

## – ABOUT IMPERIAL –

*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.*

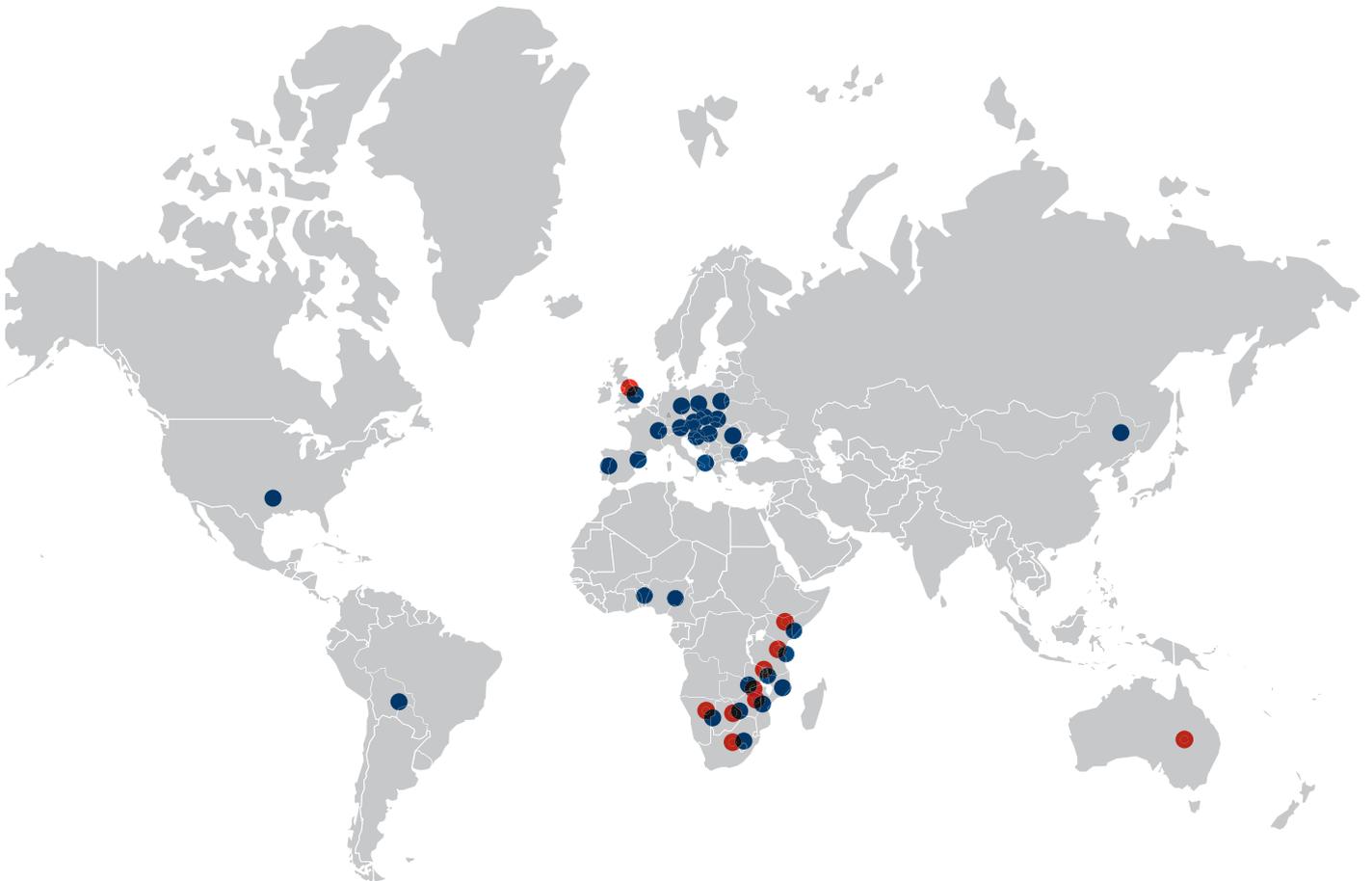
IMPERIAL EMPLOYS OVER **51 000** PEOPLE WHO  
GENERATE ANNUAL REVENUES IN EXCESS OF

**R118 BILLION**

MAINLY IN AFRICA AND EUROPE.

— Where we are —

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



Map key



22% Logistics – Africa  
 17% Logistics – International  
 23% Vehicle Import, Distribution and Dealerships  
 34% Vehicle Retail, Rental and Aftermarket Parts  
 4% Financial Services



23% Logistics – Africa  
 15% Logistics – International  
 18% Vehicle Import, Distribution and Dealerships  
 26% Vehicle Retail, Rental and Aftermarket Parts  
 18% Financial Services

# Before head office and eliminations.

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

# – OUR STRATEGY –

for value creation

## STRATEGIES

### 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.

### 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.

### 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.

### 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.

### 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.

## OBJECTIVES

- > 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.

- > 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.

- > Provide guidelines on desired sectors and available capital.

- > 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.

- > 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.

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

- > 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.

- > 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.

- > Detailed review of strategies and three-year forecasts by executive committee and board.

- > 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.

- > 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.

## PROGRESS IN 2016

- > 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.

- > 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.

- > 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.

- > 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.

- > 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.

## 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.

## 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 FULFILLMENT

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



### SUPPLY CHAIN INTEGRATION

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

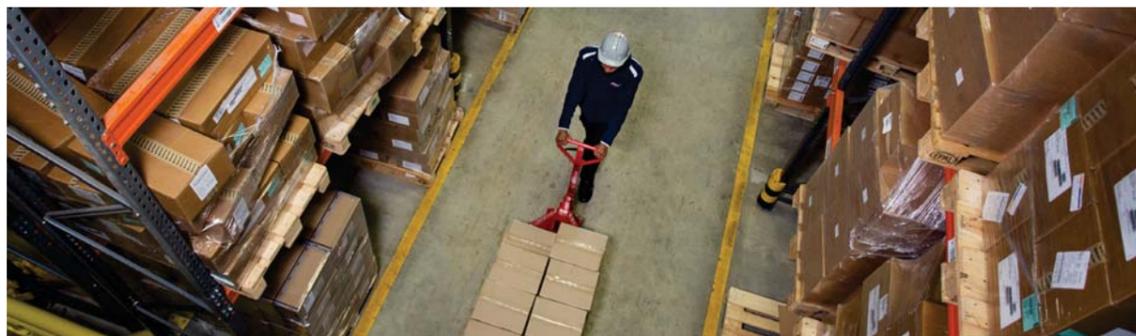
#### WE CREATE VALUE THROUGH:

- > 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 SUPPLY CHAIN

The supply chains for the business lines we serve are complex, drawing on a large network of business relationships. Our role in the supply chain varies according to the business line and the sector or client served. In the logistics supply chain, our role is typically to transport goods from one part of a client's business to another, or between our clients and their suppliers or clients. We provide an end-to-end service offering, with tangible value-add through a fully-integrated supply chain. In our European operations, we provide contract manufacturing and related value-added services to the chemical industry.

During 2016, the Imperial group spent R93 billion (2015: R86 billion) on the procurement of goods and services from suppliers. In terms of local procurement in South Africa, and in line with our commitment to transformation, preference is given to black-owned suppliers where feasible.

 More information on the Imperial group can be found in the our business section of the Integrated Annual Report on pages 1 to 33.

