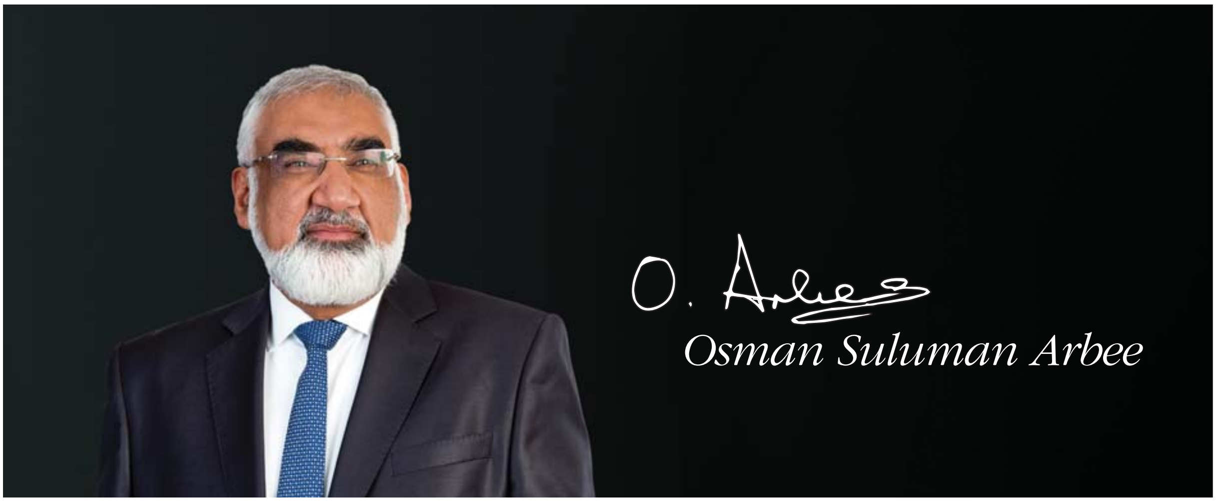
– Chief financial officer's report –

"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