. ORDINARY RESOLUTION 7 – AUTHORITY TO ISSUE SHARES FOR CASH

"Resolved that, the directors of the Company be and are hereby authorised by way of a general authority, to allot and issue any of the Company's unissued shares placed under their control for cash, as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements, and subject to the proviso that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% of the issued share capital at 30 June 2016, 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% 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.

10. ORDINARY RESOLUTION 8 – AUTHORITY TO ISSUE NON-REDEEMABLE PREFERENCE SHARES

"Resolved that, in terms of the Listings Requirements, the MOI and the Companies Act, the authorised but unissued non-redeemable cumulative, non-participating preference shares be and are hereby placed under the control of the directors and the directors are authorised to allot and issue those shares at their discretion, provided that no more than 5 000 000 (five million) non-redeemable preference shares in aggregate may be issued in terms of this authority."

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

11. SPECIAL RESOLUTION 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, except any director of the company, for such amounts and on such terms and conditions as the board of the Company may determine for the purpose of or in connection with the subscription for securities to be issued by the company or any related and inter-related companies or for the purchase of securities of the Company or related and inter-related Companies, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

Reason

Imperial is from time to time, as an essential part of conducting its business, required to provide direct or indirect financial assistance in the form of loans, guarantees, the provision of security or otherwise as contemplated in section 44 of the Companies Act for the purpose of or in connection with the subscription for securities to be issued by the Company or related and inter-related companies or for the purchase of securities of the Company or related and inter-related companies. The financial assistance is generally provided in the form of guarantees to capital market investors who invest in bonds and other financial instruments issued by subsidiaries of the Company.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to subscribe for such securities and Imperial seeks approval for the board of the Company until the next annual general meeting to authorise the provision by the Company of financial assistance to investors in securities to be issued by the Company or related and inter-related companies as contemplated in section 44 of the Companies Act. The financial assistance will be provided as part of the day-to-day operations of the Company in the normal course of its business and in accordance with its MOI and the provisions of the Companies Act.

Approval is not sought for loans to directors and no such financial assistance will be provided under this authority.

Effect

Special resolution 3 will grant the directors of the Company the authority until the next annual general meeting to authorise the provision by the Company of financial assistance as contemplated in section 44 of the Companies Act.

Compliance with section 44(3)(b)

The directors of Imperial will, in accordance with the Companies Act, ensure that financial assistance is only provided if the requirements of that section are satisfied, inter alia, that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test set out in section 4(1) of the Companies Act.

Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

12. SPECIAL RESOLUTION 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 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. SPECIAL RESOLUTION 5 – AMENDMENT TO THE COMPANY'S MEMORANDUM OF INCORPORATION

"Resolved that the Company's MOI shall be amended in respect of fraction entitlement, by the replacement of clause 6.3 with the following:

"All allocations of Shares will be rounded down resulting in allocations of whole Shares and no fractional Shares. In the event that any allocation would have resulted in a fractional Share but for the provisions of this article, the fraction will be treated in line with the provisions of the JSE Listings Requirements, as amended from time to time."

Reason

The Company wishes to amend its MOI by providing for the allocation of shares and aligning the treatment of fractional entitlements with the provisions of the JSE Listings Requirements.

Effect

The Company's Memorandum of Incorporation will be amended and align the treatment of fractional entitlements with the provisions of the JSE Listings Requirements, which currently provide that fractional entitlements shall be paid out in cash.

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.

Copies of the amended MOI will be available for inspection at the registered office of Imperial during normal business hours on any weekday from Monday, 3 October 2016 to and including Tuesday, 1 November 2016.

14. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING OF SHAREHOLDERS

Voting and proxies

A shareholder, holding shares in a certificated form or has dematerialised their shares with "own name" registration, entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. For the convenience of registered certificated shareholders or shareholders who have dematerialised their shares with own name registration, a form of proxy is attached hereto. Duly completed forms of proxy must be lodged at the registered office of the Company or at the transfer secretaries at the addresses below by no later than 09:00 on Friday, 28 October 2016.

Every person present and entitled to vote at the annual general meeting shall, on a show of hands, have one vote only, and on a poll, shall have one vote for every ordinary share held or represented.

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification.

Shareholders' rights regarding proxies in terms of section 58 of the Companies Act are as follows:

(1) At any time, a shareholder of a Company may appoint any individual, including an individual who is not a shareholder of that Company, as a proxy to:
- (a) participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or
- (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

(2) A proxy appointment:
- (a) must be in writing, dated and signed by the shareholder; and
- (b) remains valid for:
  - (i) one year after the date on which it was signed; or
  - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in sub-section (4)(c), or expires earlier as contemplated in sub-section (8)(d).

(3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
- (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
- (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
- (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

(4) Irrespective of the form of instrument used to appoint a proxy:
- (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
- (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
- (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - (ii) delivering a copy of the revocation instrument to the proxy, and to the company.

(5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
- (a) the date stated in the revocation instrument, if any; or
- (b) the date on which the revocation instrument was delivered as required in sub-section (4)(c)(ii).

(6) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy otherwise provides.

Shareholders who have dematerialised their shares and have not selected own name registration must advise their CSDP or broker of their voting instructions should they be unable to attend the annual general meeting but wish to be represented thereat. Dematerialised shareholders without own name registration should contact their CSDP or broker with regard to the cut-off time for their voting instructions. If, however, such members wish to attend the annual general meeting in person, then they will need to request their CSDP or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between the dematerialised shareholder and their CSDP or broker.

By order of the board

RA Venter
Company secretary
22 August 2016

FORM OF PROXY

Imperial Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1946/021048/06)
Share Code: IPL
ISIN: ZAE000067211
("Imperial" or the "Company")

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders (other than with "own name" registration) should provide instructions to their appointed CSDP or broker in the form stipulated in the custody agreement entered into between the shareholder and their CSDP or broker.

An ordinary shareholder entitled to attend and vote at the annual general meeting to be held in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng on Tuesday, 1 November 2016 at 09:00 (the "AGM"), is entitled to appoint a proxy to attend, speak or vote thereat in his/her stead. A proxy need not be a shareholder of the Company.

All forms of proxy must be lodged at the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 11th Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 09:00 on Friday, 28 October 2016.

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 resolutions to be considered at the AGM.

				Number of votes (one per share)		
				In favour of	Against	Abstain
1.	Ordinary Resolution 1 – Financial Statements					
2.	Ordinary Resolution 2 – Appointment of auditors					
3.	Ordinary Resolution 3 – Appointment of audit committee					
	Ordinary Resolution 3.1 – M Kgosana					
	Ordinary Resolution 3.2 – GW Dempster					
	Ordinary Resolution 3.3 – T Dingaan					
	Ordinary Resolution 3.4 – P Langeni					
	Ordinary Resolution 3.5 – RJA Sparks					
	Ordinary Resolution 3.6 – Y Waja					
4.	Ordinary Resolution 4 – Re-appointment of directors					
	Ordinary Resolution 4.1 – Re-appointment MJ Lamberti					
	Ordinary Resolution 4.2 – Re-appointment P Langeni					
	Ordinary Resolution 4.3 – Re-appointment PB Michaux					
	Ordinary Resolution 4.4 – Re-appointment RJA Sparks					
	Ordinary Resolution 4.5 – Re-appointment A Tugendhaft					
5.	Ordinary Resolution 5 – Confirmation of remuneration policy					
6.	Special Resolution 1 – Directors' fees					
		Fee from 1 July 2016 to 30 June 2017	Fee from 1 July 2017 to 30 June 2018			
6.1	Chairperson	R884 000	R937 000			
6.2	Deputy chairperson and lead independent director	R442 000	R468 500			
6.3	Board member	R253 000	R268 000			
6.4	Assets and liabilities committee chairperson	R161 000	R170 500			
6.5	Assets and liabilities committee member	R107 000	R113 500			
6.6	Audit committee chairperson	R334 000	R354 000			
6.7	Audit committee member	R166 500	R176 500			
6.8	Investment committee chairperson	R334 000	R354 000			
6.9	Investment committee member	R166 500	R176 500			
6.10	Risk committee chairman	R161 000	R170 500			
6.11	Risk committee member	R107 000	R113 500			
6.12	Remuneration committee chairperson	R120 500	R128 000			
6.13	Remuneration committee member	R79 500	R84 500			
6.14	Nomination committee chairperson	R120 500	R128 000			
6.15	Nomination committee member	R79 500	R84 500			
6.16	Social, ethics and sustainability committee chairperson	R161 000	R170 500			
6.17	Social, ethics and sustainability committee member	R107 000	R113 500			
7.	Special Resolution 2 – General authority to repurchase Company shares					
8.	Ordinary Resolution 6 – Authority over unissued ordinary shares					
9.	Ordinary Resolution 7 – Authority to issue shares for cash					
10.	Ordinary Resolution 8 – Authority over unissued preference shares					
11.	Special Resolution 3 – Authority to provide financial assistance – s44					
12.	Special Resolution 4 – Authority to provide financial assistance – s45					
13.	Special Resolution 5 – Amendment of the MOI					

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 annual general 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 2016

Signature

Assisted by (where applicable)

Notes to the form of proxy

1. A shareholder may insert the names of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.
2. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded with the Company's transfer secretaries.
3. Proxies must be lodged at or posted to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:00 on Friday, 28 October 2016.
4. The completion and lodging of this proxy shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

The chairman of the annual general meeting may reject or accept a proxy which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

CORPORATE INFORMATION

NON-EXECUTIVE DIRECTORS (AS AT 30 JUNE 2016)

SP Kana* (chairman)
P Cooper*
GW Dempster*
T Dingaan*
RM Kgosana*
P Langeni*
MV Moosa
RJA Sparks*
A Tugendhaft
Y Waja*
** Independent*

EXECUTIVE DIRECTORS

MJ Lamberti (chief executive officer)
OS Arbee (chief financial officer)
MP de Canha
PB Michaux
M Swanepoel

Group internal audit executive

G Nzalo: BCom, CA(SA), CIA

Group treasurer

WF Reitsma: BTech Banking, MCom, FIBSA, CAIB, PBSA, FIFM

Group legal advisor and company secretary

RA Venter: BCom, LLB, LLM

Group investor relations manager

E Mansingh: BA
email: emansingh@ih.co.za

Group head of risk

BJ Francis: BCompt (Hons), CIA, MBA (IE)

Group head of sustainability

MR Sharfuddin: BBA, IMP (Insead)

Business address and registered office

Imperial Place
Jeppe Quondam
79 Boeing Road East
Bedfordview
2007

Postal address and contact numbers

PO Box 3013
Edenvale
1610

Telephone +27 (0) 11 372 6500
Facsimile +27 (0) 11 372 6550

Name and registration number

Imperial Holdings Limited
1946/021048/06

Share transfer secretaries

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107

Telephone +27 (0)11 370 5000
Facsimile +27 (0)11 370 5487

Sponsor

Merryl Lynch SA (Pty) Limited
The Place
1 Sandton Drive
Sandton
2196

Website

www.imperial.co.za

Email

info@ih.co.za

JSE information

Ordinary share code: IPL
ISIN: ZAE000067211
Preference share code: IPLP
ISIN: ZAE000088076

Shareholders' diary

Final dividend payment:	26 September 2016
Annual general meeting:	1 November 2016
Interim results released:	21 February 2017
Final results released:	22 August 2017

IMPERIAL PLACE
JEPPE QUONDAM
79 BOEING ROAD EAST
BEDFORDVIEW
2007

PO BOX 3013
EDENVALE
1610
SOUTH AFRICA

WWW.IMPERIAL.CO.ZA